**EXPLANATORY MEMORANDUM TO**

**THE SECURITISATION (AMENDMENT) (NO. 2) REGULATIONS 2024**

**2024 No. 1202**

## 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 Tulip Siddiq MP, Economic Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Fayyaz Muneer, Deputy Director responsible for Prudential policy at HM Treasury confirms that this Explanatory Memorandum meets the required standard.

## 3. Contact

3.1 Jeanie Watson at HM Treasury email: Jeanie.Watson@hmtreasury.gov.uk can be contacted with any queries regarding the instrument.

## Part One: Explanation, and context, of the Instrument

## 4. Overview of the Instrument

***What does the legislation do?***

4.1 The legislation extends a temporary arrangement granting preferential prudential treatment for EU-origin Simple, Transparent, and Standardised (STS) securitisations. UK investors, where they are subject to prudential regulation, currently access lower capital requirements when investing in EU STS securitisations. This instrument extends the time by which such EU STS securitisations can enter the temporary arrangement, from its expiry date on 31 December 2024, to 30 June 2026.

***Where does the legislation extend to, and apply?***

4.2 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.

4.3 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 At present, UK investors in STS securitisations can benefit from preferential prudential treatment, whether those STS securitisations originate in the UK or the EU, due to a temporary arrangement. The time by which EU STS securitisations can enter the temporary arrangement will expire on 31 December 2024. If the temporary arrangement is not extended, new EU STS securitisations will not be able to access the temporary arrangement after 31 December 2024. Existing EU STS securitisations that already benefit from the temporary arrangement will continue to do so.

5.2 The government is aiming to provide continuity and certainty to investors, until a non-time-limited assessment is undertaken.

5.3 Extending the temporary arrangement is preferable to undertaking a non-time limited equivalence assessment by the end of 2024. This is because, EEA-EFTA states incorporated the Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 ("EU Securitisation Regulation"), into the EEA Agreement on 12 June 2024. This means that the three EEA-EFTA states will implement the EU Securitisation Regulation in their respective national legislation, indicatively during 2025.

5.4 It is preferable to undertake a single equivalence assessment at such a time when the European Union and the three EEA-EFTA states have implemented the EU Securitisation Regulation uniformly, to reach a single assessment outcome for the EEA.

***What was the previous policy, how is this different?***

5.5 Previously, the deadline by which EU STS securitisations had to access the temporary arrangement was 31 December 2024. This legislation extends the deadline to 30 June 2026. If this instrument is not laid, UK investors will face uncertainty and no longer qualify for preferential prudential treatment when investing in new EU-origin STS securitisations that have not accessed the temporary arrangement by 31 December 2024.

## 6. Legislative and Legal Context

***How has the law changed?***

6.1 This statutory instrument amends the Securitisation Regulations 2024 (S.I. 2024/102), to extend the deadline for EU STS securitisations to enter the temporary arrangement, from 31 December 2024 to 30 June 2026. This will ensure continuity in the current legal framework for EU STS securitisations.

***Why was this approach taken to change the law?***

6.2 The temporary extension was chosen to prevent a sudden lapse in coverage on 31 December 2024, which can only be achieved by laying this amending statutory instrument. The alternative was to lay a statutory instrument making a non-time limited equivalence assessment, however this has not been done at this stage for the reasons explained in paragraph 5.1.

## 7. Consultation

***Summary of consultation outcome and methodology***

7.1 HM Treasury did not undertake a consultation on this legislation as it will extend the status quo, thereby minimising potential impacts on industry. HM Treasury has consulted the Financial Conduct Authority and the Prudential Regulation Authority on this issue.

## 8. Applicable Guidance

8.1 No additional guidance will accompany this instrument.

## 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 legislation relates to the maintenance of existing regulatory standards. 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, or no significant, impact on business, charities or voluntary bodies because this legislation only applies to UK banks, which are required to meet minimum levels of capital.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because they are not subject to capital requirements, and do not invest in securitisations.

### 10. Monitoring and review

***What is the approach to monitoring and reviewing this legislation?***

10.1 The approach to monitoring this legislation is general review by officials.

10.2 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, Tulip Siddiq MP, Economic Secretary to the Treasury at HM Treasury has made the following statement:

"It would be disproportionate to include a statutory review clause in this legislation as it is made with a time limitation of 30 June 2026 and does not introduce new economic impacts on businesses, nor on voluntary or community bodies."

## 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, Tulip Siddiq has made the following statement regarding Human Rights:

"In my view the provisions of The Securitisation (Amendment) (No. 2) Regulations 2024 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"). It does however relate to the withdrawal of the United Kingdom from the European Union because it designates the European Union as equivalent for the purposes of STS securitisations.