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Transatlantic securitisation gap revisited: comparing EU and US securitisation architectures

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Abstract

This paper revisits the transatlantic gap in securitisation issuance. In comparing the securitisation frameworks in the European Union (EU) and United States, we adopt a granular approach, distinguishing between instrument types and considering the broader funding and risk transfer frameworks in which securitisation operates.

We conclude that the apparent gap in terms of scale stems from methodological and structural differences in how securitisation is defined and measured across jurisdictions, rather than from a structurally weaker or less developed EU securitisation market. In particular, commonly cited comparisons of securitisation volumes often exclude covered bond issuance, despite covered bonds being a significant and longstanding component of asset-backed funding in the EU. As a result, measures of the transatlantic "securitisation gap" that focus solely on conventional securitisation may overstate the difference between EU and US market-based funding. When covered bond issuance is incorporated into the analysis, a more disaggregated picture emerges: over the past two decades, asset-backed funding activity has not been structurally one-sided but has instead exhibited shifting patterns over time, reflecting differences in market conditions and positions in the financial cycle.

We introduce the concept of an asset mobilisation ratio to scale issuance by the size of each economy. From this perspective, transatlantic convergence appears to be ongoing, with the gap in issuance narrowing over time, although a meaningful difference in market scale remains. However, the persistence of this gap should not be viewed as evidence that the EU market is structurally underdeveloped relative to the US market. Direct quantitative comparisons are complicated by significant differences in market structures, funding channels, legal frameworks and institutional arrangements across jurisdictions. In particular, the EU relies to a greater extent on alternative mechanisms, such as covered bonds and synthetic significant risk transfer (SRT) transactions, that can achieve objectives similar to those of traditional securitisation but are not always captured by standard securitisation metrics. The strong growth of the synthetic SRT segment, supported by an accommodative regulatory framework, has been a key driver of convergence in recent years. While competitive dynamics have evolved and market access has broadened in the EU, market concentration remains relatively high.

JEL codes: G21, G23, G28, G32, E58

Keywords: Asset mobilisation ratio, securitisation, significant risk transfer (SRT), credit risk transfer (CRT), covered bonds, structured finance, capital optimisation, asset-based funding, financial intermediation, transatlantic securitisation

1 Non-technical summary

European and US securitisation markets pursue similar overarching objectives, although they differ in several important respects.

The paper revisits the perceived gap between European and US securitisation markets and finds that a closer analysis is warranted (see Coles and Hardt, 2000). While headline issuance volumes suggest that the US market is much larger (see Quaglia, 2021), this comparison is heavily influenced by the inclusion of large US agency mortgage-backed securities programmes and by differences in how securitisation is defined and measured across jurisdictions. A more granular and rigorous assessment shows that both regions have developed effective mechanisms to fund lending, mobilise collateral and transfer risk, challenging the conventional view that a large structural transatlantic securitisation gap exists.

Europe relies on a more diverse funding ecosystem. Unlike the United States, where government-sponsored agencies play a central role in channelling funding and transferring risk through mortgage-backed securities, Europe achieves similar outcomes through a combination of instruments. Covered bonds, traditional securitisations and synthetic risk transfer transactions each perform complementary functions, allowing banks to obtain funding, manage capital and support new lending. When these instruments are considered together, Europe's funding capacity appears considerably stronger than securitisation data alone would suggest.

The European market has evolved significantly since the global financial crisis. Although traditional securitisation issuance remained subdued following the crisis (see Keys et al., 2010), the market adapted through the rapid growth of synthetic significant risk transfer (SRT) transactions. These structures enable banks to transfer credit risk and obtain regulatory capital relief while keeping loans on their balance sheets. As a result, securitisation has become an increasingly important tool for maintaining lending capacity and improving balance sheet efficiency within the European banking sector. The US securitisation market also underwent substantial post-crisis changes, although it followed a different path, characterised by the recovery of traditional securitisation activity and the continued prominence of non-bank capital market intermediation. This divergence illustrates how the two jurisdictions have developed different mechanisms to achieve similar objectives, with securitisation in Europe increasingly supporting lending capacity and balance sheet efficiency through synthetic risk transfer.

Transatlantic convergence is gradually taking place. To enable a more meaningful comparison between these two largely different systems, the paper introduces the concept of an "asset mobilisation ratio", which measures the volume of asset-based funding and risk transfer activities relative to the size of the economy. Using this more precise metric, our analysis shows that, while the United States continues to exhibit higher levels of asset mobilisation, the gap with Europe has

narrowed over time. This suggests that differences between the two systems reflect alternative institutional models rather than fundamentally different levels of market development or effectiveness.

Understanding the true nature of the transatlantic securitisation gap is important for policymakers, supervisors and market participants because it helps shape the debate on the future role of capital markets in supporting economic growth. If Europe is assessed solely through traditional securitisation statistics, as is often the case in the literature (see Troy, 2015; Quaglia, 2021) and in policy discussions, its capacity to fund lending and transfer risk may be underestimated.

Our analysis also demonstrates that EU and US regulatory frameworks, while both shaped by post-crisis prudential objectives, support different market equilibria. The European framework is comparatively flexible in facilitating private-sector risk transfer solutions, particularly through synthetic securitisations, whereas the US framework channels a substantial share of funding and risk transfer through agency-supported mortgage markets. As a result, observed differences in market size and activity should be interpreted primarily as the outcome of distinct institutional and regulatory architectures rather than as evidence of differences in market effectiveness or maturity.

Recognising these structural differences can help ensure that future policy initiatives are based on an accurate understanding of market realities and do not draw conclusions based on headline issuance comparisons alone. While our findings suggest that the EU's capacity to fund lending and transfer risk is stronger than is often implied by conventional securitisation metrics, they should not be interpreted as suggesting that differences between the EU and the United States have disappeared altogether. Important distinctions in market scale, depth and institutional arrangements persist, although the evidence points to a degree of convergence over time and a more nuanced picture than is often suggested in the policy debate. Future policy efforts should therefore continue to support the development of diversified and resilient funding channels across the EU, while taking into account the significant heterogeneity that exists across Member States. While the euro, alongside the broader process of financial integration, has helped lay the foundations for cross-border market development, securitisation markets remain at considerably different stages of development across jurisdictions.

2 Introduction: EU-US securitisation markets, products and structures

Securitisation now functions as a core component of financial intermediation in both the EU and the United States. While both jurisdictions use securitisation to mobilise assets, support lending and distribute risk, their markets differ significantly in terms of structure, purpose and historical development. The EU market is characterised by a greater diversity of structures designed to optimise bank balance sheets, whereas the US market is distinguished by its scale, agency-driven framework and structural innovation.

The remainder of this paper is structured as follows. Section 2 reviews the existing literature on the transatlantic securitisation gap and discusses the conceptual and measurement issues that affect comparisons between the EU and US markets. Section 3 presents the data and methodology, including the asset mobilisation ratio developed to enable a more consistent assessment of funding and risk transfer activities across jurisdictions. It also examines the evolution of securitisation markets in the EU and the United States, paying particular attention to the role of covered bonds, traditional securitisations and synthetic SRT transactions. Section 4 analyses the regulatory and institutional factors shaping market development and explores the extent to which different funding channels fulfil similar economic functions. Section 5 concludes.

2.1 EU securitisation market: products and macro-structures

The EU securitisation market has evolved into a multifaceted and adaptable financing and risk management toolkit. Rather than constituting a homogeneous product class, EU securitisation encompasses a spectrum of transaction types designed to meet specific banking objectives under varying macroeconomic and regulatory conditions.

2.1.1 Funding securitisations: liquidity generation with structural flexibility

Funding-driven cash securitisation is a core component of the EU market. This structure is primarily used by banks to generate liquidity and diversify their funding base.

In a typical transaction, a bank (the originator) transfers a pool of assets – such as residential mortgages, car loans, or SME exposures – to a special purpose vehicle (SPV). The SPV then issues securities backed by these assets to investors (see Jobst, 2008). Notably, the SPV often remains within the originator's accounting

consolidation perimeter, reflecting the economic reality that these transactions are not primarily designed to transfer risk.

A defining feature of these securitisations is the flexibility afforded to originators in terms of tranche retention. Banks may retain senior or mezzanine tranches depending on their internal funding strategies, investor demand and prevailing pricing conditions.

Importantly, funding securitisations do not seek SRT and therefore do not require supervisory approval under the Capital Requirements Regulation (CRR). Their relatively straightforward structure and focus on liquidity make them attractive tools for balance sheet management, particularly during periods of funding stress or market volatility (see Gorton and Metrick, 2012).

2.1.2 SRT securitisation: targeted capital relief

SRT securitisation constitutes a distinct and increasingly important segment of the EU market. These transactions are explicitly designed to obtain regulatory capital relief by transferring credit risk to third-party investors (see EBA, 2020).

SRT securitisation takes two main forms:

- cash securitisation, in which assets are transferred to an SPV and funded through the issuance of securities;
- synthetic securitisation, in which the assets remain on the bank's balance sheet and credit risk is transferred via derivatives (typically credit default swaps or guarantees).

