





Forum: Economic & Financial Committee (GA2)

Issue: The Socioeconomic Implications of Securitization Policies in Europe

Student Officers: Caterina Bekiari (Co-Chair)

Dear Delegates,

My name is Caterina Bekiari, and I am a 12th grade student at the Ionidios School of Piraeus. It is my first time serving as a student officer and it is a great honor for me to be serving as your co-chair in the Economic & Financial Committee (GA2).

I have participated in several MUN conferences over the past year. Each one of them made me more and more interested in the world of diplomacy, international relations and debate. I would have never imagined that an almost random choice like attending my first MUN conference, just because my teacher suggested it, would make me discover new interests, advance academically and make new friends. I still remember how confused I was when I walked into my first conference and how fast my heart was beating the first time I got up to speak. Luckily, with the help and support of my chairs and my fellow delegates, I was able to familiarise myself with the event and completely fall in love with MUN by the end of the conference.

In this year's GA2 committee, we will discuss two very timely and especially pressing issues: "Reducing Debt Dependency in Least Developed Countries" and "The Socioeconomic Implications of Securitization Policies in Europe". Our committee has worked hard to prepare detailed and well-researched study guides that will act as a foundation for your research. We encourage you to come up with creative solutions and fresh perspectives in order to foster an interesting and fruitful debate.

I hope I can be of help and support to all of you and guide you through any problems and complexities you may face. If you have any questions, do not hesitate to contact me at caterina0725@gmail.com. I look forward to meeting all of you at this year's LOGOS MUN conference!

Best Regards,
Caterina Bekiari

Introduction



Financial instruments are document agreements that represent assets and capital packages that can be traded or exchanged. There are many different types of financial instruments including but not limited to bonds, funds and stock shares. Financial instruments are essential to a modern economy, as they can be useful to individuals, companies and governments. They can facilitate capital raising, help manage risk, enhance market efficiency and support economic growth.

Securitisation is the pooling and trade of debt. It is a very important and highly profitable financial instrument. It has the ability to recapitalise banks, as they sell the debt of their lendees and get their money back. It can also support lending to households and businesses, since banks will have more available capital and will be able to sell the new loans to repeat the cycle. Lastly, as a consequence of the above, securitisation has the ability to boost entire economies and free huge sums of capital.

As beneficial as securitisation can be, there is a high socioeconomic risk associated with poorly regulated securitisation and it can even lead to a total economic collapse. The most famous case of this was the 2008 crisis that was detrimental to the global economy and caused unemployment rates to peak and GDPs to drop not only in the USA, that was the epicentre of the crisis, but also in Europe. Many banks filed for bankruptcy, like the Lehman Brothers that marked the biggest bankruptcy in the history of the United States. Some other banks had to be bailed by the government in order to survive, like the German bank Hypo Real Estate. Some Member States, like Germany, recovered quickly but some faced great difficulties battling with the consequences of the crisis, especially southern European countries like Greece.

After the crisis, stricter regulation was imposed in order to not only protect investors, but also to prevent another similar economic collapse. The new regulations were especially strict in the EU, to the point where there was an overcorrection that hindered the securitisation market by making it unappealing to investors. These years, the EU has been taking action and reforming its regulations in order to revive its subdued securitisation market and attract investors. The revival of the securitisation market would significantly increase liquidity and help deal with challenges faced by Europe, like the green transition as well as aid households and businesses.

In conclusion, securitisation is a powerful financial tool that could greatly support the European economy. In order to realise its benefits, however, it is crucial for regulations regarding securitisation to be balanced. They need to adequately



protect all parties involved in the transaction, while still ensuring that the securitisation market is functional and sustainable.

Definition of key terms

Securitisation¹

Securitisation is the pooling of non-liquid assets like mortgages or other forms of debt in securities. These securities are then traded and investors profit from the interest that they bear when the loans get paid back.

Mortgage-Backed Security (MBS)²

Mortgage-Backed Securities are securities that consist of pooled real estate debt that has been bought from the banks that originally issued the loans.

