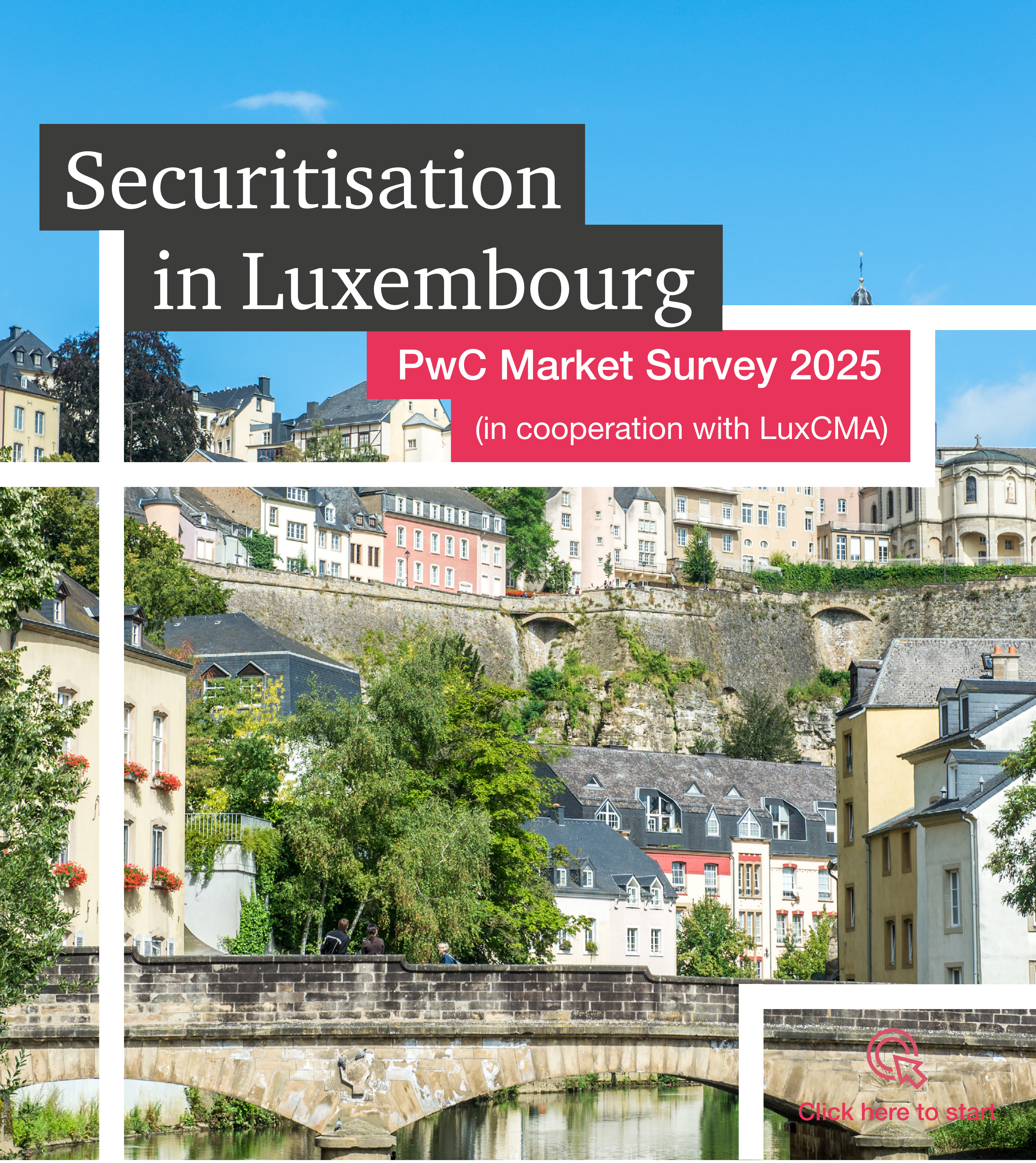
Securitisation in Luxembourg

PwC Market Survey 2025

(in cooperation with LuxCMA)



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Foreword

Dear Reader,

As we progress through 2025, the Luxembourg securitisation market remains resilient, even in the face of global challenges, like geopolitical tensions and the long-term impact of past economic policies. While these factors have created some uncertainty, they have also opened doors to new opportunities for innovation and growth. Luxembourg continues to shine, with steady growth reflected in a net increase of 78 active vehicles during 2024, bringing the total to 1,585 active vehicles as of 31 December 2024.

We are pleased to present the results of our 2025 PwC Market Survey, conducted again in collaboration with LuxCMA. Once again, we have engaged with a wide range of Luxembourg market participants – including corporate servicers, law firms, banks, originators, investors and arrangers – to capture their insights into the current state and outlook of the Luxembourg securitisation market.

In this year's survey, we analyse some key areas, such as asset types, financing structures, investor base trends, and the evolving regulatory environment. Additionally, we explore opportunities and challenges facing the market.

We would like to extend our sincere thanks to all those who contributed to the survey and shared their valuable perspectives. As always, we would also like to acknowledge our continued collaboration with LuxCMA in bringing this survey to life.

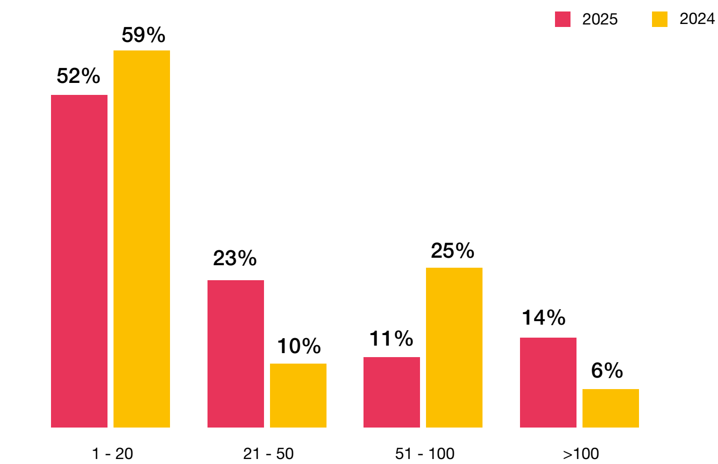
It is important to note that while this survey offers valuable insights, it is not a statistical report and should not be considered a comprehensive representation of the Luxembourg securitisation market. Rather, it reflects the views and perceptions of key market players, providing a snapshot of where the industry stands today and where it is heading.

Securitisation vehicle characteristics

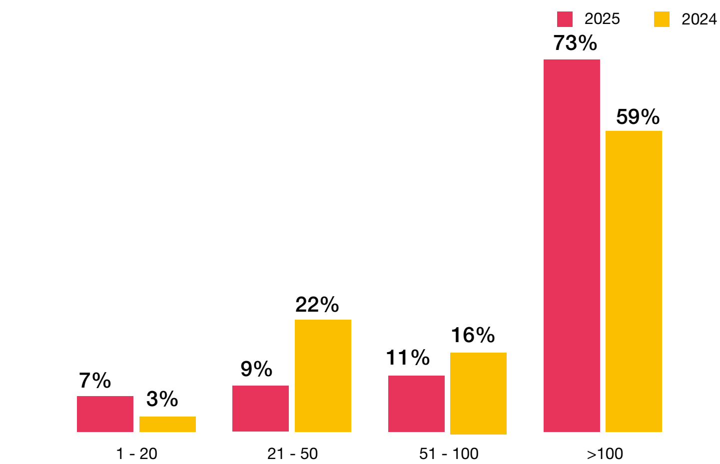
The survey results show that managing or advising on securitisation vehicles is generally a task for specialists. About 25% of respondents handle more than 50 vehicles, while the majority, around 52%, treat with just 1 to 20 vehicles in their portfolios. For these respondents, most probably securitisation complements other fund structures, adding variety to their offerings within the Luxembourg financial landscape.