These transactions are subject to strict supervisory scrutiny to ensure compliance with CRR requirements, particularly those relating to the effectiveness of risk transfer.

The growth of the SRT segment reflects an increasing focus on capital efficiency among banks, especially in an environment of tighter regulatory capital requirements. By reducing risk-weighted assets (RWAs), banks can improve their capital ratios while maintaining lending capacity (see Napon, 2023).

The choice between cash and synthetic formats demonstrates the adaptability of EU securitisation: institutions can tailor structures to suit their portfolios, investor base and regulatory requirements.

2.1.3 NPL securitisation: balance sheet clean-up

Non-performing loan (NPL) securitisation represents a third key segment, focusing on asset quality improvement rather than funding or capital optimisation (see Boudiaf and Gonzalez, 2022).

These transactions are predominantly structured as cash securitisations and often fall within the SRT framework, requiring supervisory approval. However, unlike other SRT transactions, they do not provide effective capital relief.

This is due to the economic mechanics of the transaction:

- NPL portfolios are typically sold at a significant discount to their book value;
- the resulting loss is immediately recognised in profit or loss;
- any regulatory capital benefit is offset by this upfront loss.

As a result, the primary objective of NPL securitisation is balance sheet clean-up, enabling banks to dispose of legacy distressed assets and improve their asset quality metrics.

This segment demonstrates that securitisation in the EU serves not only as a capital management or funding tool but also as an instrument for restructuring bank balance sheets.

2.2 US securitisation market: structures and evolution

The US securitisation market is the largest and most sophisticated in the world, shaped by decades of institutional development, regulatory intervention and financial innovation. Its origins can be traced back to federal housing policy responses to the Great Depression, which led to the establishment of government-sponsored enterprises (GSEs) and a fundamental transformation of mortgage finance (see Schwarcz, 2018).

Key institutions include:

- Fannie Mae (1938): established to promote liquidity in mortgage lending;
- Freddie Mac (1970): created to expand access to the secondary market, particularly for smaller lenders;
- Ginnie Mae: a government-owned entity that guarantees securities backed by federally insured or guaranteed loans.

Table 1
Overview of US securitisation agencies

	Fannie Mae	Freddie Mac	Ginnie Mae
When and why was it established?	Set up by Congress in 1938 to promote homeownership among low-income borrowers	Chartered by Congress in 1970 to provide liquidity and affordability to the U.S. housing market	Created by Congress in 1968 for the purpose of extending affordable housing to low and moderate-income borrowers
Legal status	Government-sponsored private enterprise		Government agency within the Department of Housing and Urban Development (HUD), with explicit support from the government
Scope	Purchases, packages and sells conventional mortgages and mortgage-backed securities (MBS) from large banks and credit unions	Purchases, packages and sells conventional mortgages and MBS from smaller banks and credit unions	Guarantees timely payment of principal and interest on MBS issued by approved mortgage lenders, backed by government loans
Eligibility criteria	Establishes eligibility criteria for "conforming loans" (loan amount, credit score, debt-to-income ratio (DTI) and loan-to-value ratio (LTV)) Charter Baseline Mortgage Threshold (CBMT) (maximum dollar amount for a mortgage that the Government-Sponsored Enterprises (GSEs) can purchase or guarantee under their federal charters. Loans within this threshold are categorized as conforming loans)		Establishes eligibility criteria for lenders (equity, experience, management capabilities and facilities for issuing and servicing MBS)

Source: ECB.

These agencies play a critical role by guaranteeing the timely payment of principal and interest, thereby significantly reducing credit risk for investors. Their involvement enhances investor confidence and supports the depth and liquidity of US fixed income markets. Although Fannie Mae and Freddie Mac are privately owned entities, they have operated under federal conservatorship since 2008, reinforcing their quasi-governmental status.

While the US securitisation market initially focused on mortgage-backed securities, reflecting the central importance of housing finance, it has since expanded considerably:

- 1980s: development of structured mortgage products;
- mid-1980s onward: emergence of asset-backed securities (ABS), securitising non-mortgage assets such as credit cards, auto loans and student loans;
- 1990s: growth of private-label securities (PLS), issued without government guarantees.

This evolution reflects a dynamic interplay between regulatory frameworks, investor demand and financial innovation, with the rise of PLS marking a shift towards greater diversification beyond agency-backed securities.

US securitisation structures have also evolved from simple pass-through models to include highly sophisticated multi-class instruments designed to meet diverse investor needs.

Single-class (pass-through) MBS[1]

- Investors receive pro rata shares of principal and interest.
- Cash flows are distributed after deducting servicing and guarantee fees.
- Credit and counterparty risks are largely absorbed by the issuing agencies.

Multi-class structures

To enhance flexibility and tailor risk exposure, issuers developed tranched structures, notably including collateralised mortgage obligations (CMOs), which:

- are typically issued through real estate mortgage investment conduits (REMICs);
- divide cash flows into tranches with varying maturities and risk profiles;
- allow closer alignment with investor preferences (e.g. duration and prepayment risk).

Stripped mortgage-backed securities (SMBS)

- Separate cash flows into interest-only (IO) and principal-only (PO) components.
- Enable targeted exposure to interest rate and prepayment risks.

Credit risk transfer (CRT)[2] represents an important and distinct stage in the evolution of US securitisation. While earlier innovations such as CMOs and SMBS focused on the redistribution of interest rate and prepayment risks, CRT marks a structural shift towards the active externalisation of credit risk. Government-sponsored enterprises (GSEs) – primarily Fannie Mae through its Connecticut Avenue Securities (CAS) programme and Freddie Mac via its Structured Agency Credit Risk (STACR) programme – remain the dominant drivers of CRT activity.[3] Unlike European initiatives, which often focus on capital optimisation, these US programmes are primarily designed to transfer mortgage credit risk from agency balance sheets to private investors, thereby safeguarding taxpayers.

The prominence of CRT in the United States is closely linked to the conservatorship of the GSEs following the global financial crisis (GFC) and the need to mitigate systemic risk. Historically, the GSE business model was centred on purchasing

1 Mortgage-backed securities.

2 Capital relief transactions.

3 See Fannie Mae (various years) and FHFA (2025) for further information on the Connecticut Avenue Securities (CAS) and Structured Agency Credit Risk (STACR) programmes.

mortgages from primary lenders and pooling them into MBS for sale to investors (CAS and STACR programmes). While this model proved effective in transferring interest rate risk, the GSEs retained credit risk in exchange for a guarantee fee (g-fee, typically ranging from 0.25% to 0.60% per year of the outstanding loan balance). The GFC laid bare the fragility of this structure. By mid-2008, the US mortgage market faced acute systemic stress, with approximately $5 trillion in outstanding mortgage exposure – representing nearly half of the total market – at risk of default. The potential failure of Fannie Mae and Freddie Mac posed a severe threat to financial stability, exacerbated by the collapse of the asset-backed commercial paper (ABCP) market and the freezing of non-agency MBS markets. This dislocation drove spreads on jumbo mortgages from roughly 25 basis points to over 100 basis points above conforming loan rates.

Box 1

Credit risk transfer (CRT) as a further evolution

Following the global financial crisis, the US government-sponsored enterprises (GSEs), most notably Fannie Mae and Freddie Mac, developed credit risk transfer (CRT) programmes to reduce the concentration of mortgage credit risk on their balance sheets while preserving the existing securitisation infrastructure. Introduced in 2013, CRT transactions were designed to transfer a portion of the credit risk associated with agency mortgage portfolios to private investors without transferring ownership of the underlying mortgages.

Unlike traditional mortgage-backed securities, which primarily redistribute mortgage cash flows, CRT structures focus specifically on allocating credit risk. Investors absorb losses on a defined reference portfolio through a tranche structure that reflects the distribution of mortgage credit losses, while the GSEs continue to guarantee the timely payment of principal and interest on the underlying agency securities. In this way, CRT separates the funding function of securitisation from the credit risk-bearing function.

CRT programmes therefore represent an important post-crisis evolution in the US mortgage finance system. By introducing greater private-sector participation in mortgage credit risk, they seek to reduce taxpayer exposure, strengthen market discipline and improve risk-sharing. From a comparative perspective, CRT transactions perform functions that are conceptually similar to those of European synthetic significant risk transfer (SRT) securitisations, as both mechanisms are primarily designed to transfer credit risk and release capital rather than to provide funding through the sale of assets. Their development illustrates how both the US and EU markets have increasingly relied on specialised risk-transfer instruments to complement traditional securitisation structures.

2.3 Structural divergence between EU and US securitisation markets

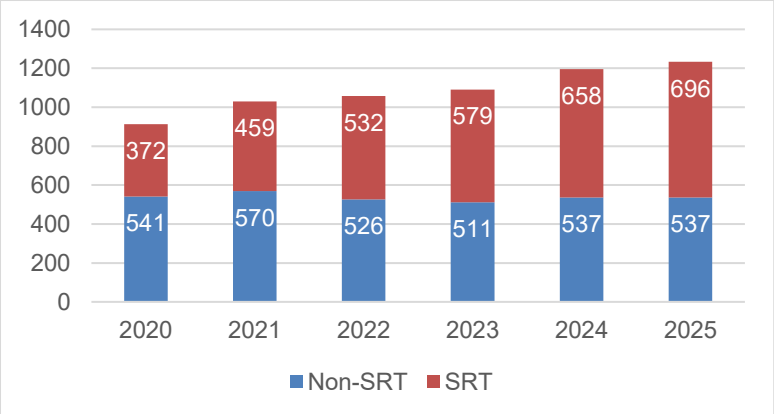
The divergence between the EU and US securitisation markets is rooted in their respective structural configurations, market objectives and the role of public sector frameworks. While the US market is characterised by a broad distribution of securities to external investors and deep secondary market activity, the European securitisation market exhibits a more bank-centric structure shaped by regulatory, monetary policy and balance sheet considerations.

