MFA

18 May 2026

By e-mail: cp26-6@fca.org.uk

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

**Re: Rules for reforming the UK Securitisation Framework: Consultation Paper**

Dear Sir/Madam

MFA[1] appreciates the opportunity to represent the views of the global alternative asset management industry in this written response to the Financial Conduct Authority's ("**FCA**") consultation paper CP26/6 on rules for reforming the UK Securitisation Framework (the "**Consultation Paper**").

We welcome many of the proposals in the Consultation Paper. It is evident that the FCA has dedicated considerable efforts to engagement with market participants and consideration of their feedback. As such, our principal concern remains not with the direction of travel of the proposed reforms, but with a discrete set of remaining frictions MFA recommends be removed to enable the reforms to deliver their full benefit.

The Annex sets out our responses to the relevant questions of the Consultation Paper and our suggestions for further changes. In particular, we would encourage further attention to the following areas:

- **Recognition of non-UK incentive alignment mechanisms**. The proposed guidance in SECN 4.2.1B G is a positive step towards a more proportionate and principles-based due diligence framework for institutional investors. To broaden access to global markets, the guidance should expressly recognise and give comity to non-UK risk retention frameworks which achieve equivalent alignment of commercial investors between manufacturers and investors.

- **Reconsideration of Annex 4A**. MFA does not support introducing a new targeted reporting template for UK CLOs. There simply is no reason to do so and we encourage

[1] Managed Funds Association ("**MFA**"), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

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the FCA to reconsider this requirement. At a minimum, the FCA should consider providing grandfathering of the existing Annex 4 template, equivalence measures for EU Annex 4 and a longer transitional period in order to minimise friction for UK CLO manufacturers.

- **Immediate availability of simplified due diligence rules.** The proposed new rules in SECN 4 will have a significant impact on the ability of institutional investors to broaden and diversify their investment portfolios. Institutional investors should be permitted to comply with these new rules with immediate effect. Alternatively MFA recommends that the FCA provide written assurance that it will not enforce the outgoing due diligence requirements within the proposed six month implementation period.

- **Further progress on the treatment of CLOs**. MFA welcomes the FCA's leadership on this topic and we strongly support further changes to remove CLOs from the scope of the UK Securitisation Framework. We believe this is appropriate and proportionate given the unique structural features of CLOs, sophistication of the institutional investors and managers, and the well-established market practices which already achieve effective incentive alignment with investors.

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If you have any questions about these comments, or if we can provide further information, please do not hesitate to contact the undersigned on rhailey@mfaalts.org.

Yours faithfully,

/s/

Rob Hailey
Managing Director, Head of EMEA Government Affairs
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# CHAPTER 3. DUE DILIGENCE

## Initial verification requirements

**Q1 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.**

**MFA Response**

MFA agrees with the FCA's proposed shift away from a verification-style due diligence framework towards a more principles-based approach. This improved proportionality better recognises that sophisticated investors in scope of the UK Securitisation Framework (such as Alternative Investment Fund Managers, "**AIFMs**") ordinarily implement robust due diligence and risk management procedures, which are essential to the success of their business.

MFA has previously observed in its response to FCA CP 23/17[2] that UK AIFMs are already subject to stringent due diligence and risk management obligations under FUND 3.7.5R, rendering the current due diligence requirements under SECN excessive and redundant. It is not necessary to prescribe securitisation due diligence procedures in granular levels of detail, particularly given the well-established and widely adopted due diligence procedures that have developed in this sophisticated market. MFA therefore welcomes this proposal as part of the FCA's broader efforts to create a more proportionate and sustainable regulatory framework for securitisations in the UK.

**Q2 Do you agree with the proposal to remove the table at SECN 4.2.1R (1)(e) and the addition of corresponding guidance? Please elaborate on your response.**

**MFA Response**

MFA agrees with removing the table in SECN 4.2.1R(1)(e) and replacing it with FCA guidance. Institutional investors should have discretion to evaluate which documents are necessary when undertaking due diligence for a transaction.

MFA expects that applying "guidance" status to a list of information will enable investors to calibrate their due diligence requests to the applicable asset class, risk profile, size of the investment, and the form in which information is customarily provided in the relevant market. The words "may include" in SECN 4,2,1AG are crucial, as they signal that the list is non-exhaustive and that some information may not be available on certain transactions.

