

Bank of England PRA

Supervisory statement 9/13 Securitisation: Significant Risk Transfer

Supervisory statement | SS9/13

October 2025



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Near-final

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1: Introduction

- 1.1 This statement applies to all firms to which the Securitisation (CRR) Part of the PRA Rulebook applies.
- 1.2 This statement sets out the Prudential Regulation Authority's (PRA's) expectations of firms in respect of securitisation in the following chapters:
 - (2) 'High-level Significant Risk Transfer considerations' — general expectations of firms seeking to obtain significant risk transfer (SRT) through securitisation;
 - (3) 'Significant Risk Transfer notifications and permissions' — process for notifying the PRA of SRT transactions and for obtaining permission to undertake own assessments of SRT;
 - (4) 'Regulatory capital calculation methodology and SRT' — methodologies firms use to calculate post-securitisation risk weights in SRT transactions;
 - (4A) Use of unfunded credit protection for synthetic SRT securitisations;
 - (5) 'Implicit Support and SRT' — the PRA's approach to implicit support;
 - (6) 'High-cost credit protection and other SRT considerations' — factors likely to affect the assessment of SRT transactions;
 - (7) 'Excess spread in SRT securitisations' – the PRA's approach to excess spread in SRT securitisations; and
 - (8) 'Assessment of commensurate risk transfer (CRT) for portfolios of Standardised Approach (SA) exposures' – the PRA's approach to assessing CRT for SA portfolios.
- 1.3 The statement supplements the rules in the Securitisation (CRR) Part of the PRA Rulebook.

2: High-level Significant Risk Transfer considerations

- 2.1 The Securitisation (CRR) Part of the PRA Rulebook requires any reduction in capital requirements achieved through securitisation to be justified by a commensurate transfer of risk to third parties. Where the reduction in risk-weighted assets (RWA),

which would be achieved through a particular securitisation transaction, is not justified by a commensurate transfer of risk, then SRT shall not be considered to have been achieved by that transaction.

- 2.2 SRT is an ongoing requirement. Accordingly, the PRA expects firms to ensure that any reduction in capital requirements achieved through securitisation continues to be matched by a commensurate transfer of risk throughout the life of the transaction. The PRA expects firms to take a substance over form approach to assessing SRT. Firms should be able to demonstrate that the capital relief post-transaction adequately captures the economic substance of the entire transaction, and is commensurate to the retained risks.
- 2.3 One indication of whether or not risk transfer is commensurate is whether the RWA post-securitisation is commensurate with the RWA that would apply if the firm acquired the securitised exposures from a third party. The PRA expects firms purchasing risk transfer products to give adequate consideration to all relevant factors when assessing SRT, including the size of premiums paid and tranche thickness.
- 2.3A The PRA expects firms to consider if tranches that are sold, or tranches on which protection is purchased, are sufficiently thick such that the reduction in RWAs can be justified by a commensurate transfer of risk to third parties. When considering thickness of tranches sold or tranches on which protection is purchased, firms should take into account all relevant factors related to the portfolio of securitised exposures.
- 2.4 When risk transfer transactions are structured as a group of linked transactions rather than a single transaction, the PRA expects the aggregate effect of linked transactions to comply with the Securitisation (CRR) Part of the PRA Rulebook. The PRA expects firms to ensure that analysis of risk transfer incorporates all linked transactions, particularly if certain transactions within a group of linked transactions are undertaken at off-market rates.
- 2.5 The PRA expects the instruments used to transfer credit risk not to contain provisions which materially limit the amount of risk transferred. For example, should losses or defaults on the securitised exposures occur — ie deterioration in the credit quality of the underlying pool — the PRA expects the originator's net cost of protection or the yield payable to investors should not increase as a result.
- 2.6 In order to ensure their continuing appropriateness, the PRA expects firms to update the opinions of qualified legal counsel, required by the Securitisation (CRR) Part of the PRA Rulebook, as necessary to ensure their continuing validity. For example, an opinion may need to be updated if relevant legal or regulatory provisions are amended, or where a new decision or judgment of a court has a bearing on the continuing validity of counsel's opinion.