In terms of transaction sizes, 73% of respondents reported that the typical deal they observe exceeds EUR 100 million. This marks a notable increase compared to 2024, when only 60% saw transactions above that threshold. This growth suggests rising interest in securitisation, not just in the number of vehicles, as we saw above, but also in the size of the existing securitisation structures. On the other hand, transactions under EUR 20 million are much less common, with only 7% of respondents noticing such deals, indicating that a minimum volume is required to make the use of a securitisation vehicle (cost) efficient.

How many securitisation vehicles do you service per year?

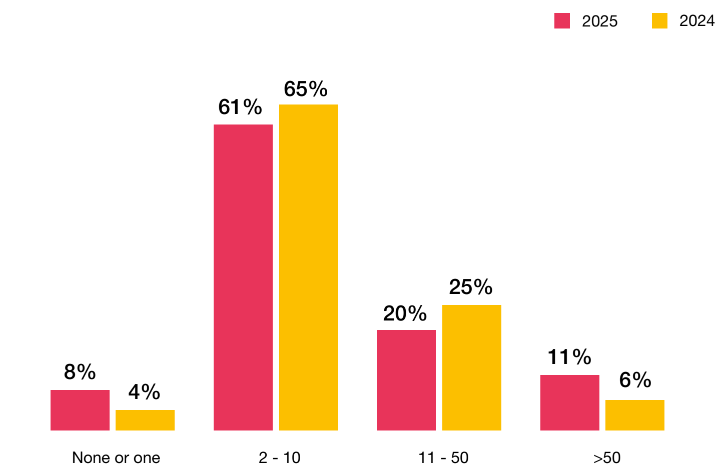


What is the average of total assets of "your" securitisation vehicles (in million EUR, sum of all compartments)?



The survey once again confirmed that the possibility to create multiple compartments is widely used and assumingly the most outstanding feature of the Luxembourg Securitisation Law. Almost all vehicles have several compartments, with a vast majority of 2-10 compartments. And there seems to be no limits: some vehicles even have around 1,600 active compartments, while around 7% have no (or one) compartment.

How many compartments do "your" vehicles have in average (estimation)?



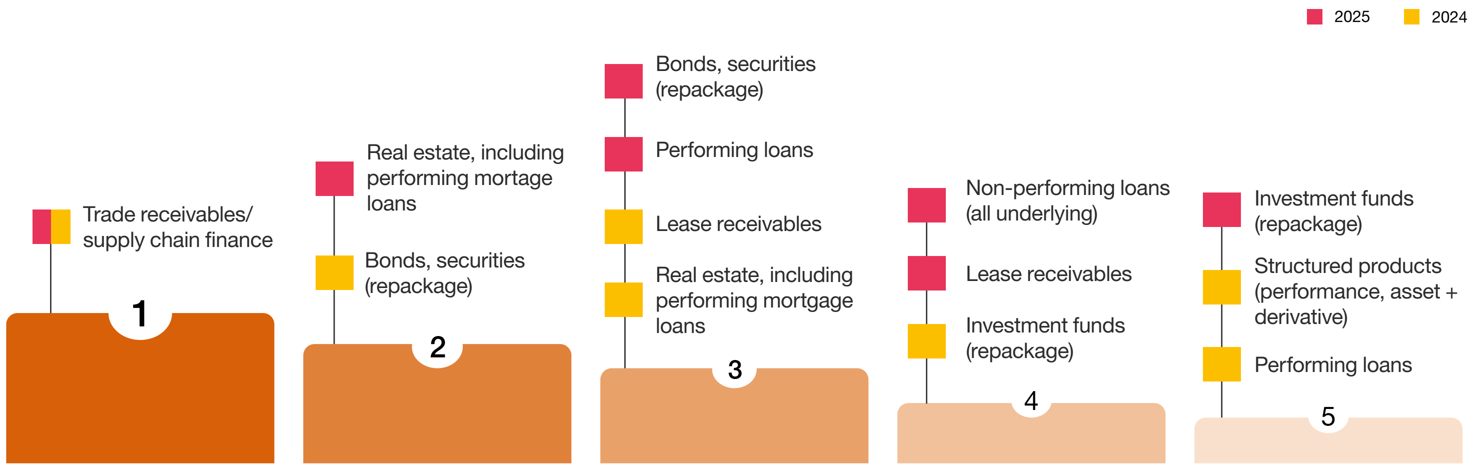
Asset types and means of financing

The asset classes observed by our participants over the past year show no major surprises, with responses remaining consistent with those of the previous year. Trade receivables continue to be the most frequently mentioned asset class, even seeing a 4% increase compared to last year. This is followed by securitisation real estate products (including mortgage loans), performing loans (also up by 4% from the previous year), and bond and fund repacks. Lease receivables securitisations also faced a decrease compared to last year, with around 4% less.

Structured products continue to hold a significant place in the Luxembourg securitisation market, though they have experienced a 4% decline. These products typically do not meet the criteria of securitisation under the EU Securitisation Regulation 2017/2402.

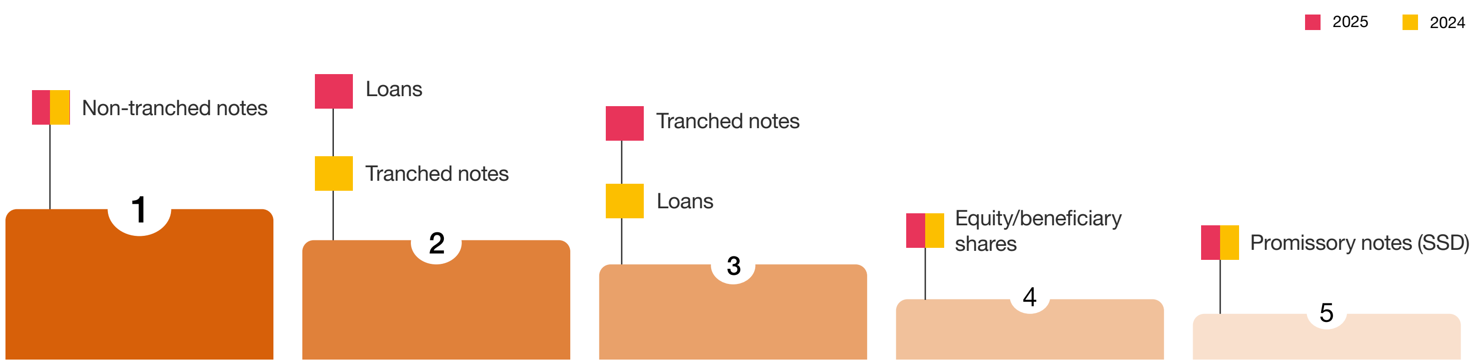
When it comes to securitisation of crypto assets, as reported in the prior year market survey, we still don't see a notable appetite for it, and they are almost not present in the Luxembourg market (or at least not in our respondents' portfolios).