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[2] https://www.mfaalts.org/press-releases/mfa-encourages-the-fca-and-pra-to-enhance-uk-capital-markets-by-eliminating-redundant-securitisation-regulations/

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**Q3 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.**

**MFA Response**

MFA agrees with this approach; it is conducive with the overarching objective of introducing greater proportionality and flexibility into the FCA's rules for securitisations. An assessment of credit-granting standards is highly asset-specific, and so it is a welcome development to see the rules permit a more tailored approach.

**Q4 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.**

**MFA Response**

MFA is supportive of this proposal. Reframing the test around ensuring "appropriate alignment of commercial interest" is a more policy-driven requirement, as opposed to the existing, overly-restrictive verification requirement. This proposal will help to dismantle the most significant barrier to investment in non-UK securitisations (e.g. U.S. open-market CLOs). In turn, this will enable UK institutional investors to diversify their portfolios and place them on a more level playing field with their global peers.

**Q5 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.**

**MFA Response**

Yes. We are broadly in agreement with the proposed guidance in SECN 4.2.1B G.

We propose recognising an additional means of incentive alignment. Institutional investors should be permitted to invest in non-UK securitisations which comply with any applicable local risk retention requirements. For example, the U.S. securitisation risk retention rules permit a range of retention structures (e.g. holdings through majority-owned affiliates) and contain sun-setting measures (which can have the economic effect of reducing the ongoing retained exposure over the life of the transaction). In our view, the FCA's due diligence rules should give comity to compliance with applicable non-UK risk retention rules, such as those in the U.S., even if they are not identical to SECN 5 and the equivalent PRA rules.

We note that the wording of SECN 4.2.1B G(2) is suitably broad and we believe it is fair for the market to proceed on the basis that the FCA's application of the guidance in a supervisory context would be commensurably pragmatic. Institutional investors should be expected to use their full discretion when identifying a form of alignment of commercial interest – be it a contractual or structural feature of the relevant securitisation.

We recommend that the proposed guidance is expanded to provide additional clarification regarding the "material alignment of commercial interest" concept in SECN 4.2.1B G(2). We are concerned that limiting the discussion to management fees may prove sufficiently vague such that it disincentivises investors from relying on the guidance given the perceived risk. Commercial interest can be aligned in a material way through means other than management fees, such as business relationships, joint investments, and shared or pooled resources. The final guidance should include additional examples that would evidence material alignment of commercial interest.

Also unclear is the level of alignment that would rise to the level of "material," and we similarly would welcome additional clarification. At a minimum we suggest adding language to SECN 4.2.1B G(2) to clarify that management fees are but one example of a material alignment of commercial interests.

**Initial risk assessment**

**Q6 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.**

**MFA Response**

We are supportive of a guidance-based approach to risk assessments. This approach recognises that investors understand the materially relevant structural risks, and it would allow firms to focus on tailoring their assessment to a particular investment, rather than working through a fixed checklist.

**Ongoing monitoring**

**Q7 Do you agree with our proposal to remove the prescriptive elements in the due diligence requirements whilst holding a securitisation position? Please elaborate on your response**

**MFA Response**

We agree with the proposal to remove the prescriptive elements of the ongoing monitoring requirement. This will enable institutional investors to appropriately calibrate their ongoing monitoring procedures to the risk profile of the relevant position.

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# CHAPTER 4. TRANSPARENCY REQUIREMENTS

## Removal of certain asset-level templates

**Q8 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.**

**MFA Response**

We agree with the FCA's proposal to move to a more principles-based approach for asset-level disclosures. This is a sensible step towards a more proportionate transparency regime that allows managers and investors the discretion to tailor asset-level disclosures.

**Q9 Do you agree with our proposed changes to SECN 11.3? Please elaborate on your response.**

**MFA Response**

We are supportive of the proposed changes to SECN 11.3. Institutional investors should still be able to obtain information that is sufficiently detailed and constructive under a principles-based approach, and there is no value in prescribing the form in which they receive this information.

## Removal of investor, inside information and significant event templates

**Q11 Do you agree with our proposal to replace the investor report and inside information or significant event templates (SECN 11 and 12 Annexes 12, 13, 14 and 15) with more principles-based requirements? Please elaborate on your response.**

**MFA Response**

Yes.

