

17th CECBC EU harmonization of Covered Bonds

Panel

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EBA review of core elements of Covered Bonds according to the CRR

COM Green Paper on the long-term financing of the European economy (20. March 2013): "Covered bond markets have proved relatively resilient during the crisis. However, markets are fragmented along national lines and further analysis is required to explore whether and to what extent greater harmonisation could spur the use of covered bonds, in line with recent market-led initiatives while taking due account of the concerns linked to potential increased asset encumbrance of banks' balance sheets."

ESRB recommendation of dec. 20th 2012 on the funding of credit institutions:

"(12) The identification of best practices by the European and national supervisory authorities facilitates comparison of different issuances of covered bonds and contributes to better-informed risk analysis. ..."

"Recommendation E — Covered bonds and other instruments that generate encumbrance

1. National supervisory authorities are recommended to identify best practices regarding covered bonds and encourage harmonisation of their national frameworks. ..."

ECBC Label Convention

17th CECBC

EU harmonization of Covered Bonds

If EU harmonization, then what could be harmonized?

Definition of a Covered Bond?

- Dual recourse debt instrument? (COM green paper: "Covered Bonds are bonds backed by pools of mortgages that remain on the issuer's balance sheet")
- UCITS 52 (4) & CRR art. 129, 1 - and now Crisis Management directive (BRRD + SRM migration) GA text art. 2, "83b) 'covered bond' means an instrument as referred to in Article 52(4) of Directive 2009/65/EC (UCITs) and fulfilling the requirements set out in Article 129(1) of [Capital Requirements Regulation];
- ECBC label convention: "Covered bonds are debt securities, backed by mortgage, public sector or ship assets, and characterised by a twofold bondholders' protection mechanism rooted in a dedicated covered bond legal framework"

What assets should be eligible as cover assets (asset classes & asset quality)?

Asset encumbrance? (Monoliners (specialized institutions) vs. universal banks?)

Supervision?

Land registration?

Valuation?

Bankruptcy & insolvency procedures?