- 2.7 The PRA expects relevant senior management of a firm to be appropriately engaged in the execution of securitisation transactions that lead to a reduction in RWA.
- 2.8 For the purposes of such transactions, ‘relevant senior management’ means any individuals performing Senior Management Functions (SMFs) with oversight of such transactions, and any employees subject to the Certification Regime involved in the transactions (eg relevant Material Risk Takers (MRTs) under the Remuneration rules).¹
- 2.9 The PRA expects oversight of these transactions to be linked to Prescribed Responsibility (PR) O (on ‘managing the allocation and maintenance of the firm’s capital, funding and liquidity’) and, for small firms, to PR AA (on ‘implementing and managing the firm’s risk management policies and procedures’) and to PR CC (on ‘managing the firm’s financial resources’). The oversight and approval of the features that affect commensurate risk transfer and, hence, the amount of reduction in RWA that may be achieved should be performed by the Chief Finance function (SMF 2) and any Senior Manager holding PR O, or AA and CC, if a different person. The PRA expects that the responsibility in relation to SRTs is reflected in the Statement of Responsibilities of the SMF 2 and any Senior Manager holding PR O, or AA and CC, if a different person. Please also refer to paragraph 3.8(aa) below on the PRA’s expectations regarding attestation by the relevant SMF(s) as part of an SRT notification.
- 2.10 An SMF, while retaining accountability for oversight of these transactions, may rely on expert input and/or delegate the act of signing and submitting notifications, where this is consistent with the PRA’s expectations on reasonable steps and delegation.²
- 2.11 The PRA does not operate a pre-approval process for securitisation transactions. The PRA nevertheless expects a firm to discuss with its supervisor at an early stage securitisation transactions that are material or have complex features, including any non-sequential amortisation. Where a firm claims a regulatory capital reduction from securitisation transactions in its disclosures to the market, the PRA expects such disclosures to include caveats making clear the risk of full or partial re-characterisation where this risk is material in the light of the PRA’s stated policy.
- 2.12 Although this supervisory statement sets out the PRA’s expectations regarding securitisation, these expectations are also relevant for other similar credit protection arrangements.
- 2.13 The PRA will seek to ensure that the securitisation framework is not used to undermine or arbitrage other parts of the prudential framework. In relation to other similar credit protection arrangements, including those subject to credit risk mitigation or trading

¹ Supervisory statement (SS) 28/15 – Strengthening Individual Accountability in Banking, available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/strengthening-individualaccountability-in-banking-ss>.

² See footnote 2.

book rules, the impact of certain features (eg significant premiums, call options or excess spread) may cast doubt on the extent of risk transferred and the resulting capital assessment.³ Features which result in inadequate capital requirements compared to the risks a firm is running may result in the credit protection not being recognised or the firm being subject to extra capital charges in their Total Capital Requirement (TCR) in the form of Pillar 2 add-ons. Credit protection arrangements in general are subject to the same overarching principles as those in the securitisation framework.

- 2.14 Where a firm achieves SRT for a particular transaction, the PRA expects it to continue to monitor risks related to the transaction to which it may still be exposed. The PRA expects firms to consider the capital planning implications of securitised assets returning onto their balance sheets. The Internal Capital Adequacy Assessment Part of the PRA Rulebook requires firms to conduct regular stress testing of their securitisation activities and off balance sheet exposures.⁴ The PRA expects those stress tests to consider the firm-wide impact of stressed market conditions on those activities and exposures and the implications for other sources of risk, for example, credit risk, concentration risk, counterparty risk, market risk, liquidity risk and reputational risk. The PRA expects a firm's stress testing of securitisation activities to take into account existing securitisations and pipeline transactions. The PRA expects a firm to have in place procedures to assess and respond to the results of that stress testing and would expect them to be taken into account under Pillar 2.

(Articles 244 and 245 of the Securitisation (CRR) Part, Article 337 of the Market Risk: Simplified Standardised Approach (CRR) Part, and the Internal Capital Adequacy Assessment Part of the PRA Rulebook)

3: Significant Risk Transfer notifications and permissions

Requirements for originators to use securitisation risk weights

- 3.1 Articles 244(2) and 245(2) of the Securitisation (CRR) Part of the PRA Rulebook state that significant credit risk will be considered as transferred in either of the following cases provided that the possible reduction in RWA is justified by a commensurate transfer of credit risk to third parties:

³ Article 194(2) of the Credit Risk Mitigation (CRR) Part of the PRA Rulebook requires firms to, 'take all appropriate steps to ensure the effectiveness of the credit protection arrangement and to address the risks related to that arrangement'.