Non-conforming/Subprime Mortgage³

Subprime (also known as non-conforming) mortgages are issued to individuals with low credit scores that are considered to be of high default risk. These loans typically have

¹ Chen, James. "Securitization: How Debt Makes You Money." *Investopedia*, 29 Sept. 2023, www.investopedia.com/terms/s/securitization.asp. Accessed 15 Aug. 2025.

² Kagan, Julia. "Mortgage-Backed Security (MBS)." *Investopedia*, 13 June 2024, www.investopedia.com/terms/m/mbs.asp. Accessed 15 Aug. 2025.

³ Kopp, Carol. "What Is a Subprime Mortgage? Credit Scores, Interest Rates." *Investopedia*, 19 Mar. 2022, www.investopedia.com/terms/s/subprime_mortgage.asp. Accessed 29 Aug. 2025.



higher interests in order to compensate for how risky they are. Subprime MBSs played a big role in the 2008 crisis.

Collateralised Debt Obligation (CDO)⁴

Collateralised Debt Obligations consist of various types of loans and assets pooled together. They are then divided into tranches. Senior tranches are the safest but have lower interest rates than junior tranches that are riskier but have higher interest rates and therefore potential for higher returns to investors.

STS Securitisation⁵

STS Securitisation stands for Simple, Transparent and Standardised Securitisation and it is a set of criteria that all securitisation products in the EU must fulfill, as stated in the Securitisation Regulation.

Capital Markets Union (CMU)⁶

The Capital Markets Union is a plan that aims to mobilise capital for investments by allowing money to flow freely throughout the European Union.

⁴ Tardi, Carla. "Collateralized Debt Obligation (CDO)." *Investopedia*, 1 Oct. 2024, www.investopedia.com/terms/c/cdo.asp. Accessed 29 Aug. 2025.

⁵ ESMA. "Securitisation." *Esma.europa.eu*, www.esma.europa.eu/esmas-activities/markets-and-infrastructure/securitisation. Accessed 29 Aug. 2025.

⁶ European Investment Bank. "Capital Markets Union." *Eib.org*, www.eib.org/en/projects/topics/capital-markets-union/index. Accessed 29 Aug. 2025.



Credit Rating Agency (CRA)⁷

Credit Rating Agencies are independent organisations that rate the probability of securities issuers to meet their obligations. Their purpose is to inform investors about the level of risk associated with the assets that they are considering investing in. Ratings usually follow the Fitch letter grade system ranging from AAA to D.

Securities and Exchange Commission (SEC)⁸

“The Securities and Exchange Commission (SEC) is the federal agency that oversees investment offerings and financial markets. It is responsible for regulating broker-dealers, investment advisors, exchanges, and public companies to ensure that investors have accurate and transparent information. It also regulates the sale of securities, including initial public offerings.”

Financial Leverage⁹

Financial leverage is the practice of investing with borrowed money expecting that the profits from the investment will be greater than the borrowing costs.

⁷ Finney, Denise. “A Brief History of Credit Rating Agencies.” *Investopedia*, 31 Jan. 2022, www.investopedia.com/articles/bonds/09/history-credit-rating-agencies.asp. Accessed 29 Aug. 2025.

⁸ Gratton, Peter. “Securities and Exchange Commission (SEC) Defined, How It Works.” *Investopedia*, 12 July 2024, www.investopedia.com/terms/s/sec.asp. Accessed 24 Aug. 2025.

⁹ Hayes, Adam. “What Is Financial Leverage, and Why Is It Important?” *Investopedia*, 2 June 2025, www.investopedia.com/terms/l/leverage.asp. Accessed 29 Aug. 2025.



“Overnight and Continuing” Repos¹⁰

“Overnight and Continuing” Repos are repurchase agreements where the dealer would return the investors money with interest every morning after the securities had matured overnight.

Over-The-Counter (OTC) Derivatives¹¹

Over-The-Counter Derivatives are unregulated agreements made solely between the two parties with little transparency and without publicising the terms of the transactions. As opposed to agreements made through central clearing platforms (CCP) that are regulated and guarantee the deal even if one side defaults.

