ICMA
International Capital Market Association

EU Savings and Investment Union: securitisation aspects

As part of the implementation of the Savings and Investment Union (SIU) strategy, the European Commission published its targeted consultation on integration of EU capital markets. The consultation questioned, among other things, whether the current 10% acquisition limit for debt securities in a single issuing body imposed under Article 56 of the UCITS Directive 2009/65/EC (UCITS Directive) remains appropriate in the context of securitisation. This issue is addressed in Questions 55 to 58 of the consultation. ICMA responded to these securitisation questions as a part of its overall response submitted on 10 June.

Through engagement with members, it became evident that members had very different views as to how to respond to these securitisation questions. After much consideration, members agreed to respond to the questions as set out below.

No overall consensus on amendment of 10% threshold

Members chose not to respond to Question 55 on whether Article 56(2)(b) of the UCITS Directive should be amended to allow UCITS funds to invest more than 10% in an issue of a single securitisation as there was no consensus on this question.

Strong support for UCITS brand and some support for targeted change of 10% threshold

The largest part of ICMA's response came under Question 56, which asked if there are any additional concerns or drawbacks associated with increasing this threshold. Members wanted to highlight that they believe the current UCITS framework is well-respected, should be preserved, is internationally regarded for its sound risk management standards, and concentration limits have a significant role to play in that regard.

However, some members commented that the 10% acquisition limit for debt securities in a single issuing body imposed under Article 56 of the UCITS Directive hinders their ability to make larger allocations when investing in a securitisation and made the following comments:

- *Corporate debt versus securitisation:* UCITS mutual funds that buy corporate debt do not usually encounter a problem with the 10% acquisition limit because corporate debt issuance is typically large, often running into billions. However, securitisation issuance is much smaller; as the average securitisation issuance is €300 million, UCITS mutual funds can only invest €30 million per securitisation under the current limit. This restriction is particularly burdensome for some funds; it complicates liquidity management and limits investment and diversification opportunities for end-clients. Moreover, it drives more UCITS investments towards unsecured corporate credit with higher risk of defaults, less protections and lower rates of return compared to securitisation.

  Importantly, from a policy rationale perspective, the UCITS 10% limit was not designed with securitisations in mind as the limit was imposed two years before the first securitisation occurred in Europe. The rule's aim is to prevent UCITS funds from exerting control over a "single issuing body". However, concerns about undue investor influence over a securitisation issuer are irrelevant as securitisation vehicles are dedicated pass-through entities that typically only issue securities to the market one time and do not have a broader corporate strategy for an investor to exert influence over. (Q55.1.)

- *Options for targeted change without re-opening of UCITS Directive:* Members have strong concerns that amending Article 56(2)(b) could lead to the wider re-opening of the UCITS Directive framework, which could be a long process and could result in other unnecessary and unwanted changes. For that reason, ICMA highlighted two options which do not require a wider re-opening of the UCITS Directive for the Commission's awareness, although there was no member consensus on which option to support.

- *Option 1* is to introduce a targeted amendment to Article 56 excluding securitisations from the 10% limit via amendments to the EU Securitisation Regulation (Regulation (EU) 2017/2402, or SECR). This could be done in the context of the wider securitisation reforms on which legislation proposals from the European Commission were expected this summer. (These were published on 17 June, see *Next Steps* below). That is, the required targeted amendment to Article 56 exempting securitisations could be introduced in a similar way to how the UCITS Directive was amended previously when the SECR came into force (see Article 58 of SECR which amended Directive 2009/65/EC by introducing a new Article 50a relating to consequences of non-compliance with SECR requirements).

- *Option 2* is clarifying via a Level 3 Q&A that the reference to "single issuing body" in Article 56 does not include securitisations, thus excluding securitisations from the acquisition limit in Article 56.

  As noted above, a securitisation vehicle is not an issuer with the implication of a strong concentration risk which the term "issuing body" was intended to capture. For example, mainstream debt issuers commonly issue different types of debt securities from the same or a single issuing entity under stand-alone bond issuances or bond programmes. In practice, this means that the 10% acquisition limit is calculated by reference to all debt securities that may be issued by the mainstream debt issuer, allowing investors to spread their risk across multiple securities from a single issuer, making it easier to meet investment targets and maintain portfolio balance. This contrasts with the securitisation market, where securitisation special purpose entities (SSPE) programmatic issuers are not very common and instead the majority of securitisations are issued as stand-alone transactions by new SSPE issuers. By their nature, many securitisations have diversified pools of underlying loans, thus mitigating the risk of overexposure to a single issuer. The smaller size of securitisation transactions compared to corporate bonds, combined with the inherent risk-mitigating features, including amortisation (which results in a gradual reduction of securitisation positions over time), exacerbates the punitive effects of the 10% limit. By lifting this restriction, EU policy makers could facilitate greater participation in the securitisation market, ultimately fostering a more robust and dynamic financial ecosystem that benefits both investors and the broader economy.

- *Existing concentration limits continue to apply:* If there are concerns about concentration of investments by UCITS funds should the 10% threshold be no longer applicable for SSPEs, such concerns should already be addressed by the existing UCITS mutual fund-level concentration limits that will continue to apply, ensuring that no single investment can dominate a fund's exposure.

Liquidity concerns

Question 57 asked if the 10% issuer limit impacts the liquidity management of funds. ICMA responded that UCITS funds are highly regulated and subject to a range of concentration rules and diversification limits; these include the UCITS 5/10/40 rule in Article 52(2) of the UCITS Directive which provides that no single asset can represent more than 10% of the fund's assets, and holdings of more than 5% cannot in aggregate exceed 40% of the fund's assets. Members consider these existing concentration rules and diversification limits to be important guardrails for fund managers in managing the liquidity of UCITS funds.

Accordingly, members do not consider that the 10% issuer limit in Article 56(2) (b) of the UCITS Directive impacts the liquidity management of funds. There are other UCITS rules, which fund managers must comply with, that are intended to, and help to, ensure the effective liquidity management of UCITS funds.

Potential cost savings

Question 58 asked what potential cost savings fund managers could realise from relaxing this limit. In this regard, some members believe portfolio management would become easier and therefore less costly by increasing limits. It would enable fund managers to make larger investments in securitisations, and this simplifies portfolio management by reducing the complexities of handling many smaller investments and improving overall fund liquidity. Smaller asset managers, that often encounter barriers to entry due to high costs, would be able to focus on fewer, larger investments, allowing them to accumulate assets more effectively and compete with larger firms. As the securitisation market grows with the involvement of more participants, the market would benefit from increased liquidity and better buying opportunities for all market participants, including smaller mutual funds.

Next steps

On 17 June 2025, the European Commission proposed a package of measures to revive the EU securitisation framework. In one of its measures, the *Proposal for Amendments to the Securitisation Regulation,* the Commission stated that it is considering amending the 10% acquisition limit in the context of the upcoming overall review of the UCITS Directive. Hence the Commission has not followed Option 1 described above, as it did not amend the 10% threshold as a part of this package of measures. It remains to be seen if the Commission follows Option 2 or engages in a wider review of the UCITS Directive which members do not believe is the best course of action.

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