Exposures in the form of covered bonds

2018/0042(COD) - 26/11/2018 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Bernd LUCKE (ECR, DE) on the proposal for a regulation of the European Parliament and of the Council on amending Regulation (EU) No 575/2013 as regards exposures in the form of covered bonds.

The proposed Regulation aims to amend Regulation (EU) No 575/2013 (the Capital Requirements Regulation or CRR) by providing for **additional requirements for covered bonds**, which will enhance the quality of covered bonds eligible for preferential capital treatment as defined in Article 129 of the Regulation.

The amendments build on the current prudential treatment but add **requirements on minimum overcollateralisation and substitution assets**. They would strengthen the requirements for granting preferential prudential treatment to guaranteed bonds. The amended text specifies that Member States can decide to apply a higher minimum level of overcollateralisation to covered bonds issued by credit institutions located in their territory, without preventing other covered bonds with a lower minimum level of overcollateralisation that comply with this Regulation from benefitting from its provisions

Such a requirement serves the purpose of **mitigating the most relevant risks** arising in case of the issuer' s insolvency or resolution.

The European Parliament, in its resolution of 4 July 2017 entitled 'Towards a pan-European covered bonds framework', supported the creation of a European framework for principles-based covered bonds.