¹⁰ Duffie, Darrell. “Prone to Fail: The Pre-Crisis Financial System the Pre-Crisis Financial System on JSTOR.” *Jstor.org*, vol. 33, no. 1, 2019, www.jstor.org/stable/26566978, <https://doi.org/10.2307/26566978>. p.89

¹¹ Beers, Brian. “What Is an Over-The-Counter Derivative?” *Investopedia*, 2019, www.investopedia.com/ask/answers/052815/what-overthecounter-derivative.asp. Accessed 24 Aug. 2025.



EUROPEAN **YOUTH** PARLIAMENT
ΕΛΛΑΔΑ GREECE



Timeline of events



27 May 1933	The Securities Act of 1933 that was created in response to the stock market crash of 1929 that triggered the Great Depression of the thirties and wiped out personal and corporate wealth. Its aim was to protect investors and eliminate fraudulent activities in the securities market. The Securities Act of 1933 ensures the disclosure of material information for securities that are being sold to the public and the absence of fraudulent information and practices in transactions. (USA)
06 June 1934	The Securities Exchange Act of 1934 came into power. This act's main aim was to regulate the secondary securities market transactions (transactions that the original issuers are not part of), as opposed to the Securities Act of 1933 that focused on the primary market. The Securities Exchange Act of 1934 created the Securities and Exchange Commission (SEC), a body that oversees financial markets and investment offerings, making sure that all information is accurate and transparent and also regulates the transactions of securities. (USA)
01 August 1968	The Housing and Urban Development Act was introduced in order to assist in the provision of housing for low and moderate-income families, improve and develop urban areas and extend and amend relative laws. This act introduced Mortgage-Backed Securities (MBSs) as a way for banks to sell their mortgages and in turn have more capital to lend. (USA)
15 September 2008	The economic crisis peaked after the fourth largest investment bank in the USA at the time, Lehman Brothers, filed for bankruptcy marking the biggest bankruptcy in US history. This was an action that sent shockwaves through global financial markets making the stock market plunge, resulting in the biggest economic downturn since the Great Depression.
16 September 2009	The inaccurate ratings of Credit Rating Agencies fueled the economic crisis in 2008. After the crisis, the European Union adopted the Regulation (EC) No 1060/2009 on Credit Rating Agencies with the aim to better supervise CRAs and avoid conflicts between CRAs and the organisations that are being rated.
30 May 2017	The EU agreed on a securitisation package for the revival of the securitisation market in order to broaden investment opportunities for investors and boost lending to households and SMEs. The package sets out criteria for Simple, Transparent and Standardised securitisation and it is an important part of the Capital Markets Union.
12 December 2017	One of the most important regulations regarding securitisation, the Securitisation Regulation (EU) 2017/24 was adopted. This regulation introduces a uniform STS securitisation model and outlines the requirements for securitisation in the EU. The Securitisation Regulation replaced sector-specific regulations with a uniform set of STS criteria.



24 July 2020	The COVID-19 pandemic caused a sharp contraction in the global economy with reduced economic activity and a surge in unemployment mainly as a result of the lockdown. The pandemic triggered the deepest recession post-WWII. The EU adopted a Capital Markets Recovery Package in order to re-capitalise European households and businesses affected by the COVID-19 pandemic. The package aimed to encourage investments in the economy, re-capitalise companies and increase banks' capacity to finance the recovery.
17 June 2025	The European Commission proposed a legislative package for the revival of the securitisation framework. This is the first legislative initiative that has been proposed under the Savings and Investments Union (SIU) strategy. This strategy aims to create a "financing ecosystem" that will encourage investment in the EU's strategic objectives while also creating better financial opportunities for citizens. More specifically, the citizens can allocate a portion of their savings to invest in the EU's strategic objectives. The Commission proposed to make the securitisation framework "simpler and more fit for purpose" as well as eliminate undue barriers to issuance and investment since some rules are hindering the development of the market. By doing this, the Commission aims to facilitate securitisation in the EU and channel more investments while maintaining financial stability.