In the European Union, the securitisation market is structurally bifurcated into SRT and non-SRT segments, reflecting distinct strategic objectives, with the non-SRT segment primarily serving funding purposes. Within the euro area, an important motivation for issuance has been to create collateral eligible for Eurosystem monetary policy operations, with the ECB accepting certain ABS subject to eligibility requirements and haircut schedules. [4]

Over the last five years, the composition of outstanding securitisations has become broadly balanced between the two segments, although the SRT market has exhibited stronger growth over the past three years, surpassing non-SRT volumes. A salient feature of this market is the high level of retention by originating banks. Synthetic SRT transactions, which dominate the capital relief segment, involve the retention of approximately 85% of the underlying exposure, while non-SRT transactions typically entail full retention of securitisation tranches to be pledged to the ECB.

Chart 1

Outstanding amount of SRT and non-SRT portfolios (EUR billions)



Source: ECB Banking Supervision Newsletter (2024a).

[4] See ECB (2015) and related ECB (2002) publication.

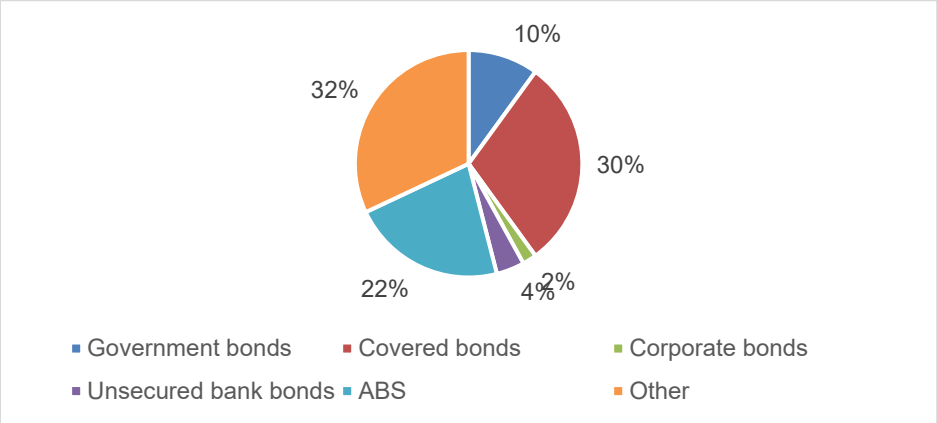
Box 2

Background: Eligibility criteria for ABS as ECB collateral

The ECB explicitly permits originators to retain asset-backed securities (ABS) and use them as collateral in Eurosystem monetary policy operations, provided that the securities meet a range of stringent eligibility requirements. Eligible transactions must generally take the form of true-sale cash securitisations and must not involve re-securitisation structures. In addition, the retained tranche used as collateral must meet minimum credit quality standards, typically corresponding to at least credit quality step 3 (CQS3, equivalent to BBB−). Transactions must also comply with the EU securitisation framework's transparency, reporting and risk retention requirements, including the mandatory retention of at least 5% of the securitised exposure by the originator. Furthermore, securities must be denominated in euro and settled through eligible securities settlement systems. These requirements ensure that self-retained securitisations can support bank funding and liquidity management while maintaining prudential safeguards and transparency standards.

Chart 2

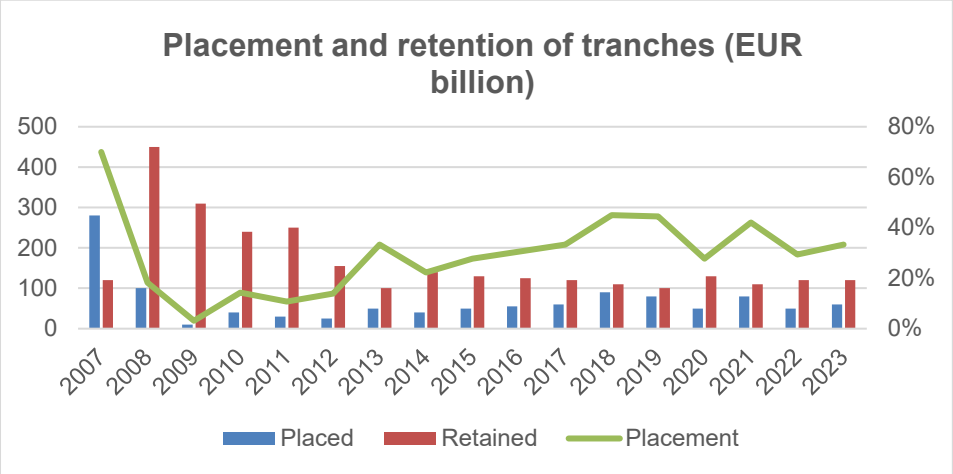
Breakdown of ECB collateral (%)



Source: ECB website (https://www.ecb.europa.eu/mopo/coll/charts/html/index.en.html).

Chart 3 below further illustrates the limited placement of cash securitisations among external investors, with less than 30% sold to investors.

Chart 3
Placement and retention of tranches



Source: AFME (various years), *Securitisation Data Report*.

These observations suggest that, although cash securitisations are designed to support market liquidity through broader distribution among investors, European banks have largely met their liquidity objectives without significant external placement. Instead, the use of ECB collateralisation mechanisms has led to a system in which securitisation plays an important role in internal funding and regulatory optimisation (see ECB, 2024). Thus, unlike the US market – where securitisations are widely distributed to external investors – European issuance remains largely internalised.

This outcome is driven by two structural factors:

- the inherent design of synthetic securitisations, which are aimed at regulatory capital optimisation;
- the use of cash transactions for funding purposes, with senior tranches retained and pledged as collateral in central bank operations.

This configuration has created a closed ecosystem dominated by banks and characterised by limited secondary market activity. Consequently, in Europe, securitisation operates primarily as a regulatory capital and funding optimisation mechanism, rather than as a vehicle for broad-based risk transfer and market-driven pricing.

3 Market evolution and asset mobilisation

3.1 Annual issuance

A central question in the transatlantic comparison of securitisation markets is whether the observed gap between the United States and Europe reflects genuine differences in market capacity or, instead, differences in market structure and measurement.

A key finding of this analysis is that variations in issuance volumes are driven primarily by composition effects rather than underlying capacity. As shown in Chart 4 below, US securitisation issuance – when assessed on a broad basis – has consistently exceeded European volumes, with a particularly pronounced peak in 2021 during the post-GFC period. Taken at face value, this divergence suggests a structurally weaker or less developed EU securitisation market.

However, such an interpretation may be misleading. The apparent gap in scale is largely the result of methodological and structural differences in how securitisation is defined and measured across jurisdictions. As a result, a meaningful comparison requires a more granular perspective, distinguishing between instrument types and considering the broader funding and risk-transfer frameworks in which securitisation operates.[5]

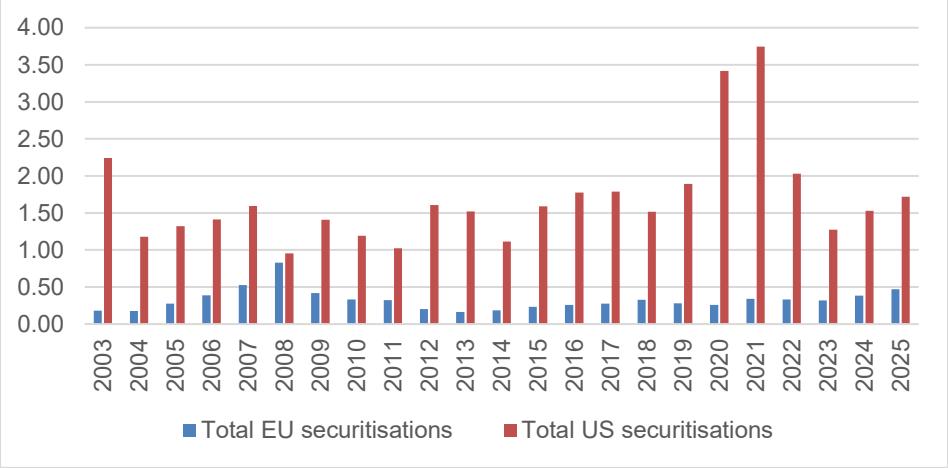
The divergence can largely be explained by fundamental differences in the instruments included in the respective datasets. US statistics encompass both tranched securitisations and pass-through products, the latter being a cornerstone of US agency mortgage-backed securities programmes. These pass-through structures account for a substantial share of total US issuance, as they transmit mortgage cash flows directly to investors without tranching.

