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NEW UK SECURITISATION RULES PUBLISHED

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The UK Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) recently published their final rules relating to securitisation. Together with certain provisions under the Securitisation Regulations 2024 (as amended), the PRA and FCA Rules are expected to come into force on 1 November 2024 and to replace the UK's existing securitisation regulation regime.

BACKGROUND

The EU Securitisation Regulation (Regulation (EU) 2017/2402, as amended) originally applied in the United Kingdom as part of EU law. Following the end of the Brexit transition period on 31 December 2020, the EU Securitisation Regulation was adopted into UK law in its then existing form and amended by way of the Securitisation (Amendment) (EU Exit) Regulations 2019 (the 2019 Regulations) to ensure that it would operate effectively in the United Kingdom (as so amended, the UK Securitisation Regulation).

Under the Edinburgh Reforms, which seek to drive growth and competitiveness in the UK financial services sector, the government intends to deliver a "Smarter Regulatory Framework" tailored to the United Kingdom. The Financial Services and Markets Act 2023 provides for certain laws relating to financial services derived from EU law to be repealed. This includes the UK Securitisation Regulation and certain related regulations, which will be replaced with a new UK securitisation regime.

THE SECURITISATION REGULATIONS 2024

Following a period of consultation, the Securitisation Regulations 2024 were published on 29 January 2024. Certain aspects came into effect the following day, with the remaining provisions expected to come into effect on the date the UK Securitisation Regulation is revoked.

The Securitisation Regulations 2024 include the following:

- An amendment to the previous definition of "institutional investor" in the UK Securitisation Regulation, with respect to alternative investment fund managers (AIFMs), so that only AIFMs that are authorised in the United Kingdom will be subject to securitisation due diligence requirements
- Powers to allow the FCA to make rules in relation to certain designated activities carried out by both authorised and unauthorised persons, including acting as an originator, a sponsor, an original lender or a securitisation special purpose entity (SSPE) in a securitisation
- A power of direction which may be used by the FCA in relation to entities subject to the designated activities regime in the event of failure or likely failure to comply with any relevant rule
- Requirements in relation to the notification of STS (simple, transparent and standardised) securitisations and the removal from the FCA list of any securitisations that no longer meet the STS requirements
- Requirements in relation to the use of the STS designation
- The ability of HM Treasury to designate countries or territories as having a regime that has equivalent effect to the UK STS requirements
- Provisions in relation to securitisation repositories
- Provisions in relation to third-party verifiers of the STS criteria
- Provisions in relation to monitoring and disciplinary measures
- Transitional provisions in relation to pre-2019 securitisations

A statutory instrument (the Securitisation (Amendment) Regulations 2024) was made on 22 May 2024, effecting certain amendments to the Securitisation Regulations 2024. The amendments include the following:

Commencement Date

The Securitisation (Amendment) Regulations 2024 provide that most of the provisions of the Securitisation Regulations 2024 will have a commencement date of 1 November 2024.

Restrictions on SSPE Jurisdictions

The Securitisation (Amendment) Regulations 2024 include restrictions on the jurisdictions in which an SSPE can be established. While under the UK Securitisation Regulation it was not clear to whom the equivalent provision applied, the Securitisation (Amendment) Regulations 2024 provide that the originator and sponsor must ensure that the securitisation is not carried out through an SSPE in certain high-risk jurisdictions, and in addition that institutional investors must not invest in securitisations with such an SSPE. The jurisdictions that would currently be prohibited are Iran, Myanmar and North Korea, so this is unlikely to present issues on many UK securitisations.

Due Diligence Requirements for Occupational Pension Schemes

The Securitisation (Amendment) Regulations 2024 also include due diligence requirements for occupational pension schemes, as they are supervised by the Pensions Regulator, which does not have equivalent statutory rule-making powers to the PRA and the FCA.

PRA AND FCA RULES

Other than the areas covered in the Securitisation Regulations 2024, as amended, the various requirements which were previously set out in the UK Securitisation Regulation and the related technical standards will be included in the rulebooks of the PRA and the FCA. This marks a significant change in approach to the regulation of securitisation in the United Kingdom.

Consultations

The PRA published a consultation paper on 27 July 2023 (the PRA Consultation Paper) setting out its proposals for the rules that will replace certain requirements in the UK Securitisation Regulation and applicable technical standards, as these apply to PRA-authorised persons, and attaching a draft Securitisation Rules instrument (the Draft PRA Rules).

