

Bank of England PRA

Supervisory statement 10/18 – Securitisation: General requirements and capital framework

Supervisory statement | SS10/18

October 2025



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Near-final

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1: Introduction

- 1.1 This supervisory statement (SS) sets out the Prudential Regulation Authority's (PRA's) expectations of firms in respect of securitisation in the following chapters:
- 'General requirements under the Securitisation Part of the PRA Rulebook' (Chapter 2) – general expectations of firms and processes under the Securitisation Part of the PRA Rulebook.
 - 'STS ABCP Sponsors' (Chapter 3) - general expectations of firms seeking to become sponsors of Simple, Transparent and Standardised (STS) Asset Backed Commercial Paper (ABCP) programmes.
 - 'CRR securitisation capital framework' (Chapter 4) - PRA expectations and approach as regards the securitisation capital framework for CRR firms.
- 1.2 This statement is relevant to PRA-authorised firms, including CRR firms, non-CRR firms, Solvency II firms and non-Solvency II firms to which the Securitisation Part of the PRA Rulebook applies, unless stated otherwise. Throughout this statement, as regards securitisations to which Chapter 3 of the Securitisation Part of the PRA Rulebook applies, references to the Securitisation Part of the PRA Rulebook or provisions therein shall be read as references to corresponding provisions applied by and read in accordance with Chapter 3 of the Securitisation Part of the PRA Rulebook.

2: General requirements under the Securitisation Part of the PRA Rulebook

2.1 [Deleted]

Originator, original lender, and sponsor requirements

- 2.2 The PRA expects firms which act as originators, original lenders, and/or sponsors in a securitisation that are subject to the requirements of the Securitisation Part of the PRA Rulebook to be able to demonstrate to the PRA, on request, that they have in place adequate arrangements, processes and mechanisms in order to comply with Articles 6, 7, 8 and 9 of Chapter 2 and Chapters 4-6 of the Securitisation Part of the PRA Rulebook.
- 2.3 A firm should inform its supervisor if it anticipates material change in its securitisation activity as an originator or sponsor. That includes, engaging in securitisation issuance for the first time, securitising an asset class for the first time, or significantly increasing the amount of issuance.

Governance arrangements, processes and mechanisms

- 2.4 Where a firm acts as an originator, original lender, and/or sponsor in a transaction subject to the requirements of the Securitisation Part of the PRA Rulebook, the PRA expects the firm's internal audit function to provide assurance that the firm's involvement in the securitisation is compliant with the requirements in Articles 6, 7, 8 and 9 of Chapter 2 and Chapters 4-6 of the Securitisation Part of the PRA Rulebook.
- 2.5 The PRA expects firms subject to the Senior Managers and Certification Regime to identify a relevant individual performing a Senior Management Function (SMF) to exercise effective oversight of securitisation issuance, including with regard to the requirements in Article 6(2) of Chapter 2 and Article 18 of Chapter 4 of the Securitisation Part of the PRA Rulebook on adverse selection. Where appropriate, the PRA expects SMFs to escalate issues related to oversight of securitisation issuance to the board or a relevant subcommittee.
- 2.5A Where a CRR firm acts as an originator, original lender, and/or sponsor in a non-performing exposure (NPE) securitisation subject to the requirements of the Securitisation Part of the PRA Rulebook, the PRA expects that the firm's SMF 16 (Compliance Oversight) should satisfy themselves that performing exposures are not being included in an NPE securitisation with the purpose of reducing the capital charge

on such performing exposures in the underlying relative to the 100% risk weight on the senior exposure of qualifying NPE securitisation.