By contrast, European securitisation data are restricted to tranched transactions that meet the strict regulatory definition under EU law, explicitly excluding pass-through instruments despite their similar economic purpose. This methodological asymmetry materially inflates the perceived issuance gap between the two regions.

[5] See Financial Stability Board (2025), *Evaluation of the Effects of the G20 Financial Regulatory Reforms on Securitisation*.

Chart 4

Total EU and US securitisation issued (in EUR trillions)[6]

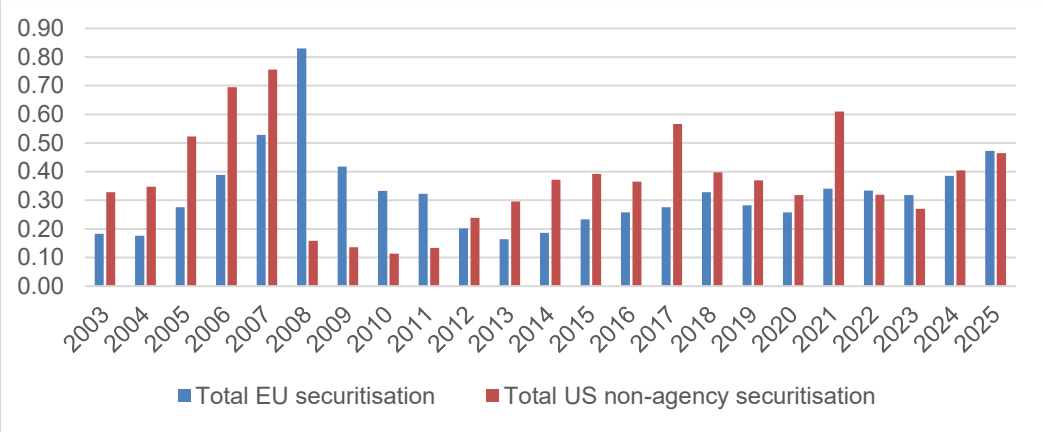


Sources: AFME (various years), *Securitisation Data Report*; *ECB Banking Supervision Newsletter (2024a)*.

When the comparison is adjusted to exclude agency pass-through MBS, a markedly different picture emerges. As illustrated in Chart 5, US non-agency securitisation issuance and European securitisation activity become more comparable once agency pass-through MBS is excluded, indicating closer alignment in market dynamics. While a gap between the two markets remains visible in certain periods, it has narrowed significantly over time (and in some years has effectively closed), driven in part by episodes of strong issuance in the European market.

6 Total US securitisation includes both agency and non-agency segments. Total EU securitisation (including the United Kingdom) comprises the following: (a) the total notional amount of EU cash securitisations issued annually, according to AFME statistics (SRT and non-SRT); (b) the total notional amount of EU synthetic securitisations issued annually, based on supervisory data from SRT notifications submitted by significant institutions (SIs). Capital relief recognised at the consolidated level of SIs may, in some cases, include SRT transactions executed by subsidiaries; (c) the total notional amount of cash NPL securitisations issued annually, based on supervisory data.

Chart 5
Total EU and US non-agency securitisation issued (in EUR trillions)



Sources: AFME (various years), *Securitisation Data Report*; *ECB Banking Supervision Newsletter* (2024a).

3.2 Interpreting EU-US funding markets: a multi-angle approach

A robust comparison between European and US funding markets calls for a multi-angle analysis, as the conclusions depend critically on:

- whether covered bonds are included in the European aggregate and, more broadly, whether one considers the full EU secured funding and risk transfer mix (combining covered bonds with both cash and synthetic securitisations), rather than securitisation alone[7]
- whether US agency securitisation is analysed separately from private markets, given its distinct institutional and policy-driven nature; and
- whether the focus is limited to securitisation or extended to include a broader set of funding and risk transfer instruments.

[7] This analysis excludes repo arrangements involving covered bonds and securitisations.

Box 3

Strategic advantages of covered bonds for EU banks

Covered bonds have traditionally served as a key funding instrument for European banks, offering several structural and regulatory benefits that make them more attractive than securitisation:

- **Cost efficiency**: covered bonds provide a relatively inexpensive source of funding, enabling banks to access liquidity at more favourable rates than alternative instruments.
- **Regulatory simplicity**: while covered bonds are subject to specific regulatory and disclosure requirements, they are typically less onerous than those applicable to securitisations, thus reducing the compliance and operational burden.
- **Investor protection**: covered bonds offer dual recourse, giving investors claims against both the issuing bank and the cover pool, thereby strengthening risk mitigation and investor confidence.
- **Liquidity recognition**: covered bonds benefit from more favourable treatment under the liquidity coverage ratio (LCR) framework, making them highly effective at meeting regulatory liquidity requirements.

These advantages, together with the resilience they demonstrated both during and after the global financial crisis, make covered bonds a strategic funding tool that complements securitisation in Europe.

Chart 6 below presents a disaggregated view, separating EU securitisation and covered bonds from US agency and non-agency segments. Covered bonds benefit from a dedicated EU legal framework under the Covered Bonds Directive.[8] This comparison highlights both structural differences and evolving patterns of resilience across both markets.

At a more fundamental level, the comparison can also be framed in terms of how funding and risk transfer objectives are achieved across jurisdictions. In the European Union, a bank seeking to achieve capital relief while securing funding typically combines instruments, such as by executing synthetic SRT transactions to achieve capital relief and using covered bonds to secure stable funding.[9] By contrast, US banks generally achieve both objectives through a single channel by

8 Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision.

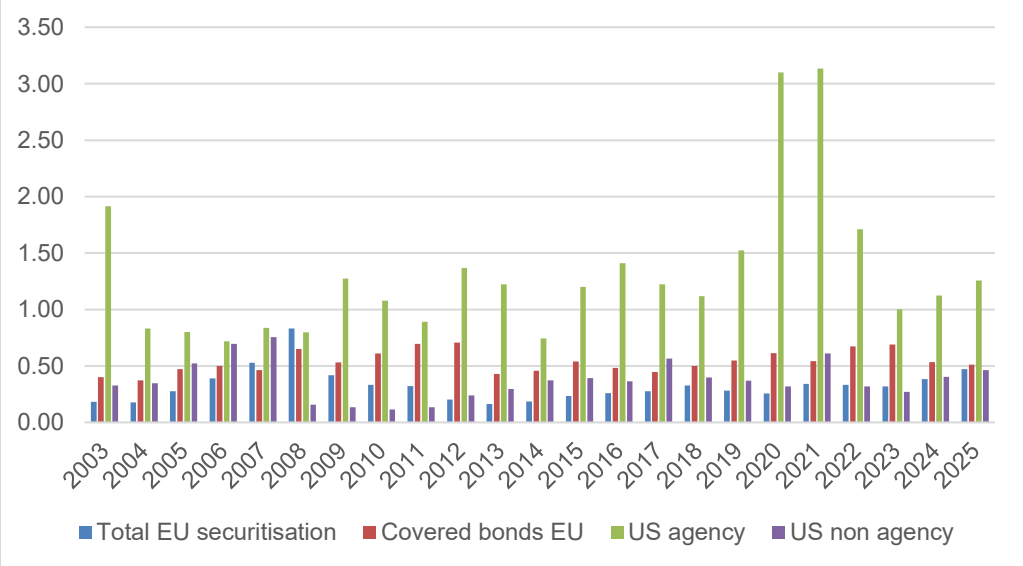
9 European Covered Bond Council (2024), European Covered Bond Fact Book 2024, Brussels; preliminary data for 2025 from the ECBC.

selling mortgage portfolios to GSEs, which subsequently issue agency MBS. This mechanism simultaneously provides funding while transferring credit risk off banks' balance sheets.

Overall, while the ultimate economic outcomes – namely funding efficiency and risk transfer – are broadly comparable across both jurisdictions, the institutional pathways differ significantly: Europe relies on a combination of complementary instruments (AFME, 2024), whereas the US system centralises these functions within the agency securitisation framework.

Chart 6

Evolution of EU securitisation and covered bonds and US securitisation (in EUR trillions)



Sources: AFME (various years), *Securitisation Data Report*; *ECB Banking Supervision Newsletter* (2024a); European Covered Bond Council (2024).

Analysing the four segments – EU securitisation, EU covered bonds, US agency securitisation and US non-agency securitisation – shows that their relative resilience across private markets is time-varying and closely linked to structural breaks.

Prior to 2007, all segments expanded, with broadly comparable dynamics in private markets. EU securitisation reached ~0.7-0.8, closely aligned with US non-agency securitisation levels, while covered bonds grew more gradually (~0.4-0.5), already

demonstrating their role as a stable source of funding. US agency issuance remained dominant (~1.5–2.0), although the gap was relatively contained.

During the global financial crisis (2008-2012), a clear structural break emerged (see IMF, 2024). EU securitisation contracted sharply but stabilised relatively quickly (~0.2-0.4), while US non-agency securitisation contracted more abruptly and remained impaired for longer. Covered bonds continued to provide stability (~0.5-0.7), while US agency issuance remained elevated, highlighting the growing role played by government support during this period.

