The European covered bond market

Post implementation of the Covered Bond Directive

Maureen Schuller, Head Financial Sector Strategy, ING

25th Central European Covered Bond Conference, 5 October 2023, Graz

ING

CBD Article 31 reports by the European Commission

8 July 2025	**Implementation** of the **Covered Bond Directive**, with regard to the level of investor protection and EU covered market developments
8 July 2024	**Equivalence regime** for third-country covered bonds
	Risks and benefits arising from covered bonds with **extendable maturity structures**
	Possible introduction of **European Secured Notes** as dual recourse instruments
30 June 2025	*EBA invited to respond no later than 30 June 2025*

Report on Implementation of the covered bond Directive

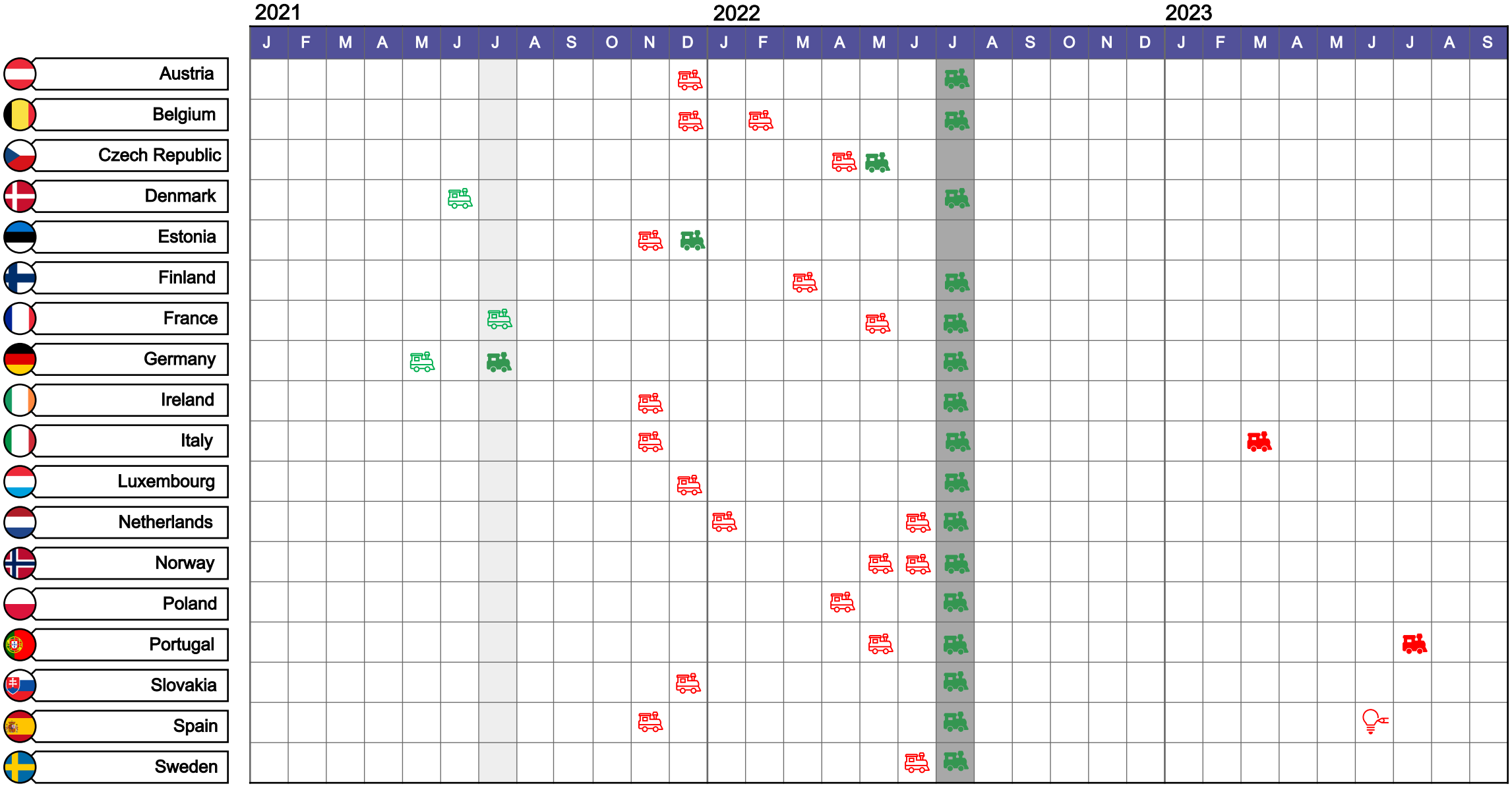
Information on

- Developments regarding the **number of permissions** to issue covered bonds
- Developments regarding the number of **covered bonds** issued **in compliance with** the provisions of national law transposing the **CBD and CRR Article 129**
- Developments regarding the **assets** collateralising the issue of covered bonds
- Developments regarding the level of **overcollateralisation**
- **Cross-border investments** in covered bonds, including inward investment from and outward investment to third countries
- Developments regarding the issue of covered bonds with **extendable maturity structures**
- Developments regarding the risks and benefits from the **use of exposures** as referred to in CRR Article 129(1)
- The **functioning** of **covered bond markets**

