

## CBA Panel advice

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| <b>Consultation Paper title</b>   | <b>Proposals to reform the Securitisation Sourcebook</b>  |
| <b>Summary of intervention</b>    | The proposed reforms to the Securitisation Sourcebook aim to simplify due diligence and transparency requirements by removing the distinction between public and private securitisations, reducing prescribed templates, and adopting a more principles-based approach to disclosure. |
| <b>Feedback date of issue</b>     | 01/12/2025  |
| <b>CBA Panel reference number</b> | CBAP-0015   |

### Main recommendations

- Strengthen the treatment of systemic and downside tail risks.** The CBA notes that the existing regulatory regime for securitisation was introduced in the wake of the Global Financial Crisis in order to mitigate systemic financial risks and potential tail events. The CBA would therefore benefit from a clearer and more prominent explanation of what impact the proposed changes will have on these risks, and how supervisory oversight will monitor and mitigate them. If possible, the CBA should include indicative or scenario-based assessments of such downside risks - though any assessment should be carefully worded to avoid implying causality or certainty where the evidence does not support it.
- Improve clarity and presentation of the costs and benefits.** The Panel commends the inclusion of a clear and well-structured Executive Summary. To improve transparency further, the CBA should clarify how the summary of costs and benefits relates to the detailed tables later on, ensuring units are consistent across the tables and signposting indirect and growth-related benefits more prominently.
- Expand the assessment of policy options.** The CBA's options analysis should be completed by either including a "do-nothing" option for the transparency proposals or explaining why it is omitted. The CBA should recognise explicitly that flexibility in implementation timelines is an important mechanism for mitigating costs and disruption to firms.

## Summary

| Category                                | CBA Panel comments  |
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| <b>The market</b>                       | <p><b>The market.</b> The CBA presents a useful overview of the UK securitisation market and its trends, but does not present or analyse any comparative data on the size, economic role, or regulatory treatment of securitisation in other relevant jurisdictions. Given that improved international competitiveness is a central part of the rationale for the proposed changes, comparative context of this sort would add significant value.</p> <p><b>Problem and rationale for intervention.</b> The CBA provides a clear rationale for reducing prescriptiveness in transparency and due diligence requirements. The discussion of market harms would be more balanced and complete if accompanied by a clearer discussion of residual systemic risks and downside scenarios, given the sector’s role in the Global Financial Crisis. This would help demonstrate how the proposed deregulatory changes will be supported by appropriate safeguards.</p> <p><b>Proposed intervention and alternative options.</b> The options analysis is useful but incomplete. A “do-nothing” option is included for the proposed changes to rules on due diligence, but not for those on transparency. The CBA should either include and analyse this option, or explain why it is omitted. It would also be helpful to recognise explicitly that flexible implementation timelines will reduce cost impacts on firms.</p> |
| <b>Assessment of costs and benefits</b> | <p><b>Baseline and counterfactual.</b> The baseline is presented clearly, although the Panel notes that the shift to a supervision-led model will alter the regulatory baseline in practice. Including indications of supervisory resource implications would help clarify what the counterfactual entails.</p> <p><b>Evidence and data.</b> Much of the evidence comes from engagement with market participants and external studies. The CBA should provide a short explanation of why this evidence base is considered sufficient, and whether any further structured data collection is planned.</p> <p><b>Assumptions.</b> The assumptions underlying the CBA appear reasonable. The CBA should be more explicit about the areas it does not quantify, including growth and competitiveness benefits, and potential downside or tail risks, so that stakeholders understand the limitations of the analysis.</p> <p><b>Economic analysis.</b> The overall approach taken is sound, but there are inconsistencies in how figures are presented. Clarification is needed on how the summary costs and benefits relate to the detailed tables. Units should be standardised. The Executive Summary should better highlight indirect benefits linked to growth.</p>  |
| <b>Risk and uncertainty</b>             | <p>The treatment of risk and uncertainty in the CBA requires significant strengthening. The impact that the proposed changes will have on systemic financial risks and potential tail events is not given sufficient prominence, given that the CBA itself explains that the current regulatory regime was introduced to mitigate such risks. The CBA should explain clearly how aggregate monitoring and supervisory oversight will mitigate these risks and why, therefore, it does not quantify them in its analysis. Where possible, the CBA could usefully deploy scenario analysis or other forms of illustrative quantification to support its approach.</p>   |
| <b>Wider economic impacts</b>           | <p>The CBA reasons that the proposed changes are likely to support growth, competitiveness, and real-economy lending. These benefits are central to the rationale but receive limited treatment in the Executive Summary. In</p>  |

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general, a more systematic framework for quantifying growth and international competitiveness impacts across CBAs would be useful.

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