We agree with this proposal. It is a widely held view that these templates are excessive and unnecessary. In practice, investors often rely on transaction-specific reports and notices that are tailored to the structure and asset class, rather than on a standardised template. Replacing these templates with a principles-based obligation will improve the overall cost efficiency of the UK transparency regime and reduce the compliance and administrative risk.

## Format and content of remaining templates

**Q12 Do you agree with our proposals to (i) stop requiring that transparency templates be made available in XML and (ii) no longer impose a uniform file format? Please elaborate on your response.**

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**MFA Response**

Yes.

The XML and file formatting requirement have been known to contribute to operational difficulty and cost. For many investors, XML is not the preferred format and has caused unnecessary friction in the distribution of reports.

**New CLO reporting template**

**Q18 Do you agree that this proposed new template SECN 11 Annex 4A is better suited to CLOs than the current one in SECN 11 and 12 Annex 4? Please elaborate on your response.**

**MFA Response**

MFA is generally supportive of simplifying and streamlining reporting obligations under the UK Securitisation Framework.

The FCA is right to note that Annex 4 is not suitable for CLO transactions. The FCA also notes that it is aware that CLO investors are generally satisfied with CLO managers' reports, and investors may in addition place varying degrees of reliance on data relating to underlying exposures. This experience aligns with that of MFA members.

It is not, in our view, a logical step to impose a new reporting requirement on CLOs in light of the observations made by the FCA, and we disagree with the FCA's conclusion that the market is in need of standardised disclosures for CLOs.

Unlike more homogeneous asset classes, CLO portfolios are actively managed and consist of loans that are already subject to extensive monitoring by CLO managers. If they wish, investors are already able to obtain asset-level information through periodic CLO manager reports. For monitoring and compliance purposes, there is limited use in a template like Annex 4A, because an investor's analysis of a particular CLO investment is often formed by a much broader set of dynamic and interdependent factors, such as eligibility criteria, concentration limits, coverage tests and collateral quality tests. Even though Annex 4A contains 43% fewer fields than Annex 4, it is still likely to provide investors with an excess of information which is not going to contribute to their ongoing monitoring in any meaningful way. It is also unclear how granular asset-level disclosures for CLOs would support the FCA's supervisory efforts.

In addition, whilst MFA appreciates that the proposed Annex 4A contains fewer fields than Annex 4, it is nevertheless a new template with which CLO managers will need to acquaint themselves. The FCA should not underestimate the potential impact of this, which will increase the regulatory burden for CLO managers.

If the FCA determines it is necessary to impose reporting requirements specifically in respect of UK CLOs, we would consider a principles-based provision in SECN 11.3 to be a better alternative.

However, as discussed in response to Question 38 below, if the FCA does proceed with the implementation of the Annex 4A template, we believe that, at a minimum, the FCA should:

(i) permit the continued use of existing UK Annex 4 templates for UK CLOs which close prior to the implementation date for the new rules;

(ii) extend equivalence to the EU Annex 4 templates for pre-existing and future issuances in order to reduce the compliance burden for UK CLOs that are structured to be compliant the EU regime; and

(iii) grant a longer transitional period for the implementation of Annex 4A for UK CLOs which close after the implementation date for the new rules.

**Q20 Should the requirement to complete SECN 11 Annex 4A apply during the warehouse phase of a CLO? Please elaborate on your response.**

**MFA Response**

No.

UK CLOs should not be required to report on Annex 4A during the "warehouse phase" (a term which we note is not defined.)

The purpose of the warehouse phase is to acquire loans, create the CLO and its tranches, and work with ratings agencies and other professionals to prepare the CLO for distribution. As a result, the final capital structure is not yet in place and the portfolio during the warehouse phase is not representative of the assets that will ultimately generate returns for investors. Applying the template requirement from the warehouse phase would be premature and the information in any such report could quickly become outdated. In other words, this requirement would needlessly increase compliance cost, with little value for investors. Given that the CLO does not exist at this point, portfolio holdings risk misleading investors since the composition of the final CLO would be very different.

**No data fields**

**Q21 Do you think that some significant information will be lost by making this simplification to the no data rules as they apply to completion of underlying exposure templates? Please elaborate on your response.**

**MFA Response**

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We agree with the proposal to reduce the no data options. The availability of five no data options is unnecessarily complicated and we suggest nothing would be lost by simplifying these rules.