What are the Top 5 asset classes you observed in the last 12 months?



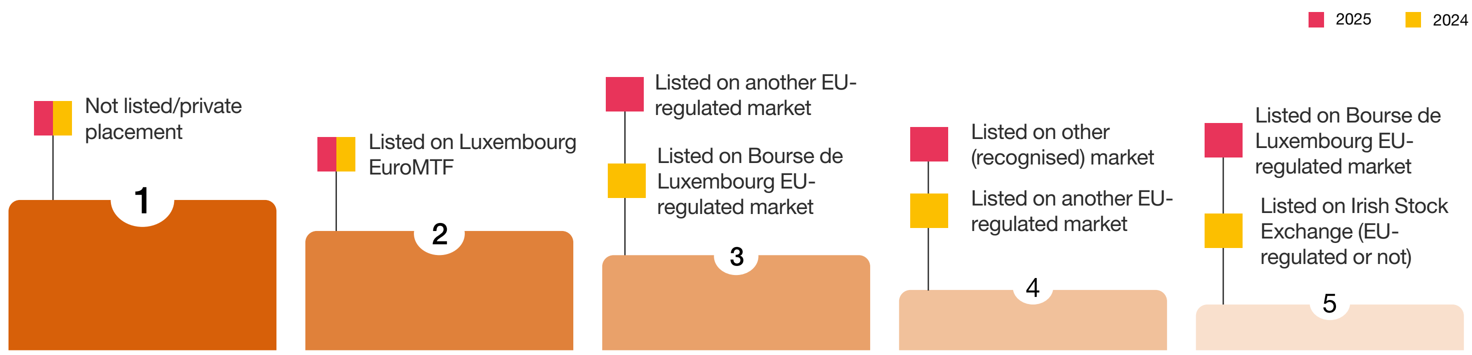
While the term "securitisation" is linked to credit risk and tranching in a European and global context, the Luxembourg securitisation definition and vehicles in the market also cater accomodate for non-tranched structured finance products. As in the past, most of the vehicles observed in Luxembourg are refinanced via the issuance of non-tranched notes (31%) but also by tranched notes (24%). With 27% refinancing via loans continued the increasing trend from last year. Furthermore, financing through equity securities remains a possibility and is used from time to time (as per ECB statistics in less than 4% of the Luxembourg securitisation transactions). The tokenisation of the securities issued is also observed from time to time.

What are the Top 5 refinancing instruments you observe?



The majority of securitisations in Luxembourg are private deals and are not listed on any stock exchange. For those that are listed, the preference is to stay within the local market, typically using one of the Luxembourg Stock Exchange's platforms (BdL or EuroMTF). Other listing options, whether regulated by the EU or not, are mostly found within the EU or the UK.

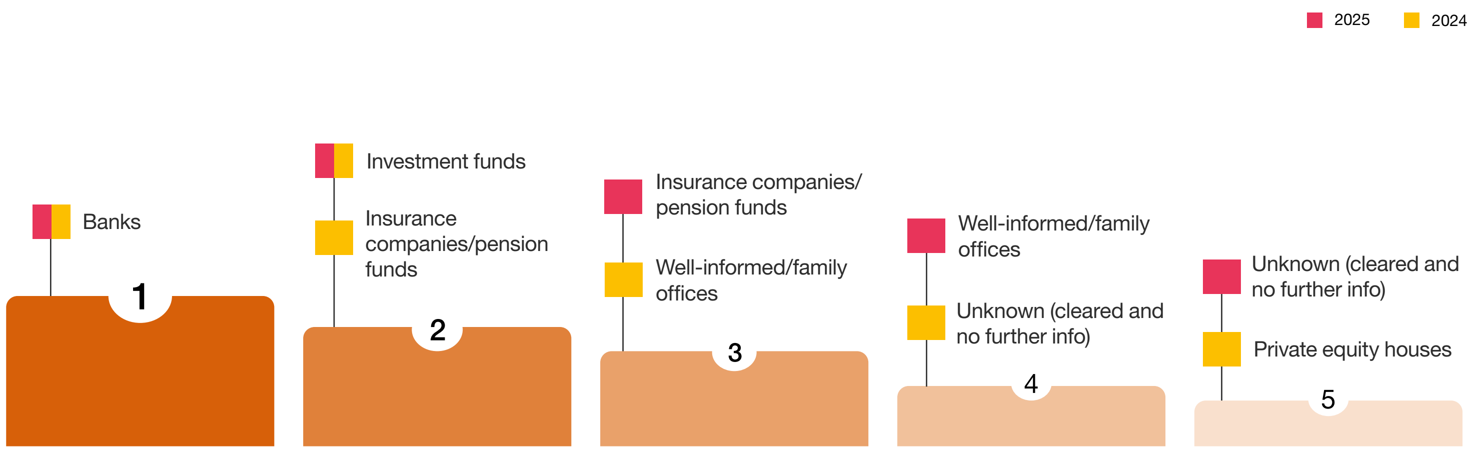
Where are the securities issued listed most of the time (Top 5)?



Investor base

Identifying investors in securitisation vehicles can be challenging, as they often invest through cleared bearer bonds. According to our market participants, the primary investors are banks, insurance companies, pension funds, and investment funds. This is not surprising, as securitisation is primarily targeted at well-informed institutional investors. However, family offices and private equity firms also use securitisation products, either for investment purposes or as a structuring tool, though not as frequently as the institutional investors mentioned earlier. Unlike the EU Securitisation Regulation, the Luxembourg Securitisation Law, in principle, permits retail investors to subscribe. If more than three issuances are made annually to retail investors, the securitisation vehicle needs to apply for supervision by the CSSF. In our survey, vehicles with retail investors were the exception.

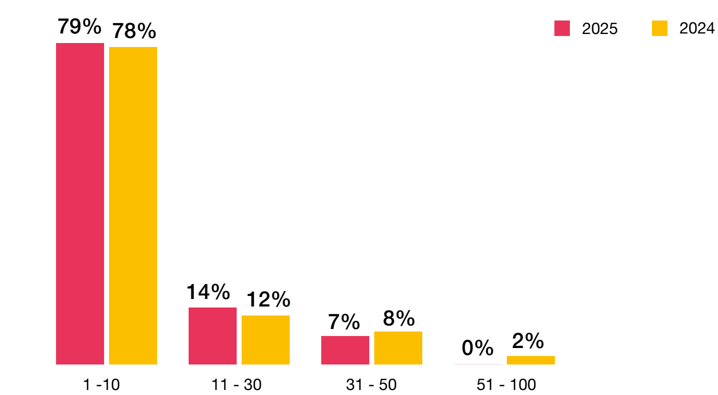
What are the most common investor types you observe (Top 5)?



