



LuxCMA Webinar | EU Securitisation Regulation
Spotlight on the Luxembourg Market
15 DECEMBER 2021

Simmons & Simmons | Loyens & Loeff Luxembourg S.à r.l. | PwC | Dechert (Luxembourg) LLP



Date: 15 December 2021

Time: 13:00 BST / 14:00 CET

Duration: 45 minutes

Attend our free webinar

EU Securitisation Regulation Spotlight on the Luxembourg Market



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(moderator)



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LuxCMA Webinar | EU Securitisation Regulation

Spotlight on the Luxembourg Market

LuxCMA Webinar I EU Securitisation Regulation SPOTLIGHT ON THE LUXEMBOURG MARKET

1. PURPOSES AND SCOPE OF THE EU SECURITISATION REGULATION
2. CONCEPT OF SECURITISATION
3. WHICH RULES ARE TO BE APPLIED?... TO ALL SECURITISATIONS
4. THE LUXEMBOURG FRAMEWORK
5. WHAT IS CONSIDERED AS «TRANCHING» WITHIN EU SECURITISATION REGULATION?
6. RISK RETENTION
7. CONTAMINATION RISK
8. Q&A SESSION

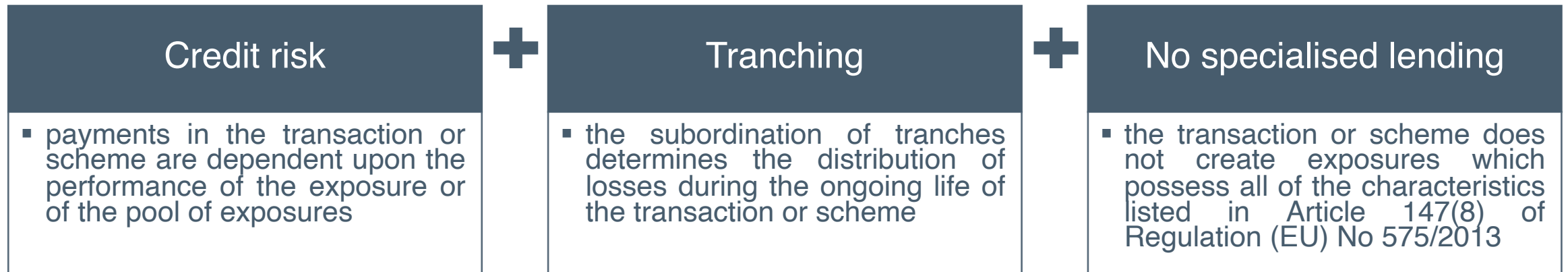
PURPOSES AND SCOPE OF THE EU SECURITISATION REGULATION

CONCEPT OF SECURITISATION

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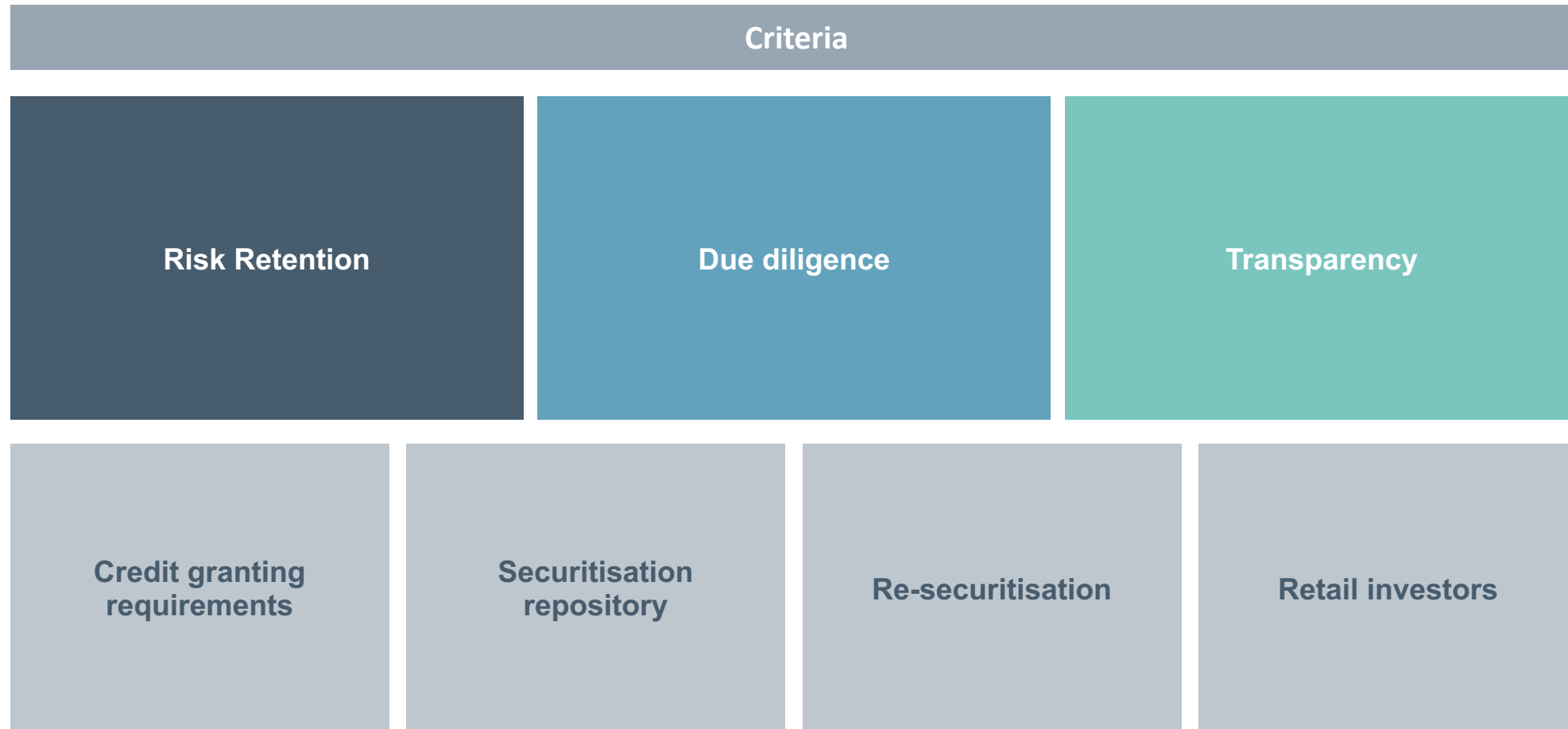
Regulatory Definition

