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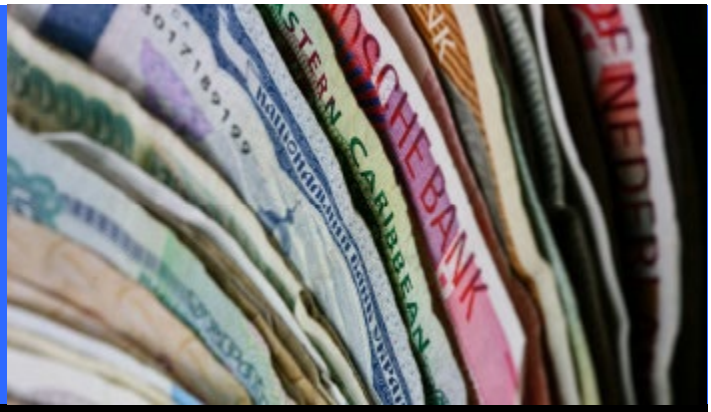

Financial Regulatory Update February 27, 2026

Less Form, More Substance: 10 Things You Need to Know About the Proposed UK Securitisation Reforms

This briefing summarises the key changes and their implications for originators, sponsors and original lenders involved in securitisation transactions, with a particular focus on private, bilaterally negotiated securitisations.

On 17 February 2026, the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) published parallel consultation papers (FCA CP26/6 and PRA CP2/26) setting out significant proposed reforms to the UK securitisation framework. These reforms aim to make the existing requirements more proportionate and less prescriptive whilst maintaining appropriate safeguards. The consultation period closes on **18 May 2026**, with implementation expected in **Q2 2027**.

1. A Material Simplification of Transparency Requirements

The regulators are proposing a substantial overhaul of the transparency and disclosure regime, moving away from the highly prescriptive template-based approach currently in force. Key changes include:

- **Reduction in reporting templates**: Several underlying exposure templates will be deleted, including those for commercial real estate, corporate exposures (other than CLOs), credit cards, and esoteric exposures. These will be replaced with a principles-

based approach specifying the type of information to be disclosed without mandating a format.

- **Simplified templates for retained asset classes**: Templates for residential real estate, automobile, consumer, leasing and non-performing exposures will be retained but simplified and aligned with the Bank of England's loan level data templates. This alignment is expected to streamline regulatory reporting for manufacturers whose securitisations are pre-positioned with the Bank of England.
- **New CLO template**: A new, simplified underlying exposures template specifically designed for CLOs will be introduced, with approximately 43% fewer data fields than the current corporate exposures template.
- **No more XML format**: The requirement to produce templates in XML format will be removed; manufacturers will instead be required to provide information in any electronic and machine-readable format.

Implication for originators/sponsors: This represents a meaningful reduction in compliance burden and cost. The FCA estimates that manufacturers incur one-off costs of approximately £500,000 to comply with current transparency requirements, plus ongoing costs of £375,000 and £104,000 per asset class for template set-up. The reforms are expected to generate market-wide cost savings.

2. Removal of Securitisation Repository Reporting Requirement

Subject to HM Treasury laying a Statutory Instrument, the requirement for manufacturers to report information to regulated securitisation repositories will be removed. Market feedback indicates that investors do not regularly access data via these repositories and prefer to obtain information directly from manufacturers or through commercial data providers.

Under the proposed framework, manufacturers would instead be required to make information available in a manner that is accessible to investors and potential investors, with appropriate access arrangements at the manufacturer's discretion.

Implication for originators/sponsors of private securitisations: This change is particularly beneficial for bilateral transactions, where information has historically flowed directly between originator and investor in any event. Originators will no longer need to duplicate reporting through a repository when the investor already receives information directly. This reduces costs and removes an administrative step that added little practical value for private transactions. Manufacturers may continue to use unregulated repositories if they choose, but this will no longer be mandated.