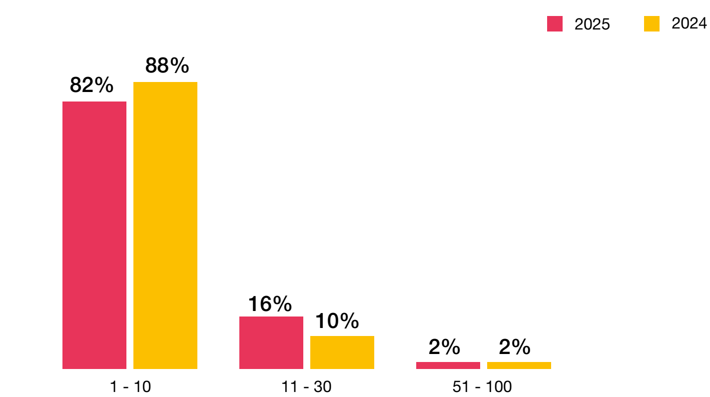
The number of securitisation vehicles subject to the EU Securitisation Regulation remains stable, with only a few (in average 1-10) EU Securitisation Special Purpose Entities ("SSPE") administered or consulted by our respondents. The question on the sub-group of simple, transparent and standardised ("STS") securitisation shows a similar picture. Nevertheless, our impression is that Luxembourg corporate service providers have widened their service offering in this respect during the past few years. Now, they are offering and providing more and more the Article 7 transparency reporting for their clients.

European authorities are working to further enhance the reporting requirements under the EU Securitisation Regulation to make it more streamlined. As a result, we expect the number of such vehicles to increase in the future.

How many of "your" securitisation vehicles are subject to the EU Securitisation Regulation 2017/2402 (total number)?



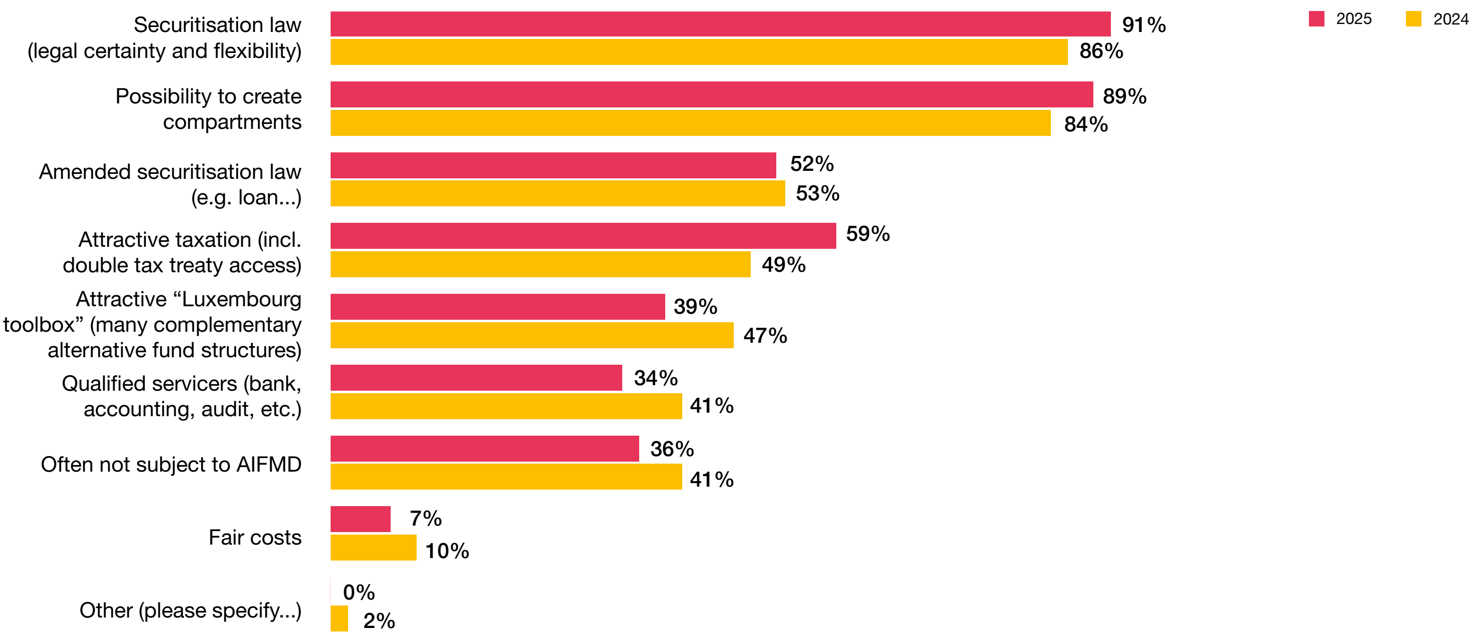
How many of "your" securitisation vehicles are so called STS ("simple, transparent and standardised") securitisations in the meaning of EU Securitisation regulation 2017/2402 (total number)?



Luxembourg competitive advantage and challenges

According to our respondents, the key advantage of Luxembourg remained the legal certainty and the ability to create distinct and segregated compartments, as provided by the Luxembourg Securitisation Law. This is confirmed by the widespread use of multi-compartment vehicles. The favourable tax environment ranked third in the responses (increasing by one rank compared with prior year), while the 2022 modernisation of the Securitisation Law came in fourth. From our experience, tax considerations typically aren't the primary reason for establishing a securitisation vehicle in Luxembourg, but rather a factor checked to ensure the tax treatment is not detrimental.

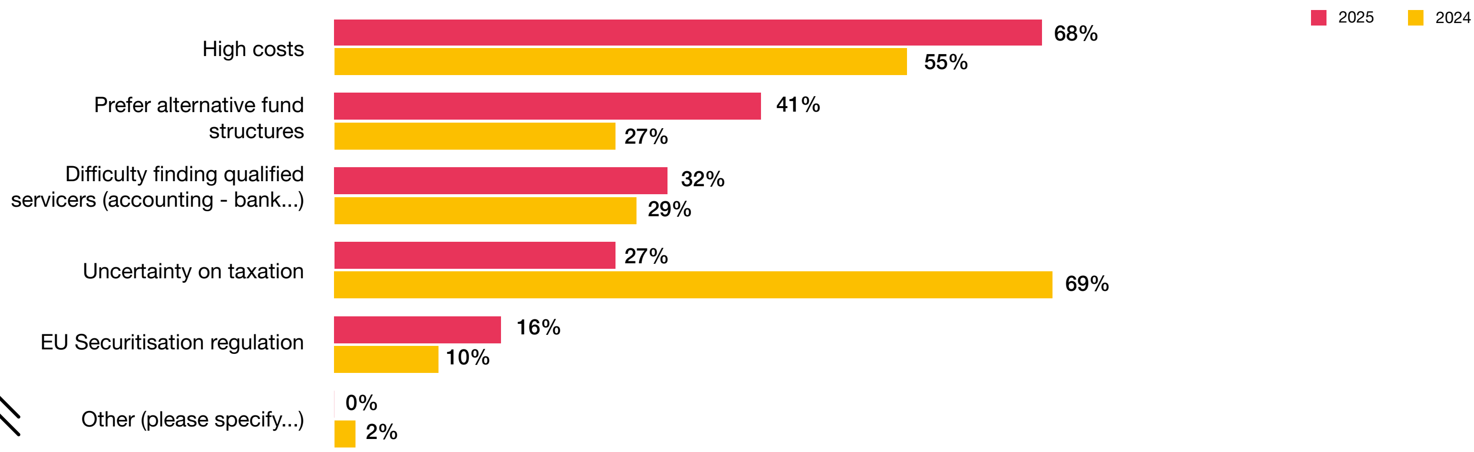
In your opinion, what attracts arrangers for setting up a securitisation vehicle in Luxembourg?