⁴ See also SS31/15 '[The Internal Capital Adequacy Assessment Process \(ICAAP\) and the Supervisory Review and Evaluation Process \(SREP\)](#)'.

- (1) the RWA of the mezzanine securitisation positions held by the originator institution in the securitisation do not exceed 50 % of the risk-weighted assets of all mezzanine securitisation positions existing in this securitisation;
- (2) the originator institution does not hold more than 20 % of the exposure value of the first loss tranche in the securitisation, provided that both of the following conditions are met:
 - (i) the originator can demonstrate that the exposure value of the first loss tranche exceeds a reasoned estimate of the expected loss on the underlying exposures by a substantial margin;
 - (ii) there are no mezzanine securitisation positions.
- (3) [Deleted]

3.1A Article 245A of the Securitisation (CRR) Part of the PRA Rulebook requires a firm to notify the PRA of each transaction in relation to which it is relying on the deemed transfer of significant credit risk under Article 244(2) or Article 245(2).

3.1B The Securitisation (CRR) Part of the PRA Rulebook states that an originator institution must not recognise significant credit risk transfer where the PRA has imposed a requirement on the originator institution under section 55M of the Financial Services and Markets Act 2000 (FSMA) or a direction under section 192C of FSMA to preclude this. Please also refer to the PRA's 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' in this regard.

3.1C The Securitisation (CRR) Part of the PRA Rulebook provides that, by derogation from Article 244(2) or Article 245(2), an originator institution may recognise significant credit risk transfer in relation to a securitisation where it has received the prior permission of the PRA under section 138BA FSMA. Please also refer to the SoP 'The PRA's approach to waivers and permissions under the Securitisation (CRR) Part of the PRA Rulebook' in this regard.

(Articles 244, 245 and 245A of the Securitisation (CRR) Part and Article 337 of the Market Risk: Simplified Standardised Approach (CRR) Part of the PRA Rulebook)

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Exemption from notification of significant risk transfer

- 3.6 A firm would not need to make a notification under Article 245A of the Securitisation (CRR) Part of the PRA Rulebook when it is either (1) seeking to achieve capital relief by deducting or applying a 1,250% risk weight to all retained positions where permitted under Articles 244(1)(b) or 245(1)(b) of the Securitisation (CRR) Part of the PRA Rulebook or (2) risk-weighting a position in a qualifying securitisation under Article 260A or Article 262A of the Securitisation (CRR) Part. In such cases, a firm should consider whether the characteristics of the transaction are such that the PRA would reasonably expect prior notice of it.

(Articles 244, 245, 245A, 260A and 262A of the Securitisation (CRR) Part of the PRA Rulebook)

SRT Notifications

Process for submitting notifications

- 3.7 When informing the PRA of a transaction in accordance with the Securitisation (CRR) Part of the PRA Rulebook, the information should be sent simultaneously via email to the SRT notifications inbox SRT@bankofengland.co.uk and to the firm's usual supervisory contact.

Information to be provided

- 3.8 A firm's notification should include sufficient information to enable the PRA to assess whether the possible reduction in RWA which would be achieved by the securitisation is justified by a commensurate transfer of credit risk to third parties. Consistent with Fundamental Rule 7, the PRA expects firms to be open and cooperative and disclose any relevant information of which the PRA would reasonably expect notice. The PRA expects such information to include at least the following:

- (aa) a summary of the transaction that contains sufficient information for the PRA to understand its structure, economics and regulatory implications, including an attestation by the relevant SMF(s) referred to in the penultimate sentence of paragraph 2.7(ii) that the information provided in the summary is accurate and complete and that SRT has been achieved;
- (a) details of the securitisation positions, including rating, exposure value and RWA broken down by securitisation positions sold and retained;
- (b) a copy of the SRT policy applied to the transaction, including details of the methodology and any models used to assess risk transfer;

- (c) a statement of how all relevant risks are incorporated into the SRT assessment and how the full economic substance of the transaction is taken into consideration;
- (d) the SRT calculation, setting out why the firm believes the capital relief proposed is commensurate with the credit risk transferred to third parties;
- (e) details of reliance on external credit assessment institutions (ECAIs) in the SRT assessment;
- (f) a description of the risks being retained;
- (g) key transaction documentation and any relevant supporting documents;
- (h) copies of investor and internal presentations on the transaction;
- (i) details of the underlying assets (including asset class, geography, tenor, rating, spread, collateral, exposure size);
- (j) details of the transaction structure;
- (k) details of any termination options (eg call options);
- (l) details of the cash flow between parties involved in the transaction;
- (m) details of the ratings and pricing of bonds issued in the transaction;
- (n) details of any connected parties involved in the transaction;
- (o) details of the rationale for the transaction;
- (p) details of the rules in the Securitisation (CRR) Part of the PRA Rulebook that the firm is relying on;
- (pp) a comparison with relevant previous transactions, highlighting changes that may be relevant to the PRA's assessment and commenting on their rationale, or a statement that no such transactions have been identified; and
- (q) details of the governance process for the transaction, including details of any committees involved in approving the transaction.

