Why Europe's growing asset-backed securities (ABS) market differs from the US

 Patricia O'Connor  Matthew Tracey November 2, 2026

Europe's asset-backed securities (ABS) market continues to gather momentum. Investor demand is strengthening, issuance is recovering and private credit managers are increasingly looking for opportunities across asset-backed finance, distressed debt and non-performing loan (NPL) portfolios. At the same time, many managers are making greater use of securitisation and rated note structures as refinancing tools, creating additional demand for flexible cross-border operating models.

Yet Europe's ABS market still looks very different from the US. The reason is not simply investor appetite or market maturity. It is structural. Unlike the US, which operates within a largely unified legal framework, Europe's securitisation market operates across multiple legal systems, insolvency regimes, enforcement processes and servicing requirements.

That fragmentation has shaped the development of the European market and remains one of the reasons execution capabilities matters so much. It creates complexity for investors and managers, but it also creates opportunity for those with the operational capability to navigate it.

Europe is not a single operating environment.

The basic principles of securitisation are broadly consistent across jurisdictions. Assets are transferred into a bankruptcy-remote special purpose vehicle, cash flows are allocated according to agreed priorities and investors gain exposure to the performance of the underlying assets.

The complexity begins when assets need to be serviced, enforced or recovered. In Europe, local insolvency laws, property ownership rules, tax considerations and enforcement processes can vary significantly from one jurisdiction to another. Those differences directly affect how transactions are administered and how assets are managed throughout their lifecycle.

This distinction becomes especially important in stressed scenarios. A securitisation structure may be legally robust, but recovery outcomes still depend on practical execution: who controls debtor data, how collections are routed, whether cash can be redirected without disruption, how account security operates and whether backup servicing arrangements can be implemented in practice. Bankruptcy remoteness protects the structure, but it does not remove the operational work required to preserve cash flow and investor confidence.

This is one of the key reasons Europe's ABS market has evolved differently from the US. Europe's fragmented legal and servicing landscape means operational execution remains far more jurisdiction-specific than in a unified market. A transaction structure may appear similar on paper, but the operational requirements can change materially depending on where the underlying assets are located.

CLOs are the exception, not the rule

One important exception is the collateralised loan obligation market. CLOs are able to hold broadly syndicated corporate loans across multiple jurisdictions without facing the same servicing and enforcement challenges that can arise in many consumer, asset-backed or distressed portfolios.

For many other ABS strategies, jurisdiction remains highly relevant. Performing assets, distressed loans, non-performing loan (NPL) portfolios and underlying collateral may all be affected by local legal and operational requirements. As a result, managers need to think beyond the structure itself and consider how the assets will be serviced, administered and potentially recovered over time. .

Cross-border investing requires local execution

The opportunity in Europe is clear. Private credit managers and institutional investors can access specialist credit markets and asset pools across multiple jurisdictions. But capturing that opportunity requires operational depth.

A cross-border NPL transaction illustrates the point. A portfolio of Greek non-performing mortgages may be acquired through an Irish or Luxembourg SPV. However, if the enforcement process results in underlying real estate being taken into ownership, local Greek entities may be required to hold those assets. That creates an additional layer of administration, governance and coordination.

This is where corporate administration becomes central to the investment model. Cross-border ABS structures require more than a well-designed transaction. They require entity management, local administration, governance, reporting and coordination between legal advisers, tax advisers, auditors, servicers and investors.

Key considerations: Cross-border ABS investments

Below are some key questions managers should ask when evaluating cross-border structures:

- How do local insolvency and enforcement regimes differ across applicable European markets for the applicable assets in a downside scenario?
- How do local insolvency and enforcement regimes differ across applicable European markets for the applicable assets in a downside scenario?
- Has the entity structure required to support the investment been fully mapped?
- What local entities, directors or administrators may be required and how will they be coordinated?
- Have legal advisers, servicers, auditors and administrators been aligned from the outset?
- Is operational execution given the same attention as underwriting and structuring?
- Have servicing continuity, debtor notification and backup servicing arrangements been tested for stressed scenarios?
- Have all collection routes and cash entry points been mapped, including local accounts, servicer accounts, direct debit flows, cheque payments or other non-standard payment channels?

What effective cross-border execution looks like

In Europe, successful ABS investment requires managers to consider how a transaction will operate throughout its lifecycle, not simply how it is structured at the outset. This means bringing together the right local expertise, governance and servicing arrangements from the start.

Key features of successful ABS managers include:

- Structures designed with servicing and recovery scenarios in mind
- Local expertise built into the model from day one
- A clearly defined stakeholder operating map established
- Governance and administration prioritised alongside structuring
- An operating model that supports the transaction across jurisdictions and through changing scenarios.

Building the right operating model for European ABS

As Europe's ABS market continues to develop, the ability to execute effectively across jurisdictions will become increasingly important. Accessing different markets and asset pools requires an operating model that can accommodate local requirements while providing consistent oversight across the wider structure.

Structuring is therefore only one part of the equation. Entity management, governance, administration and coordination between stakeholders all play an important role in supporting transactions throughout their lifecycle.

Waystone supports clients across multiple European jurisdictions, combining corporate services, entity administration, governance and practical experience of complex cross-border structures. By helping investment managers navigate Europe's diverse legal and regulatory landscape, we support robust structures that allow managers to remain focused on their investment strategy.

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