One notable shift compared to last year's responses is the change in perception regarding the uncertainty around the application of the interest limitation rules under ATAD 1. While it remains in the top 5 concerns, it has moved from being the most problematic issue to the fourth position. This shift is attributed to the introduction of the single company group exemption in Luxembourg, which was approved by the Luxembourg Government in December 2024 and applied retroactively starting from 1 January 2024. Under these new rules, most securitisation companies are no longer negatively impacted by the interest limitation provisions of ATAD 1.

Coming back at challenges, this year, the primary challenge seen by our respondents for establishing a securitisation vehicle is the high cost of setup and ongoing operation, followed by difficulties in finding qualified service providers and a preference for alternative Luxembourg structures. Over recent years, the cost factor has become increasingly prominent in our respondents' feedback. Additionally, many respondents mentioned the continued challenge of finding qualified service providers, particularly financial institutions capable of opening bank accounts. However, we remain optimistic that the (banking) market will adapt to address these concerns.

In your opinion, what obstructs arrangers from setting up a securitisation vehicle in Luxembourg ?

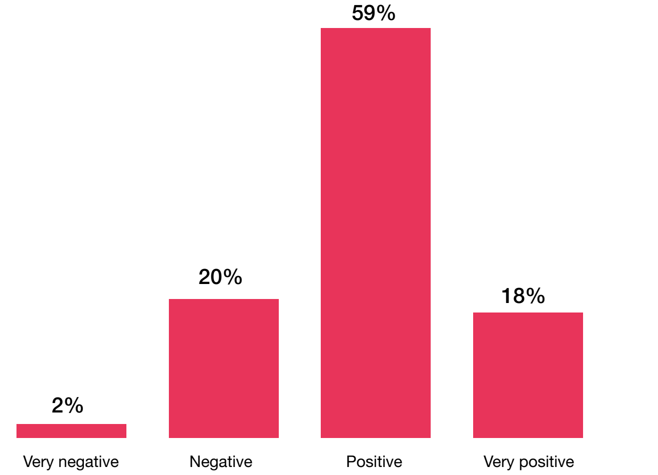


We asked our respondents more specifically about the impact of the recent change in tax legislation, and a significant majority (77%) view the change as positive or very positive.

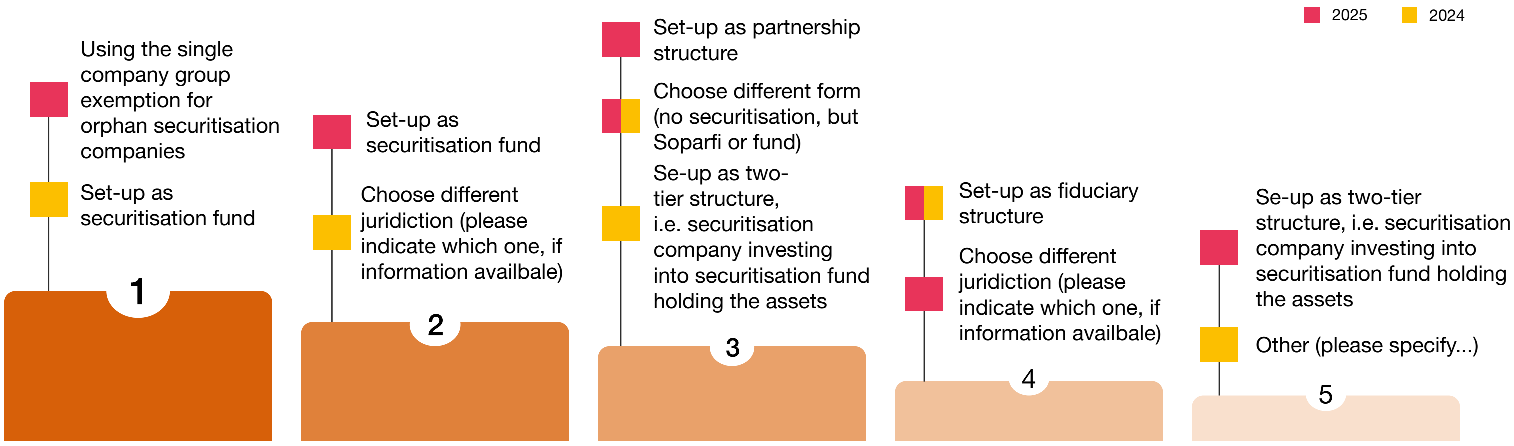
Regarding the reactions of the market as a response to the potential ATAD 1 impact at the level of their structure, there is a clear shift compared to last year. This year, 27% of respondents consider the use of the single company group exemption, followed by a preference for setting up a securitisation fund (21%) to limit the ATAD 1 impact. Another notable option is setting up a partnership structure or choosing an alternative form, such as a Soparfi or a fund, without using a securitisation vehicle.

In our view, the clarification of ATAD 1 implementation for Luxembourg securitisation vehicles will further boost the securitisation market and enhance Luxembourg's competitiveness in relation to other jurisdictions.

In your opinion, what is the impact of the recent change in the tax legislation for orphan securisation vehicles, i.e. being considered as a single company group.

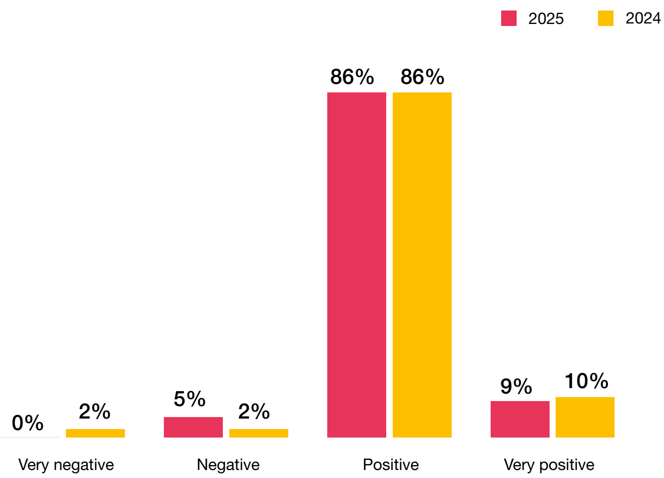


In your opinion, what were the main market reactions on ATAD for potentially impacted structures, considering also the recent change in tax legislation for orphan securitisation vehicles? TOP 5



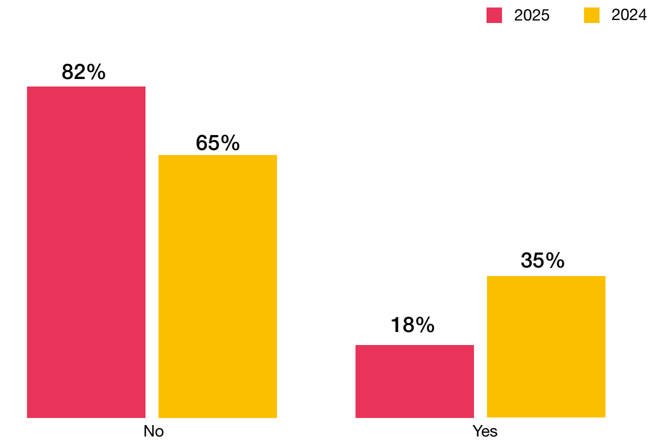
We also asked our respondents for their perspective on the recent changes in Luxembourg's political landscape. Like previous years, the majority expressed a positive or very positive view on the current government, which brought new coalition partners into government and introduced fresh leadership across key ministries and public administrations. Respondents cited increased flexibility in government dialogue with market participants, greater legal certainty, and a more business-friendly stance as the main drivers behind their favourable views. The recent changes in tax legislation demonstrate that the government is actively working to maintain Luxembourg's competitiveness.