Communicating PRA feedback on notified transactions

- 3.9 Following review of sufficient information provided by the firm, the PRA will provide feedback as appropriate to the firm on the PRA's view on commensurate risk transfer. The PRA's review will focus on the proportion of credit risk transferred — including any transaction features which undermine effective risk transfer — compared to the proportion by which RWA is reduced as a result of the transaction.
- 3.10 The PRA does not intend to pre-approve transactions. Instead, the PRA will provide feedback on whether it considers commensurate risk transfer to have been achieved at a point in time, which may be after a transaction has closed. The PRA may reassess its judgement of the achievement of commensurate risk transfer if the level of credit risk transfer in a transaction changes materially.
- 3.10A Please also refer to paragraph 3.1B above and the PRA's 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'.

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4: Regulatory capital calculation methodology and SRT

- 4.1 Originators must transfer a significant amount of credit risk associated with securitised exposures to third parties to be able to apply the securitisation risk weights set out in the Securitisation (CRR) Part of the PRA Rulebook, and any associated reduction in capital requirements must be matched by a commensurate transfer of risk to third parties.
- 4.2 As part of the notification and permissions process, the PRA expects a firm to inform it of the methodology the firm intends to use to calculate securitisation capital requirements. The PRA will generally be more sceptical of the achievement of commensurate risk transfer for transactions where the regulatory capital calculation used produces very low capital requirements. Where the method used to calculate regulatory capital requirements post securitisation results in a particularly significant reduction in capital requirements, the PRA will apply a high degree of scrutiny in its assessment of whether commensurate risk transfer is achieved.

- 4.3 When evaluating SRT transactions which apply the Securitisation External Ratings Based Approach (SEC-ERBA), the PRA will also have regard to whether the chosen credit rating agency has appropriate expertise in the asset class being rated.
- 4.4 Pending further international regulatory guidance, the PRA considers it appropriate to clarify its interpretation of the Loss Given Default (LGD) value firms should use for the purpose of calculating regulatory capital requirements using the Securitisation Internal Ratings-Based Approach (SEC-IRBA), for SRT securitisations of income-producing real estate (IPRE) assets where firms have adopted the slotting approach. For this purpose, the PRA expects firms to use the LGD value specified in Article 259(6) of the Securitisation (CRR) Part of the PRA Rulebook.

(Articles 244 and 245 of the Securitisation (CRR) Part and Article 337 of the Market Risk: Simplified Standardised Approach (CRR) Part of the PRA Rulebook)

4A: Use of unfunded credit protection for synthetic SRT securitisations

- 4A.1 Originators may use either funded credit protection or unfunded credit protection to achieve SRT where relevant requirements and supervisory expectations are met.
- 4A.2 The use of unfunded credit protection for synthetic SRT securitisations can pose additional prudential risks relative to funded credit protection. These include:
- (i) a potentially higher risk of late payment or non-payment of the credit protection amount when a borrower or counterparty defaults; and
 - (ii) a risk that the unfunded credit protection provider may be downgraded and then cease to be eligible to provide unfunded credit protection, necessitating alternative arrangements to continue to achieve SRT. The PRA therefore considers the use of unfunded credit protection for SRT to be a complex feature for purposes of paragraph 2.8 above.
- 4A.3 The PRA also reminds originators using unfunded credit protection for SRT to comply with:
- the requirements in the Credit Risk Mitigation (CRR) Part of the PRA Rulebook relating to the use of unfunded credit protection and the related supervisory expectations in SS17/13 – [Credit risk mitigation](#);

- the requirements relating to unfunded credit protection for SRT in Article 249 of the Securitisation (CRR) Part of the PRA Rulebook, including the requirements regarding the ECAI rating of the protection provider; and
- the stress-testing rules in the Internal Capital Adequacy Assessment Part of the PRA Rulebook and related supervisory expectations in paragraph 2.11 of this SS.