This was followed by the FCA's publication of a Consultation Paper on Rules relating to Securitisation on 7 August 2023 (the FCA Consultation Paper) with the draft Handbook text (the Draft FCA Rules, and together with the Draft PRA Rules, the Draft PRA and FCA Rules).

Following responses by market participants, the PRA and the FCA published the final version of these rules on 30 April 2024 (the PRA and FCA Rules).

In the case of the PRA, it has published a policy statement, PS7/24 – Securitisation: General requirements (the PRA Policy Statement), with the rules set out in Appendix 1: PRA Rulebook: CRR Firms, Non-CRR Firms, Solvency II Firms, Non-Solvency II Firms: Securitisation (and Miscellaneous Amendments) Instrument 2024 and the relevant reporting templates set out in Appendix 3.

In the case of the FCA, the rules can be found in Appendix 1 (*Securitisation (Smarter Regulatory Framework and Consequential Amendments) Instrument 2024*) to Policy Statement PS 24/4 – Rules Relating to Securitisation (the FCA Policy Statement) and also include the relevant reporting templates and STS notification templates.

General Approach

Implementation Date

The PRA and FCA Rules are expected to come into effect on 1 November 2024, giving market participants six months to adjust to the new regime. Together with the Securitisation Regulations 2024 (as amended), they will replace the UK Securitisation Regulation and the applicable technical standards, including the regulatory technical standards in relation to risk retention which were put in place under the previous Capital Requirements Regulation regime (as it now applies in the United Kingdom, the UK CRR RTS) and the reporting technical standards which were put in place in the European Union and adopted and amended in the United Kingdom.

Transitional Provisions

Following industry comments, provisions have been included which provide that, for the most part, the previous UK Securitisation Regulation regime will continue to apply to securitisations where the securities were issued or, in the case of securitisations which do not involve the issuance of securities, new securitisation positions were created, on or after 1 January 2019 and before 1 November 2024 (Pre-Revocation Securitisations). There is an exception for the change to the definition of "institutional investor" with respect to AIFMs, as discussed above.

The PRA and the FCA declined to build in an option to allow participants in Pre-Revocation Securitisations to choose whether to comply with the UK Securitisation Regulation regime or the new UK regime. This is because the regulators consider that the rules would already have been complied with and therefore the changes would be of limited benefit. However, as discussed below, one consequence of this is that Pre-Revocation Securitisations will continue to be subject to ongoing reporting requirements under the UK Securitisation Regulation, which may be considered more onerous than the replacement rules.

Pre-existing EU Guidance

The regulators have confirmed that they will maintain their existing approach to EU guidance published before the end of the Brexit transition period; in other words, such EU guidance will continue to be useful and should still be complied with, to the extent it remains relevant.

Recitals

The regulators noted industry feedback that some recitals in the previous legislation have been useful in interpreting the rules. However, they have opted not to preserve the wording from recitals except, importantly, where they have identified certain key recitals which in their view were in practice treated as if they were operating provisions or were essential to the interpretation of operating provisions, and in those instances they have incorporated some additional wording in the PRA and FCA Rules.

Alignment Between the PRA and FCA Rules

A number of provisions were drafted differently in the Draft PRA Rules and the Draft FCA Rules. Following industry feedback on the Draft PRA and FCA Rules requesting greater harmonisation in the drafting, the regulators have worked together to align the wording of the PRA Rules and the FCA Rules more closely (although there remain some areas of inconsistency between the two sets of rules).

Industry Feedback on the Draft PRA and FCA Rules

The PRA and FCA have included detailed responses to the feedback provided in relation to the Draft PRA and FCA Rules. While some key points have been helpfully taken into account, resulting in some further changes in the PRA and FCA Rules and some additional clarifications, in many cases the regulators have opted to maintain the status quo for the time being. However, in a number of instances (covering matters relating to the due diligence, risk retention and transparency requirements, among other things) the regulators have indicated that the feedback received may inform their policy in the future.

Definition of "Non-ABCP Securitisation"

The FCA Rules previously included a definition of "non-ABCP securitisation" but, following feedback that the way it was defined could result in unintended consequences, the definition has been removed.

Due Diligence and Monitoring Requirements

The PRA and FCA Rules include due diligence and monitoring requirements for institutional investors based on those in Article 5 of the UK Securitisation Regulation, with some amendments. Most significantly, the PRA and FCA Rules allow for a more principles-based approach to due diligence obligations with respect to the provision of information and reporting by originators, sponsors and SSPEs.