“**Securitisation**” means a transaction or scheme, whereby the **credit risk** associated with an exposure or a pool of exposures is **tranching**, having **all** of the following characteristics:



WHICH RULES ARE TO BE APPLIED?... TO ALL SECURITISATIONS

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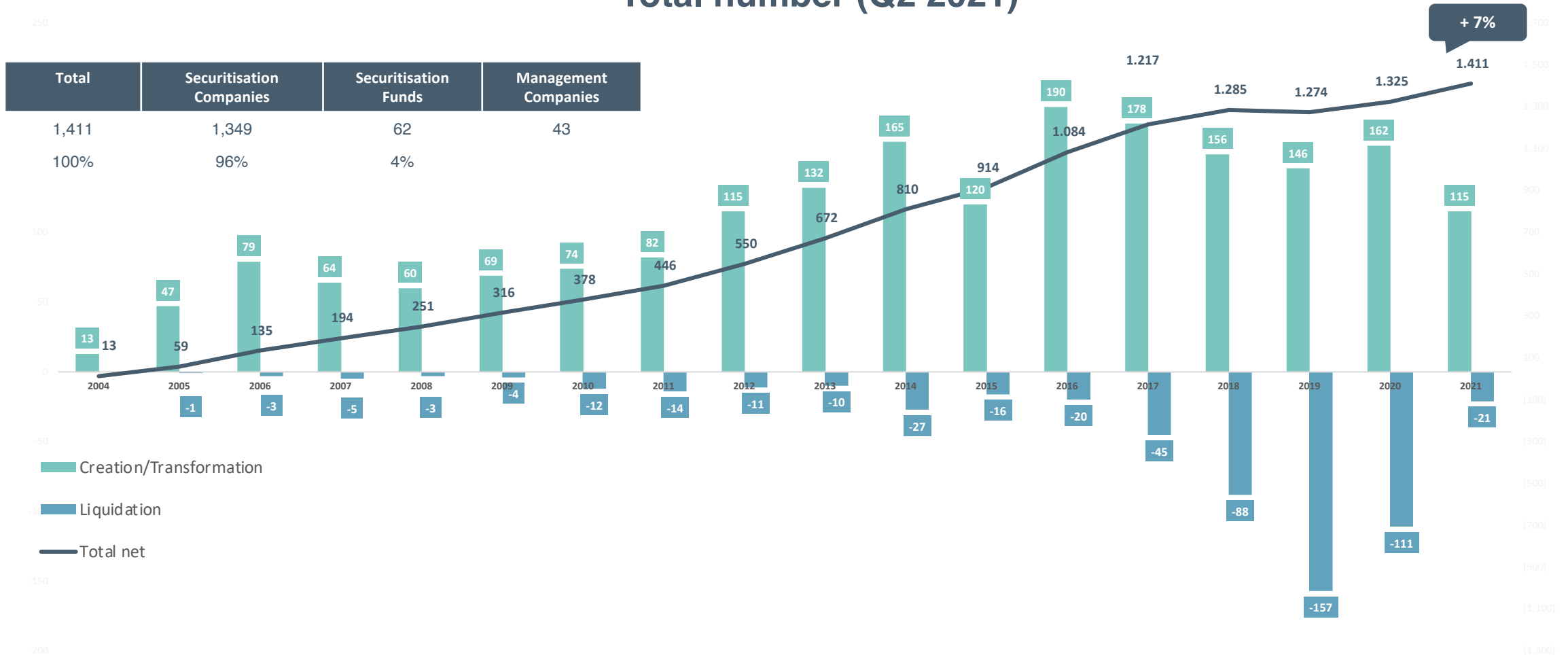