Background information

The 2008 Financial Crisis

The pre-crisis financial system played a big role in the economic collapse. Firstly, Investment banks had extremely high leverage compared to banks (see fig.1). Because they were allowed to have such disproportionate capital and liquidity to the risks they were taking, their investments defaulting could be catastrophic. Furthermore, the risk of more complex financial instruments was many times misrepresented to investors. The CRAs that were rating them would often underestimate the risks of securities backed by sub-prime mortgages and the ratings that they would give them were far too high, hence many invested in them unaware of the risk that they were taking.

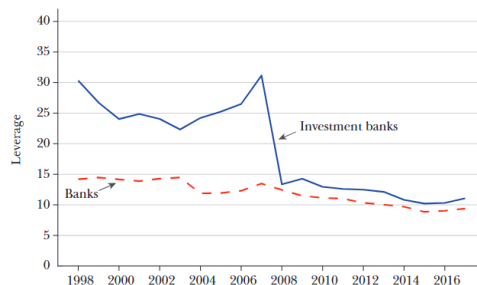


Figure 1¹² – Comparison of Average Leverage between Banks and Investment Banks

In the IGM Forum (2017) Poll by The University of Chicago, where European and American economists were asked to rank twelve different factors based on their importance to the financial crisis, “flawed financial sector regulation and supervision” ranked first and “underestimated risks” ranked second. In addition to that, the securities dealers were vulnerable to losing financing by investors when the performance of their assets was under suspicion. This was especially risky in “overnight and continuing” repos. This could lead dealers to rapidly sell their securities and cause price drops in weaker collaterals. Lastly, the surge in over-the-counter derivatives (see fig.2), specifically CDOs and CDSs, had a big impact as OTC Derivatives lack transparency and security for investors.

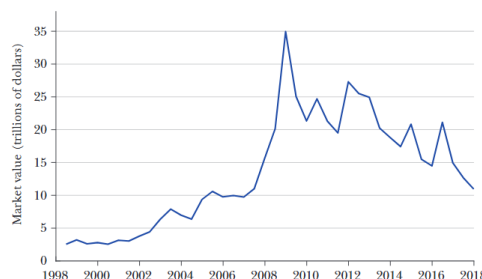


Figure 2¹³ – “Global Aggregate Gross Market Values of Over-the-Counter Derivatives”

The crisis developed gradually with the drop of house prices during 2006. Followed by the collapse of the high-risk loan market with subprime lenders starting to file for bankruptcy in 2007 that led to hedge funds that had investments in subprime loans to fail and the lending

¹² Duffie, Darrell. “Prone to Fail: The Pre-Crisis Financial System the Pre-Crisis Financial System on JSTOR.” *Jstor.org*, vol. 33, no. 1, 2019, www.jstor.org/stable/26566978, <https://doi.org/10.2307/26566978>. p.85

¹³ Duffie, Darrell. “Prone to Fail: The Pre-Crisis Financial System the Pre-Crisis Financial System on JSTOR.” *Jstor.org*, vol. 33, no. 1, 2019, www.jstor.org/stable/26566978, <https://doi.org/10.2307/26566978>. p.95

system to freeze in August 2007. The crisis fully broke out after Lehman Brothers went bankrupt on the 15th of September 2008 marking the largest bankruptcy in US history.

The 2008 financial crisis had detrimental socioeconomic effects on a global scale. Many people lost their homes, their businesses and their savings. In the USA alone there were 8.8 million jobs lost and the unemployment rate, which was previously 4.6%, had reached 10% by October 2009. The US Stock Market capitalisation was reduced by almost \$5 trillion and the government had to pay almost \$1.5 trillion in order to save some big corporations from failure.

