

# ***Targeted consultation on the functioning of the EU securitization framework***

## **European Commission's consultation**

November 2024

### **11. Prudential framework for institutions for occupational retirement provision (IORPs) and other pension funds**

This section aims to gather information on both IORPs and 'non-IORPs' (i.e. nationally regulated pension funds that are not regulated by the IORP II Directive). Information on non-IORPs is particularly encouraged for Member States with limited or no IORPs activity. When providing information also on non-IORPs, please clearly indicate whether the information provided refers to IORPs, non-IORPs, or both.

Questions to stakeholders:

11.1. For the purpose of this section, please indicate whether you are an IORP, a non-IORP or another type of stakeholder.

- **IORP**
- Nationally regulated pension fund not regulated by IORP II
- Other

Please elaborate in case you are not an IORP.

11.2. Is there an interest from IORPs and/or non-IORPs to increase their investments in securitisation (whether a senior tranche, mezzanine tranche, or a junior tranche)?

- **Yes**
- No
- No opinion

11.3. Please clarify whether your answer to question 11.2. concerns your own situation, or whether it is an assessment of a given national market (in which you operate for instance). If you answered yes to question 11.2., please specify the segments of securitisations in which IORPs and/or non-IORPs would be willing to invest more (in terms of seniority, type of underlying assets, etc.) and describe the potential for increase in the share of securitization investments in their balance sheet. In addition, if your reply concerns or encompasses non-IORPs, please indicate i/ the number of non-IORP in your jurisdiction,

ii/ the amount of assets under management and  
iii/ the type of pension business concerned, for which investment in securitisation would be interesting.

*PensionsEurope favors any beneficial revision of existing regulations to boost the EU's financial market competitiveness. Securitization has been recognized in the EU as an important building block of CMU and an essential tool in post-pandemic recovery. However, there is still a certain degree of negativity towards this financial instrument among the regulators. PensionsEurope supports the Commission's initiative to review the EU framework for simple, transparent and standardized securitization. We believe that securitization may further provide long-term investors, such as pension funds, with a broader pool of assets that are genuinely low-risk from a credit perspective, alongside government bonds. We believe that the revised EU securitization framework should be internationally consistent. Secondly, the existence of different insolvency regimes in each Member State makes Europe-wide securitization very difficult. A harmonization of tax treatments and bankruptcy law could be helpful, and it can have a beneficial impact on other aspects of the CMU as well. Thirdly, the revised framework must enhance the transparency of data and their availability for investors, especially considering the complexity of financial products*

*It is a fact that not many IORPs invest directly in securitisations. However, some pension funds invest in synthetic on-the-balance-sheet securitisations. Through these transactions banks can free up capital and counterparty credit limits, which creates new lending capacity. By doing so, CRS can transfer capital from investors, through banks, toward the real economy. These types of deals are, by definition, bespoke bilateral deals that are more suited to larger and sophisticated investors, that are able to do due diligence in-house. These IORPs see scope for increasing the role of synthetic on-the-balance-sheet securitisations, as it provides an interesting risk-return profiles while boosting banks' ability to provide finance.*

11.4. Does the IORP II Directive contain provisions which in your view restrict IORPs' ability to invest in securitization?

- Yes
- **No**
- No opinion

Please explain your answer.

*IORP II is a directive of minimum harmonization. Therefore, as long as the fiduciary duty and the prudent person principle are respected, the directive provides enough flexibility to invest in securitisations.*

11.5. Are there national legislation or supervisory practices which in your view unduly restrict IORPs' and non-IORPs' ability to invest in securitization?

- Yes
- **No**
- No opinion

Please explain your answer, as well as whether it applies to IORPs, non-IORPs, or both. Please be specific in particular where you refer to non-IORPs.

*PensionsEurope is not aware of any restriction imposed by national legislators or supervisors. Any obstacles exist mostly due to the restrictions imposed by the securitization regulation itself.*

11.6. Are there wider structural barriers preventing IORPs and non-IORPs from participating in this market?

- Yes
- No
- **No opinion**

Please explain your answer, as well as whether it applies to IORPs, non-IORPs, or both.

Please be specific in particular where you refer to non-IORPs.