Insurance firms, reinsurance firms or ISPVs as originators

- 2.6 The PRA considers that insurance firms, reinsurance firms or ISPVs (whether PRA-authorised Solvency II firms or PRA-authorised non-Solvency II firms) can be originators as defined in the Securitisation Part of the PRA Rulebook. The Securitisation Part of the PRA Rulebook makes clear that insurance or reinsurance undertakings that are PRA-authorised Solvency II firms can also be ‘institutional investors’ in securitisation. The PRA expects insurance and reinsurance firms, and ISPVs, to consider whether any transactions, such as those that aim to refinance loans, exposures or receivables by transforming them into tranching securities and including any internal restructurings, may be considered securitisations as defined in the Securitisation Part of the PRA Rulebook. The Securitisation Part of the PRA Rulebook imposes a set of requirements on originators, original lenders, sponsors and securitisation special purpose entities (SSPEs) as well as institutional investors in securitisations.
- 2.7 Insurance or reinsurance firms (whether PRA-authorised Solvency II firms or PRA-authorised non-Solvency II firms) can be both originators and investors in the same securitisation transaction, such as an internal restructuring of exposures or receivables for capital efficiency or matching adjustment (MA) eligibility purpose. In such cases the insurance or reinsurance firm must comply with Articles 6, 7, 8 and 9 of Chapter 2 and Chapters 4-6 of the Securitisation Part of the PRA Rulebook as applicable. Where an insurance firm, reinsurance firm, or ISPV identifies itself as the originator of a securitisation, it should inform its supervisor without undue delay.
- 2.8 Where the originator is also the sole investor in the transaction, the PRA expects that the firm may consider the information specified in Article 7(1)(a) and (e) of Chapter 2 of the Securitisation Part of the PRA Rulebook as ‘made available’ to investors through internal reporting to appropriate committees or the management board, provided the reporting contains the required information.

Investor requirements

- 2.9 The PRA expects institutional investors that invest in securitisation to be able to demonstrate on request that they have in place adequate due diligence arrangements, processes, and mechanisms to ensure compliance with Article 5 of Chapter 2 of the Securitisation Part of the PRA Rulebook. The level and nature of due diligence prior to holding a securitisation position may be proportionate to the risks of the securitisation

position, provided they comply with the requirements of Article 5 of Chapter 2 of the Securitisation Part of the PRA Rulebook.

- 2.10 A firm that has delegated the authority to manage its investments to another institutional investor may instead evidence that it has instructed the managing party to fulfil the due diligence requirements on its behalf.

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3: STS ABCP Sponsors

- 3.1 This chapter is relevant to PRA-authorised CRR credit institutions.
- 3.2 A credit institution supervised under CRR may act as a sponsor for an STS ABCP programme using one of the following routes:
- (i) the credit institution demonstrates to the PRA that the support it provides to the programme would not endanger its solvency and liquidity, even in an extreme market stress (SECN 2.3.25R(1) of the FCA Handbook); or
 - (ii) the PRA has determined on the basis of the review and evaluation referred to in Regulation 34A(2) of the Capital Requirements Regulations 2013 that the arrangements, strategies, processes, and mechanisms implemented by that credit institution and the own funds and liquidity it holds ensure the sound management and coverage of its risks (SECN 2.3.25R(2) of the FCA Handbook).
- 3.3 [Deleted]

SECN 2.3.25R(1) of the FCA Handbook

- 3.4 To demonstrate to the PRA that its role as an STS ABCP Sponsor under SECN 2.3.25R of the FCA Handbook will not endanger its solvency or liquidity, a firm should notify its usual supervisory contact, providing relevant information that should include:
- (i) an assessment of the impact of full support on the firm's Total Capital Requirement on an individual and consolidated basis, both with and without STS status;
 - (ii) an assessment of the impact of full support on the firm's regulatory liquidity guidance and buffer resources, both with and without STS status; and
 - (iii) a summary of the programme features relevant to an understanding of the assessment in (i) and (ii) above, including an assessment against STS requirements in SECN 2.3.23R to SECN 2.3.37R of the FCA Handbook.
- 3.5 Where a firm seeks to set up a new conduit, or is proposing to sponsor an ABCP programme or transaction for the first time, it must provide its supervisors with the request sufficiently in advance of the execution of the transaction.

SECN 2.3.25R(2) of the FCA Handbook

- 3.6 For the purposes of being an STS ABCP sponsor, the PRA is unlikely to determine on the basis of the review and evaluation referred to in Regulation 34A(2) of the Capital Requirements Regulations 2013 that the arrangements, strategies, processes, and mechanisms implemented by that credit institution and the own funds and liquidity it holds ensure the sound management and coverage of its risks, unless the firm is currently a sponsor for at least one ABCP programme. This may include any existing non-STS ABCP programme for which the firm wishes to seek STS status.
- 3.7 Where a firm seeks to make use of the route specified in SECN 2.3.25R(2) of the FCA Handbook, it should make a written request to its usual supervisory contact prior to, or alongside, the submission of either its internal capital adequacy assessment process (ICAAP) or internal liquidity adequacy assessment process (ILAAP) document. Where the information specified in paragraph 3.5 is not already available in the ICAAP or ILAAP document, the firm should also provide necessary information referenced in paragraph 3.5.