Due Diligence

The UK Securitisation Regulation includes a requirement that investors, before holding a securitisation position, verify:

(a) that certain requirements in relation to credit-granting are complied with;

(b) that risk retention requirements are complied with; and

(c)

(i) in the case of securitisations where the originator, sponsor or SSPE is established in the United Kingdom, that the relevant entity has made available the information required under Article 7, which sets out transparency requirements (Article 5(1)(e)); or

(ii) in the case of securitisations where such entity is not established in the United Kingdom, that such entity has provided "substantially the same" information as if it had been so established (Article 5(1)(f)).

With respect to the requirement described in paragraph (c)(ii) above, the meaning of the words "substantially the same" is unclear, and consequently institutional investors that are subject to the UK Securitisation Regulation have found it difficult to know how to comply with Article 5(1)(f).

Under the PRA and FCA Rules, the wording described in paragraph (c) above has been replaced and instead investors will be required to verify that the originator, sponsor or SSPE "has made available sufficient information to enable the institutional investor independently to assess the risks of holding the securitisation position".

The investor is also required to verify that the originator, sponsor or SSPE "has committed to make further information available on an ongoing basis".

The information to be obtained must include the following:

Information	Timing
In the case of a non-ABCP securitisation, details of the underlying exposures	At least quarterly
In the case of an ABCP programme or transaction, details of the underlying receivables or credit claims	At least monthly
Investor reports providing periodic updates on: (a) the credit quality and performance of the underlying exposures;	At least quarterly, in the case of a non-ABCP securitisation At least monthly, in the case of an ABCP programme or transaction

(b) any relevant financial or other triggers contained in the transaction documentation including information on events which trigger changes to the priority of payments or a substitution of any counterparty to the transaction; (c) data on the cash flows generated by the underlying exposures and by the liabilities of the securitisation; and (d) the calculation and modality of retention of the material net economic interest in the transaction	
All information on the legal documentation needed to understand the transaction, including detail of the legal provisions governing the structure of the transaction, any credit enhancement or liquidity support features, the cash flows and loss waterfalls, investors' voting rights, and any triggers or other events that could result in a material impact on the performance of the securitisation position	For primary market investments: (a) before pricing or commitment to invest, in draft or initial form; and (b) no later than 15 days after closing of the transaction, in final form For secondary market investments, before a commitment to invest, in final form In all cases, an updated version as soon as practicable following any material change
Information describing any changes or events materially affecting the transaction, including breaches of obligations under the transaction documents	As soon as practicable following the material change or event
Any approved prospectus or other offering or marketing document	For primary market investments: (a) before pricing or commitment to invest, in draft or initial form; and (b) no later than 15 days after closing of the transaction, in final form For secondary market investments, before a commitment to invest, in final form
Any STS notification	For primary market investments: (a) before pricing or commitment to invest, in draft or initial form; and (b) no later than 15 days after closing of the transaction, in final form For secondary market investments, before a commitment to invest, in final form

	In all cases, an updated version as soon as practicable following any material change

A few aspects of the revised due diligence requirements are particularly noteworthy:

Principles-Based Approach

The principles-based approach requiring "sufficient information to enable the institutional investor independently to assess the risks of holding the securitisation position" will certainly be welcomed by market participants. In particular, it should make it easier for UK investors to invest in securitisations where sell-side parties are outside the United Kingdom, while still requiring investors to perform a risk assessment based on information meeting the requirements set out above.

This pragmatic approach contrasts starkly with the conclusions of the European Commission in its report on the functioning of the EU Securitisation Regulation, published in October 2022 (the Commission Report), which indicated that EU investors would need to obtain all the information required by Article 7 of the EU Securitisation Regulation, including reporting in accordance with the mandated templates, in securitisations with non-EU sell-side parties (for more information on this point, please refer to our LawFlash European Commission Publishes Report on the Functioning of the EU Securitisation Regulation). This outcome continues to pose challenges for EU investors in transactions with non-EU sell-side parties.

However, while the UK position is now more accommodating for investors, there currently remains some uncertainty as to what information must be obtained to satisfy Article 5(1)(f) of the UK Securitisation Regulation, as described above, for Pre-Revocation Securitisations. To the extent that the current rules in this regard are considered to be more onerous than the new requirements, UK investors in such "grandfathered" securitisations are likely to find it disappointing that they cannot simply opt into the new requirements with respect to ongoing deal reporting.

"Commitment to Invest"

The references in various places to "a commitment to invest" (as indicated in the above table) were not included in the Draft PRA and FCA Rules and are likely to be seen as helpful for investors in private transactions where there is no real concept of "pricing" or, as applicable, for secondary market investors that will only be obliged to verify information from the time of their involvement in the transaction and not the inception of the transaction.