4A.4 The PRA expects originators, as part of the monitoring and stress-testing mentioned in paragraph 2.11 of this SS, to assess the risk of a downgrade of the protection provider and the implications for the effectiveness of the unfunded credit protection and the eligibility of the provider to continue to provide the unfunded credit protection, and to reflect this in their capital planning.

(Articles 244, 245 and 249 of the Securitisation (CRR) Part, Article 337 of the Market Risk: Simplified Standardised Approach (CRR) Part, and the Internal Capital Adequacy Assessment Part of the PRA Rulebook)

5: Implicit support and SRT

- 5.1 The PRA will monitor the support provided by a firm to its securitisation transactions, and will consider this carefully in the assessment of commensurate risk transfer. As part of firms' ongoing consideration of risk transfer, the PRA expects them to consider the support they have provided to securitisation transactions.
- 5.2 If a firm is found to have provided support to a securitisation, the expectation that the firm will provide future support to its securitisations is increased. The PRA will take account of this increased expectation in future assessments of commensurate risk transfer for that firm.
- 5.3 The PRA expects securitisation documentation to make clear, where applicable, that repurchase of securitisation positions by the originator beyond its contractual obligations is not mandatory and may only be made at arm's length.
- 5.4 [Deleted]
- 5.5 If a firm fails to comply with Article 250(1) of the Securitisation (CRR) Part of the PRA Rulebook, the PRA may require it to disclose publicly that it has provided noncontractual support to its transaction.

(Articles 244, 245 and 250 of the Securitisation (CRR) Part, Article 337 of the Market Risk: Simplified Standardised Approach (CRR) Part, and the Internal Capital Adequacy Assessment Part of the PRA Rulebook)

6: High-cost credit protection and other SRT considerations

- 6.1 Some transactions transfer little or no economic risk from the protection buyer to the protection seller, but may nevertheless result in a reduction in regulatory capital requirements. An example of such a transaction-type is one in which protection is purchased on a junior tranche and a high premium is paid for that protection.
- 6.2 Generally, the amount of premium paid will not materially affect the assessment of whether SRT is achieved. This is because either:
- the protection payment payable upon default from protection seller to protection buyer is significantly larger than the overall premium payable to the protection seller; or
 - the payment of premium leads to an immediate incurred cost.
- 6.3 However, there comes a point at which the premium payable for protection can reduce significantly the economic risk that is transferred from the protection buyer to protection seller. A premium payable of 100% of the protection amount could leave the protection buyer in a position over the life of the transaction that was no better than if protection had not been purchased.
- 6.4 The PRA expects originators seeking to apply the securitisation risk weights to synthetic securitisations to take into account all relevant factors to assess the extent of risk transferred. As well as the size and timing of amounts payable to the protection seller, the circumstances in which those amounts are payable can undermine the effectiveness of risk transfer. The PRA expects firms seeking capital relief through synthetic securitisations to incorporate premiums in their assessment of SRT. In particular, the following transaction features may have a significant impact on the extent of risk transfer:
- premium which is guaranteed in all or almost all circumstances, eg premium which is payable upfront or deferred;

- those that could result in the amount of premium payable for protection being significantly greater than the spread income on the assets in the portfolio or similar to the size of the hedged position; and
 - those under which the protection buyer retains the expected loss through higher transaction costs to the counterparty, in the form of premium or otherwise.
- 6.5 Originators should have regard to the statement on high cost credit protection issued by the Basel Committee on Banking Supervision (www.bis.org/publ/bcbs_n116.htm).
- 6.6 The Securitisation (CRR) Part of the PRA Rulebook requires maturity to be assessed in considering SRT. When assessing the effective maturity of synthetic securitisations, the PRA expects firms to consider whether the transaction contains an option to terminate the protection at the discretion of the protection buyer. The PRA will consider the following to be examples of features which generally indicate a positive incentive for the protection buyer to call a transaction, or at least to constitute grounds for discussion with the PRA prior to the conclusion of the transaction:
- the transaction contains terms, such as payments at maturity or payments upon early termination or significant premiums, which may reduce risk transfer;
 - the transaction includes a requirement for the protection buyer to incur additional costs or obligations if they do not exercise their option to terminate the protection; and
 - there are pre-agreed mechanisms, for example 'at-market unwinds', where the protection seller and protection buyer agree that the transaction can be terminated in the future at a 'market' value and specifies aspects of how the value is calculated.