4: The CRR securitisation capital framework

4.1 This chapter is relevant to all firms to which the Securitisation (CRR) Part of the PRA Rulebook applies. It sets out PRA expectations of firms in relation to the hierarchy of methods applied for calculating securitisation risk weighted assets (RWAs).

Hierarchy of methods

PRA discretions under the hierarchy of methods

4.2 Article 254 of the Securitisation (CRR) Part sets out the hierarchy of methods for calculating securitisation RWAs, summarised below:

- (i) where the conditions set out in Article 258 of the Securitisation (CRR) Part are met, the Securitisation Internal Ratings Based Approach (SEC-IRBA) must be used in accordance with Articles 259-260 of the Securitisation (CRR) Part;
- (ii) where the SEC-IRBA may not be used, the Securitisation Standardised Approach (SEC-SA) must be used in accordance with Articles 261-262 of the Securitisation (CRR) Part; and
- (iii) where the SEC-SA may not be used, the Securitisation External Ratings Based Approach (SEC-ERBA) must be used in accordance with Articles 263-264 of the Securitisation (CRR) Part for rated positions or positions in respect of which an inferred rating may be used.

4.3 Articles 254(4) and 258(2) of the Securitisation (CRR) Part refer to the PRA's powers to impose a requirement under s55M of the Financial Services and Markets Act 2000 (FSMA) or give a direction under s192C of FSMA which may be used to:

- (i) prohibit firms from applying the SEC-SA; or
- (ii) preclude the use of SEC-IRBA.

4.4 Please refer to the PRA's statement of policy (SoP) on the 'The PRA's approach to the exercise of powers referred to in Articles 244(3)(b), 245(3)(b), 254(4) and 258(2) of the Securitisation (CRR) Part of the PRA Rulebook', in particular Appendix 2.

4.5 - 4.11 [Deleted]

Information on methods used by firms

- 4.12 The PRA expects firms to have regard, during their ICAAP, to the provisions in SS31/15 paragraphs 2.39 and 2.40.¹ The PRA will monitor possible risks to safety and soundness with reference to Common Reporting (COREP) and a firm's ICAAP document. The information provided in a firm's ICAAP document, supplemented by information received by other means such as regulatory reporting, will be used to assist the PRA in its assessment of whether firms' securitisation exposures using the SEC-SA or SEC-IRBA are appropriately capitalised. Please also refer to the PRA's SoP on 'The PRA's approach to the exercise of powers referred to in Articles 244(3)(b), 245(3)(b), 254(4) and 258(2) of Securitisation (CRR) Part of the PRA Rulebook', in particular Appendix 2.
- 4.13 The PRA may request additional information in order to evaluate whether Pillar 1 capital requirements appropriately reflect the risk posed to an institution. The PRA expects firms to provide this information within 30 business days, unless agreed otherwise.
- 4.14 This additional information may vary on a case-by-case basis, but should include:
- (i) A list of the securitisation positions to which the SEC-SA or the SEC-IRBA is applied.
 - (ii) For each securitisation position listed in (i):
 - the asset class of the underlying securitised exposures;
 - the risk characteristics and structural features exhibited by the securitisation that may materially impact the performance of the firm's securitisation position, and which are not explicitly taken into account by the method applied;
 - unless already provided in the most recent Common Reporting (COREP) submission:²
 - for positions risk-weighted under the SEC-IRBA, the risk-weighted exposure amount for that securitisation position under the SEC-IRBA, SEC-ERBA (for rated positions only) and SEC-SA insofar as each method can be used; or

¹ [The Internal Capital Adequacy Assessment Process \(ICAAP\) and the Supervisory Review and Evaluation Process \(SREP\)](#).

² www.legislation.gov.uk/eur/2014/680/contents.

