EXPLANATORY MEMORANDUM TO

THE SECURITISATION (AMENDMENT AND MISCELLANEOUS PROVISIONS) REGULATIONS 2026

2026 No. [XXXX]

1. Introduction

1.1 This Explanatory Memorandum has been prepared by HM Treasury and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Lucy Rigby, Economic Secretary to the Treasury, confirms that this Explanatory Memorandum meets the required standard.

2.2 James Fairburn, Deputy Director for Financial Stability Strategy and Analysis at HM Treasury, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Deeven Seyan at HM Treasury can be contacted by email at the following address with any queries regarding the instrument: Deeven.seyan@hmtreasury.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument amends the Securitisation Regulations 2024 (S.I. 2024/102) ("the Securitisation Regulations") and makes consequential amendments.

4.2 It omits Part 5 of the Securitisation Regulations, which contained provision regulating securitisation repositories.

4.3 The instrument also omits the detailed requirements on trustees and managers of occupational pension schemes that invest in securitisations from Part 7 of the Securitisation Regulations and instead provides that the trustees and manages must comply with relevant due-diligence rules made by the FCA.

4.4 The instrument omits the specific duty at regulation 33 of the Securitisation Regulations, which required the FCA and PRA to make general due-diligence rules, and instead provides that rules made by the FCA using its underlying rule-making powers are "FCA due-diligence rules" if they relate to due-diligence requirements for institutional investors in relation to securitisations.

4.5 The FCA's duty under regulation 34 of the Securitisation Regulations to make due-diligence rules for small registered UK alternative investment fund managers is replaced with a power to make such rules.

4.6 The instrument makes related and consequential amendments, including applying provisions of the Financial Services and Markets Act 2000 to rules made under regulation 34(1) of the Securitisation Regulations, and makes further consequential amendments, including to the Financial Services Act 2012 (Relevant Functions in relation to Complaints Scheme) Order 2014 (S.I. 2024/1195) ("the 2014 Order").

Where does the legislation extend to, and apply?

4.7 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland and Northern Ireland.

4.8 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland and Northern Ireland.

5. Policy Context

What is being done and why?

5.1 Securitisation is a process through which the credit risk associated with loans or other financial assets is divided and allocated to different parties. It can help banks and other lenders free up capital to support lending to households and businesses. It can also give investors access to diversified exposures. A proportionate and internationally competitive securitisation regime therefore supports the Government's wider objectives for UK capital markets, growth and competitiveness.

5.2 Market participants have said that some aspects of the current securitisation regime are overly prescriptive, costly and operationally complex. In particular, concerns have been raised about the use of prescriptive templates and the obligation to report to those securitisation repositories. They also objected to the detailed, product-specific due-diligence requirements that apply to institutional investors.

5.3 This instrument responds to those concerns by removing the statutory securitisation repository regime and simplifying the statutory framework for investor due-diligence. It removes the statutory duty for the FCA and PRA to make general due-diligence rules under regulation 33, while preserving their underlying rule-making powers. It also enables the due-diligence rules applying to occupational pension scheme trustees and managers to be set out in the FCA handbook rather than in the Securitisation Regulations themselves.

5.4 The changes are intended to simplify the legislative framework, remove provisions that are no longer required and reduce unnecessary compliance costs. They will allow the FCA to determine through its rules what reporting, disclosure and due-diligence requirements are appropriate, by requiring occupational pension scheme trustees and managers to comply with the relevant FCA due-diligence rules. The changes are also intended to ensure that the requirements applying to occupational pension schemes remain aligned with those applying to institutional investors. As set out in Regulation 36A of the Securitisation Regulations, monitoring and enforcement of these rules will remain the responsibility of The Pensions Regulator (TPR). In brief, the instrument does not make occupational pension schemes subject to the FCA's rulemaking,

supervisory or enforcement powers; rather, it only amends the Securitisation Regulations to require trustees and managers to comply with due-diligence requirements set out in FCA rules.

What was the previous policy, how is this different?

5.5 The Securitisation Regulations, themselves set out detailed due-diligence requirements for certain institutional investors, including trustees and managers of occupational pension schemes. The Regulations also required the FCA and PRA to make general rules relating to the due-diligence requirements of relevant institutional investors.

5.6 The instrument removes the statutory regime for securitisation repositories. This will enable the FCA and PRA to determine through its rules the appropriate framework for securitisation reporting and disclosure, rather than the legislation continuing to require the use of securitisation repositories. This will provide greater flexibility to respond to developments in the securitisation market, while ensuring investors continue to have access to the information they need to make investment decisions.

