











Procedure file

Basic information	
COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	2018/0042(COD) Procedure completed
Exposures in the form of covered bonds Amending Regulation (EU) No 575/2013	2011/0202(COD)
Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 3.45.01 Company law	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 ECON Economic and Monetary Affairs	 LUCKE Bernd	31/05/2018
		Shadow rapporteur	
		 ROSATI Dariusz	
		 SANT Alfred	
		 NAGTEGAAL Caroline	
		 LAMBERTS Philippe	
		 KAPPEL Barbara	
	Committee for opinion	Rapporteur for opinion	Appointed
	 JURI Legal Affairs	The committee decided not to give an opinion.	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	3725	08/11/2019
European Commission	Commission DG	Commissioner	
	Financial Stability, Financial Services and Capital Markets Union	DOMBROVSKIS Valdis	
European Economic and Social Committee European Committee of the Regions			

Key events

12/03/2018	Legislative proposal published	COM(2018)0093	Summary
16/04/2018	Committee referral announced in Parliament, 1st reading		
20/11/2018	Vote in committee, 1st reading		
20/11/2018	Committee decision to open interinstitutional negotiations with report adopted in committee		
26/11/2018	Committee report tabled for plenary, 1st reading	A8-0384/2018	
28/11/2018	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 71)		
10/12/2018	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 71)		
01/04/2019	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE637.305 GEDA/A/(2019)002708	
17/04/2019	Debate in Parliament		
18/04/2019	Results of vote in Parliament		
18/04/2019	Decision by Parliament, 1st reading	T8-0431/2019	Summary
08/11/2019	Act adopted by Council after Parliament's 1st reading		
25/11/2019	End of procedure in Parliament		
27/11/2019	Final act signed		
18/12/2019	Final act published in Official Journal		

Technical information

Procedure reference	2018/0042(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
	Amending Regulation (EU) No 575/2013 2011/0202(COD)
Legal basis	Treaty on the Functioning of the EU TFEU 114
Other legal basis	Rules of Procedure EP 159
Mandatory consultation of other institutions	European Economic and Social Committee European Committee of the Regions
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/12504

Documentation gateway

Legislative proposal	COM(2018)0093	12/03/2018	EC	Summary
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Document attached to the procedure		SWD(2018)0050	12/03/2018	EC	
Document attached to the procedure		SWD(2018)0051	12/03/2018	EC	
Committee draft report		PE626.775	21/08/2018	EP	
European Central Bank: opinion, guideline, report		CON/2018/0037 OJ C 382 23.10.2018, p. 0002	22/08/2018	ECB	Summary
Amendments tabled in committee		PE627.924	26/09/2018	EP	
Committee report tabled for plenary, 1st reading/single reading		A8-0384/2018	26/11/2018	EP	
Coreper letter confirming interinstitutional agreement		GEDA/A/(2019)002708	20/03/2019	CSL	
Text agreed during interinstitutional negotiations		PE637.305	20/03/2019	EP	
Text adopted by Parliament, 1st reading/single reading		T8-0431/2019	18/04/2019	EP	Summary
Commission response to text adopted in plenary		SP(2019)440	08/08/2019	EC	
Draft final act		00085/2019/LEX	27/11/2019	CSL	

Additional information

Research document

[Briefing](#)

Final act

[Regulation 2019/2160](#)

[OJ L 328 18.12.2019, p. 0001](#) Summary

Exposures in the form of covered bonds

PURPOSE: to amend the requirements for the prudential treatment of covered bonds in order to promote the development of covered bond markets.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: this proposal for a Regulation amending Regulation (EU) No 575/2013 (Capital Requirements Regulation - CRR) is part of a package of measures to deepen the [Capital Markets Union](#) (CMU), together with the Communication "[Completing Capital Markets Union by 2019: time to accelerate delivery](#)".

Covered bonds are financial instruments that are generally issued by banks to fund the economy. They facilitate the financing of mortgage and public sector loans, thereby supporting lending more broadly. Covered bonds fared well during the financial crisis and proved to be a reliable and stable funding source at a time as other funding channels dried up.

However, diverse rules across Member States affect the credit strength of those instruments. In addition, covered bonds markets are unevenly developed across the Single Market. While they are very important in some Member States, they are less developed in others.

While they benefit from preferential prudential and regulatory treatment in various respects in the light of the lower risks (e.g. banks investing in them do not have to set aside as much regulatory capital as when they invest in other assets), Union law does not comprehensively address what actually constitutes a covered bond.

The Commission considers that a Union legislative framework on covered bonds should:

- expand the capacity of credit institutions to provide financing to the real economy and contribute to the development of covered bonds across the Union, particularly in Member States where no market for them currently exists;
- increase cross-border flows of capital and investment which would provide investors with a wider and safer range of investment opportunities, contribute to financial stability and help finance the real economy.

The framework consists of a [Directive](#) on definitions and standards for covered bonds and a Regulation amending the Capital Requirements Regulation (CRR) - the two instruments should be seen as a single package.

IMPACT ASSESSMENT: of the four options considered, the option chosen is that of minimum harmonisation based on national regimes. It is

based on the recommendations made in the 2016 European Banking Authority (EBA) report, with the exception of a few deviations.

It is likely to be the most effective in achieving the objectives, while at the same time being efficient and minimising disruption and transition costs. It is also one of the more ambitious options in regulatory terms, while enjoying the most support from stakeholders.

CONTENT: this proposed Regulation will mainly amend Article 129 of Regulation (EU) No 575/2013 (Capital Requirements Regulation (CRR)) with the aim of strengthening the conditions for granting preferential capital treatment by adding further requirements.

The amendments build on the current prudential treatment but add requirements on minimum overcollateralisation and substitution assets.

Article 129 of Regulation (EU) No 575/2013 allows covered bonds to be collateralised by senior units issued by French Fonds Communs de Titrisation or equivalent entities governed by the laws of a Member State that securitise residential or commercial property exposures under certain conditions, including the provision that such units do not exceed 10 % of the nominal amount of the outstanding issue. This possibility is repealed, as only a few national covered bond frameworks allow the inclusion of residential or commercial mortgage-backed securities.

The proposed amendments introduce a new requirement on a minimum level of overcollateralisation (a level of collateral exceeding the coverage requirements). This level is set at 2 and 5%, depending on the assets in the cover pool, based on a nominal calculation method.

Exposures in the form of covered bonds

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 issuers 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.

Exposures in the form of covered bonds

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 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 issuers insolvency or resolution.

Exposures in the form of covered bonds

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.