The crisis also negatively impacted European investors, especially banks that were heavily involved with the US subprime mortgage securitisation market. Some big banks had to receive help from the government, like Hypo Real Estate in Germany that received a €35 billion line of credit. Because of that, the crisis was also transmitted to the EU. The lending standards became rigid and household wealth declined as the value of stocks and real estate plummeted. Manufacturers also had to make cuts in production due to involuntary stock-building caused by the rapid fall of demand, but in doing so the economy got further depressed. The poor economic conditions led to a surge in unemployment in many countries.

The crisis affected all EU countries but the severity and recovery varied greatly across Member States. For instance, Germany only had a minimal and short-lived increase in unemployment and its GDP was back to pre-recession levels by the first quarter of 2011. Other countries, especially Southern European ones, faced serious long term issues. For example Greece still has a higher unemployment rate and a lower GDP than it did pre-crisis. In addition to that, government actions that aimed to support the financial system, such as tax relief and additional public funding, among others, led to a dramatic effect in public debt in some countries.

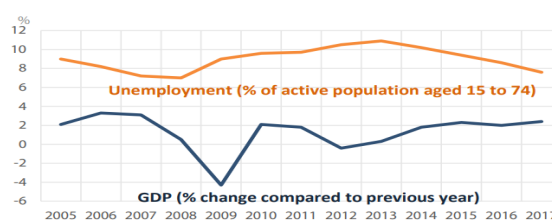


Figure 3¹⁴ – “EU GDP and Unemployment (2005-2017)

¹⁴ Szczepanski, Marcin. *BRIEFING EPRS | European Parliamentary Research Service a Decade on from the Crisis Main Responses and Remaining Challenges SUMMARY*. Oct. 2019.

https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/642253/EPRS_BRI%282019%29642253_EN.pdf. p.2



The EU adopted strict rules after the 2008 crisis that were meant to protect investors and to strengthen the trust, the transparency and the stability of the securitisation market. However, five years later, after a commission evaluation it was revealed that the regulations were actually suppressing the securitisation market and hindering its development. Currently, the securitisation framework is far from meeting the objectives set out in the 2015 Impact Assessment. The high requirements for banks and insurers combined with the high cost of purchase and sale of securitised assets make this market unattractive to investors.

The Importance of the Securitisation Market for the European economy

Securitisation promises many potential positive socioeconomic impacts for the European economy. First and foremost, if securitisation was built back up to the pre-crisis average it could help free approximately €100-150 billion into the economy. In addition to that, it would be of great support for households and businesses, especially SMEs by making loans more accessible. Last but not least, it could help support the EU when dealing with challenges like the green transition that will require a lot of funding by both the public and the private sector.

It is also important to note, that after the major economic setbacks faced due to the global COVID-19 pandemic, securitisation was proposed as a solution to revive the EU economy. This further highlights the prospects of securitisation for the economy. On the 24th of July 2020 the European Commission adopted a Capital Markets Recovery Package with proposals for changes to the capital market rules and on the 6th of April 2021 the amended Securitisation Regulation and the CRR were applied. Both were in order to encourage greater investments through securitisation practices and therefore rapidly re-capitalise European households and businesses affected by the COVID-19 pandemic as well help revive the overall economy that was predicted to continue suffering from lack of liquidity.

Main principles of current EU and US securitisation regulations

In the EU, there are two main regulations regarding securitisation. The most important one of the two is the Securitisation Regulation (EU) 2017/2402 and the other one is the Capital Requirements Regulation (CRR). The main principles of EU securitisation regulations are: risk-retention, transparency, due diligence (issuers and investors), simple, transparent and standardised (STS) securitisation, ban on resecuritisation (with the exception of “legitimate purposes”), credit-granting criteria, rules for securitisation special purpose entities (SSPEs) and securitisation repositories and administrative sanctions and remedial measures in cases of non-compliance

In the US, securitisation is mostly regulated by the Dodd–Frank Act (2010), the Regulation AB II and the Volcker Rule. After the crisis, special attention has been given to risk-retention (with the exception of QRMs), transparency, due diligence (issuers and SEC-registered disclosures for investors)