3. Removal of Distinction Between Public and Private Securitisations

The regulators propose to delete the distinction between public and private securitisations for most transparency requirements. Currently, public securitisations (those traded on a UK regulated market) are subject to more stringent transparency requirements, including additional templates and repository reporting.

Under the proposed reforms, the same underlying exposure templates would apply to both public and private securitisations with similar underlying exposures. The distinction will be retained only for the purpose of private securitisation notifications to the FCA.

Implication for originators/sponsors of private securitisations: For participants in bilaterally negotiated private securitisations, this change is significant. The current distinction has created uncertainty about which requirements apply to different transaction types. Removing the distinction means that the same streamlined requirements will apply regardless of whether a securitisation is publicly listed or privately placed, reducing complexity in transaction structuring. Private securitisation notifications will now be submitted to the FCA only, with the PRA no longer receiving direct notifications.

4. Streamlined Treatment for Single-Loan Securitisations

The proposals include significant relief for single-loan securitisations, including loans under the UK Government's Mortgage Guarantee Scheme (MGS) and similar private guarantee schemes:

- Single-loan securitisations will be exempt from the requirement to complete prescribed underlying exposure templates.
- The PRA proposes to exempt single-loan retail securitisations from detailed COREP reporting under templates C14.00 and C14.01.
- Firms will remain subject to broader transparency requirements specifying the type of information to be disclosed, but without prescribed formats.

Implication for originators/sponsors: Industry feedback has consistently highlighted that the operational and cost burden of applying transparency requirements to MGS loans and similar products is disproportionate and can deter participation in these schemes. These reforms directly address that concern.

5. Investor Reports and Significant Event Disclosures: Templates Removed

The prescribed templates for investor reports and inside information/significant event disclosures will be deleted. Instead:

- The requirement for investor reports will be retained, with rules specifying only the type of information that must be included (such as credit quality and performance data, relevant triggers, cash flow information, and risk retention details).
- The template for inside information or significant event reporting will be replaced with a less prescriptive requirement to provide relevant information in a timely manner and accessible format.

Implication for originators/sponsors: Manufacturers have highlighted the cost and complexity of producing these templates, while investors have expressed a preference for bespoke reports tailored to the specific details of each securitisation. The new approach allows greater flexibility in report format while maintaining substantive disclosure standards. For private, bilateral securitisations, this is particularly welcome, as originators and their investor counterparties can agree bespoke reporting arrangements tailored to the specific transaction and the investor's requirements, rather than being constrained by regulatory templates that may not be fit for purpose.

6. Introduction of L-Shaped Risk Retention Modality

The proposals introduce a new "L-shaped" risk retention modality, combining two existing approaches:

The L-shaped option allows retention of a percentage of the first loss tranche combined with a percentage of the nominal value of each other tranche sold to investors (the same percentage applied to each tranche), so that the combined retention is not less than 5% of the nominal value of the securitised exposures.

This new modality supplements the existing five options: vertical slice, seller's share, randomly-selected exposures, first loss tranche, and first loss exposure in each asset.

Implication for originators/sponsors: The L-shaped modality is familiar to certain overseas investors, particularly in the US market. Its introduction could encourage participation by such investors in UK securitisation transactions, which may support manufacturers in better managing their capital and funding positions. The existing risk retention requirements otherwise remain unchanged for UK manufacturers.

7. Narrowed Resecuritisation Ban with Specific Exemptions

The general prohibition on resecuritisation will be maintained, but two specific exemptions are proposed for PRA-authorised firms:

Exemption 1: Resecuritisation of securitisations created by tranched credit protection on an individual exposure basis. This exemption covers products such as loans under the MGS, where the guarantee structure on each individual loan meets the definition of a securitisation. This exemption enables such loans to be included in securitisation structures for funding or credit risk management purposes.

Exemption 2: Resecuritisation of senior securitisation positions. Senior positions (the highest-ranking tranche) may be resecuritised, enabling firms to use these positions for capital management and liquidity purposes, including central bank liquidity.