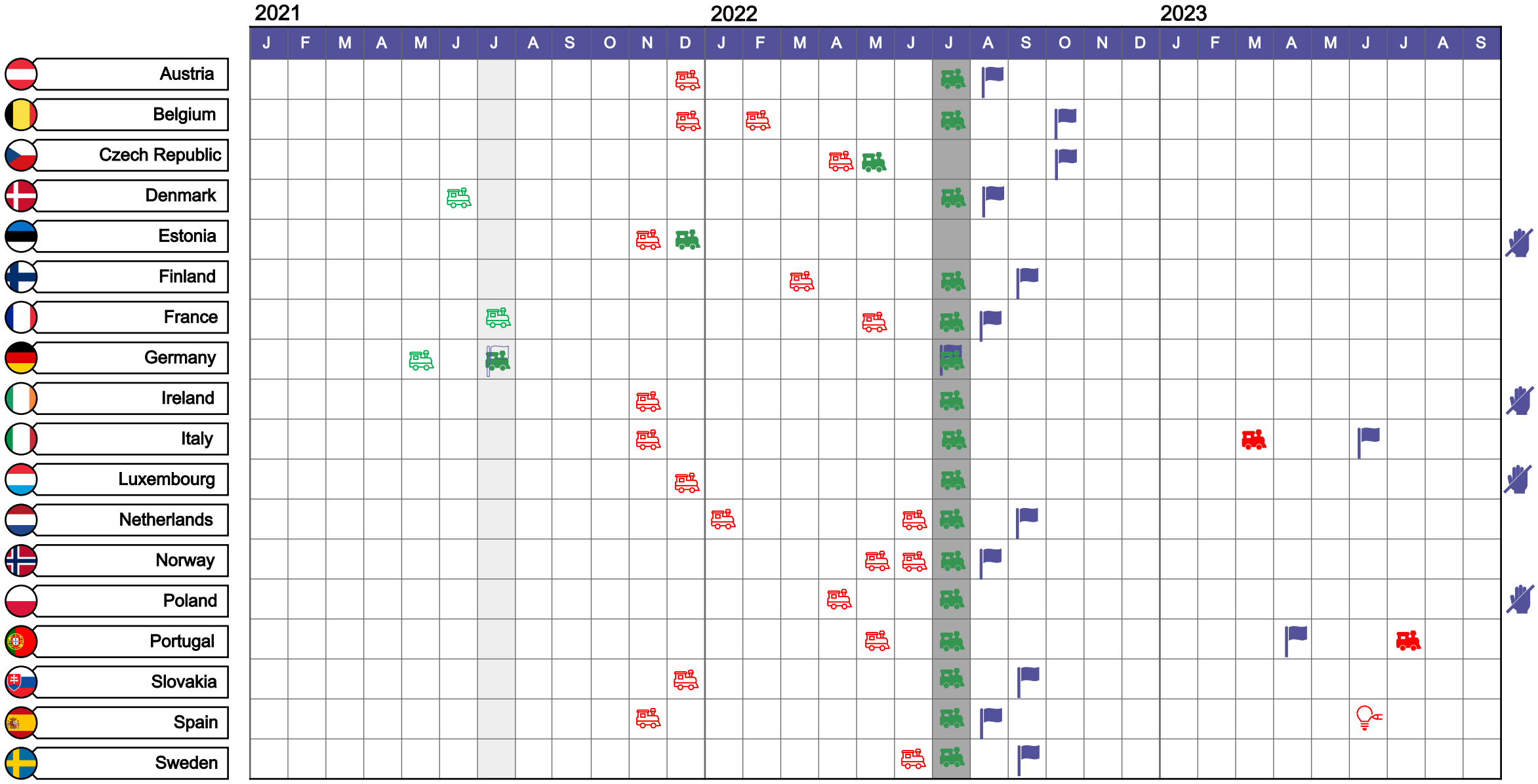
Implementation of the CBD

The transposition process

CBD transposition schedule



CBD transposition schedule



Implementation of the CBD

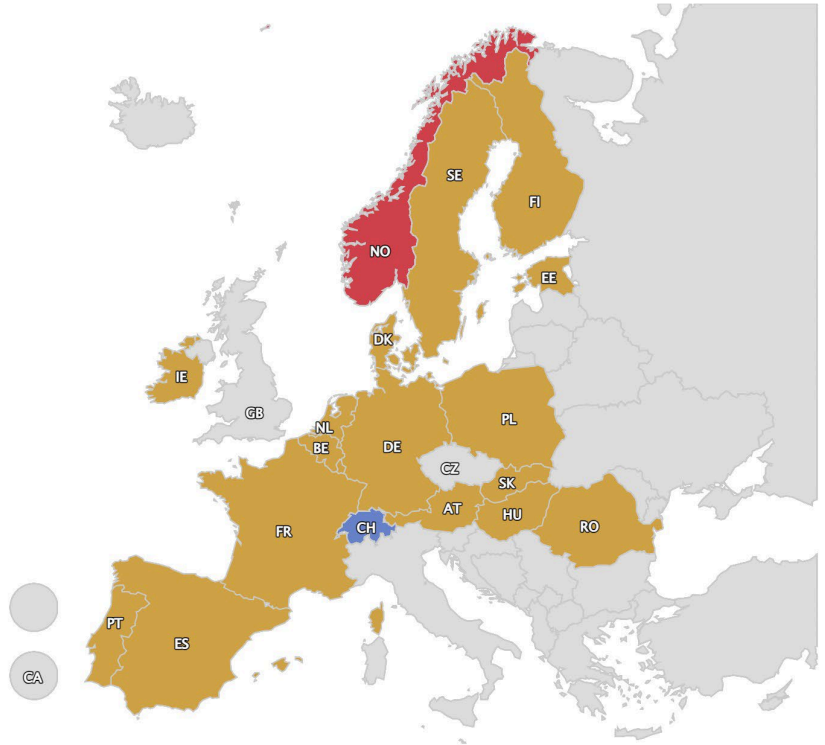
Compliance with the CBD and CRR Article 129

Most European covered bond regimes comply with the criteria of the CBD and CRR Art 129 by statutory law

CBD compliance

1. Does the CB legislation – based on the covered bonds covered by this database – completely comply with the criteria of CBD?

