Simpson Thacher

Memorandum

EU Securitisation Reforms – May 2026

May 12, 2026

Background

On 5 May 2026, the European Parliament (the "**Parliament**") voted in favour of certain reforms to the Regulation (EU) 2017/2402[1] (the "**Securitisation Regulation**") (the "**Reforms**")[2]. The Reforms build on proposals originally put forward by the European Commission (the "**Commission**") and on the general approach adopted by the Council of the European Union (the "**Council**").

European funds, to the extent that they qualify as "institutional investors" under the Securitisation Regulation, are subject to a requirement only to invest in EU compliant securitisations. It also impacts the ability of funds which qualify as "institutional investors" to invest in other funds that might invest in non-compliant securitisations, because the restriction under the Securitisation Regulation is not to have an "exposure" to non-compliant securitisations.

Broadly speaking, to be EU compliant, a securitisation has to meet (i) EU risk retention and (ii) EU template reporting/disclosure requirements. Practically, this tends to rule out U.S. securitisations, because they are not EU compliant unless they have specifically been structured with EU distribution in mind (which often is not the case). The sticking point for U.S. securitisations tends to be satisfying the strict EU template disclosure and reporting requirements, although there is an increasing number of service providers who will provide that reporting. In some cases, the risk retention of a U.S. securitisation is not EU compliant (for example, the "L-shaped" retention method, although such method is a rarely used retention method in practice).

There has been market lobbying for some time to make these requirements more outcomes-based or substituted compliance, to make it easier for non-EU securitisations to be treated as EU compliant.

[1] Regulation - 2017/2402 - EN - securitisation regulation - EUR-Lex

[2] Securitisation: maintaining transparency and investor protection, reducing costs | News | European Parliament

Procedure File: 2025/0826(COD) | Legislative Observatory | European Parliament

Procedure File: 2025/0825(COD) | Legislative Observatory | European Parliament

What Are the Reforms Voted on by Parliament?

The principal Reforms voted on by the Parliament, and their implications, are summarised below.

DUE DILIGENCE REQUIREMENTS

The Reforms relating to the due diligence requirements address increased emphasis on proportionality to reduce the cost for EU institutional investors (particularly for low-risk securitisations), a proposal for simplified due diligence for repeat transactions, and, most significantly, removing the requirement for third-country securitisation issuers to use the EU/European Securities and Markets Authority disclosure templates. Instead, EU institutional investors must verify that the information provided by third-country issuers is "substantially equivalent" to EU transparency standards.

The template change is broadly consistent with aspects of existing market practice: in many third-country securitisations, non-EU issuers and sponsors do not, in practice, report on the EU templates, with third-party reporting agents or the EU institutional investors themselves often completing such templates instead based on information provided by the non-EU issuer or sponsor.

This still in practice imposes a substantive due diligence requirement on an EU fund in terms of obtaining information to satisfy EU standards. In our view, it is possible that market participants will eventually view U.S. market standard securitisation (*i.e.* with market-standard, full disclosure from a U.S. expectation) as "substantially equivalent." This may also be easier to conclude in respect of private securitisations, as under the Reforms the disclosure templates for EU private securitisations are being simplified compared to the public equivalents.

Importantly, these Reforms do not remove the structural disadvantage EU institutional investors face relative to non-EU investors when investing in third-country securitisations—EU institutional investors remain subject to due diligence obligations, albeit in a slightly simplified form.

What remains to be seen is whether the EU will set any specific criteria around the meaning of "substantially equivalent" (particularly in the Level 2 text). At the moment, it is therefore not possible to say how helpful or not this change will be in terms of facilitating the investment by EU funds in U.S. securitisations. This may prove to be a lobbying point, to avoid a situation where such a lack of clarity or flexibility means that the market is forced to default to the templates as being the only way to get comfortable.

It is also worth noting that the EU risk retention requirements are not changing via the Reforms and that EU risk retention requirements do sometimes raise compliance issues in the context of U.S. securitisations.

STATUS OF THE REFORMS

The proposed Reforms were passed by the Parliament on 5 May 2026. The final text of the proposed amendments relating to the Reforms is not yet available and remains subject to negotiation between the Parliament and the Council in trilogue. The Reforms are not expected to be effective until around June 2027.

If the text stays the same, then it should give EU institutional investors more flexibility to get comfortable that U.S. securitisations are compliant, and so for EU funds to invest in them (both directly, and via investing into funds that have exposure to non-compliant securitisations). The question mark is whether the EU will set a particular bar around how to assess the new concept of "substantially equivalent." How flexible this might all be (and how much of the U.S. securitisation market is opened up as a result) remains unknown.

We will continue to monitor developments in this space.

For further information regarding this memorandum, please contact one of the following authors:

LONDON

Richard Hanson
+44-(0)20-7275-6550
richard.hanson@stblaw.com

Julius Rogenhofer
+44-(0)20-7275-4051
julius.rogenhofer@stblaw.com

Eileen Tjhia
+44-(0)20-7275-6357
eileen.tjhia@stblaw.com

The contents of this publication are for informational purposes only. Neither this publication nor the lawyers who authored it are rendering legal or other professional advice or opinions on specific facts or matters, nor does the distribution of this publication to any person constitute the establishment of an attorney-client relationship. Simpson Thacher & Bartlett LLP assumes no liability in connection with the use of this publication. Please contact your relationship partner if we can be of assistance regarding these important developments. The names and office locations of all of our partners, as well as our recent memoranda, can be obtained from our website, www.simpsonthacher.com.