In the post-GFC recovery (2013-2018), this trend reversed. EU securitisation recovered only partially, remaining below ~0.4, whereas US non-agency securitisation rebounded more decisively (~0.4-0.6), surpassing EU volumes. Covered bonds remained stable over the period.

During the COVID-19 pandemic (2020-2021), EU securitisation remained subdued, while US non-agency securitisation showed a stronger response (~0.3-0.6). Once again, covered bonds provided stability, while US agency issuance surged past 3.0.

Box 4

Comparative analysis of covered bonds vs US agency MBS

Covered bonds in Europe share several structural and functional similarities with US agency MBS. Both instruments operate as non-tranched products with fixed interest rates, offering investors additional protection – through dual recourse in the case of covered bonds and guarantees from government-sponsored enterprises (GSEs) in the United States, which is implicitly tied to the federal budget. Agency risk is mitigated in both markets: via GSEs guarantees for MBS and through cover pool monitoring in the case of covered bonds. Each product applies strict eligibility criteria for underlying assets, thus helping to ensure asset quality and stability.

Strategically, both instruments deliver funding benefits, including diversification and improved management of loan-to-deposit ratios, while achieving high levels of placement with external investors (see Marques and Pinto, 2020). Their design promotes standardisation and economies of scale, supported by regulatory frameworks: the Covered Bonds Directive in Europe and GSE programmes in the United States. Both markets are also increasingly embracing sustainability objectives, as evidenced by the issuance of green MBS and green covered bonds. However, these advantages also carry a degree of systemic risk. In the United States, state involvement through GSEs introduces contingent fiscal risk, while in Europe, covered bonds can lead to high levels of asset encumbrance, limiting available collateral in stress scenarios and effectively juniorising non-covered investors as assets shift from bank balance sheets to cover pools. The charts 5 and 6 illustrate that differences in market size are highly sensitive to these analytical choices. Moving from a narrow securitisation-only comparison to a broader perspective – including the EU secured funding and risk transfer mix and distinguishing US agency securitisation from private-market activity – materially alters the interpretation, such that apparent transatlantic gaps can either widen or largely disappear, depending on the framework applied.

However, these similarities largely emerge when examining specific structural and functional characteristics. When broadening the lens to consider the ultimate issuer, an important distinction becomes evident: covered bonds are issued by private banks, whereas agency MBS are issued by US government-sponsored entities. Despite this fundamental difference in the type of issuer, both categories benefit from exemptions from recovery and resolution regimes, reinforcing their role as stable and resilient funding instruments.

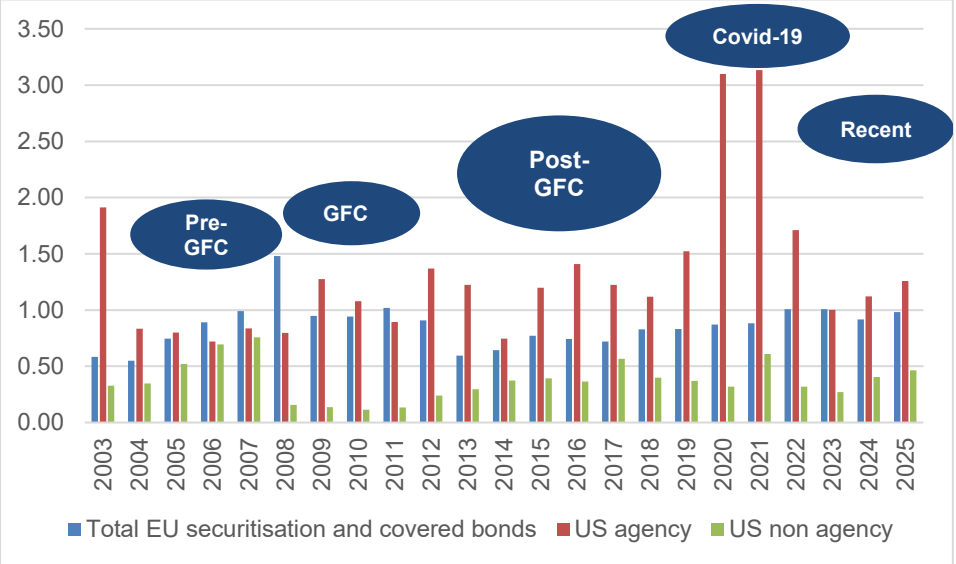
In the most recent period (2022-2025), EU securitisation increased (~0.4-0.5), while US non-agency stabilised, showing less upward momentum. Once again, the gap between both regions narrowed, with EU securitisation volumes converging toward US levels, supported by the strength of covered bonds.

Overall, this disaggregated view shows that relative performance is not structurally one-sided, but shifts over time depending on the cycle.

Chart 7 below complements this analysis by aggregating EU securitisation and covered bonds into the EU's secured funding and risk transfer mix, providing a more complete view of European funding capacity and enabling a more meaningful comparison with US private markets.

- Before 2007, the EU mix reached ~0.9-1.0, broadly comparable to US non-agency securitisation.
- During the global financial crisis (2008-2012), the EU mix remained stable (~0.7-1.0) despite a contraction in securitisation activity, supported by covered bonds, while US non-agency securitisation declined more strongly.
- During the recovery phase (2013-2018), the EU mix stabilised with only limited expansion, while US non-agency securitisation recovered more strongly.
- During the COVID-19 pandemic, the EU mix once again remained stable (~0.8-1.0), while US agency issuance dominated overall issuance dynamics.
- In 2022-2025, the EU mix remained robust and showed clearer signs of normalisation, with securitisation activity increasing (including synthetic securitisation), while US non-agency securitisation stabilised and convergence resumed.

Chart 7
Trend in EU securitisation and covered bonds and US securitisation (in EUR trillions)



Sources: AFME (various years), *Securitisation Data Report*; *ECB Banking Supervision Newsletter* (2024a); European Covered Bond Council (2024).

3.3 Asset mobilisation as a bridging lens

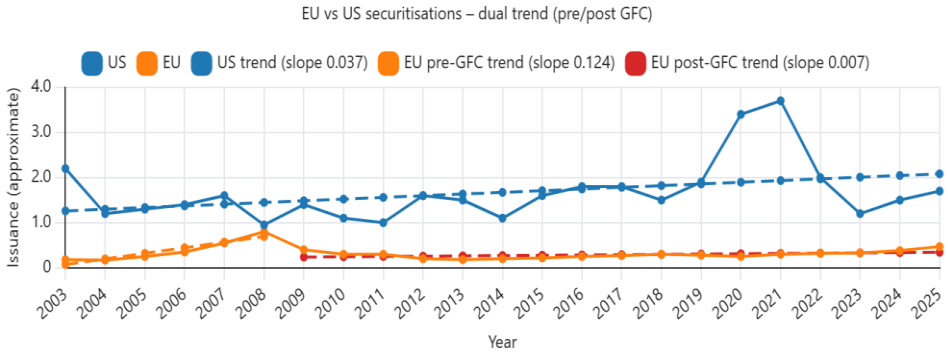
To anchor the comparison across these different analytical perspectives, we introduce the concept of an asset mobilisation ratio. Defined as the total issuance of securitisation instruments and covered bonds relative to GDP, this metric captures the effective capacity of financial systems to transform illiquid assets into funding and capital. It links market structure to balance sheet dynamics, while also reflecting the growing role of synthetic securitisation in Europe.

The analysis begins by examining trend dynamics, as illustrated in Chart 8, which shows changes in yearly issuance – the numerator of the asset mobilisation ratio. The United States displays a moderate but persistent positive slope (approximately 0.037), signalling steady expansion in issuance over time despite cyclical fluctuations. By contrast, the European Union follows a more uneven trajectory, characterised by a steep pre-crisis increase (slope of around 0.124) followed by a

near-flat post-crisis trend (around 0.007). This pattern points to a prolonged stagnation in traditional securitisation issuance following the GFC (see Schwarcz, 2009).

Chart 8

EU vs US securitisation – dual trend (pre and post-GFC)



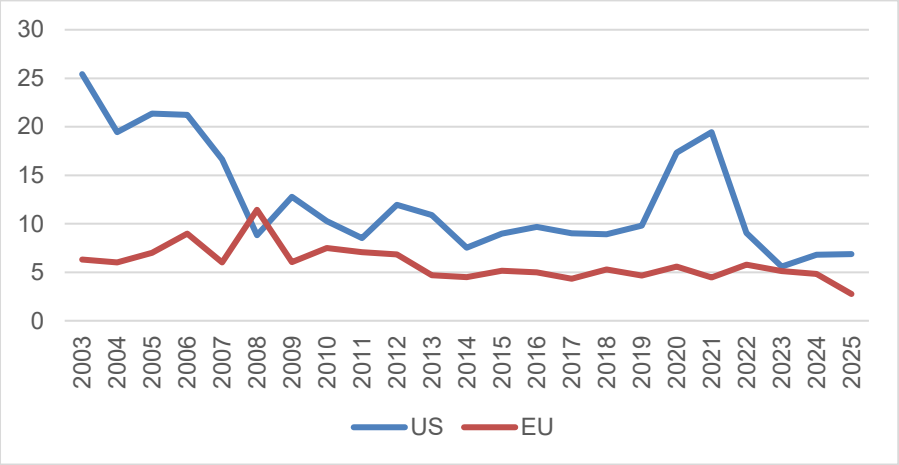
Source: authors' calculations.