XIV Compliance with European Regulation



1 – No.
2 – No, but issuers may comply voluntarily; please specify in comments what goes beyond CBD.
3 – Yes, by statutory law, but not EU-member.
4 – Yes, by statutory law.

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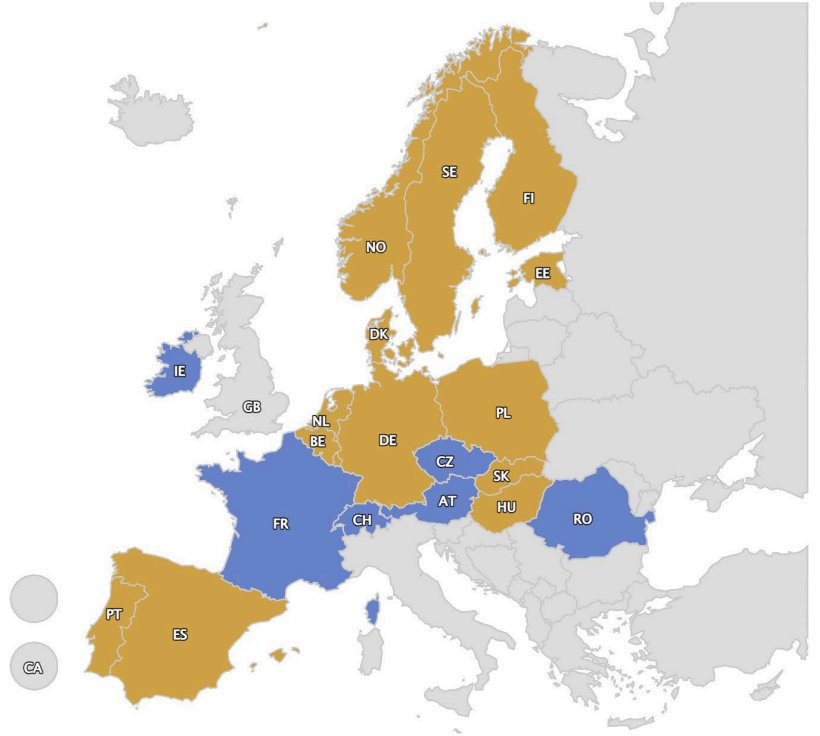
CRR compliance

2. Does the CB legislation – based on the covered bonds covered by this database – completely comply with the criteria of Art. 129 CRR (from 8 July 2022)?

