Exposures in the form of covered bonds

2018/0042(COD) - 18/12/2019 - Final act

PURPOSE: to strengthen the conditions for granting preferential prudential treatment to covered bonds.

LEGISLATIVE ACT: Regulation (EU) 2019/2160 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards exposures in the form of covered bonds.

CONTENT: the Regulation amends Regulation (EU) No 575/2013 (the Capital Requirements Regulation or CRR) by providing for additional requirements for covered bonds, which shall enhance the quality of covered bonds eligible for the favourable supervisory treatment set out in Article 129 of that Regulation.

The Regulation is part of the adopted new legal framework (also consisting of a Directive) setting minimum harmonisation requirements that all covered bonds marketed in the EU shall have to comply with. The harmonised regulatory framework shall provide a stable source of funding for credit institutions, which shall be better able to provide mortgage credit at a price affordable to consumers and businesses and will make other, safer investments available to investors.

In its opinion of 1 July 2014, the European Banking Authority (EBA) considered that the preferential treatment in the risk weighting provided for in the CRR Regulation was, in principle, an appropriate supervisory treatment. However, the EBA recommended that further consideration should be given to the possibility of complementing the eligibility conditions for the risk weighting preference to cover, at least, liquidity risk mitigation and over-collateralisation, the role of competent authorities and the development of existing investor information requirements.

In the light of the EBA's opinion, the Regulation strengthens the conditions for granting preferential supervisory treatment to covered bonds under the Capital Requirements Regulation.

The amendments introduced build on the current supervisory treatment, but add requirements for minimum over-collateralisation and substitution assets, thereby strengthening the quality of covered bonds eligible for favourable capital treatment.

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

ENTRY INTO FORCE: 7.1.2020.

APPLICATION: from 8.7.2022.