(Articles 244 and 245 of the Securitisation (CRR) Part and Article 337 of the Market Risk: Simplified Standardised Approach (CRR) Part of the PRA Rulebook)

7: Excess spread in SRT securitisations

- 7.1 No standardised definition of excess spread exists in market practice, however it can be considered as 'finance charge collections and other fee income received in respect of the securitised exposures net of costs and expenses'. The PRA recognises that excess spread can be formulated in a range of different ways, and expects firms to take a 'substance over form' approach to the treatment of excess spread features in SRT securitisations. The PRA considers that the presence of excess spread in synthetic securitisations (SES), when junior in the capital structure to sold or protected

tranches, impacts the transfer of credit risk to third parties by providing credit enhancement, such that the protection buyer has retained risk.

- 7.2 If SRT transactions are structured such that SES provides credit enhancement, firms should assess the risks retained by SES, adequately quantify such risk, and reflect this retained risk in their post-transaction capital requirements. For the purposes of calculating capital requirements, the PRA considers it appropriate to treat SES as an off-balance sheet securitisation position.
- 7.3 Firms should measure the nominal value of the off-balance sheet securitisation position as a reasoned and prudent estimate of the credit enhancement provided by SES, for example as compared to a retained first loss tranche. Firms should (subject to Article 253 of the Securitisation (CRR) Part of the PRA Rulebook) apply a 1,250% risk weight to this nominal value, or deduct from capital.⁵
- 7.4 The presence of excess spread in traditional securitisations (TES) may, in certain transactions where accounting derecognition has not been achieved, impact the transfer of credit risk to third parties, where it is used to absorb losses thus providing credit enhancement to more senior tranches. The PRA is primarily concerned where the excess spread results from the securitised exposures being sold below their market value, for instance, where the securitised exposures are sold at par value despite their fair value being higher than par. In these circumstances, the PRA expects firms to treat the credit enhancement provided by TES in a similar manner to the approach described for SES, by measuring the credit enhancement provided and (subject to Article 253 of the Securitisation (CRR) Part of the PRA Rulebook) applying a 1,250% risk weight or deducting from capital accordingly. The PRA is open to considering alternative methods for firms to measure the credit enhancement provided. As the PRA considers excess spread a complex feature, firms may approach the PRA to discuss potential transactions with such a feature ahead of execution, as set out in paragraph 2.8.

(Articles 244, 245 and 253 of the Securitisation (CRR) Part of the PRA Rulebook)

⁵ Deduct securitisation positions from Common Equity Tier 1 items in accordance with Article 36(1)(k) of the [Own Funds and Eligible Liabilities \(CRR\) Part of the PRA Rulebook](#).

8: Assessment of Commensurate Risk Transfer (CRT) for portfolios of Standardised Approach (SA) exposures

- 8.1 The PRA expects firms to consider the thickness of tranches sold to third parties or tranches on which protection is purchased, for portfolios of SA exposures, in a prudent manner. When justifying that commensurate risk has been transferred, the PRA expects firms to compare the detachment point (D) of tranches sold, or on which protection is purchased, against the K_{SA} (RWA in respect of the underlying exposures as if they had not been securitised multiplied by 8% and divided by the value of the underlying exposures) of the portfolio.
- 8.2 The PRA considers it prudent for firms to apply a scalar of 1.5 to K_{SA} to determine the minimum value of D for the purpose of justifying commensurate transfer of risk. The PRA considers the 1.5 scalar to K_{SA} to be a prudent fall-back and will consider a lower scalar to K_{SA} , if firms can evidence this is more appropriate for a particular transaction. The PRA will remain flexible in assessing firms' evidence for a reduced scalar to K_{SA} and will consider the use of external data sources where it is comparable and representative.