XIV Compliance with European Regulation



1 – No.
2 – No, but issuers may comply voluntarily; please specify in comments what goes beyond Art. 129 CRR.
3 – Yes, by statutory law, but not EU-member.
4 – Yes, by statutory law.

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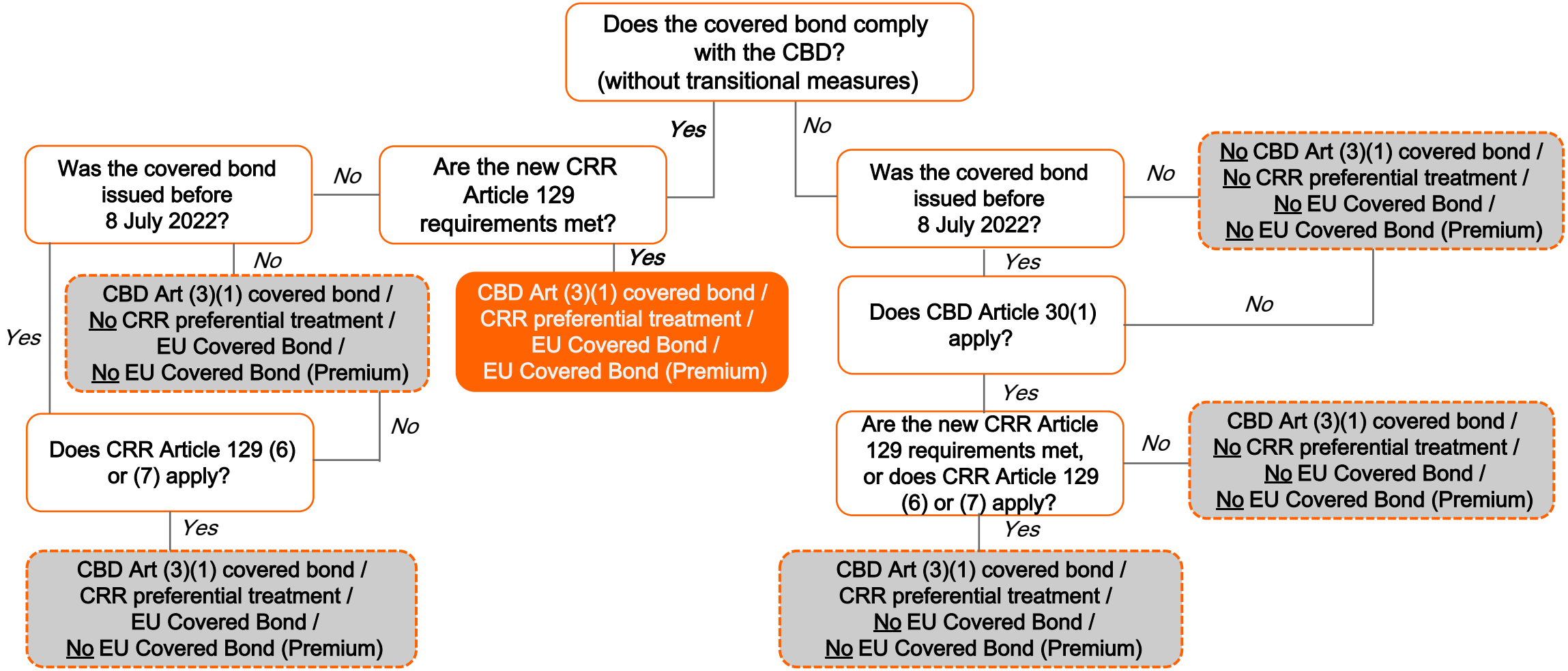
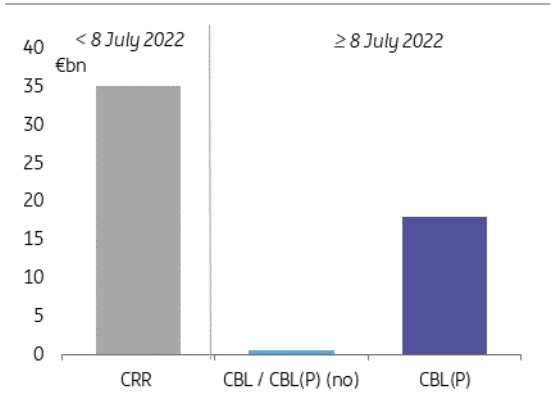
Verband deutscher Pfandbriefbanken (vdp), Roundtable Covered Bond Legislation (RT CBL)

