Exposures in the form of covered bonds

2018/0042(COD) - 18/04/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 426 votes to 103, with 39 abstentions, a legislative resolution 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 European Parliament’s position adopted at first reading under the ordinary legislative procedure amended the Commission proposal as follows:

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.

On 20 December 2013, the Commission requested to the European Banking Authority (EBA) to provide an opinion regarding the appropriateness of the risk weights set out in Article 129 of Regulation (EU) No 575/2013. According to EBA's opinion, the preferential risk weight treatment laid down in Article 129 of that Regulation is, in principle, an appropriate prudential treatment.

However, EBA recommended that further consideration be given to the opportunity of complementing the eligibility requirements as set out by Article 129 of Regulation (EU) No 575/2013 to cover, at a minimum, the areas of liquidity risk mitigation, over-collateralisation, the role of the competent authority, and the further elaboration of existing requirements on disclosure to investors.

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.