Securitisation Policy
Financial Conduct Authority
12 Endeavour Square
London
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By email: cp26-6@fca.org.uk

18 May 2026

Dear Securitisation Policy,

RE: CP25/36: Client categorisation and conflicts of interest

UK Private Capital is the industry body and public policy advocate for the private equity (PE), venture capital (VC) and private credit ecosystem in the UK. With a membership of 600 firms, we represent UK-based private capital firms, as well as their professional advisers and a large base of UK and global investors. The private equity, venture capital and private credit industry has a vital role to play in driving national and regional growth. Currently over 13,000 companies, employing more than 2.5 million people, are backed by private capital investment in the UK.

We welcome the opportunity to respond to this consultation on rules for reforming the UK Securitisation Framework.

While we do not generally advocate on behalf of the structured finance ecosystem, the UK Securitisation Framework is also important to our members, particularly those active in private credit. Even where securitisation does not typically form part of the investment strategy of private credit funds, those funds can still be impacted by the securitisation regime because some investment structures fall within the broad definition of "securitisation" under the rules.

Overly prescriptive regulatory requirements can create barriers to investment outside the UK and Europe. This is because UK private credit funds may be placed at a disadvantage compared to non-UK/European private credit funds, which are not required to impose the additional requirements on target investments required by the UK/EU frameworks. When competing with US private credit funds in particular, UK private credit funds are disadvantaged in securing investment opportunities where doing so would expose the underlying company to more burdensome and inflexible securitisation requirements. A more practical, principles-based approach could help enhance the competitiveness of the UK regime for private credit funds.

In addition, those investment structures often require compliance with both the UK and EU securitisation frameworks, whether because the fund structure includes both UK and EU entities or because EU Solvency II investors are invested in the fund. It is therefore important that the two regimes do not create unnecessary duplication of regulatory obligations. We strongly support an approach under which compliance with EU transparency requirements can satisfy the corresponding requirements of the UK Securitisation Framework. Duplication of regulatory requirements of this kind could otherwise create significant competitive disadvantages for UK private credit funds.

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Finally, the structures beneath a fund entering into a NAV facility with a bank will often qualify as securitisations. In those cases, UK and EU banks can only extend credit if the requirements of the applicable securitisation regime are complied with. There is currently considerable uncertainty around compliance with those requirements, and clarifying some of those uncertainties, as envisaged in the UK, would give UK lenders a competitive advantage relative to EU lenders, which will continue to be subject to the more rigid EU rules.

We have responded only to those questions on which our members have specific views, and would be happy to discuss any other aspect of the consultation separately if helpful.

Chapter 3: Due diligence

Verification that sufficient information is made available

Question 1: Do you agree with our proposals and their focus on ensuring that institutional investors obtain sufficient information from the manufacturer of the securitisation? Please elaborate on your response.

Question 2: Do you agree with the proposal to remove the table at SECN 4.2.1 R (1)(e) and the addition of corresponding guidance? Please elaborate on your response.

Yes, we agree with the proposals.

In our experience, investors do not typically rely on the additional information that is provided solely as a result of the UK Securitisation Framework and instead perform their diligence based on the information that transactions otherwise include as a result of market customs and commercial negotiation. While there is often crossover between the information provided to comply with the UK Securitisation Framework and that provided in accordance with market customs and commercial negotiation, the duplication is unnecessary.

Diligence practices vary materially between investors and across investments, reflecting institutional practice, position size and the specific characteristics of the transaction. A principles-based approach is therefore better suited to the market than a prescriptive one.

We also support the deletion of the prescriptive table at SECN 4.2.1R(1)(e) and its replacement with the proposed guidance at SECN 4.2.1A G. We suggest that the guidance make clear that aggregated information is sufficient for securitisations of short-term, highly granular underlying exposures, consistent with the FCA's framing in chapter 4 of the consultation.

Verification of credit granting standards

Question 3: Do you agree with our proposals to require institutional investors to form their own view on the robustness of the credit granting processes without prescribing how this should be done? Please elaborate on your response.

Yes, we agree with the proposals, especially as it has proven challenging to apply the existing requirements in different contexts.

Verification of risk retention requirements

Question 4: Do you agree with our proposal to replace the requirement for institutional investors to verify manufacturers' compliance with the 5% risk retention rule with a requirement that the investor satisfy itself that a mechanism exists that aligns their commercial interest to that of the manufacturer of the securitisation? Please elaborate on your response.