Transitional measures versus Labelling provisions



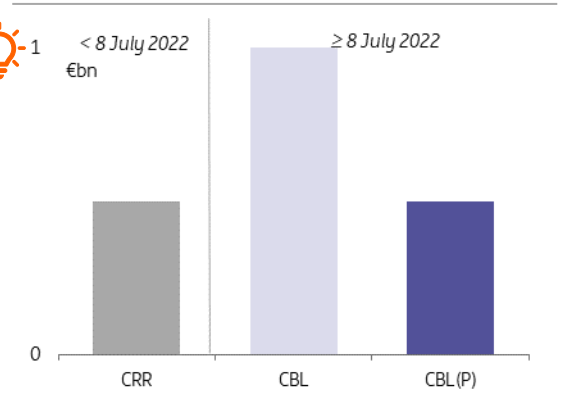
Geographical use of label “European Covered Bond (Premium)”

Austria



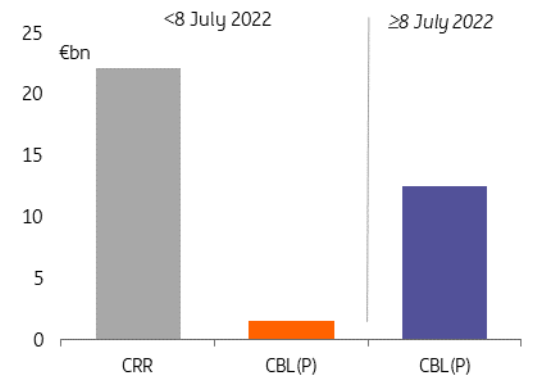
Belgium

Czech Republic

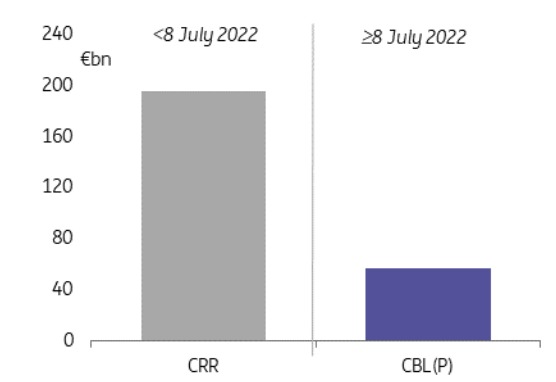


Denmark

Finland

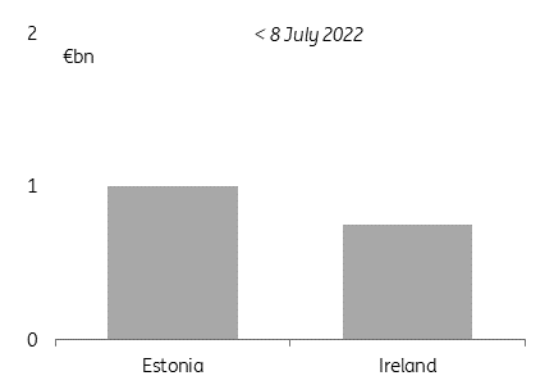


France



Germany

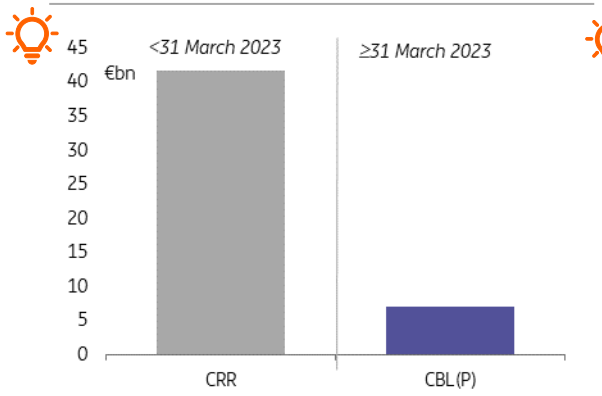
Estonia & Ireland



The graphics only include publicly placed EUR benchmark covered bonds with a minimum size of €500m

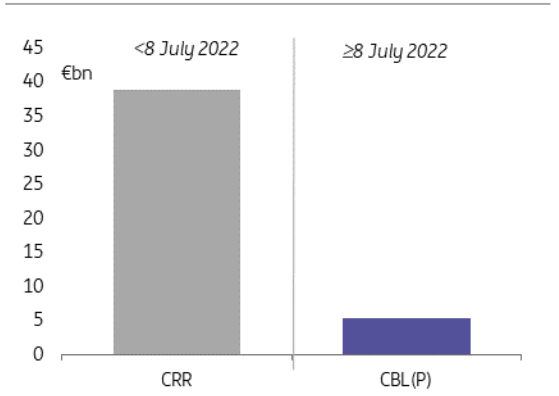
Geographical use of label “European Covered Bond (Premium)”