THE LUXEMBOURG FRAMEWORK

THE LUXEMBOURG FRAMEWORK

Development of vehicles under the Securitisation Law

Total number (Q2 2021)



Source: ECB Database, CSSF, RCSL, PwC analysis - December 2021

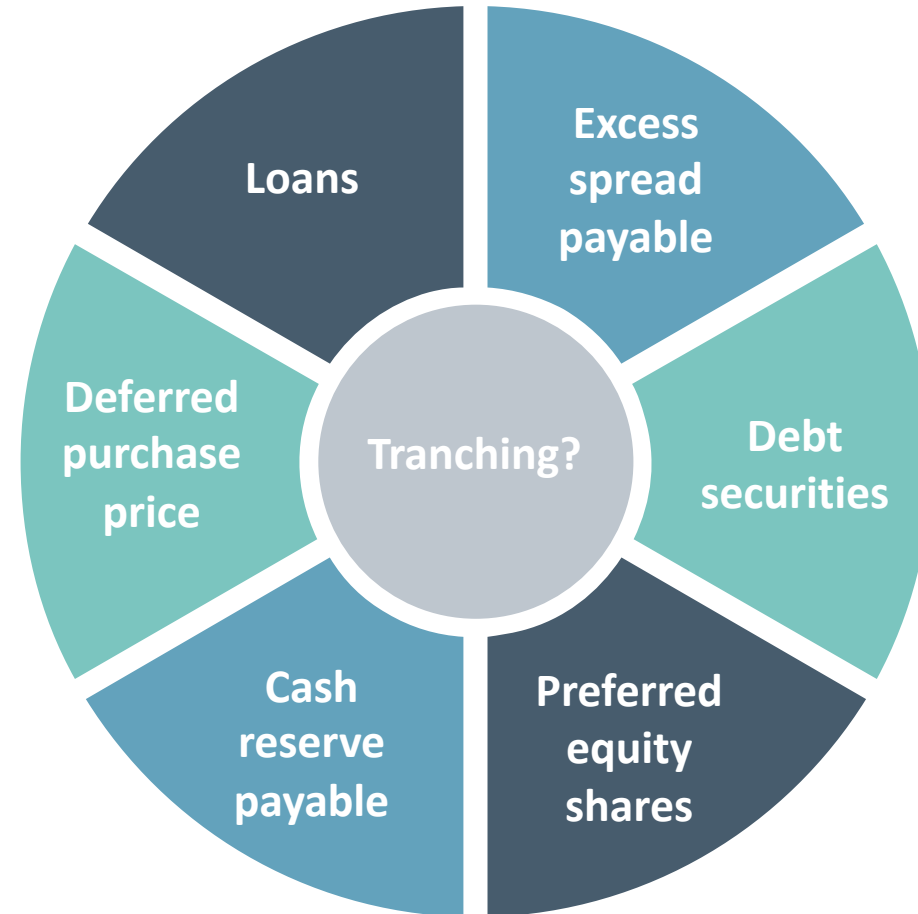
WHAT IS CONSIDERED AS « TRANCHING » WITHIN EU SECURITISATION REGULATION?

WHAT IS CONSIDERED AS “TRANCHING” WITHIN EU SECURITISATION REGULATION?

Regulatory Definition

“Tranche” means a

- **contractually established** segment of credit risk [...]
- where a position in the segment entails a risk of **credit loss greater** than or less [...] another segment
- **without** taking account of **credit protection** provided by third parties [...]

