

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Text with EEA relevance)

[<sup>XI</sup>PART THREE

**CAPITAL REQUIREMENTS**

TITLE II

**CAPITAL REQUIREMENTS FOR CREDIT RISK**

[<sup>F1</sup>CHAPTER 5

***Securitisation***

*Section 1*

***Definitions and criteria for simple, transparent and standardised securitisations***

[<sup>XI</sup>[<sup>F1</sup>Article 242

**Definitions**

For the purposes of this Chapter, the following definitions apply:

- 1 ‘ clean-up call option ’ means a contractual option that entitles the originator to call the securitisation positions before all of the securitised exposures have been repaid, either by repurchasing the underlying exposures remaining in the pool in the case of traditional securitisations or by terminating the credit protection in the case of synthetic securitisations, in both cases when the amount of outstanding underlying exposures falls to or below certain pre-specified level;
- 2 ‘ credit-enhancing interest-only strip ’ means an on-balance sheet asset that represents a valuation of cash flows related to future margin income and is a subordinated tranche in the securitisation;
- 3 ‘ liquidity facility ’ means a liquidity facility as defined in point (14) of Article 2 of Regulation (EU) 2017/2402;
- 4 ‘ unrated position ’ means a securitisation position which does not have an eligible credit assessment in accordance with Section 4;
- 5 ‘ rated position ’ means a securitisation position which has an eligible credit assessment in accordance with Section 4;
- 6 ‘ senior securitisation position ’ means a position backed or secured by a first claim on the whole of the underlying exposures, disregarding for these purposes amounts due under

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**Changes to legislation:** There are outstanding changes not yet made to Regulation (EU) No 575/2013 of the European Parliament and of the Council. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

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interest rate or currency derivative contracts, fees or other similar payments, and irrespective of any difference in maturity with one or more other senior tranches with which that position shares losses on a pro-rata basis;

7 ‘ IRB pool ’ means a pool of underlying exposures of a type in relation to which the institution has permission to use the IRB Approach and is able to calculate risk- weighted exposure amounts in accordance with Chapter 3 for all of these exposures;

8 ‘ mixed pool ’ means a pool of underlying exposures of a type in relation to which the institution has permission to use the IRB Approach and is able to calculate risk- weighted exposure amounts in accordance with Chapter 3 for some, but not all, of the exposures;

9 ‘ overcollateralisation ’ means any form of credit enhancement by virtue of which underlying exposures are posted in value which is higher than the value of the securitisation positions;

10 ‘ simple, transparent and standardised securitisation ’ or ‘ STS securitisation ’ means—

- [<sup>F2</sup>a] a securitisation that meets the requirements set out in Article 18 of Regulation (EU) 2017/2402 [<sup>F3</sup>; or
- b an STS equivalent non-UK securitisation as defined in point (A9) of Article 2 of [Regulation \(EU\) 2017/2402](#);

11 ‘ asset-backed commercial paper programme ’ or ‘ ABCP programme ’ means an asset backed commercial paper programme or ABCP programme as defined in point (7) of Article 2 of Regulation (EU) 2017/2402;

12 ‘ asset-backed commercial paper transaction ’ or ‘ ABCP transaction ’ means an asset-backed commercial paper transaction or ABCP transaction as defined in point (8) of Article 2 of Regulation (EU) 2017/2402;

13 ‘ traditional securitisation ’ means a traditional securitisation as defined in point (9) of Article 2 of Regulation (EU) 2017/2402;

14 ‘ synthetic securitisation ’ means a synthetic securitisation as defined in point (10) of Article 2 of Regulation (EU) 2017/2402;

15 ‘ revolving exposure ’ means a revolving exposure as defined in point (15) of Article 2 of Regulation (EU) 2017/2402;

16 ‘ early amortisation provision ’ means an early amortisation provision as defined in point (17) of Article 2 of Regulation (EU) 2017/2402;

17 ‘ first loss tranche ’ means a first loss tranche as defined in point (18) of Article 2 of Regulation (EU) 2017/2402;

18 ‘ mezzanine securitisation position ’ means a position in the securitisation which is subordinated to the senior securitisation position and more senior than the first loss tranche, and which is subject to a risk weight lower than 1 250 % and higher than 25 % in accordance with Subsections 2 and 3 of Section 3;

[<sup>F4</sup>19 “promotional entity” means any undertaking or entity—

- a which is established by a government department or devolved administration or by a local authority in any part of the United Kingdom (“the establishing body”);
- b which grants promotional loans or guarantees;

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- c whose primary goal is not to make profit or maximise market share, but is to promote public policy objectives of the establishing body; and
- d in relation to which <sup>F5</sup>...—
  - i the establishing body is obliged to protect its economic basis and maintain its viability throughout its lifetime; or
  - ii at least 90% of its original capital or funding or the promotional loan it grants is directly or indirectly guaranteed by a government department, a devolved administration or a local authority in any part of the United Kingdom.]]]