Both exemptions are subject to safeguards including: the originator of the resecuritisation must be a PRA-authorised person; the originator must also be the originator and risk retainer of the underlying securitisation; the resecuritisation must be limited to a single round; and the underlying exposures must be homogeneous in terms of asset class.

Implication for originators/sponsors: These exemptions will enable firms to access additional funding sources and liquidity, including Bank of England facilities, and to use securitisation more effectively for credit risk management. Note that these exemptions apply only to PRA-authorised originators and sponsors, though FCA-regulated institutional investors will be permitted to invest in such resecuritisations.

8. Clarification of Credit-Granting Requirements

The proposals clarify the credit-granting criteria applicable to originators, sponsors and original lenders. The key clarifications are:

- Sound and well-defined criteria for credit-granting apply to any exposure to be securitised, irrespective of whether non-securitised exposures exist.
- The comparison requirement (applying the same standards to securitised and non-securitised exposures) now refers to "comparable assets remaining on the balance sheet, if any" rather than "non-securitised exposures".
- The phrase "if any" caters for situations where no comparable assets remain on the balance sheet.

Implication for originators/sponsors: These clarifications better reflect the policy intent of ensuring minimum underwriting standards and minimise the proliferation of poor-quality originations, while removing ambiguity in the current rules.

9. Implications for Your Investors

Whilst this briefing focuses on the position of originators and sponsors, it is important to understand how the parallel changes to investor due diligence requirements will affect the investor landscape for your transactions:

Simplified due diligence requirements: The proposals substantially simplify due diligence requirements for institutional investors. Prescriptive verification requirements will be removed, including the requirement to verify compliance with credit-granting criteria, risk retention requirements, availability of specific information, and STS criteria.

Principles-based approach: Instead of prescriptive checklists, investors will be required to undertake due diligence proportionate to the risk profile of the securitisation position, ensuring they have a comprehensive and thorough understanding of the risks involved.

Alignment of interest for non-UK structures: For non-UK securitisations, investors will no longer be required to verify that originators comply with Article 6 risk retention standards specifically. Instead, investors must be satisfied that the originator, sponsor or original lender maintains "sufficient and appropriate alignment of commercial interest" with investors in the performance of the securitisation. This alignment does not necessarily need to be the 5% risk retention standard but can be demonstrated through alternative means, such as management fees linked to performance.

Implication for originators/sponsors of private securitisations: For bilateral transactions, the simplified due diligence requirements should make it easier for a wider range of institutional investors to participate. Where previously the prescriptive verification requirements may have deterred smaller investors or those new to the asset class, the principles-based approach allows for due diligence proportionate to the investment. This could broaden the potential counterparty pool for your transactions. Additionally, UK investors will gain greater flexibility to invest in non-UK structures (such as US CLOs) that may not comply with UK risk retention modalities but demonstrate alignment of interest through other means.

10. A note on European Securitisations

For securitisations that are subject to both the European Union (the EU) and UK securitisation regimes, the practical impact of the UK reforms will depend on equivalent developments in the EU. Whilst both sets of proposals are broadly moving towards more proportionate, less prescriptive frameworks, market participants operating across both the EU and UK will need to monitor developments in each regime closely as the prospect of full regulatory alignment between the EU and UK frameworks remains uncertain.

Timeline

Milestone	Date
Consultation papers published	17 February 2026
Consultation closes	18 May 2026
Final rules expected	H2 2026
Implementation	Q2 2027

The following Gibson Dunn lawyer prepared this update: Michelle Kirschner and Rebecca West.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding these developments. If you wish to discuss any of the matters set out above, please contact the authors or any leader or member of Gibson Dunn's Financial Regulatory practice group:

Michelle M. Kirschner – London (+44 20 7071 4212, mkirschner@gibsondunn.com)

Rebecca West – New York/London (+1 212.351.5213, rwest@gibsondunn.com)