The recoveries of both the economies and the securitisation markets after the 2008 crisis were very different in the EU and the US. Although The USA was the epicentre of the financial crisis, it recovered way faster than the EU and its economy has far surpassed the European. More specifically, the US GDP returned to pre-crisis levels in the last quarter of 2010, while it took the EU three more years to do so. Furthermore, The EU and the US GDPs were relatively similar in 2008 with \$14.2 trillion and \$14.8 trillion respectively, but as of 2025, the EU GDP is \$14.4 trillion and the US GDP has reached a staggering \$29.2 trillion. It is also important to note that the US securitisation market recovered much faster than the EU one due to great public support. Currently, about 80% of securitisation instruments benefit from public guarantees from the US Government Sponsored Enterprises and the banks that invest in them also benefit from lower capital charges.

Stakeholders

ECB (European Central Bank)

The European Central Bank (ECB) was founded in 1998 and it is the central bank for the euro. Its main aim is to sustain price stability in the European Union by maintaining the euro's purchasing power. The ECB also contributes to the safety of the banking system through supervision of the euro area banks. During and after the crisis, the ECB took swift measures to support the European economy. They decreased their interest rates significantly, took non-standard measures that provided essentially unlimited liquidity to affected banks and extended the list of assets that they took as collateral. Furthermore, the ECB acknowledges the importance of the Securitisation market for the EU economy and has taken steps to optimise it by making it more efficient. An example of that would be the proposal of a fast-track Significant Risk Transfer (SRT) assessment for securitisation transactions (After proving that the securitisation transfers a significant part of the risk to third parties, banks are allowed to reduce their capital requirements. This process, however, takes approximately three months).

European Commission

The European Commission was established in 1957 and it is composed of Commissioners from 27 EU countries. The European Commission's main roles include proposing new laws and policies and monitoring their implementation, as well as managing the EU budget. Securitisation is viewed as a way to boost lending across Europe by the Commission. For that reason, it aims to make securitisation simpler and more fit-for-purpose by making adjustments and amendments to major regulations behind securitisation (namely: the Securitisation Regulation, the CRR and the Liquidity Coverage Ratio (LCR) Delegated Regulation).

ESMA (European Securities and Markets Authority)



The European Securities and Markets Authority (ESMA) was established in 2011 in order to safeguard the stability of the EU financial system. Its main role is the regulation and supervision of the EU's financial markets. The Securitisation Regulation confers ESMA the task of checking and keeping a list of all securitisations that fit STS criteria, after it has been sent the relevant STS notification.

The United States of America

The United States of America was the epicentre of the 2008 crisis. Its pre-crisis poor regulation enabled the sub-prime securities market that, in the end, caused not only the American, but the global economy to collapse. Despite the major consequences faced due to this crisis (housing bubble, unemployment, fall of the GDP, many major banks filing for bankruptcy etc.) the US had an impressive recovery. Its new regulations, combined with a lot of public support and governmental funding to big companies, set the foundations for an improved securitisation market and an overall recovery of its economy.

Germany

Germany is one of the biggest economies in Europe. Nevertheless, it was also negatively impacted by the 2008 crisis. The difference with many other countries is that Germany has a large manufacturing sector and a lot of exports. In addition to that, Germany only faced a small and short-lived increase in unemployment and its GDP reached pre-crisis levels by the first quarter of 2011. The German government did, however, have to bail-out multiple large banks. Overall, Germany is a prime example of a Member State with a large economy that recovered relatively quickly.

Greece

Greece is one of the southern European countries that faced the most severe effects of the 2008 crisis. Greece was not only affected by the crisis itself, but also from the austerity policies that aimed to reduce public expenditure, but ended up further depressing the economy. Greece saw a big drop in GDP, a surge in sovereign debt, a huge increase in unemployment, a rise of the at risk of poverty or social exclusion rate and an elevated inequality of income distribution ratio. The Greek economy has not yet fully recovered from the crisis.