(Articles 244 and 245 of the Securitisation (CRR) Part of the PRA Rulebook)

Annex – SS9/13 updates

This annex details the changes that have been made to this SS following its initial publication in December 2013¹:

2025

October 2025

Following publication of PS19/25 – Restatement of CRR requirements – 2027 implementation – near final,² this SS was updated to reflect the restatement of CRR requirements in the PRA Rulebook. This SS was also updated to transfer supervisory expectations on the permissions process for SRT from SS9/13, with small adjustments, to the statement of policy (SoP) – The PRA’s approach to waivers and permissions under 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 PRA Rulebook – 2026 implementation,³ this SS was updated to introduce Chapter 4A on the use of unfunded credit protection for synthetic SRT securitisations, clarify SMF oversight of SRT securitisations and information to be provided with SRT notification. This is detailed in paragraphs 2.7, 3.8 and Chapter 4A. The PRA made some other non-material updates to this SS, such as updates to CRR references and, in the case of the updates to paragraph 3.1, amendments for consistency with the relevant provisions of the CRR.

This policy is effective from Thursday 1 January 2026.

¹ Available at: www.bankofengland.co.uk/prudential-regulation/publication/2013/securitisation-ss.

² Available at: www.bankofengland.co.uk/prudential-regulation/publication/2025/october/restatement-of-crr-requirements-near-final-policy-statement.

³ Available at: www.bankofengland.co.uk/prudential-regulation/publication/2025/july/restatement-of-crr-and-sii-requirements-in-pra-rulebook-policy-statement.

2020

July 2020

Following publication of PS17/20 ‘Responses to Occasional Consultation Paper 3/20 – Chapter 8: Securitisation: Updates to Significant Risk Transfer’,⁴ this SS was updated to clarify that non-sequential amortisation features constitute complex features in Significant Risk Transfer (SRT) transactions. This is detailed in paragraph 2.8.

This policy is effective from Wednesday 22 July 2020.

The PRA also made minor formatting and typographical corrections to this SS to improve readability.

2019

Version effective from 1 Jan 2019

All references to CRR Articles were updated to reflect the relevant articles in the ‘Amended CRR’⁵ that takes effect from 1 January 2019. A reference to the previous Ratings Based Approach was deleted in paragraph 4.3. In paragraph 7.1 the reference to the CRR definition of excess spread is removed.

2018

Version effective from 15 November 2018

Following publication of PS29/18 ‘Securitisation: The new EU framework and Significant Risk Transfer’, this SS was updated and renamed ‘Securitisation: Significant Risk Transfer’. The PRA published two versions of this SS.⁶

Paragraph 2.3a was added to set out the PRA’s expectations on the thickness of tranches that are sold or tranches on which protection is purchased. Paragraph 2.7 was updated to clarify the PRA’s expectations of firms’ senior management engagement in the execution of SRT transactions. Paragraph 3.8 was updated to reference Fundamental Rule 7. Paragraph 4.3 was added to clarify that the PRA will have regards to credit rating agency expertise in accordance with Chapter 9 of the EBA Guidelines on Significant Risk Transfer. Paragraph 4.4 was added to include a clarification regarding the LGD value for the purpose of calculating regulatory capital requirements using SEC-IRBA, for SRT securitisations of

⁴ Available at: www.bankofengland.co.uk/prudential-regulation/publication/2020/occasional-consultation-paper-march-2020.

⁵ EU Regulation 2017/2401 amending EU Regulation No 575/2013 on prudential requirements for credit institutions and investment firms.

⁶ Available at: www.bankofengland.co.uk/prudential-regulation/publication/2018/securitisation-the-new-eu-framework-and-significant-risk-transfer.

income-producing real estate (IPRE) assets where firms have adopted the slotting approach. Chapter 7 was added and outlines the PRA's expectations as regards the prudential treatment of excess spread in synthetic and traditional securitisations. Chapter 8 was added and outlines the PRA's expectations in respect of firms' assessment of CRT for SA portfolios.

2017

July 2017

This SS was updated following publication of PS19/17, 'Responses to CP2/17 'Occasional Consultation Paper'.⁷ The PS aligned the requirements in Chapter 5 of this SS relating to implicit support and SRT with the final EBA Guidelines on implicit support for securitisation transactions, which came into force on 1 March 2017.⁸ Paragraph 5.4 has therefore been removed and paragraphs 5.3 and 5.5 have been updated. Chapter 7 has also been removed as this has been superseded by the ECAI Mapping Implementing Technical Standard for securitisation,⁹ which came into force on 1 November 2016.

⁷ Available at: www.bankofengland.co.uk/prudential-regulation/publication/2017/responses-to-cp-2-17.

⁸ Available at: www.eba.europa.eu/publications-and-media/press-releases/eba-publishes-final-guidelines-implicit-support.

⁹ ECAI Mapping ITS: Commission Implementing Regulation (EU) 2016/1801.