This post-crisis flattening of EU issuance should be understood in the context of broader structural adjustments (see Troy, 2015). In particular, the increasing use of SRT has supported asset mobilisation by enabling capital relief without reducing loan origination (see FSB, 2026). As a result, part of the underlying mobilisation capacity is no longer fully captured by primary issuance volumes alone.

Moving from trends to levels, Chart 9 below relates issuance to the size of the economy by presenting the asset mobilisation ratio, thereby allowing for a more consistent comparison between both systems.

Chart 9

Trend in the asset mobilisation ratio



Source: authors' calculations.

Viewed through this lens, both persistent differences and gradual convergence between the United States and the European Union become apparent:

- Pre-GFC (2003-2007): the US ratio is three to four times higher.
- Post-crisis (2008-2014): the ratio declines in both regions, with a sharper adjustment in the United States.
- Recovery (2015-2019): the gap stabilises, with the US ratio remaining roughly two to three times higher.
- Recent period (2020-2025): the gap narrows further despite heightened volatility.

Overall, the asset mobilisation ratio helps reconcile the different perspectives on the comparison between EU and US markets:

- the US system remains more effective at scaling asset turnover through securitisation;
- the EU system achieves greater stability through a diversified funding mix anchored by covered bonds and complemented by synthetic securitisation;
- convergence is ongoing, with the gap gradually narrowing over time.

More broadly, the evidence points to a central conclusion:

- at the segment level, relative performance alternates between regions over the economic cycle;
- at the system level, the EU's secured funding and risk transfer mix provides consistently stable funding.

In this context, asset mobilisation acts as a bridging concept between market structure and macro-financial outcomes. Analysing asset mobilisation alongside issuance trends, highlights the structural break introduced by the global financial crisis and shows that EU-US differences reflect distinct, time-varying funding models rather than unequal underlying capacity (see Kiff and Kisser, 2010). A significant portion of the remaining gap continues to be driven by US agency securitisation and should therefore be clearly distinguished from private market activity in any transatlantic assessment.

3.4 EU and US SRT/CRT markets: a comparative perspective

The EU SRT market is primarily a bank-driven capital management tool, designed to optimise regulatory capital under the CRR/CRD framework. Transactions are engineered to achieve significant risk transfer while minimising costs. By contrast, the US CRT market serves a broader risk distribution and public policy function, with GSE-led programmes transferring mortgage risk to private investors to protect public balance sheets, alongside a growing but still secondary role for private banks.[10]

The two markets differ fundamentally in terms of their structural logic. EU SRT transactions are highly targeted and compressed, typically focusing on a single mezzanine tranche calibrated to meet regulatory requirements. In contrast, US CRT transactions are broader and multi-tranched, designed to distribute risk widely across a diverse investor base. In simple terms, the EU model optimises capital efficiency, whereas the US model optimises risk distribution and market placement.

The EU market relies heavily on synthetic securitisation and features a diversified collateral base. It is becoming increasingly standardised through the STS framework, reflecting a mature, regulation-driven ecosystem[11] (see EBA, 2023). The US market, meanwhile, is dominated by agency mortgage CRT, with activity concentrated in residential exposures and driven by GSE programmes. Although private CRT issuance in the United States has grown rapidly in recent years, Europe remains more bank-centric, has a broader range of underlying assets and is structurally focused on capital optimisation, while the United States remains more policy-influenced and mortgage-centric.

Over the past decade, the European securitisation market – particularly the SRT segment – has undergone a substantial transformation, reflecting both its resilience and its growing strategic importance in bank capital management. While issuance

10 Federal Reserve Bank of Philadelphia, Research Department (2025), Banking Trends: Synthetic Risk Transfers, Q3 2025.

11 Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for STS

volumes have exhibited some cyclical variation, the overall trajectory points to sustained expansion and increasing relevance within the European financial system.

Issuance of performing securitisations rose steadily in the pre-pandemic period, reaching €124 billion in 2018 and peaking at €136 billion in 2019. This momentum was temporarily interrupted in 2020, when volumes contracted to €77 billion amid the COVID-19 pandemic. However, the subsequent recovery was swift, with issuance rebounding to €113 billion in 2021. In 2022, the market entered a phase of marked acceleration, with SRT volumes rising to €232 billion and further expanding to €290 billion by 2024.

A similar pattern emerges in the case of capital benefits. After dropping by around 20% in 2020, capital relief recovered to approximately €3.6 billion in 2022 and continued to rise, reaching around €5.32 billion by 2025. This trend further illustrates the role of securitisation as a key instrument in improving regulatory capital efficiency.

Market structure and composition

A defining characteristic of the EU market is the predominance of synthetic securitisation. Synthetic SRT transactions consistently account for the majority of issuance volumes, with their share rising from around 60-70% in the late 2010s to approximately 80-90% in more recent years.[12] This reflects a strong focus among European banks on capital optimisation, as synthetic structures allow for risk transfer without removing assets from the balance sheet.[13]

At the same time, the share of simple, transparent and standardised (STS) securitisations has increased significantly, reaching around 40% of overall issuance, particularly in 2024 and 2025. This development has been supported by preferential regulatory treatment and growing investor demand for transparent and standardised instruments. Together, these trends illustrate how issuance patterns have adapted to regulatory incentives and market preferences (see Gonzalez and Triandafil, 2023).

12 See European Central Bank (2024a), ECB Banking Supervision, Supervision Newsletter

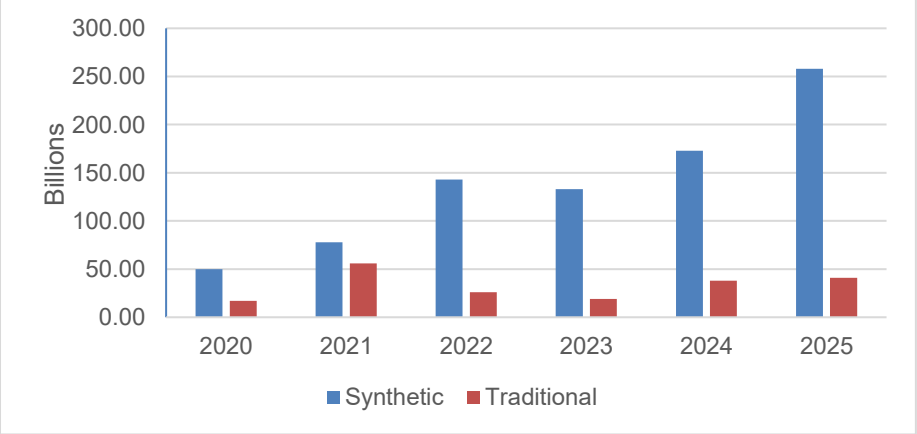
13 See Buch, C. (2026), “Interview with Milano Finanza”, ECB Banking Supervision, 28 January.

Table 2 Development of the EU SRT market

Year	2018	2019	2020	2021	2022	2023	2024	2025
Total number of active banks	15	17	17	38	37	29	38	39
Total notional (EUR billions)[14]	124	136	63	134	169	152	211	299
Share of synthetic securitisation in total notional (%)	61	67	75	70	88	90	82	86
Share of the four largest players in total notional (%)	74	65	66	60	65	66	60	60
Share of STS in total notional[15] (EUR billions)			5	46	78	88	113	173
Total capital benefit (EUR billions)	3.0	3.2	1.6	3.0	3.6	4.5	5.3	7.2

Source: ECB supervisory data

Chart 10
SRT issuance per year (in EUR billions)



Source: ECB Banking Supervision (2024a), *Supervision Newsletter*.

Market concentration in the SRT segment remains relatively high. The four largest institutions account for roughly 60-65% of total issuance volumes, reflecting the market's reliance on a core group of experienced originators. However, competitive dynamics have evolved (see Duponcheele et al., 2024). The number of active banks has more than doubled since 2018, pointing to broader market participation and a gradual diversification of execution strategies. This suggests that, while issuance remains concentrated among this core group, access to the market is widening.