**Removing distinction between private and public disclosures**

**Q22 Do you agree with our proposal to remove the distinction in treatment between public and private securitisations regarding the majority of the transparency requirements? Please elaborate on your response.**

**MFA Response**

Yes.

We appreciate the FCA's consideration of market feedback to its CP 23/17. Given that most of the relevant requirements have fallen away (namely, templates for inside information and significant events, and securitisation repositories), there is limited need for this distinction.

**Q23 Do you agree with the removal of the requirement for information to be reported to securitisation repositories? Please elaborate on your response.**

**MFA Response**

Yes.

We agree with this proposal; it will contribute to improving proportionality and cost efficiency of the transparency requirements under the UK Securitisation Framework.

**Provision of documents**

**Q24 Do you agree with our proposed changes to SECN 6.2.1R(2) which require the provision of all transaction documents as well as the offering circular, prospectus or term sheet? Please elaborate on your response.**

**MFA Response**

Yes.

We agree with this proposal.

**Q25 Do you agree with the deletion of the list of documents in sub-paragraphs (b) to (g) of SECN 6.2.1R(2)? Please elaborate on your response and indicate which documents are critical in order to reach an investment decision prior to investing in a securitisation.**

**MFA Response**

Yes.

We agree that the provision of information should be made on a non-prescriptive basis, as it may vary on a case-by-case basis depending on the needs of the relevant investor and the type of transaction.

**Q26 Do you agree with our proposal regarding the timing to provide the final documents in SECN 6.2.2R(2)? Please elaborate on your response.**

**MFA Response**

Yes.

We agree with this proposal.

**Q27 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.**

**MFA Response**

Yes.

We agree with this proposal. Historically, investors have not generally found transaction summaries to be useful, as they are able to obtain the same information through offering documents and transaction documents. As a result, preparation of a transaction summary is a cost and time-intensive exercise for the originator or sponsor of a transaction, with limited value-add for the investor since it already has this information elsewhere.

**Q28 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.**

**MFA Response**

Yes.

We agree with this proposal. Details on risk retention compliance are typically contained in offering documents and transaction documents, so in practice, the transaction summary is not the channel through which investors obtain this information.

**Notifications of private securitisations**

**Q29 Do you disagree with any of the changes we propose for private notifications? Please elaborate on your response.**

**MFA Response**

No.

We are supportive of the changes proposed by the FCA.

**Frequency of reporting and long first interest periods**

**Q30 Do you agree with our proposal to clarify the frequency of reporting for securitisations with a long first interest period? Please elaborate on your response.**

**MFA Response**

We agree with this proposal in principle directionally, with modification: SECN 6.2.2R(3) should be clarified by stating that this requirement applies only to asset-level and investor reports prescribed under SECN 6.2.1R(1) and SECN 6.2.1R(5), and not to other information required to be made available to investors.

**Confidentiality**

**Q31 In light of the proposals set out in this paper, does the current formulation of SECN 6.2.5R create barriers to the issuance of securitisations by limiting its application to confidentiality and data protection laws which apply in the UK only? Please elaborate on your response and provide relevant examples.**

**MFA Response**

MFA supports the extension of SECN 6.2.5R to non-UK confidentiality and data protection laws, which would help to alleviate cross-border friction.

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## CHAPTER 8. L-SHAPED RISK RETENTION

**Q37 Do you agree with the proposal to allow L-shaped risk retention as an eligible form of risk retention? Please elaborate on your response.**

**MFA Response**

We agree with the proposal to permit L-shaped risk retention as an eligible modality. Not only would this provide additional structuring flexibility for UK manufacturers, but it would also benefit institutional investors wishing to invest in non-UK securitisations which utilise L-shaped retention.

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## CHAPTER 9. IMPLEMENTATION

**Timeline for entry into force**

**Q38 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.**

**MFA Response**

Generally, we agree that a 6-month implementation period is appropriate.

However, in our view, institutional investors should be allowed to comply with the proposed new rules in SECN 4 with immediate effect (including, to the extent relevant, the corresponding proposed amendments to SECN 5). As an alternative, it would be helpful if the FCA were to issue an express acknowledgement that it will not enforce the outgoing wording of SECN 4 during the implementation period, as noted above.