Trade Receivables

It is worth noting that there is an explicit statement in the PRA and FCA Rules (as in the Draft PRA and FCA Rules) that an institutional investor's obligation to verify compliance with the credit-granting requirements does not apply with respect to trade receivables (provided they are not originated in the form of a loan). This is currently only in a recital to the UK Securitisation Regulation.

ABCP Transactions

The PRA and the FCA have declined to align the wording in relation to due diligence for ABCP transactions more closely with the disclosure obligations. While it is undoubtedly helpful that the regulators have indicated that they see the due diligence wording as a separate provision with its own requirements, it would have been useful to receive confirmation that investors are required to obtain only aggregate data (as opposed to loan-level data) for ABCP transactions, in line with the market understanding.

Delegation

The PRA and FCA Rules clarify that where compliance with the due diligence requirements is delegated by an institutional investor (the delegating investor) to another institutional investor (the managing party), the managing party is responsible for any failure to comply where it is also subject to due diligence obligations under the PRA Rules or the FCA Rules (and otherwise the delegating investor will remain liable).

Risk Retention Requirements

The PRA and FCA Rules include risk retention requirements based on Article 6 of the UK Securitisation Regulation. They also include further details regarding how to comply with the risk retention requirements. These provisions are similar in some respects to the UK CRR RTS but there are a number of changes, including to reflect certain provisions of the new EU risk retention regulatory technical standards which came into force in November 2023 (the EU Risk Retention RTS). However, the PRA and FCA Rules in relation to risk retention are not fully aligned with the EU Risk Retention RTS. For more information on the EU Risk Retention RTS, please refer to our LawFlash New EU Risk Retention Regulatory Technical Standards Now in Force.

The changes from the UK CRR RTS include the following:

Sole Purpose Test

As in the UK Securitisation Regulation, the PRA and FCA Rules include a provision that an entity shall not be considered to be an originator (i.e., for the purposes of acting as a risk retainer) if it has been established or operates for the sole purpose of securitising exposures.

In the case of the equivalent wording in the EU Securitisation Regulation, further provisions as to how this "sole purpose test" should be interpreted are included in the EU Risk Retention RTS, which specify certain features, including that the entity has a strategy and the capacity to meet payment obligations consistent with a broader business model that involves material support from capital, assets, fees or other sources of income, and that the members of the management body have the necessary experience to enable the entity to pursue the established business strategy and adequate corporate governance arrangements. The PRA and FCA Rules include similar provisions to those in the EU Risk Retention RTS.

However, while the EU Risk Retention RTS include a requirement that the entity does not rely on the securitised exposures, the retained interest, or any income therefrom "as its sole or predominant source of revenue," the wording in inverted commas is not included in the PRA and FCA Rules, potentially making it easier to meet the UK requirements.

It is also worth noting that while the EU wording states that an entity "shall not be considered to have been established or to operate for the sole purpose of securitising exposures" where the specified features apply (thereby arguably establishing a safe harbour rather than a mandatory set of requirements), the PRA and FCA Rules state instead that the relevant factors "must be taken into account," which may be read as a more onerous requirement.

The wording as between the PRA Rules and the FCA Rules has now helpfully been aligned more closely, compared with the Draft PRA Rules and the Draft FCA Rules.

Cash Collateralisation Exemption for Synthetic/Contingent Forms of Retention

Under the UK CRR RTS, if risk retention is fulfilled through a synthetic or contingent form of retention, it must be fully cash collateralised, but there is an exception to this requirement for cash collateralisation where a credit institution is acting as the risk retainer. As in the EU Risk Retention RTS, this exception will be extended under the PRA and FCA Rules to investment firms and insurance firms (although only UK firms will benefit from the exception).

Hedging

An operative provision has now been included, based on a recital in the EU Securitisation Regulation, to allow hedging of the retained interest where the hedge (a) is not against the credit risk of either the retained securitisation positions or the retained exposures and (b) is done before the securitisation as a prudent element of credit granting or risk management and does not create a differentiation for the retainer's benefit between the credit risk of the retained securitisation positions or exposures and the transferred securitisation positions or exposures.