14 Total amount issued at origination.

15 STS framework for synthetics was enforceable starting with 2021.

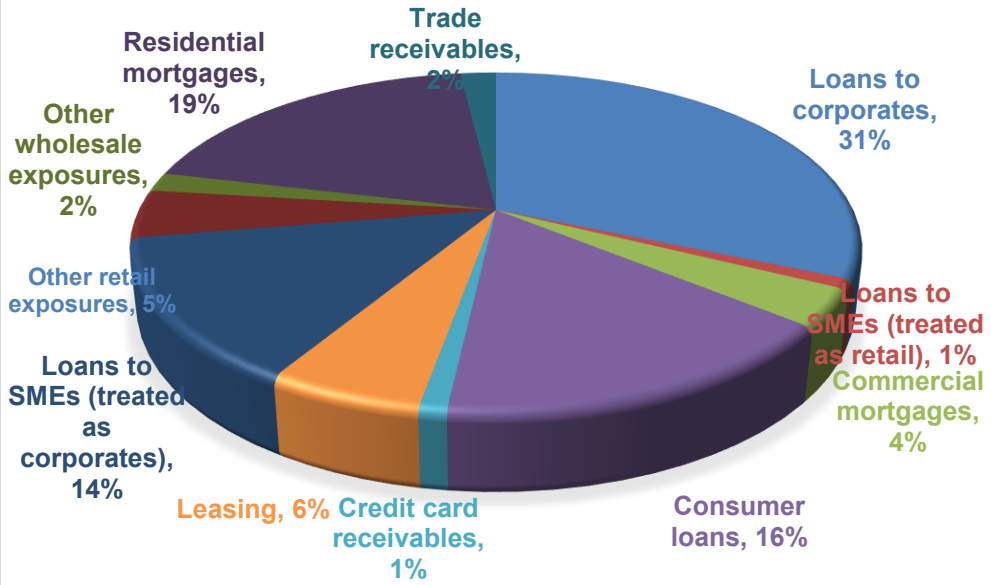
Collateral composition and underlying drivers

The composition of securitised assets in the SRT segment reflects the diversified state of the European market. Loans to corporates (around 31%) and residential mortgages (approximately 19%) represent the largest asset classes, reflecting a dual focus on corporate and household lending. Consumer loans (around 16%) and SME exposures, which are treated as corporates (approximately 14%), further underline the role of securitisation in supporting a broad range of credit segments. Smaller asset classes, including leasing, trade receivables and credit card receivables, provide further diversification and support the objectives of both liquidity generation and risk transfer.

This asset mix is also a product of underlying regulatory capital dynamics. Corporate exposures, which are more capital-intensive under prudential frameworks, naturally dominate SRT structures, as banks seek to optimise capital usage (see BCBS, 2014, 2019). Mortgage assets, while less capital-intensive, remain relevant due to their longer maturities, which increase duration-related capital requirements.

Chart 11

Breakdown of securitised assets



Source: ECB Banking Supervision (2024a), *Supervision Newsletter*.

Overall, the distribution of collateral illustrates the strategic role of securitisation in enhancing balance sheet flexibility.

A comparison with the US CRT market provides further insight into the distinctive features of the European model. The US CRT market has historically been smaller

than its European counterpart, reflecting differences in institutional structure and policy objectives.

In Europe, SRT transactions are predominantly driven by private banks operating within the CRR/CRD framework and primarily motivated by regulatory capital relief. In contrast, the US market operates under a dual structure that combines private bank activity with a dominant role for GSEs, notably Fannie Mae and Freddie Mac (see FHFA, 2025, and reports by Fannie Mae and Freddie Mac 2020-2025).

Agency-led CRT programmes, such as CAS and STACR, account for the majority of US activity. These programmes are designed primarily to transfer mortgage credit risk from public balance sheets to private investors, thereby protecting taxpayers, rather than to optimise bank capital. Their scale is substantial, with cumulative reference pools having expanded from around $400 billion in 2014 to over $9 trillion in 2025.

Private-sector CRT issuance in the United States has also grown rapidly in recent years, increasing from approximately $20 billion in 2020 to more than $150 billion in 2025. This expansion has been supported by clearer regulatory guidance and a stronger strategic focus on capital efficiency. Despite this growth, however, Europe continues to account for a larger share of global CRT/SRT activity.

Table 3

CRT trades executed by US Agencies (USD billions)

Year	Reference pool	Mezzanine notes	Cumulative reference pool	Cumulative mezzanine notes
2014	400	5	400	5
2015	550	8	950	13
2016	600	10	1550	23
2017	650	12	2200	35
2018	700	14	2900	49
2019	750	15	3650	64
2020	800	16	4450	80
2021	850	17	5300	97
2022	900	18	6200	115
2023	950	19	7150	134
2024	1000	20	8150	154
2025	1050	21	9200	175

Source: FHFA website..

Structural design and strategic objectives

Beyond differences in scale and market participants, the EU and US markets also diverge in terms of transaction design and underlying objectives. In the United

States, CRT structures are designed to distribute credit risk broadly across the investor base. Transactions typically include multiple tranches across the capital structure, allowing for granular calibration of risk-return profiles placement among a wide range of investors. This gives rise to more expanded structures than those typically found in Europe, with greater emphasis on risk distribution and pricing efficiency.

By contrast, EU SRT transactions are structured primarily to achieve regulatory recognition of SRT. As a result, transactions tend to isolate a targeted mezzanine tranche calibrated to meet SRT requirements, leading to a more compressed capital structure. The focus is on minimising economic costs while maximising capital relief.

In simplified terms, US CRT structures expand the capital structure to optimise risk distribution, whereas EU SRT structures compress it to optimise regulatory capital efficiency.

3.5 Benchmarking SRT benefits across EU major securitisers

Based on a benchmarking analysis of supervisory data on SRT transactions that we conducted,major EU securitisers make extensive use of SRT to optimise capital, with an average share of 9% and a markedly higher median of 12%. The higher 90th percentile (16%) further confirms the importance of securitisation as a core component of funding and risk optimisation for this group. This reflects the scale, sophistication and systemic role of these institutions, as well as their ability to consistently access and structure transactions. This reliance on SRT is mirrored in their risk profiles: major securitisers have a significantly larger and more concentrated RWA base, with an average of €7.4 billion and a median of €4.2 billion, alongside a high 90th percentile of €18.8 billion. This confirms that elevated risk exposure is widespread among these institutions, reinforcing the importance of securitisation as a balance sheet management tool.

In terms of capital efficiency, major securitisers achieve structurally higher and more stable benefits, with average capital relief of 54 basis points and a median of 49 basis points. The high 90th percentile of 115 basis points shows that these institutions are capable of executing highly effective transactions, reflecting advanced structuring capabilities and strong regulatory capital optimisation.

In absolute terms, this translates into the most significant impact on capital across all groups, with average benefits of €28.2 million and a median figure of €20.6 million. The high 90th percentile (€64.9 million) underscores the scale at which securitisation contributes to capital optimisation for systemically important banks (SIBs).

This pattern is consistent with the role played by major European securitisation issuers, which dominate market volumes and rely on securitisation as a strategic tool for capital relief, risk transfer and balance sheet efficiency.

Table 4

SRT benchmarking statistics

Statistics	Share securitised	Risk weighted assets (EUR billions)	Capital benefit (bps)	Capital benefit (EUR billions)
Min	1%	0.3	9	0.004
Max	27%	22	132	0.066
Average	7%	10	55	0.028
Median	6%	8	50	0.020
Percentile 90	15%	16	115	0.064

Source: Authors' calculations

4 Institutional and regulatory framework

A comparison of EU and US securitisation markets reveals some important regulatory and structural differences, though also a number of similarities in how the asset class has evolved since the global financial crisis (see Quaglia, 2021).

From a capital treatment perspective, both jurisdictions remain cautious, particularly when it comes to non-senior exposures. In the EU, capital requirements are highly differentiated by tranche, with senior STS positions benefiting from preferential treatment (around 10% risk weight). Mezzanine and junior tranches are subject to very high regulatory risk weights, typically starting at 350% and reaching up to 1,250%. At the upper end of the spectrum, a 1,250% risk weight is economically equivalent to a deduction from regulatory capital, reflecting the elevated credit risk associated with these positions.

. In the United States, the framework remains conservative, despite being somewhat less granular, notably through a 20% risk-weight floor for securitisation exposures, which limits the capital benefit even for high-quality senior tranches. As a result, the capital treatment of securitisation exposures in both regions – especially outside senior tranches – remains relatively punitive compared with instruments such as covered bonds or agency-backed securities.

In terms of structural features and supervision, both frameworks share certain core principles, such as due diligence, risk transfer requirements and penalties for non-compliance, but diverge in terms of flexibility and market scope. The EU framework is generally more accommodating and risk-sensitive, allowing for a broader range of instruments, including synthetic securitisations, credit-linked notes and certain excess spread structures, supported by proactive supervisory engagement (notably through SRT pre-approval).

By contrast, the US framework is more restrictive and standardised, particularly with regard to synthetic transactions and capital relief trades. It imposes tighter eligibility criteria, limits the use of certain structures and relies more on ex post supervisory oversight rather than upfront validation (see USFRB, 2024). As a result, while both jurisdictions pursue similar prudential objectives, the EU approach is comparatively more flexible and market-enabling, whereas the US framework remains more conservative and constrained in its practical application.

While the regulatory approaches differ somewhat, they not be overstated. The EU framework[16] is more rules-based and standardised, with a strong emphasis on transparency, due diligence and risk retention, while the US framework is comparatively more principles-based, but still incorporates similar core elements, including risk retention and supervisory oversight. In practice, both systems aim to ensure prudent risk transfer and avoid the weaknesses exposed by the global

[16] See footnote 11.

financial crisis, even though the EU places greater formal emphasis on product classification (e.g. the STS label).