Italy

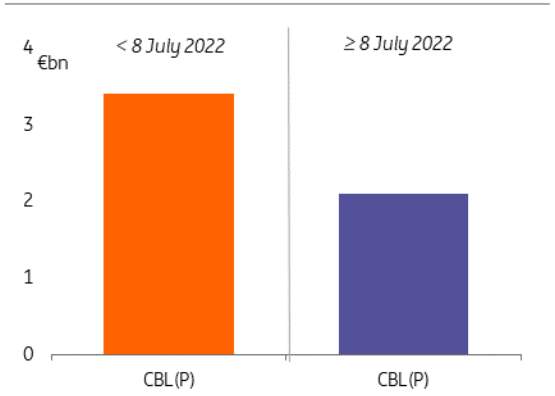


Netherlands

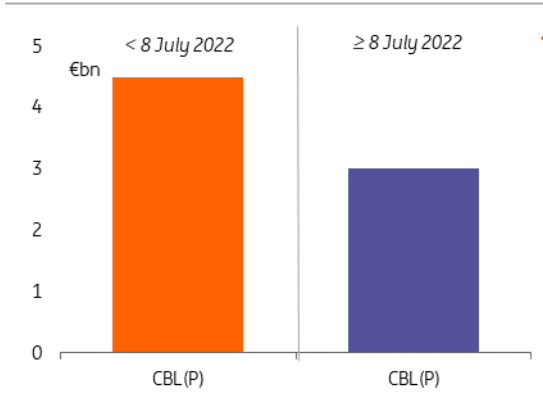
Norway



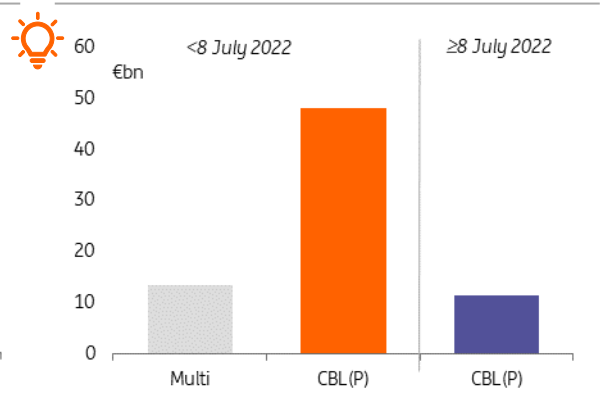
Portugal



Slovakia

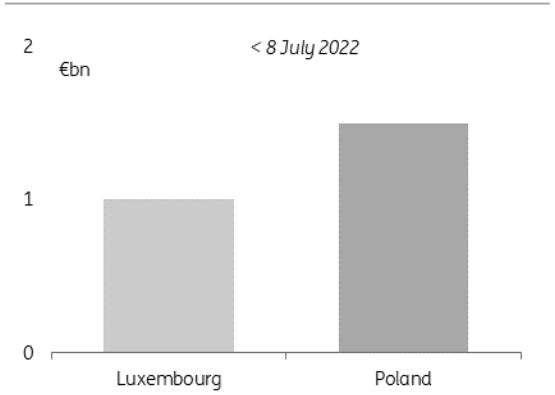


Spain



Sweden

Luxembourg & Poland

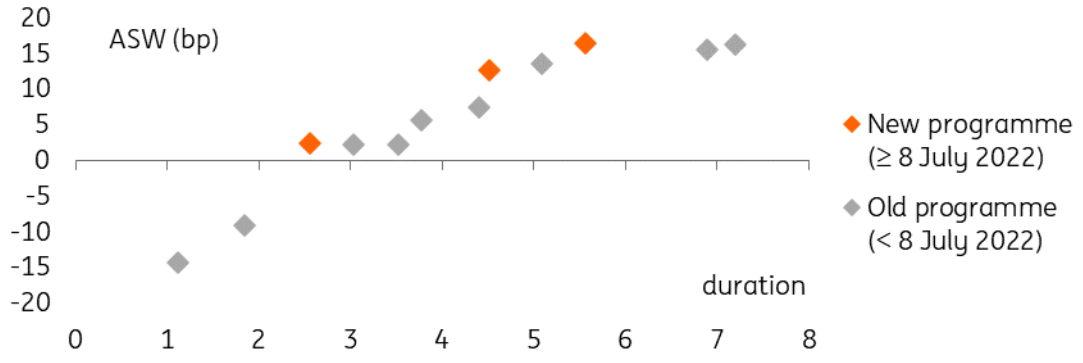


The graphics only include publicly placed EUR benchmark covered bonds with a minimum size of €500m

