EXPLANATORY MEMORANDUM TO

THE SECURITISATION (OVERSEAS STS EQUIVALENCE) (EUROPEAN UNION, ICELAND, LIECHTENSTEIN AND NORWAY) REGULATIONS 2026

2026 No. 550

1. Introduction

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

2. Declaration

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

2.2 Fayyaz Muneer, Deputy Director for Prudential and Sustainability 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 UK securitisation framework to remove the time limit on the temporary recognition of certain simple, transparent and standardised (STS) securitisations originating in the European Economic Area (EEA) States (i.e. EU Member States and the three EEA EFTA States: Iceland, Liechtenstein and Norway) as eligible for STS preferential prudential treatment in the UK.

4.2 The instrument makes the temporary recognition permanent so that UK firms subject to prudential capital requirements can continue to apply STS preferential prudential treatment to eligible STS securitisations originating in EEA States. This provides long-term certainty and avoids the need for further time-limited extensions.

4.3 This instrument does not extend recognition to synthetic STS securitisations, as the UK framework does not provide for a synthetic STS regime.

Where does the legislation extend to, and apply?

4.4 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.

4.5 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 Under the UK framework, preferential prudential treatment is available to UK firms subject to prudential capital requirements when they hold positions in STS

securitisations. In practice, this means eligible STS holdings attract lower regulatory capital requirements than non-STS securitisation holdings. A key lesson from the global financial crisis of 2007-08 is that securitisations can be complex and opaque, making it difficult to understand the risk involved in investing in securitisation instruments. STS securitisations are those that meet higher requirements (informed by international standards, including work by the Basel Committee on Banking Supervision and IOSCO) on simplicity, transparency and standardisation.

5.2 The UK framework also provides for comparable overseas STS securitisations to be treated as eligible for preferential prudential treatment where HM Treasury is satisfied that the relevant overseas regime has equivalent effect.

5.3 A temporary arrangement currently enables certain STS securitisations originating in EEA States to be treated as eligible for STS treatment in the UK. That arrangement is due to expire on 30 June 2026.

5.4 The temporary arrangement was maintained to provide continuity while the EEA States incorporated and implemented Regulation (EU) 2017/2402 (the "EU Securitisation Regulation"), and while HM Treasury assessed whether the law and practice applying in the EEA States, taken as a whole, has equivalent effect to the applicable UK framework.

5.5 If the temporary arrangement were allowed to lapse, STS securitisations originating in EEA States issued after 30 June 2026 would no longer be eligible for STS preferential prudential treatment. Securitisations already within scope would continue, meaning that existing in-scope securitisations would continue to benefit from STS treatment under transitional provisions, but new securitisations issued after 30 June 2026 would be treated as non-STS for prudential purposes. Now that the EU Securitisation Regulation applies across the EU and has been incorporated and implemented in the EEA EFTA States, and following completion of HM Treasury's assessment, this instrument removes the time limit on the temporary recognition to provide ongoing certainty for UK firms subject to prudential capital requirements, and to avoid a cliff-edge that could otherwise reduce the range of available investment opportunities and could increase capital requirements for new holdings after 30 June 2026.

What was the previous policy, how is this different?

5.6 The Securitisation (Amendment) (No.2) Regulations 2024 extended the period during which STS securitisations originating in EEA States could enter the temporary arrangement, moving the expiry date from 31 December 2024 to 30 June 2026. This was because not all EEA States had incorporated and implemented the EU Securitisation Regulation at that time.

5.7 In preparing this instrument, HM Treasury sought technical advice from the Financial Conduct Authority (FCA) and consulted the Prudential Regulation Authority (PRA) in parallel, in relation to the equivalence conditions in regulation 13 of the Securitisation Regulations 2024.

5.8 The FCA advised that the STS criteria and the supervisory and enforcement arrangements applicable in EEA States, taken as a whole, have equivalent effect to the corresponding UK framework for these purposes. The PRA agreed with the FCA's assessment.

5.9 Having considered this advice, HM Treasury is satisfied that the equivalence conditions in regulation 13 are met and has therefore decided to remove the time limit on the temporary recognition.

6. Legislative and Legal Context

How has the law changed?

6.1 These Regulations are made under regulation 13(1) of the Securitisation Regulations 2024, which enables the Treasury to designate a country or territory in relation to securitisations of specified descriptions where it is satisfied that the law and practice in that jurisdiction has equivalent effect (taken as a whole) to applicable UK law.

6.2 The instrument designates the EEA States in relation to non-synthetic securitisations which are treated as simple, transparent and standardised under the law and practice of those States. As a result, such securitisations fall within the definition of "overseas STS securitisations" for the purposes of the UK securitisation framework.

Why was this approach taken to change the law?

6.3 This designation operates within the framework established by regulation 12 of the Securitisation Regulations 2024, under which the use of the "STS" designation includes overseas STS securitisations. The temporary recognition of certain securitisations originating in EEA States under regulation 12 expires at 11 p.m. on 30 June 2026.

7. Consultation

Summary of consultation outcome and methodology

7.1 HM Treasury did not undertake a public consultation on this legislation as it will extend the status quo, thereby minimising potential impacts on industry.

7.2 HM Treasury has consulted the FCA and the PRA on this issue.

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 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 instrument maintains the existing prudential treatment for UK financial services firms investing in eligible overseas STS securitisations.

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 public sector bodies are not generally subject to prudential capital requirements for these purposes.

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 has made the following statement regarding Human Rights:
"In my view the provisions of the Securitisation (Overseas STS Equivalence) (European Union, Iceland, Liechtenstein and Norway) 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").