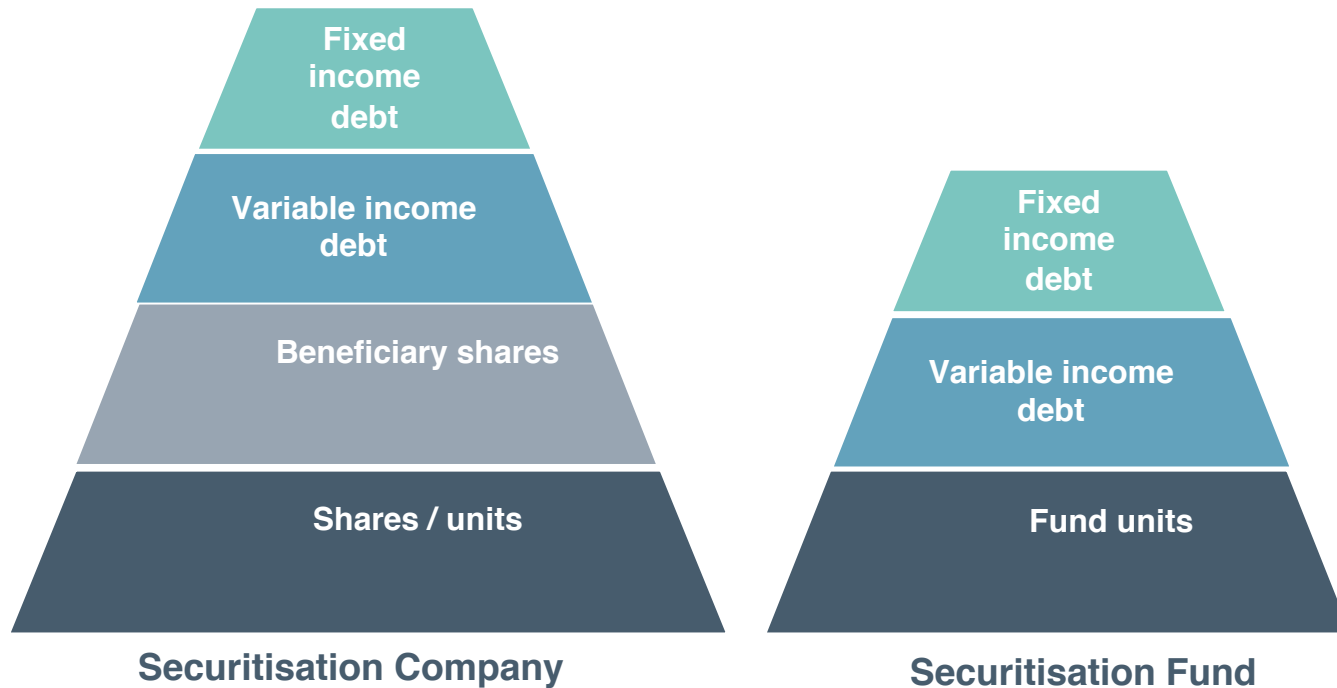


LEGAL SUBORDINATION FOR ISSUED FINANCIAL INSTRUMENTS

Statutory subordination defined in New Law



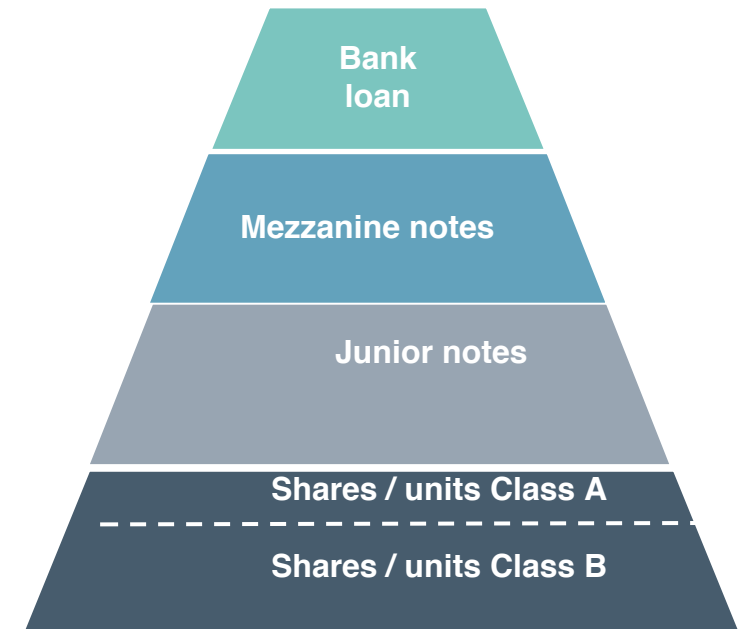
→ EU Securitisation Regulation would normally not apply



Contractual subordination



→ EU Securitisation Regulation might apply



RISK RETENTION



Why?

Alignment of interest of originators, sponsors or original lenders with the interests of the investors

RISK RETENTION

General requirement

The requirement

Either originator, sponsor or original lender shall retain a **material net economic interest** (not less than 5%) in the securitisation on an ongoing basis

no credit-risk mitigation or hedging allowed

How?

Direct approach

Direct obligation on originators, sponsors and original lenders to retain risk

5 permissible options for retaining risk

new: even if only investors located outside EU or not institutional investors

CONTAMINATION RISK

CONTAMINATION RISK

What is the risk of
contamination?



Where does this risk
come from?

Q&A

*Questions & Answers Session:
Time for questions*

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