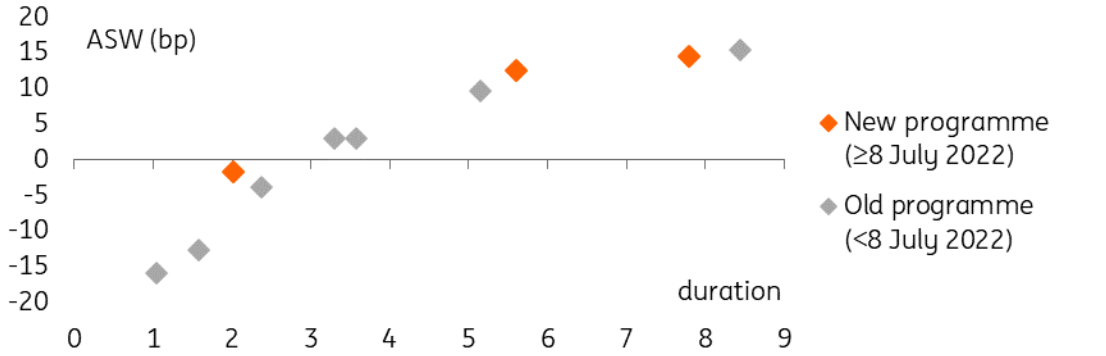
The impact on covered bond spread levels

Examples from the Finnish covered bond market – new law (CBL(P)) versus old law (CRR)

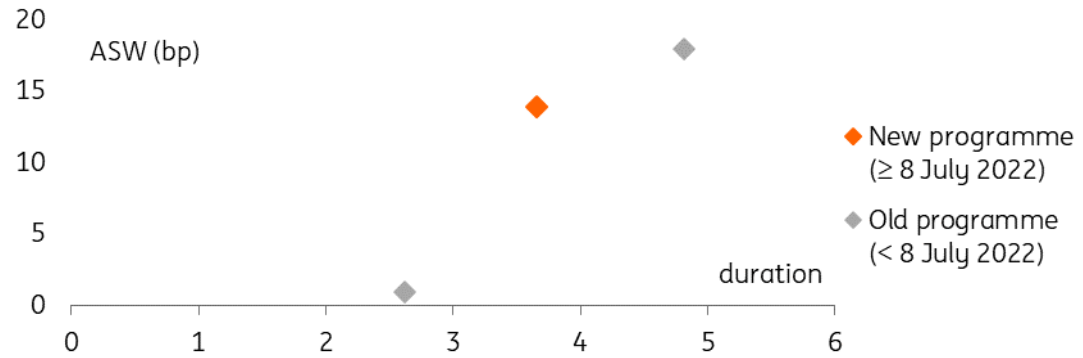
1. New versus old programme



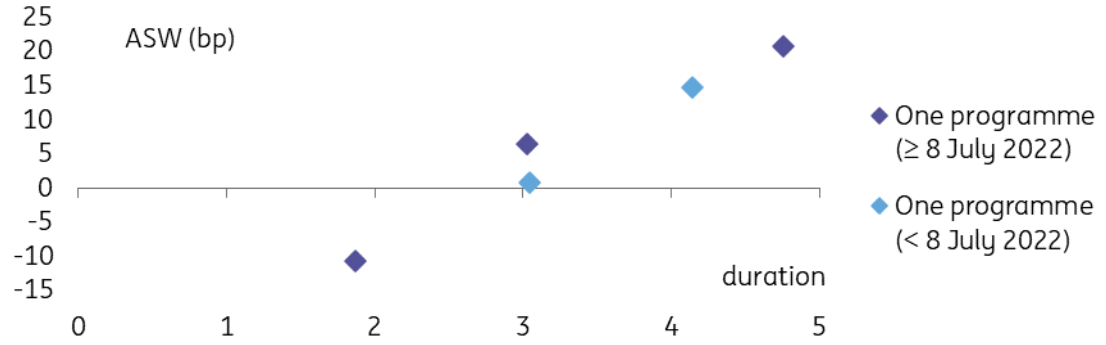
2. New versus old programme



3. New versus old programme



4. Same programme – all CBL(P)



The graphics only include publicly placed EUR benchmark covered bonds with a minimum size of €500m