Question 5: Do you agree with our proposed guidance in SECN 4.2.1B G on how such alignment can be achieved? Please elaborate on your response.

Yes, we agree with the proposals. The current rules have proven difficult to apply to more esoteric forms of transaction that may technically fall within the definition of "securitisation", but which were not the principal focus when the existing rules were drafted.

In relation to Question 5, we support the proposed guidance in SECN 4.2.1B G. We suggest that the guidance expressly recognise the broadest possible range of alignment mechanisms, including manager equity investment, deferred or subordinated management fees, retention of a first-loss tranche by an affiliate of the manager, and equivalent 'skin-in-the-game' arrangements (which help to align the interests of the manager with those of investors) at sub-adviser or originator level.

We concur with the assertion in the consultation that the existing requirements create barriers to investment in certain offshore transactions and place UK investors at a competitive disadvantage. We also agree that the existing requirements could have the unintended consequence of driving capital into suboptimal investments from a risk/reward perspective, reducing diversification and risk-adjusted returns to the detriment of end-investors.

Due diligence before investing

Question 6: Do you agree with our proposal to no longer prescribe the list of structural features investors are required to assess and to simplify due diligence requirements for STS securitisations? Please elaborate on your response.

Yes, we agree with the proposal to remove the prescribed list of structural features in SECN 4.2.2R(1)(b) and to recast that list as guidance in SECN 4.2.2B G. We also support the removal of the STS-specific verification requirements in SECN 4.2.2R(1)(c) to (g): STS status should not, of itself, dictate the depth of due diligence undertaken by an investor.

Due diligence while holding a securitisation position

Question 7: Do you agree with our proposal to remove the prescriptive elements in the ongoing due diligence requirements whilst holding a securitisation position? Please elaborate on your response.

We support the removal of the prescriptive ongoing requirements in SECN 4.4, including the mandated stress-testing of cash flows and underlying exposures and the granular internal reporting requirements, and the recasting of SECN 4.4.1R(1)(a) to (k) as guidance. These matters are already adequately addressed by general sectoral requirements (e.g., in the Senior Management, Systems and Controls Sourcebook and the UK implementation of Commission Delegated Regulation (EU) No 231/2013), and the proposed approach better calibrates ongoing monitoring to the actual risk of the position held.

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Chapter 4: Transparency requirements

As an overarching comment, we agree with the general direction of travel to simplify and relax the transparency regime, and to remove the distinction between public and private securitisations for the majority of transparency requirements. We also support the proposed removal of the requirement to report information to securitisation repositories.

Templates and principles-based disclosure

Question 8: Do you agree with our proposal to move to a more principles-based approach for disclosure of underlying exposures for certain asset classes and delete SECN 11 and 12 Annexes 3, 4, 7 and 9? Please elaborate on your response.

Question 9: Do you agree with our proposed changes to SECN 11.3? Please elaborate on your response.

Information that is currently required to be produced is often not required by investors, who instead rely on separate, commercially negotiated information to understand and monitor their investments. Furthermore, completing the templates can be very onerous and, as noted in the consultation, it can be difficult to apply certain templates (such as the template for esoteric transactions) to actual transactions given a handful of templates attempt to cover the infinite types of transactions that are possible.

However, we would be in favour of going further than the consultation currently envisages by removing prescribed templates altogether and relying on a principles-based approach. Investors can request the information they actually need on a transaction-by-transaction basis. If the FCA considers that some prescribed templates should be retained, we agree that these should be limited to asset classes for which the FCA has identified consistent investor demand for standardised data (such as residential mortgages).

Developing a specific template for CLOs

Question 20: Should the requirement to complete SECN 11 Annex 4A apply during the warehouse phase of a CLO? Please elaborate on your response.

In terms of CLOs, should a prescribed form of template continue to exist for long-term, rated transactions (notwithstanding our comments above), we would be in favour of disapplying that requirement during the warehouse phase of CLOs. Each CLO warehouse has very few investors (sometimes as few as two – the investment bank that will arrange the long-term CLO and an entity that is, or is affiliated with, the CLO manager). These investors are a concentration of the most sophisticated participants in the CLO market, often having engaged in many dozens of transactions, and are well placed to agree the information they need to diligence their investments in their own way.