#### Editorial Information

- X1** Substituted by [Corrigendum to Regulation \(EU\) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation \(EU\) No 648/2012 \(OJ L 176, 27.6.2013, p. 1\).](#)

#### Textual Amendments

- F1** Substituted by [Regulation \(EU\) 2017/2401 of the European Parliament and of the Council of 12 December 2017 amending Regulation \(EU\) No 575/2013 on prudential requirements for credit institutions and investment firms.](#)
- F2** Words in Art. 242(10) renumbered as Art. 242(10)(a) (29.8.2023) by [Financial Services and Markets Act 2023 \(c. 29\), s. 86\(3\), Sch. 2 para. 38\(a\) \(with s. 2\(3\)\); S.I. 2023/779, reg. 4\(zz\)\(iii\)](#)
- F3** Art. 242(10)(b) and word inserted (29.8.2023) by [Financial Services and Markets Act 2023 \(c. 29\), s. 86\(3\), Sch. 2 para. 38\(b\) \(with s. 2\(3\)\); S.I. 2023/779, reg. 4\(zz\)\(iii\)](#)
- F4** Art. 242(19) substituted (31.12.2020) by [The Securitisation \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/660\), regs. 1\(2\), 42 \(as amended by S.I. 2020/1301, regs. 1, 3, Sch. para. 35\(g\) and with savings in S.I. 2019/680, reg. 11\); 2020 c. 1, Sch. 5 para. 1\(1\)](#)
- F5** Words in Art. 242(19) omitted (31.12.2020 immediately after IP completion day) by virtue of [The State Aid \(Revocations and Amendments\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1470\), reg. 1\(3\), Sch. 1 para. 3\(3\) \(with Sch. 3\)](#)

**Changes to legislation:**

There are outstanding changes not yet made to Regulation (EU) No 575/2013 of the European Parliament and of the Council. Any changes that have already been made to the legislation appear in the content and are referenced with annotations.

View outstanding changes

**Changes and effects yet to be applied to :**

- Regulation revoked by [2023 c. 29 Sch. 1 Pt. 1](#)

**Changes and effects yet to be applied to the whole legislation item and associated provisions**

- Pt. 3 Title 1 Ch. 1 SECTION 2 A 95 repeal by [EUR 2019/2033](#) Regulation (This amendment by the EU not applied to legislation.gov.uk because it is brought into force after IP completion day.)
- Pt. 3 Title 1 Ch. 1 SECTION 2 repeal by [EUR 2019/2033](#) Regulation (This amendment by the EU not applied to legislation.gov.uk because it is brought into force after IP completion day.)
- Pt. 3 Title 1 Ch. 1 SECTION 2 A 98 repeal by [EUR 2019/2033](#) Regulation (This amendment by the EU not applied to legislation.gov.uk because it is brought into force after IP completion day.)
- Pt. 3 Title 1 Ch. 1 SECTION 2 A 96 repeal by [EUR 2019/2033](#) Regulation (This amendment by the EU not applied to legislation.gov.uk because it is brought into force after IP completion day.)
- Pt. 3 Title 1 Ch. 1 SECTION 2 A 97 repeal by [EUR 2019/2033](#) Regulation (This amendment by the EU not applied to legislation.gov.uk because it is brought into force after IP completion day.)
- Art. 4.1(7) words omitted by [S.I. 2018/1401 reg. 64\(7\)\(b\)](#) (This amendment not applied to legislation.gov.uk. Reg. 64(7) omitted (6.9.2019) by virtue of S.I. 2019/1232, regs. 1(2), 3(3)(c)(i))
- Art. 4.1(7) words substituted by [S.I. 2018/1401 reg. 64\(7\)\(a\)](#) (This amendment not applied to legislation.gov.uk. Reg. 64(7) omitted (6.9.2019) by virtue of S.I. 2019/1232, regs. 1(2), 3(3)(c)(i))
- Art. 4.1(7) words substituted by [S.I. 2018/1401 reg. 64\(7\)\(c\)](#) (This amendment not applied to legislation.gov.uk. Reg. 64(7) omitted (6.9.2019) by virtue of S.I. 2019/1232, regs. 1(2), 3(3)(c)(i))
- Art. 4.1(26) words inserted by [S.I. 2018/1401 reg. 64\(20\)\(a\)](#) (This amendment not applied to legislation.gov.uk. Reg. 64(20) omitted (6.9.2019) by virtue of S.I. 2019/1232, regs. 1(2), 3(3)(c)(ii))
- Art. 4.1(26) words substituted by [S.I. 2018/1401 reg. 64\(20\)\(d\)](#) (This amendment not applied to legislation.gov.uk. Reg. 64(20) omitted (6.9.2019) by virtue of S.I. 2019/1232, regs. 1(2), 3(3)(c)(ii))
- Art. 4.1(28) words substituted by [S.I. 2018/1401 reg. 64\(23\)\(a\)](#) (This amendment not applied to legislation.gov.uk. Reg. 64(23) omitted (6.9.2019) by virtue of S.I. 2019/1232, regs. 1(2), 3(3)(c)(iii))
- Art. 4.1(28) words substituted by [S.I. 2018/1401 reg. 64\(23\)\(b\)](#) (This amendment not applied to legislation.gov.uk. Reg. 64(23) omitted (6.9.2019) by virtue of S.I. 2019/1232, regs. 1(2), 3(3)(c)(iii))
- Art. 4.1(28) words substituted by [S.I. 2018/1401 reg. 64\(23\)\(c\)](#) (This amendment not applied to legislation.gov.uk. Reg. 64(23) omitted (6.9.2019) by virtue of S.I. 2019/1232, regs. 1(2), 3(3)(c)(iii))
- Art. 4.1(128) word substituted by [S.I. 2018/1401 reg. 64\(51\)](#) (This amendment not applied to legislation.gov.uk. Reg. 64(51) omitted (6.9.2019) by virtue of S.I. 2019/1232, regs. 1(2), 3(3)(c)(iv))
- Art. 11(6)(a) words substituted by [S.I. 2021/1078 reg. 4\(5\)\(c\)](#) (This amendment not applied to legislation.gov.uk. Amending provision substituted by S.I. 2021/1376)