In your opinion, what is the impact of last years' change in government in Luxembourg on the Luxembourg securitisation market?



Regarding the EU Securitisation Regulation and its influence on the growth of the Luxembourg securitisation market, most respondents (82%, up from 65% last year) view it as an obstacle rather than an advantage, mainly due to the additional reporting burden. As mentioned above, European authorities are actively working on propositions to streamline these reporting requirements and make them easier to comply with.

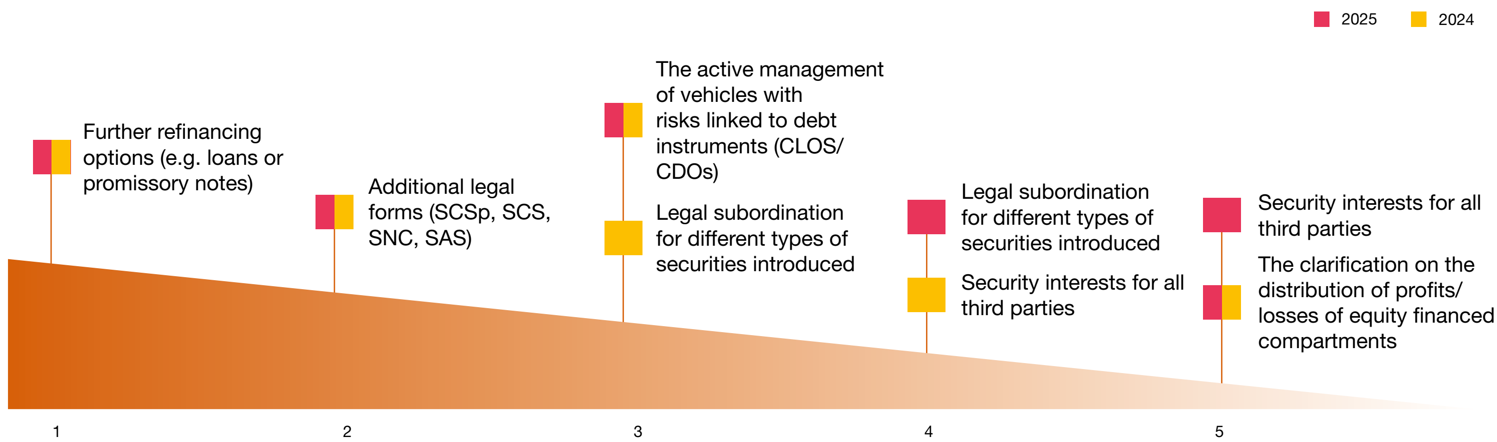
Do you think that the EU Securitisation Regulation assists the growth of the Luxembourg securitisation market? If yes, please mention how it assists the growth.



On the question which feature within the modernisation of the Securitisation Law will enhance the attractiveness of the Luxembourg securitisation market, our participants consider the enhanced refinancing options (now including full loan refinancing) as well as the additional legal forms (SCSp, SCS, SNC, SAS) as key contributors.

The active management of vehicles with risks linked to debt instruments (i.e. the use of CLO/CDO structures) and legal subordination for different types of securities introduced ranked third and fourth.

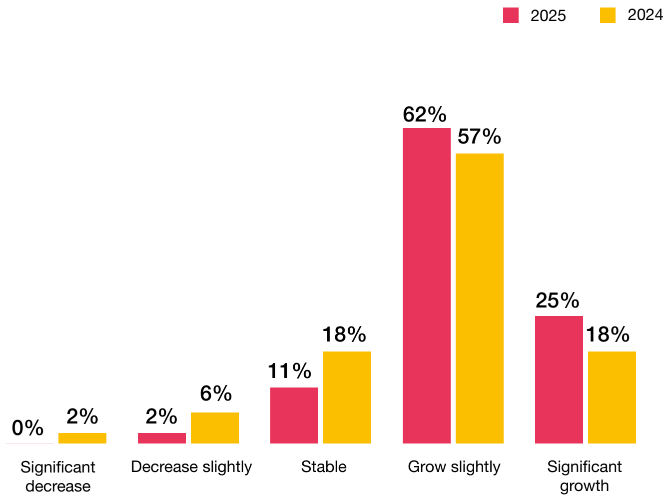
Based on your observations, which of the features introduced by the modernisation of the Luxembourg Securitisation Law in 2022 have been mostly used (Top5)?



Outlook

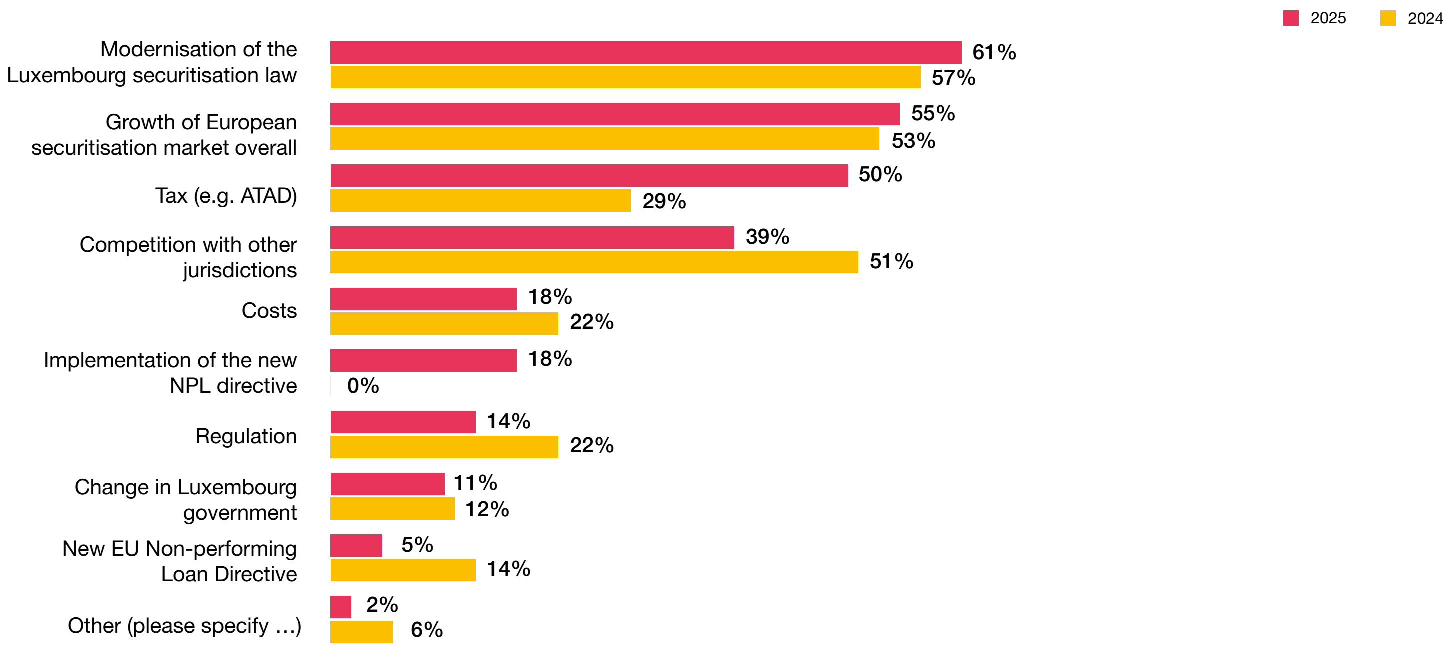
The overall outlook for the Luxembourg securitisation market remains positive. 61% of our respondents anticipate market growth over the next one to five years, with 25% expecting significant expansion. Optimism has increased compared to the previous year, with 86% (up from 75%) expressing confidence that the market will continue to thrive.