Any relaxation of the rules for CLOs should equally extend to similar markets, in particular asset-backed borrowing facilities provided to credit funds, which are economically analogous to CLO warehouses. These transactions typically involve a single lender or a small lender group, are bilaterally negotiated, and are supported by bespoke reporting packages agreed between

the parties. In our experience, neither members nor their lenders find prescribed template reporting of any value in this space, and we would support a carve-out confirming that such facilities can rely on a principles-based approach to disclosure.

Provision of documentation

Question 27: Do you agree with our proposal to remove the requirement to make a transaction summary available as per SECN 6.2.1R(3)? Please elaborate on your response and explain the circumstances in which the transaction summary is useful.

Question 28: Do you agree with the changes we propose to SECN 5 and SECN 6.2.1R(2) regarding disclosure of risk retention as a result of the proposed removal of the requirement to provide a transaction summary? Please elaborate on your response.

In terms of transaction summaries, in our experience these have not provided added value. In some markets a transaction summary has historically been provided as a matter of course (in particular in the context of a prospectus or similar offering document). In other markets, where a transaction summary is prepared solely for UK Securitisation Framework compliance, our experience is that such summaries are typically produced at the end of the negotiation period to match the final terms, by which time investors have already completed their review based on the full, definitive legal documentation. Accordingly, we support the proposed deletion of SECN 6.2.1R(3) and the consequential changes to SECN 5 and SECN 6.2.1R(2) regarding disclosure of risk retention.

Chapter 7: Credit granting

Question 36: Do you agree with our proposals to clarify the rules surrounding credit granting in SECN 8.2? Please elaborate on your response and what alternatives should we consider?

We agree with the proposals in order to clarify how the rules apply in practice. As noted above, the current formulation of SECN 8.2 has proved difficult to apply in certain contexts, including in relation to acquired portfolios, forward-flow programmes and portfolio purchases where the originator is a non-bank lender, and clarification in these areas would be welcome.

Chapter 8: L-Shaped Risk Retention

Question 37: Do you agree with the proposal to allow L-shaped risk retention as an eligible form of risk retention? Please elaborate on your response.

We support the proposal to allow L-shaped risk retention as an eligible form of risk retention. L-shaped retention provides meaningful alignment of interest while affording managers and originators valuable structural flexibility.

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Chapter 9: Implementation

Question 38: Is the proposed period of 6 months between publication of the final SECN instrument and the new requirements coming into force reasonable, assuming we proceed broadly as proposed? Please elaborate on your response.

Question 39: Do you agree with the proposal to allow use of the current EU underlying exposure templates for certain asset classes instead of the new SECN 11 underlying exposure templates? Please elaborate on your response.

We agree with the proposed 6-month transitional period. We would also support the ability for market participants to avail themselves of any relevant changes ahead of that date should the relevant parties so agree and the acceptance of EU underlying exposures templates for certain classes, which will remove unnecessary duplication and complexity from the transparency regime without detriment to investors. We would also welcome confirmation that the transitional period is capable of extension where necessary to accommodate in-flight transactions.

Chapter 10: Scope of Securitisation Rules

Whole Business Securitisation

Question 42: Do you have any views on the proportionality of applying the securitisation conduct rules to WBS? Please elaborate on your response.

Question 43: Do you consider that these kinds of structures should be exempt wholly or partially (e.g., as regards risk retention, transparency etc.) from some of those requirements? Please elaborate on your response.

We do not consider it necessary to specifically address whole business securitisations as part of the proposals, and doing so may inadvertently create unintended consequences.

Whole business securitisations are often out of scope of the UK Securitisation Framework when considered from a substantive perspective, notwithstanding the use of securitisation terminology and techniques. Introducing some or all of the UK Securitisation Framework requirements to whole business securitisations would pre-suppose that they are all in-scope securitisations, which has for some time not been the case. Any positions taken in revised rules in relation to whole business securitisations would also risk creating interpretive uncertainty around the treatment of other esoteric structures, including the categories discussed in chapter 10 of the consultation.

Instead, whether a whole business securitisation falls within scope should continue to be assessed by reference to its specific terms and features. Where a transaction is in scope, the requirements of the UK Securitisation Framework can then apply in a similar manner to any other in-scope securitisation.

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If you have any questions or there are points it would be helpful to discuss further, please contact Nick Chipperfield (nchipperfield@ukprivatecapital.co.uk) and Tom Taylor (ttaylor@ukprivatecapital.co.uk).

Yours faithfully,

Tim Lewis
Chair, UK Private Capital Regulatory Committee

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