Exposures in the form of covered bonds

2018/0042(COD) - 22/08/2018

OPINION of the European Central Bank on a proposal for a directive of the European Parliament and of the Council on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU; and on a 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 ECB welcomes the objectives of the proposed directive and regulation of promoting further integration of Union financial markets and deepening the Capital Markets Union (CMU). It is in favour of a developed, harmonised, high-quality and transparent covered bond market in the Union.

Specific observations on the proposed regulation

The ECB welcomes a harmonised approach towards minimum overcollateralisation. A uniform calculation method without exceptions is favoured.

The ECB therefore has reservations about the proposal to apply different requirements in certain situations.

The ECB also welcomes the fact that the proposed regulation clarifies that the loan-to-value (LTV) limits should be applied as soft coverage limits. This LTV limit should be applied not only upon inclusion of such loan but throughout the entire maturity of the loan.

For the purpose of the LTV limits, it would be prudent for the property value to be monitored and updated at least on a yearly basis by using an indexation method, in addition to the other requirements for immovable property collateral that are set out in Article 208 of Regulation (EU) No 575/2013.

The ECB recommends, furthermore:

- that the assets that may contribute to mandatory overcollateralisation should be eligible assets as listed in the proposed regulation, and be subject to the same limits on exposure size as set out in the proposed regulation

- setting out qualitative requirements for substitution assets for covered bonds, applying the same requirements as for eligible assets in accordance with the proposed regulation;

- including in the proposed regulation a requirement that substitution assets must not exceed 20 % of the total nominal amount of all outstanding covered bonds of the issuer.