How do you expect the Luxembourg securitisation market to develop over the next 1-5 years?



The anticipated positive development of the Luxembourg securitisation market is largely attributed to the recent modernisation of the Luxembourg Securitisation Law, along with the broader expansion of the European securitisation landscape. This year, the tax point (e.g. ATAD 1) is viewed as a supportive factor for market growth,marking a shift from previous years, when it was perceived as a constraint. However, competition from other jurisdictions, as well as the relatively high costs associated with setting up and maintaining securitisation structures in Luxembourg, remain key challenges to sustained growth.

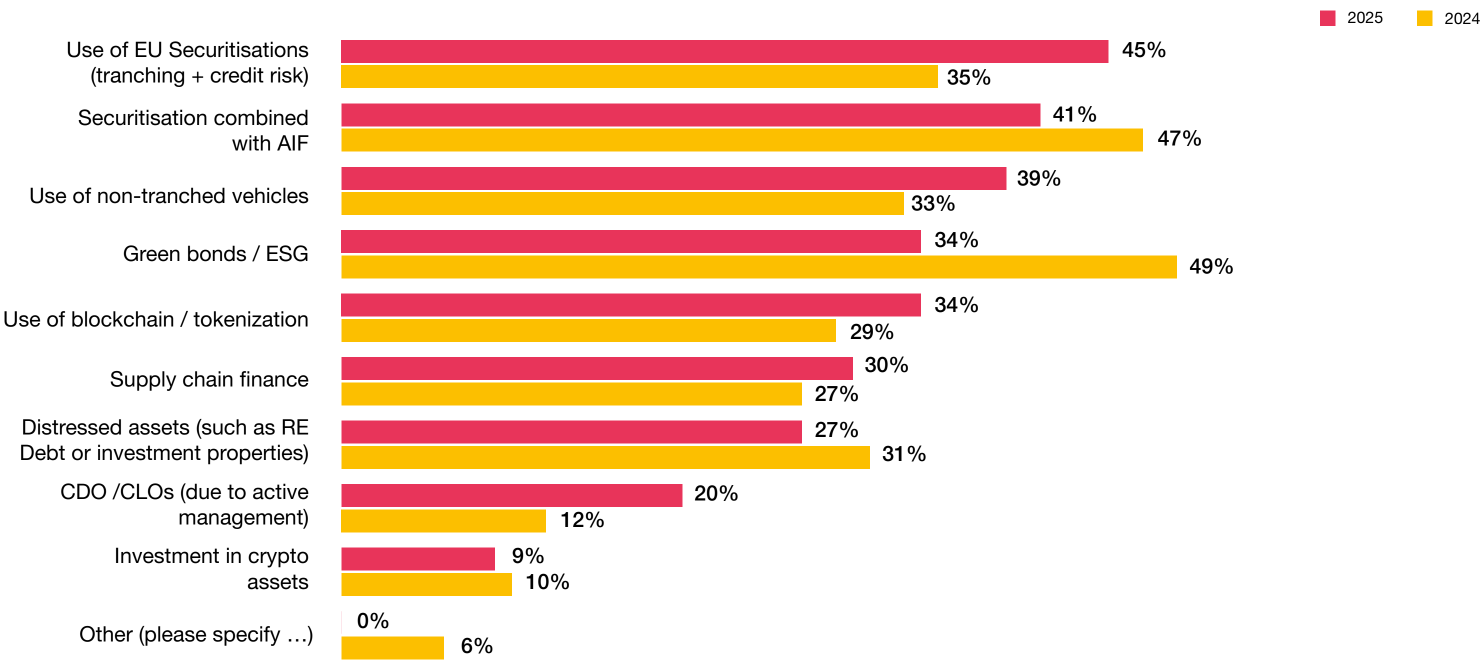
In your opinion, what are the main reasons for this market development (multiple answers possible)?



Looking ahead, market participants have highlighted several key themes expected to shape the securitisation landscape in the coming years. The use of EU securitisations (tranching and credit risk transfer) is anticipated to become increasingly prominent. While sustainable or green securitisations remain on the radar, their perceived impact has declined slightly compared to last year, with interest dropping by 15%.

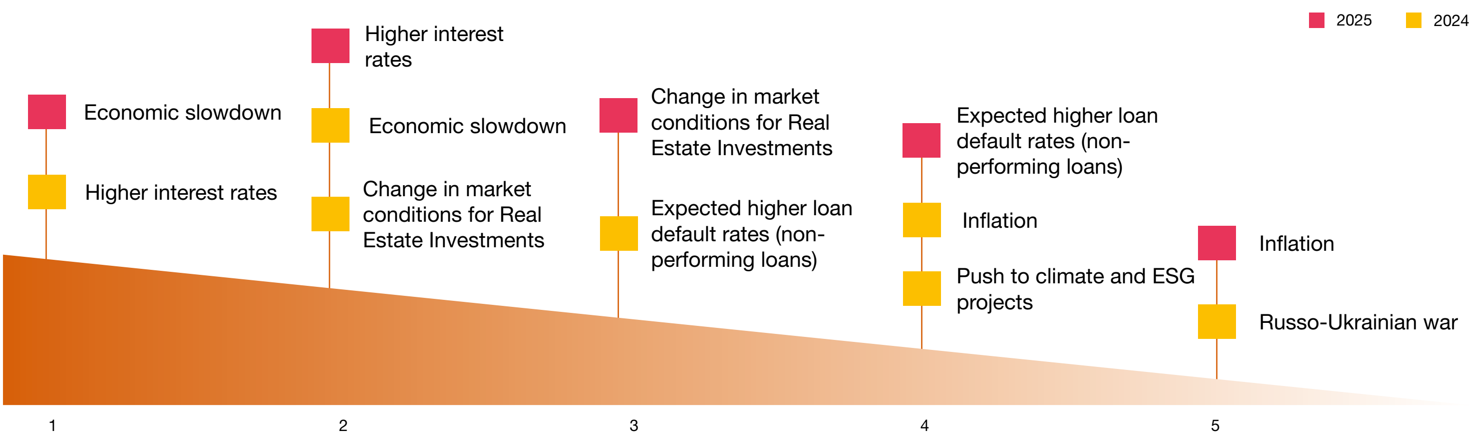
Our participants also mentioned securitisation in combination with alternative investment funds as current and future trend. Considering ongoing economic challenges across Europe and globally, the securitisation of distressed debt has also emerged as a potential area of growth. Lastly, although still in its early stages, the application of blockchain and tokenisation within securitisation structures is expected to gain traction in the years ahead.

What are the main trends you observe in the market (multiple answers possible)?