Transfer of the Retained Interest

As in the EU Risk Retention RTS, the PRA and FCA Rules allow the retained interest to be transferred in the event of the insolvency of the risk retainer. However, they do not include the additional wording that is included in the EU Risk Retention RTS, which allows for a transfer of the retained interest where the retainer, for legal reasons beyond its control and beyond the control of its shareholders, is unable to continue acting as a retainer. There is also no provision for other circumstances where a transfer of the retained interest might be useful, such as in the event of a corporate reorganisation.

Prohibition on "Cherry Picking"

As in the UK Securitisation Regulation, the PRA and FCA Rules provide that originators must not select assets to be transferred to the SSPE with the aim of rendering losses on those assets (measured over the life of the transaction or over four years if the transaction is longer than four years) higher than the losses over the same period on comparable assets held on the balance sheet of the originator. An exception allows originators to select assets for the securitisation that ex ante have a higher than average risk profile than comparable assets remaining on the originator's balance sheet as long as that is clearly communicated to investors or potential investors.

Guidance is also included on how to assess whether retained assets and securitised assets are comparable and deeming the requirements to be complied with where no comparable assets are left on the originator's balance sheet, provided that the latter fact has been clearly communicated to investors.

Resecuritisations

The regulators have declined to include in the rules any specific clarification that there is no need for risk retention to be held at both transaction and programme level in an ABCP transaction. However, as discussed below, fully supported ABCP programmes are specifically carved out from being resecuritisations (which would require retention at both levels of the transaction).

Amendments with Respect to Securitisations of Non-Performing Exposures

As in the EU Securitisation Regulation, following its amendment in early 2021, the PRA and FCA Rules now include certain amendments to facilitate the securitisation of non-performing exposures (NPEs). This allows the net value of the NPEs to be used instead of nominal value in calculating the 5% material net economic interest to be retained. However, unlike the EU Securitisation Regulation and the EU Risk Retention RTS, there are no provisions to allow the servicer in an NPE securitisation to act as risk retainer.

Disclosure Requirements

The PRA and FCA Rules contain provisions in relation to transparency, based on those in Article 7 of the UK Securitisation Regulation, and set out the requirements for disclosure of certain information by the originator, sponsor or SSPE. As in the Draft PRA and FCA Rules, they also clarify that certain information that is required to be provided before pricing should be in draft or initial form (as, for practical reasons, pricing information will not be inserted until the final version), and that a final version of such information should be provided by 15 days after closing.

Similar to the investor due diligence requirements, reference to "the original commitment to invest" has also been added in relation to certain information to be provided.

Wording which had been omitted from the Draft PRA Rules, allowing confidential information or personal data to be anonymised or aggregated, has now been included in the PRA Rules, consistent with the UK Securitisation Regulation and the FCA Rules.

Feedback requesting amendments to the effect that information need not be provided to non-UK investors has not been reflected.

The templates are based on those in place under the current technical standards.

Ban on Resecuritisations

As in Article 8 of the UK Securitisation Regulation, resecuritisations are generally prohibited. The PRA or the FCA, as applicable, may disapply this in certain situations using their waiver powers (although this is unlikely to occur except in rare circumstances).

As in the UK Securitisation Regulation, it is helpfully clarified that a fully supported ABCP programme will not be a resecuritisation provided that none of the underlying ABCP transactions is a resecuritisation and there is not a second layer of tranching at the programme level as a result of the credit enhancement.

Credit-Granting Criteria

The PRA and FCA Rules include credit-granting criteria based on Article 9 of the UK Securitisation Regulation. Mirroring the investor due diligence requirements, the PRA and FCA Rules clarify that the credit-granting requirements do not apply with respect to trade receivables (provided that they are not originated in the form of a loan).

STS

The FCA Rules include the criteria for a non-ABCP securitisation, an ABCP securitisation or an ABCP programme to be considered STS (simple, transparent and standardised), based on the requirements in the UK Securitisation Regulation, with some amendments. One notable change is that it is no longer necessary for there to be a transfer to an SSPE.

Similar to the investor due diligence and transparency requirements, the FCA Rules add the words "or commitment to invest" after the words "before pricing" in the relevant transparency provisions of the STS requirements.

The FCA Rules include requirements for determining whether the underlying exposures in the pool are homogeneous, including some amendments to the existing requirements that are similar to those made to the EU regulatory technical standards on homogeneity.

The FCA Rules also clarify that a securitisation that meets the STS criteria needs to be notified to the FCA only if the originator or sponsor actually wants it to be designated as STS.

STS notification templates are included, based on the ones that apply under the UK Securitisation Regulation regime.

Unlike in the European Union, it is not possible for a synthetic securitisation to be STS.