Relevant UN resolutions, treaties, and events (Previous attempts)

UN Resolution A/RES/63/303 “Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development”

The UN resolution A/RES/63/303 “Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development” was adopted on 9 June 2009 as a response to the 2008 crisis, a crisis fueled by poor securitisation practices. It highlights the severe socioeconomic consequences of the crisis including rapid increases in unemployment, poverty and hunger, contraction of world trade and collapse of housing markets, among others. It proposes multiple measures of action such as improved regulation and monitoring.

Capital Requirements Regulation (CRR) (Regulation (EU) No 575/2013)

The CRR first came into effect on 1 January 2014 together with the Capital Requirements Directive IV (Directive 2013/36/EU) in order to implement Basel III (regulation reforms aiming to strengthen risk management, regulation and supervision of banks after the 2008 crisis, the Basel III are international standards). The purpose of the CRR is to constitute a single handbook for prudential requirements that must be followed by all EU Member States. The CRR limits leverage, sets more strict liquidity measures so that banks have enough liquidity and do not over-rely on short-term funding and lastly, dictates higher credit requirements.

Securitisation Regulation (EU) 2017/2402

The Securitisation Regulation was created on 12 December 2017 and has applied since 1 January 2019. It is part of the European Commission's plan to create a Capital Markets Union in order for capital to flow freely through the European Union. The Securitisation Regulation introduced a uniform securitisation model with simple, transparent and standardised criteria that replaced sector-specific regulations. It includes various requirements such as: due diligence, risk-retention, transparency and credit granting criteria, as well as requirements for the sale of securitisations to retail clients and a ban on resecuritisation. It is the cornerstone of the securitisation market in the EU.

Possible solutions

Advanced Transparency and Accessibility of Important Data

One of the biggest dangers of securities is the underestimation of the risks associated with investing in them. For that reason, the EU established the Regulation on Credit Rating Agencies in order to improve the quality of credit ratings. However, important data regarding the asset pools behind securities, as well as the credibility of the issuers, should be trustworthy and readily available for potential investors in order for them to be able to further assess. A



way to achieve this, would be the creation of a central European digital platform under ESMA where filings regarding the securities are submitted. It would act as a public database for optimised transparency similar to the Securities and Exchange Commission (SEC) filings and Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system in the United States. Additionally, since filings of all the securitisations will be listed, it could be assessed whether they fit STS standards automatically and therefore make the ESMA STS notification/filing process more efficient. This way, data filings would be simpler and more accessible.

Regulations Adapted to Suit Different Risk Levels

Regulations should strike a balance between security and a securitisation market that is functional and appealing to investors. There is definitely a high risk associated with poorly regulated securitisation. For that reason it is important to ensure that rules protect all parties involved in transactions. However, it is possible to simplify the rules for high-quality and low-risk securities in order to encourage investment while not completely abolishing laws that are meant to protect against risky securities (like the pre-crisis subprime-loan-backed ones) and without compromising on safety. There are already instances of this, like the exceptions that are made for Qualified Residential Mortgages (QRMs) (mortgages that have a low default risk) regarding risk retention policies in the US, as stated in the Dodd–Frank Act. Such practices are not yet common in the EU and currently exceptions are very limited.

Large Cross-Boarder Securitisation

The European Union could promote a programme for collaboration of Member States in large cross-border securities. By joining forces not only would all the participating countries reap benefits, but the creation of Securities backed by large EU cross-boarder pools would also allow investment capital to flow freely through Europe, being perfectly in line with the European Union's Capital Markets Union plan to create a single market for capital. These securities would be of high quality, following STS requirements, and they would also have the benefit of risk diversification since they would be based on multiple different Member States' markets. Additionally, their bigger deal size with higher liquidity would make them more attractive to investors.

Further reading

In order to deepen your understanding of the topic, I recommend going through the following links. There is a video that explains the 2008 crisis, another one that highlights the weaknesses of the EU that became evident after the crisis and a European Commission article about securitisation in the EU.

- <https://youtu.be/GPOv72Awo68?si=E4bxTdoi73FUTrXg>
- <https://youtu.be/7gUnoEWWWeUs?si=5jZ8B0-wbqMLnDzO>



- https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-markets/securities-markets/securitisation_en

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