In terms of market structure, a key distinction is the role played by government-linked institutions in the United States. Agency MBS – issued or guaranteed by Ginnie Mae, Fannie Mae and Freddie Mac – represent a large share of the market and benefit from preferential treatment in terms of capital, liquidity and central bank operations (see Ginnie Mae, 2024). Europe does not have an equivalent large-scale agency securitisation model, and securitisation remains predominantly private-label. However, this difference is down to institutional design rather than to a fundamentally different approach to securitisation itself.

Outside the agency segment, US and EU private securitisation markets are broadly comparable. Both are primarily used for funding diversification and, increasingly, balance sheet optimisation. Investor bases in both regions tend to focus on senior tranches, reflecting similar capital and liquidity constraints. Documentation, disclosure requirements (US SEC, 2024) and structural features have also broadly converged over time, supported by global regulatory coordination.

With respect to liquidity and regulatory treatment, securitisations are not core HQLA instruments in either jurisdiction. In the EU, eligibility is limited (mainly to Level 2B STS assets), while in the United States, securitisations do not typically qualify as HQLA outside the agency segment. Central bank eligibility also shows parallels: access exists but eligibility is selective and haircuts are often higher than those applied to government bonds or covered bonds.

These structural features feed directly into differences in mortgage market depth and monetary policy transmission. The US mortgage market is deeper, more standardised and more closely integrated with capital markets, supported by a large and liquid agency MBS segment. This facilitates a strong transmission channel: mortgage pricing is closely linked to MBS valuations, and the high degree of standardisation – particularly through the to-be-announced (TBA) market – allows for efficient trading, rapid repricing and large-scale liquidity exchange without loan-level frictions.

As a result, changes in monetary policy are transmitted relatively quickly to mortgage rates in the United States. Movements in MBS prices are directly reflected in lenders' rate sheets, with repricing occurring frequently (typically faster when rates rise), creating a tight link between policy rates, market pricing and household borrowing conditions. The ability to refinance or release equity further amplifies this channel, stimulating housing demand when rates fall, while higher household leverage increases sensitivity to rate increases.

At the same time, this sensitivity is partly moderated by the prevalence of long-term fixed-rate mortgages in the United States, which smooths the transmission of rate increases to existing borrowers, even as new lending reacts quickly. Overall, securitisation – via pass-through MBS structures – acts as a key conduit through which monetary policy is transmitted to the real economy, linking central bank

actions to mortgage pricing, housing investment and household balance sheets (see Coles and Hardt, 2000).

In contrast, the euro area mortgage market is more heterogeneous and less securitised, with greater reliance on bank intermediation and, in some jurisdictions, shorter-term or adjustable-rate mortgage structures. The absence of a large, standardised securitisation platform comparable to US agencies limits secondary market depth and reduces the direct linkage between capital markets and mortgage pricing. As a result, monetary policy transmission in the EU is more bank-centric and less amplified by securitisation, operating primarily through lending rates and balance sheet constraints rather than market-based repricing dynamics (see ECB, 2024).

In conclusion, while the EU and US securitisation frameworks are broadly aligned in maintaining conservative regulatory treatment, the interaction between securitisation and the broader mortgage market ecosystem is the key differentiating factor. In the United States, scale, standardisation and deep MBS markets strengthen and accelerate monetary policy transmission, whereas in the EU, the more limited and fragmented role played by securitisation has led to a more gradual and bank-driven transmission mechanism.

Table 5 - Prudential and regulatory comparison of structured funding instruments

Topic	Cash securitisation	Synthetic securitisation	US agency MBS	EU covered bonds
Typical legal structure	EU/US: True sale to SPV	EU/US: CDS/guarantee-based credit risk transfer	Pass-through securities with GSE/government support	Dual recourse to issuer and cover pool
Capital treatment: RWA/risk weights	EU: Senior AAA tranche: 10% risk weight (RW) for STS, 15–20% RW for non-STS• Mezzanine BB tranche: 350% RW or higher • First-loss/equity: often 1,250% RW deduction; US: Minimum RW of 20%	Similar to cash securitisation; RWs for non-senior tranches depend on the credit protection providers	Under US banking rules, many agency MBS receive a 0% RW if issued by Ginnie Mae and a 20% RW if issued by Fannie Mae or Freddie Mac	Highly preferential treatment under the CRR: often 10% RW for strong covered bonds; some high-quality issues can receive very low single-digit capital charges
Bail-in and resolution	Excluded from bail in	Early termination or continuation under BRRD/TLAC framework	Excluded from bail-in, similar to covered bonds: secured or protected funding structures designed to withstand issuer distress, with liabilities/assets meant to continue performing during resolution rather than absorb losses.	Excluded from bail-in
LCR / HQLA treatment	EU: Narrow eligibility; some STS eligible for Level 2B liquidity buffer. US: not eligible	Generally not HQLA	Broader eligibility: Level 1 if issued by Ginnie Mae and Level 2A if issued by Fannie Mae and Freddie Mac	Extremely strong, Level 1B/Level 2A depending on features
NSFR treatment	Funding-intensive	Derivative funding burden	Favourable; low funding required	Highly favourable if eligibility criteria are fulfilled
Collateral acceptance for central bank monetary operations	EU: Limited/selective acceptance; often haircut-intensive and eligibility-constrained, with haircuts ranging from 10% to 76%, depending on rating and maturity. US: Narrower eligibility, with sector-specific haircuts ranging from 6% for prime ABS to over 20% for CMBS (less punitive than ECB treatment of AAA-rated, short-duration ABS, but much stricter in terms of eligibility)	Not eligible	Broadly eligible for Fed operations, subject to eligibility criteria, with haircuts ranging from 1% to 5%	Broadly eligible and highly favoured for ECB operations, with haircuts ranging from 1% to 35% depending on maturity and rating
CCP / clearing ecosystem	Mostly OTC	CDS clearing partly available	Deep repo/TBA clearing	Deep repo market
ESG / transition fit	Growing	Strong for capital recycling	Moderate	Strong potential for green covered bonds

Source: ECB.

5 Conclusion

Our analysis shows that the commonly cited gap between the European and US securitisation markets is largely misleading and requires a more nuanced assessment than headline issuance statistics suggest. While aggregate issuance volumes indicate a substantially larger US market, this comparison is heavily influenced by the inclusion of large agency mortgage-backed securities programmes and by differences in market definitions and measurement methodologies across both jurisdictions. A broader assessment of asset-based funding and risk transfer mechanisms reveals that both regions have developed effective frameworks for financing lending activity, mobilising collateral and distributing credit risk.

Rather than relying on a single dominant channel, Europe has built a diversified ecosystem comprising covered bonds, traditional securitisations and synthetic SRT transactions. Together, these instruments provide many of the functions performed by agency-supported mortgage securitisation programmes in the United States, enabling banks to access funding, optimise regulatory capital and support credit creation. Consequently, Europe's capacity to mobilise assets and sustain lending is considerably greater than traditional securitisation issuance volumes alone would suggest. As shown by the asset mobilisation ratio, comparisons based on this broader set of funding and risk transfer instruments reveal a considerably narrower transatlantic gap than headline securitisation issuance data appear to indicate. While the United States retains an advantage in scale, the resulting picture is one of partial convergence between different institutional models rather than a stark divergence in financial intermediation capacity.

The evolution of the European market since the global financial crisis further underscores this point. Although public cash securitisation issuance has remained below pre-crisis levels, the market has adapted through the rapid expansion of synthetic securitisation and SRT transactions. These structures have become an important mechanism for transferring credit risk and generating regulatory capital relief while preserving customer relationships and keeping loans on banks' balance sheets. As a result, securitisation continues to play a significant role in supporting balance sheet efficiency and lending capacity across the European banking sector.

The introduction of the asset mobilisation ratio provides a more comprehensive view of transatlantic market development. By capturing a broader set of funding and risk transfer activities relative to economic size, the ratio shows that the United States continues to exhibit higher levels of asset mobilisation, but that the gap with Europe is narrower than commonly perceived and has diminished over time. For much of the post-crisis period, the US asset mobilisation ratio has typically been around 1.5 to 2.0 times that of the EU, suggesting a considerably smaller gap than issuance data alone would suggest. This trend also points to gradual convergence over time.

This finding suggests that the two markets should be viewed as alternative institutional models that achieve similar economic objectives through different

structures, rather than as systems with fundamentally different levels of sophistication or effectiveness.

From a policy perspective, these findings are particularly relevant. Assessing Europe based on conventional securitisation metrics alone risks understating the region's ability to fund economic activity and manage credit risk. The evidence also shows that post-crisis regulatory frameworks in the EU and the United States, while pursuing similar prudential objectives, have led to different market equilibria. The European framework has fostered the development of private-sector risk transfer solutions, notably synthetic securitisations and SRT transactions, whereas the US system continues to rely heavily on agency-supported mortgage markets as a core funding and risk distribution channel.

Ultimately, the perceived transatlantic securitisation gap is best understood as a reflection of differing institutional, regulatory and market architectures rather than as evidence of a disparity in market maturity or effectiveness. Recognising these structural differences is essential for policymakers, supervisors and market participants seeking to strengthen capital markets and expand funding capacity. A more holistic view of asset mobilisation could lead to better-informed policy decisions and contribute to the further development of diversified, resilient and efficient funding channels for the European economy.

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