Other Provisions

The FCA Rules also include provisions in relation to the sale of securitisation positions to retail clients and in relation to securitisation repositories and third-party verification agents.

Other Clarifications and Adjustments

There are a number of other clarifications and adjustments, including the following:

Geographical Scope

The PRA Policy Statement indicates that the PRA Rules (a) are applicable to PRA-authorised persons established in the United Kingdom, qualifying parent undertakings, and certain subsidiaries of those firms and (b) are not relevant to non-UK firms with branches in the United Kingdom.

The FCA Policy Statement explains that wording has been included in the FCA Rules to clarify that the relevant provisions apply only to entities established in the United Kingdom (except with respect to investors, as institutional investors are authorised persons).

For these purposes, "established in the United Kingdom" means that the relevant entity is constituted under the law of a part of the United Kingdom with a registered office in any part of the United Kingdom or, if the relevant entity does not have a registered office, with a head office in any part of the United Kingdom.

Currency Adjustments

References to Euros in the FCA Rules have been amended to refer to Sterling.

FURTHER CONSULTATIONS

One key topic that was discussed in the context of market participants' feedback to both the consultation on the EU Securitisation Regulation and the UK call for evidence in relation to the UK Securitisation Regulation was the question of whether the distinction between public securitisations and private securitisations could be reevaluated, and as a result whether the disclosure requirements for private securitisations could be made more proportionate. For UK purposes, a public securitisation is one where no prospectus is required to be drawn up under section 85 of the UK Financial Services and Markets Act 2000.

HM Treasury indicated that it was open to considering this issue in its report on the UK Securitisation Regulation in December 2021. This is in contrast to the conclusion of the European Commission in the Commission Report, where it rejected the idea of amending the equivalent definition of private securitisation under the EU Securitisation Regulation (please refer to our LawFlash European Commission Publishes Report on the Functioning of the EU Securitisation Regulation for more information).

The FCA Consultation Paper contained an initial discussion of this issue and took note of industry feedback that the required reporting is disproportionate and not always useful in the case of many private transactions. In the FCA Consultation Paper, the FCA identified and considered different approaches as to how public and private securitisations could be distinguished. The PRA and the FCA indicated in the PRA Consultation Paper and the FCA Consultation Paper, respectively, that there would be a separate consultation on this at a later date (the Second Consultation).

In addition, the PRA and FCA are considering whether the disclosure templates for private securitisations could be made more proportionate. Limited adjustments to the public templates may also be considered, in particular with respect to whether the amount of information for granular and short-term assets is appropriate. Due diligence requirements may also be reviewed further in the Second Consultation.

The Second Consultation is expected to be held by the PRA and FCA in Q4 2024/Q1 2025.

Importantly, capital requirements with respect to securitisation are also under consideration, following a discussion paper published by the PRA in October 2023.

CONCLUSION

Market participants for whom the UK Securitisation Regulation is relevant are likely to appreciate the fact that the new UK securitisation regulation regime is not too far removed from the previous one, and not hugely different from the EU Securitisation Regulation regime, since this will facilitate the process of adjusting to the new rules. At the same time, they are likely to welcome the amendments and clarifications that have been made to the previous regime, in particular the more principles-based approach to investor due diligence.

The industry is also keenly awaiting the Second Consultation. In this respect, it seems likely that the UK regime will diverge further from the EU regime, and a consultation process is also under way in relation to the EU disclosure requirements (for more details, please refer to our LawFlash ESMA Publishes Consultation Paper on Reporting Templates for Securitisations).

In the future, it is likely that it will be easier for changes to be made to the UK rules than under the previous regime and in the European Union, and there will perhaps be opportunities to amend the UK securitisation framework further.

It will be important for those involved in securitisation transactions involving UK parties to pay close attention to the new wording and review carefully the impact of the changes from the previous regime. In addition, it would be advisable to consider carefully whether there are any practical implications of the differences in wording between the various new rules, where relevant. Furthermore, there are likely to be many transactions where there are parties that are subject to the EU Securitisation Regulation regime and/or other regulatory regimes, as well as parties that are subject to the new UK securitisation regime, and this will require detailed analysis of the various rules as they apply to the relevant parties.

HOW WE CAN HELP

We at Morgan Lewis have been following the various consultations, participating in industry feedback, and tracking the latest developments very closely. We frequently advise on compliance with the relevant regulatory regimes both in the context of UK and EU transactions, and in US transactions with UK and EU investors, involving in depth consideration of the practical implications of the various securitisation rules. We would be happy to discuss further.

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ABOUT US

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