- Art. 18(8)(a) words substituted by [S.I. 2020/1385 reg. 74\(3\)\(c\)](#) (This amendment not applied to legislation.gov.uk. Art. 18(8) substituted (31.12.2020) by S.I. 2019/264, regs. 1, 5(3).)
- Art. 31(1)(b) words substituted by [S.I. 2018/1401 reg. 86\(a\)](#) (This amendment not applied to legislation.gov.uk. Reg. 86(a) omitted immediately before IP completion day by virtue of S.I. 2020/1470, reg. 1(4), Sch. 2 para. 17)
- Art. 31(1)(b) words substituted in earlier amending provision S.I. 2018/1401, reg. 86(a) by [S.I. 2020/1301 reg. 3Sch. para. 11\(g\)](#) (This amendment not applied to legislation.gov.uk. Reg. 86(a) omitted immediately before IP completion day by virtue of S.I. 2020/1470, reg. 1(4), Sch. 2 para. 17)
- Art. 31(1)(c) words inserted by [S.I. 2018/1401 reg. 86\(b\)](#) (This amendment not applied to legislation.gov.uk. Reg. 86(b) omitted immediately before IP completion day by virtue of S.I. 2020/1470, reg. 1(4), Sch. 2 para. 17)
- Art. 78(1)(b) words substituted by [S.I. 2018/1401 reg. 94\(2\)\(a\)](#) (This amendment not applied to legislation.gov.uk. Reg. 94(2) omitted (6.9.2019) by virtue of S.I. 2019/1232, regs. 1(2), 3(3)(h))
- Art. 78(1)(b) words substituted by [S.I. 2018/1401 reg. 94\(2\)\(b\)](#) (This amendment not applied to legislation.gov.uk. Reg. 94(2) omitted (6.9.2019) by virtue of S.I. 2019/1232, regs. 1(2), 3(3)(h))
- Art. 124(4)(b) word substituted by [S.I. 2018/1401 reg. 225\(1\)\(2\)reg. 225\(3\)\(b\)](#) (This amendment not applied to legislation.gov.uk. The words to be substituted in Art. 124(4) are not present following the substitution of Art 124 by Corrigendum to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).)
- Art. 325(3)(a) word omitted by [S.I. 2018/1401 reg. 157](#) (This amendment not applied to legislation.gov.uk. The words to be omitted are not present in Art. 325(3)(a))
- Art. 450(1)(d) words substituted by [2021 c. 22 Sch. 1 para. 41](#) (This amendment not applied to legislation.gov.uk. Pt. 8 omitted (1.1.2022) by virtue of S.I. 2021/1078, regs. 1(1), 10 (as substituted by S.I. 2021/1376, regs. 1(2), 32(4)))
- Art. 456(1)(h)(i) omitted by [S.I. 2021/1078 reg. 11\(2\)\(a\)\(iv\)](#) (This amendment not applied to legislation.gov.uk. Amending provision substituted by S.I. 2021/1376)
- Art. 459(b) omitted by [S.I. 2021/1078 reg. 11\(5\)\(a\)](#) (This amendment not applied to legislation.gov.uk. Amending provision substituted by S.I. 2021/1376)
- Art. 459(c) words substituted by [S.I. 2021/1078 reg. 11\(5\)\(b\)](#) (This amendment not applied to legislation.gov.uk. Amending provision substituted by S.I. 2021/1376)
- Art. 497(1)(b)(ii) extended by [S.I. 2022/1244 reg. 2](#)
- Art. 497(1)(b)(ii) extended by [S.I. 2023/999 reg. 2](#)