We also asked respondents to share their views on the current macroeconomic landscape and its potential or existing impact on the securitisation market in Luxembourg. The economic slowdown emerged as the most impactful, followed by the effects of higher interest rates and shifting market conditions, particularly in the real estate sector. Additionally, the broader economic downturn and the anticipated rise in loan default rates—resulting in an increase in non-performing loans—are expected to influence the securitisation market moving forward.

Which of the current macroeconomic effects do you think have the biggest impact on securitisation in Luxembourg (Top 5)?

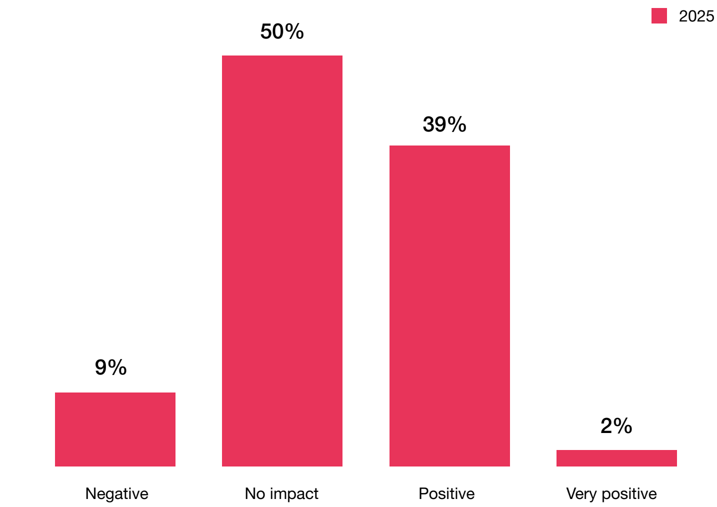


This year, we asked market participants about the impact of EU regulatory and policy developments on the growth and stability of the EU securitisation market, particularly considering the Draghi report's focus on competitiveness and innovation. Half of the respondents (50%) believe there will be no immediate impact on the Luxembourg securitisation market, while 41% anticipate a positive or very positive effect.

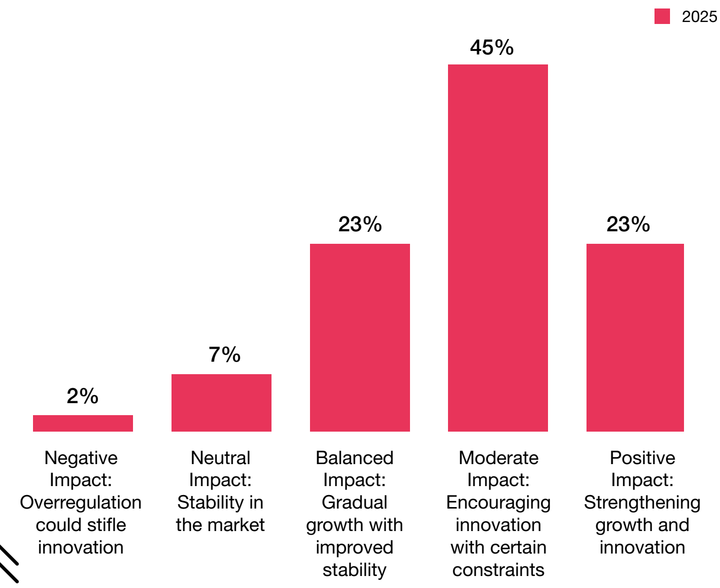
In terms of how advancements in digital finance and financial technology — also emphasised in the Draghi report — are expected to shape the EU securitisation landscape over the next five years, the vast majority (91%) of respondents believe there will be an impact. Of these, 68% expect a moderate to positive effect, while 23% expect a neutral or balanced impact. Overall, market participants believe that innovation in digital finance and fintech will help drive growth and foster innovation in the securitisation space.

We also asked for views on the feasibility of establishing a fully integrated Capital Markets Union (CMU) in the EU within the next three years in the context a Savings and Investments Union (SIU). While 86% of respondents believe it will eventually happen, most think it will take longer than three years due to ongoing regulatory and political hurdles, as well as other significant structural barriers. Nonetheless, respondents expect a gradual but positive impact on Luxembourg's securitisation market. Given the current geopolitical context, many agree that achieving a fully integrated CMU will be crucial for Europe to remain competitive and to reduce dependency on the United States.

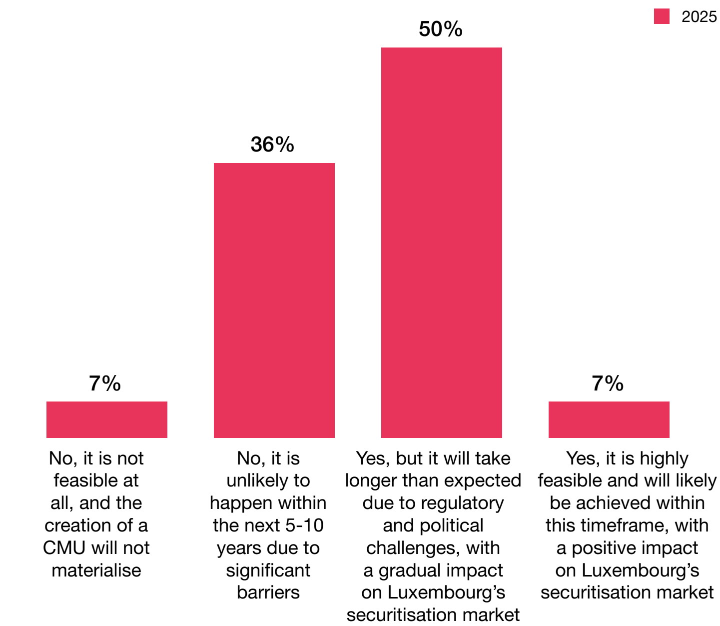
How do you perceive the impact of recent EU regulatory and policy shifts on the growth and stability of the securitisation market in the EU, particularly in light of the Draghi report's emphasis on competitiveness and innovation?



In what ways do you think advancements in digital finance and financial technology, as highlighted in the Draghi report, will influence the securitisation landscape in the EU over the next 5 years?



Do you believe the creation of a fully integrated Capital Markets Union (CMU) in the EU is feasible within the next 3 years, and how do you see its potential impact on securitisation in Luxembourg?



Contacts

We would like to thank all participants to this survey for their valuable input and hope that you read the results with as much interest as we had while putting this publication together.

Your contacts at LuxCMA as well as the members of our PwC securitisation team remain available for you for any question around this survey or our securitisation services in general.

Assurance Services

Holger von Keutz
Partner, Securitisation Leader,
PwC Luxembourg
holger.von.keutz@pwc.lu
+352 49 48 48 2383

Markus Zenz
Partner, PwC Luxembourg
markus.zenz@pwc.lu
+352 49 48 48 2647

Regulatory Services

Xavier Balthazar
Partner, PwC Luxembourg
xavier.balthazar@pwc.lu
+352 49 48 48 3299

Christoph Himmelmann
Director, PwC Germany
christoph.himmelmann@pwc.com
+49 69 95855555

Tax Services

Direct taxes

Luc Petit
Partner, PwC Luxembourg
luc.petit@pwc.lu
+352 49 48 48 3148

VAT

Chantal Braquet
Partner, PwC Luxembourg
chantal.braquet@pwc.lu
+352 49 48 48 4146

pwc.lu