TECHNICAL NOTE

Senior securitisation and Solvency II

How the 2027 prudential reform changes investment analysis

Senior non-STS securitisation tranches can currently receive a prudential treatment that differs materially from a corporate bond with the same rating. Delegated Regulation (EU) 2026/269 changes that balance from 30 January 2027.

Key points

- A non-STS AAA senior tranche can currently require roughly twelve times as much Solvency II capital as a comparable corporate bond. The gap could fall to around three times in 2027.
- The reform does not reduce the economic risk of the assets. It changes the prudential charge applied to senior tranches.
- The analysis must separate the risk of the underlying loans from the risk actually borne by the tranche after credit enhancement.

Why the tranche matters

Securitisation pools loans and allocates losses across tranches. The most junior tranches absorb first losses; the senior tranche is affected only after that protection is exhausted. The STS label identifies simple, transparent and standardised transactions. A significant part of the CLO market does not have it.

The new trade-off

According to the source analysis, European AAA CLO and CMBS spreads were 125 to 130 basis points above Euribor, close to 100 points more than equally rated corporate bonds. With a lower capital cost, the yield-capital-liquidity comparison becomes more favourable to senior tranches. It does not remove the need for credit or liquidity analysis.

Questions to address before 2027

Investment, ALM and risk teams need to define available look-through data, modelling assumptions, concentration limits, liquidity management and governance responsibilities. A senior tranche can withstand significant sector stress while still depending on the portfolio quality, structure and manager.

Reference
Primary source: Andrew Jackson, “Pourquoi les investisseurs institutionnels redécouvrent la titrisation”, L’Agefi × HSBC Asset Management, 19 October 2026. The article is partnership content and includes proprietary figures; this note retains that qualification.
https://www.agefi.fr/investisseurs-institutionnels/actualites/pourquoi-les-investisseurs-institutionnels-redecouvrent-la-titrisation