As regards the proposed Annex 4A, as noted above, we do not support the introduction of a new Annex 4A reporting template for CLOs.

If the FCA does decide to implement this, we believe that, at a minimum:

(i) UK manufacturers of CLO transactions which close before the new rules enter into force should be permitted to continue using the existing UK Annex 4 template; and

(ii) pre-existing and future UK CLOs should be permitted to use the EU Annex 4 templates to discharge their reporting obligations.

If the FCA does not consider this feasible, as an alternative, the Annex 4A requirement should be accompanied by a generous transitional provision (i.e., longer than 6 months) to give UK CLO manufacturers sufficient time to establish internal procedures for the new reporting requirement.

**Equivalence for EU underlying exposure templates**

**Q39 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 this proposal. However, as noted above, UK CLO manufacturers should be able to rely upon the existing EU Annex 4 to discharge their reporting obligations under the FCA's rules.

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## CHAPTER 10. SCOPE OF SECURITISATION RULES

**CLOs**

**Q41 Do you have any views on the application of specific conduct rules (e.g. risk retention, credit granting standards) in regulating CLOs? What possible improvements, if any, do you consider could be made to address some of the concerns and criticisms articulated above? Please elaborate on your response.**

**MFA Response**

As the FCA notes in its Consultation Paper, CLOs possess unique features which embed incentive alignment within the transaction structure. These features have been adopted by CLO manufacturers on a voluntary basis and have become standard market practice. The moral hazard which the original EU Securitisation Regulation sought to address has become overstated in the context of CLOs.

The FCA's proposals in relation to investor due diligence demonstrate an appreciation that risk retention is not the only means of effective incentive alignment. The proposals implicitly recognise that CLOs are not inherently risky, and investors should be able to make their own assessment. If institutional investors can gain exposure to such transactions, it follows that UK manufacturers ought to be able to originate the same types of transactions. This would create a truly level playing field amongst UK market participants, and it would help to ensure that UK CLO manufacturers are not placed at a competitive disadvantage to their global peers (namely, U.S. sponsors of open-market CLOs, which are exempt from U.S. credit risk retention rules).

The incompatibility of the risk retention framework with CLO transactions has led to the financing, in certain cases, of CLO managers' retained risk by third-party investors (such as pension funds or family offices) through the establishment of risk retention vehicles. These structures are somewhat artificial and usually do not have a legitimate commercial purpose. Arguably, they do not achieve incentive alignment of the kind contemplated by the original policy objectives for a risk retention framework. In fact, the existence of such third-party risk retention vehicles challenges the notion that risk retention can have any meaningful impact in the context of CLOs.

As regards credit-granting, the wording of SECN 8.2 is a poor fit for CLO transactions. The language was devised to address "originate-to-distribute" models. In a CLO context, loans are typically acquired as secondary trades: managers do not directly originate assets and they do not hold them on their own books. Indeed, the terminology " comparable assets remaining on the balance sheet" does not make sense in the context of CLO managers. While credit quality is an important factor in risk evaluation, there are other features of CLOs which are more central to risk management (including the collateral quality tests of the kinds noted by the FCA in Chapter 10 of the Consultation Paper). On this basis, it is not clear what the supervisory value of SECN 8.2 is in the context of CLOs.

As noted in our response to Question 18 above, UK CLOs should not be subject to prescribed reporting requirements under the UK Securitisation Framework.

The reasoning above inevitably leads to the position that CLOs should be excluded altogether from the conduct rules under the UK Securitisation Framework.

**Whole business securitisations**

**Q42 Do you have any views on the proportionality of applying the securitisation conduct rules to WBS? Please elaborate on your response.**

**MFA Response**

As the FCA notes in the Consultation Paper, "whole business securitisations" generally are not transactions of the type contemplated by the "securitisation" definition in the Securitisation Regulations 2024. The FCA is right to observe that these transactions usually bear the characteristics of corporate lending or specialised lending, and they do not give rise to the same policy concerns as traditional securitisations.

Accordingly, in our experience, there are few cases where a whole business securitisations would, in fact, be a "securitisation" (as defined for the purpose of the UK Securitisation Framework). However, we do not consider it necessary or appropriate to expressly memorialise aspects of this analysis in the FCA Handbook.

**Q43 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.**

**MFA Response**

Please see response above.