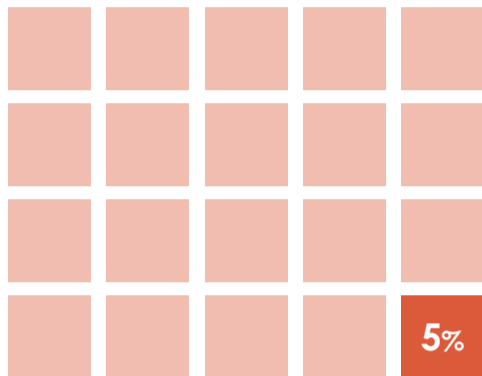


# New securitization frameworks for the EU

As part of the Capital Markets Union action plan, on Dec. 12, 2017, the European Parliament and the Council issued the regulation laying down both a general framework for securitization and a specific framework for simple, transparent and standardized (STS) securitization. The following are some key aspects of these new frameworks.



## Risk retention

The regulation keeps the required level of retention of **net economic risk** of not less than 5% in the securitization, and discloses the risk retention to investors. The retention requirement now comprises an indirect obligation on all "institutional investors" to ensure retention requirements are met before they invest in a securitization position.

## New STS criteria

The criteria for a securitization to qualify as "**simple, transparent and standardized**" include:

- 1



Must comprise a homogenous asset pool.
- 2



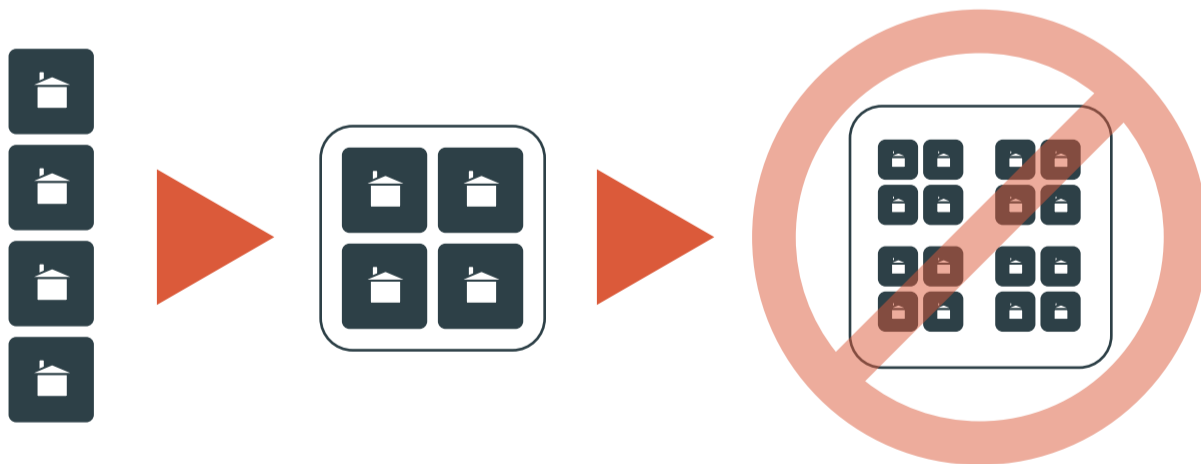
No active discretionary portfolio management.
- 3



No transferable securities (other than corporate bonds that are not listed on a trading venue) in the underlying exposures.

## Re-securitizations prohibited

Re-securitizations are prohibited under Article 8 of the regulations, except when implemented to facilitate a winding-up of an institution, its continuance as a going concern or preservation of the position of investors where the underlying exposure is nonperforming.



## Significant sanctions

Member states are required to implement administrative sanctions for infringements, such as a public statement, an order requiring the infringer to cease and desist the infringing conduct, or a fine.


**Fines of up to €5,000,000** OR **10%** OR at least **2x**  
of annual net turnover the benefit derived from the infringement