- for rated positions risk-weighted under the SEC-SA, the risk-weighted exposure amounts for that securitisation position under the SEC-ERBA.
- a hyperlink to the prospectus of the transaction, or where no prospectus is available a copy of the offering circular or equivalent; and
- for rated securitisation positions, the latest rating(s) attributed to the position and the External Credit Assessment Institutions (ECAI(s)) which provided that rating.

Communication of decisions on the hierarchy of methods

4.15 - 4.17 [Deleted]

Firms' use of the hierarchy

- 4.18 Relevant senior management should ensure that firms are using appropriate methods to capitalise their securitisation exposures.
- 4.19 For these purposes, relevant senior management means the individual(s) performing the relevant SMF(s), and employees subject to the Certification Regime involved in investment decisions in securitisation exposures (eg relevant Material Risk Takers (MRTs) under the Remuneration rules).
- 4.20 Under Article 254(3) of the Securitisation (CRR) Part of the PRA Rulebook, firms may decide to apply the SEC-ERBA instead of the SEC-SA to all of their rated securitisations or positions in respect of which an inferred rating may be used.
- 4.21 Firms must notify the PRA of a decision made under Article 254(3) of the Securitisation (CRR) Part of the PRA Rulebook no less than 1 month prior to it coming into effect. That notification should be sent simultaneously by email to securitisation.hierarchy@bankofengland.co.uk and to the firm's usual supervisory contact. This notification should include information on the impact of such a decision on the firm's securitisation RWAs.
- 4.21A Firms must notify the PRA of any subsequent decision to further change the approach applied to all of their rated securitisation positions no less than 1 month prior to that decision coming into effect. That notification should be sent simultaneously by email to securitisation.hierarchy@bankofengland.co.uk and to the firm's usual supervisory contact. Firms must not use different approaches within a 12-month period.

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Annex – SS10/18 updates

This annex details the changes that have been made to this SS following its initial publication in 2019:

2025

October 2025

Following publication of near-final PS19/25 – Restatement of CRR requirements – 2027 implementation,³ this SS was updated to reflect the restatement of CRR requirements in the PRA Rulebook. This SS was also updated to transfer supervisory expectations relating to the hierarchy of methods from SS10/18, with small adjustments, to the statement of policy (SoP) – The PRA’s approach to the exercise of powers referred to in Articles 244(3)(b), 245(3)(b), 254(4) and 258(2) of the Securitisation (CRR) Part of the PRA Rulebook.

This policy is effective from Friday 1 January 2027.

July 2025

Following publication of PS12/25 – Restatement of CRR and Solvency II requirements in the PRA Rulebook – 2026 implementation,⁴ this SS was updated to delete interim mapping of External Credit Assessment Institutions (ECAIs) structured finance credit assessments to Credit Quality Steps (CQS).

This policy is effective from Thursday 1 January 2026.

2024

April 2024

Following publication of PS7/24 – Securitisation: General requirements,⁵ Chapters 1-3 of this SS were updated to extend its scope to all PRA-authorized firms to which the Securitisation Part of the PRA Rulebook applies unless stated otherwise and/or to reflect the replacement of relevant provisions in the Securitisation Regulation with PRA and FCA rules. The PRA has also made minor changes throughout this SS to improve clarity of drafting.

³ Available at: www.bankofengland.co.uk/prudential-regulation/publication/2025/october/restatement-of-crr-requirements-near-final-policy-statement.

⁴ Available at: www.bankofengland.co.uk/prudential-regulation/publication/2025/july/restatement-of-crr-and-sii-requirements-in-pra-rulebook-policy-statement.

⁵ Available at: www.bankofengland.co.uk/prudential-regulation/publication/2024/april/securitisation-policy-statement.

This policy is effective from Friday 1 November 2024.

2021

October 2021

Following publication of PS24/21 –Implementation of Basel standards: Non-performing loan securitisations,⁶ paragraph 2.5A was added to this SS to reflect expectations of a firm's SMF 16 with regard to NPE securitisation. This policy is effective from Saturday 1 January 2022.

The PRA has also made minor changes to reflect the UK's withdrawal from the EU, and improve clarity of drafting.

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⁶ Available at: www.bankofengland.co.uk/prudential-regulation/publication/2021/june/implementation-of-basel-standards-non-performing-loan-securitisations.