5.7 The instrument also removes the statutory duty requiring the FCA and PRA to make general due-diligence rules, while preserving their underlying rule-making powers. For occupational pension schemes, the detailed requirements currently set out in the Securitisation Regulations are replaced with a requirement to comply with the relevant FCA due-diligence rules set out in the FCA Handbook. This will allow the substantive requirements applying to occupational pension schemes to remain aligned with the FCA's due-diligence requirements for institutional investors.

5.8 The FCA and PRA have consulted on proposed changes to their securitisation rules. Those changes are separate from this instrument but are facilitated, in part, by the legislative amendments made by it. The detailed reporting, disclosure and due-diligence requirements will therefore principally be set out in FCA and PRA rules rather than in the Securitisation Regulations themselves.

6. Legislative and Legal Context

How has the law changed?

6.1 Regulation 2 amends the 2014 Order to exclude the FCA's and PRA's functions of issuing statements of policy under regulation 46 of the Securitisation Regulations from the complaints scheme. It also makes a consequential amendment following the omission of regulation 22 of the Securitisation Regulations.

6.2 Regulation 3 removes provisions in the Securitisation Regulations relating to securitisation repositories, including Part 5, related monitoring and enforcement provisions, provisions applying the Financial Services and Markets Act 2000 in relation to securitisation repositories, and related transitional provisions. The existing due-diligence requirements for trustees and managers of occupational pension schemes that are not the originator, sponsor or original lender are replaced with a new

provision, set out in regulation 32B. The new regulation requires them to comply with the relevant FCA due-diligence rules before holding, and while holding, a securitisation position. The detailed due-diligence requirements will therefore be set out in FCA rules rather than in the Securitisation Regulations themselves.

6.3 Regulation 3 removes the statutory obligation for the FCA and PRA to make general rules relating to the due-diligence requirements of institutional investors while preserving their underlying rule-making powers. It also changes the FCA's obligation to make due-diligence rules for small, registered UK alternative investment fund managers into a power to make such rules.

Why was this approach taken to change the law?

6.4 A statutory instrument is required because the changes involve amendments to the Securitisation Regulations and the 2014 Order. The amendments can be made using the existing powers in the Financial Services and Markets Act 2023 and the Financial Services Act 2012 and do not require primary legislation.

6.5 The approach removes provisions that are no longer required and simplifies the legislative framework by allowing the detailed due-diligence requirements, to be set out in FCA rules rather than continuing to prescribe those requirements in legislation. It also removes statutory duties requiring the FCA and PRA to make due-diligence rules where the regulators already have the relevant rule-making powers.

6.6 In relation to occupational pension schemes, the approach enables their securitisation due-diligence requirements to be aligned with the relevant FCA due-diligence rules while retaining the statutory obligation on trustees and managers to comply with due-diligence requirements.

7. Consultation

Summary of consultation outcome and methodology

7.1 The Government has engaged with the FCA, the PRA and relevant stakeholders in developing this instrument. Stakeholder feedback indicated that the statutory requirements relating to securitisation repositories and the detailed, product-specific due-diligence requirements for institutional investors can be costly, operationally complex and disproportionate.

7.2 The FCA has consulted separately on proposed changes to its securitisation rules, including the detailed reporting, disclosure and due-diligence requirements that may apply under the amended statutory framework. This instrument does not itself set those detailed requirements. Responses to the FCA's consultation will inform the development of the future regulatory framework.

7.3 Financial services policy is a reserved matter.

8. Applicable Guidance

8.1 There is no applicable guidance.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because the precise impact is dependent on the relevant FCA rules. A de minimis Impact Assessment has been prepared and will be published alongside the Explanatory Memorandum on the legislation.gov.uk website.

Impact on businesses, charities and voluntary bodies

9.2 There is no significant ongoing impact on business, charities or voluntary bodies. The direct costs to business are expected to be minimal and limited to one-off familiarisation costs associated with reading and understanding the instrument. Annual direct costs to business are expected to be zero, and total direct costs over ten years are expected to be negligible.

9.3 There is no significant impact on small or micro businesses, as the instrument applies to banks and investment firms rather than small or micro entities.

9.4 There is no significant impact on the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 As with all legislation, the Government will keep it under review.

10.2 However, as this Statutory Instrument does not introduce new regulatory requirements on businesses, it does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Economic Secretary to the Treasury (Lucy Rigby) has made the following statement regarding Human Rights:
"In my view the provisions of the Securitisation (Amendment and Miscellaneous Provisions) Regulations 2026 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").

13.2 It does relate to the withdrawal of the United Kingdom from the European Union as it forms part of the process of revoking assimilated law from legislation.