Implementation of the CBD

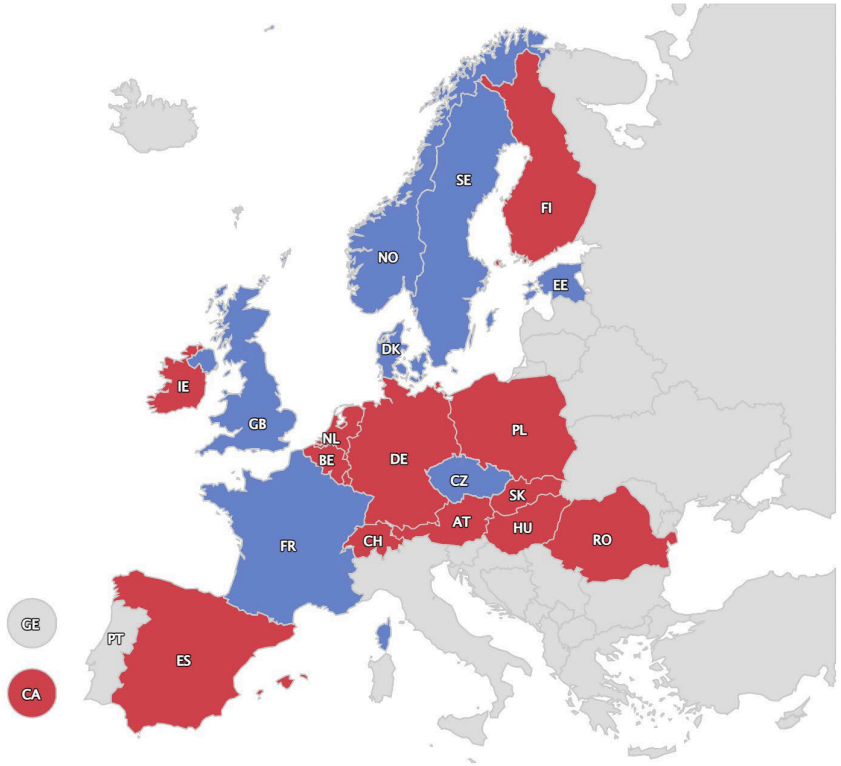
Developments regarding the assets collateralising covered bonds

Differences on primary assets allowed in the pool, but eligibility criteria for claims on institutions are quite similar

Multiple primary assets?

9. Does the statutory law allow a possible combination of at least two "primary" asset cover types in the sense of Art. 3 (12) CBD?

III Cover Assets for Covered Bonds



1 – Yes, exposures to public undertakings compliant with Art. 6 (1) (c) and (4) CBD.
2 – Yes, several combinations of primary cover assets in one pool are allowed
3 – No

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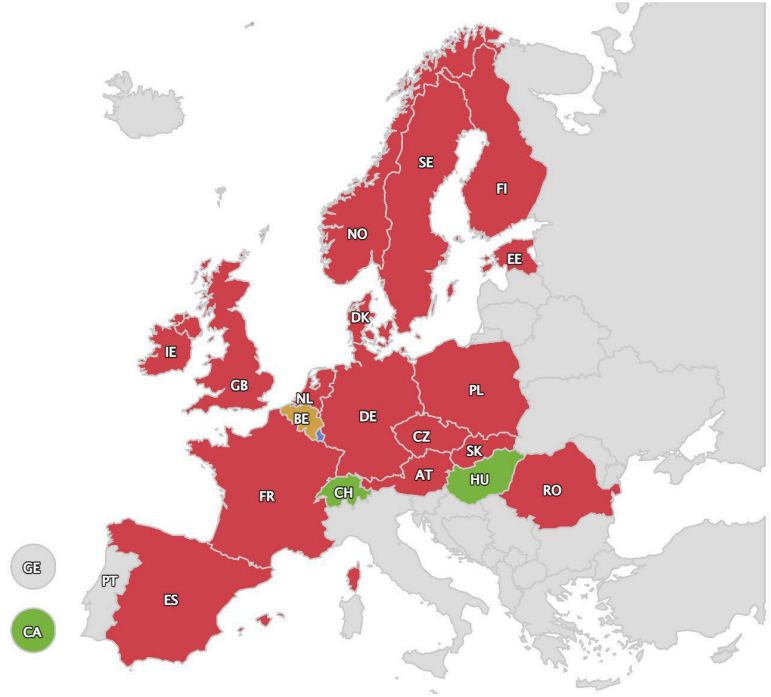
Credit quality of claims on institutions

31. If claims against credit institutions are eligible, is there a restriction regarding credit quality step and maturities?

III Cover Assets for Covered Bonds



1 – Claims against credit institutions are not eligible.
2 – No restriction.
3 – Yes, credit quality step 1 and 2 are allowed. Credit quality step 3 exposures are allowed subject to Art. 129 (1) (c) CRR restrictions (please in comments under what conditions credit quality step 3 is eligible).
4 – Yes, credit quality step 1 and 2 allowed.
5 – Yes, only credit quality step 1 allowed.

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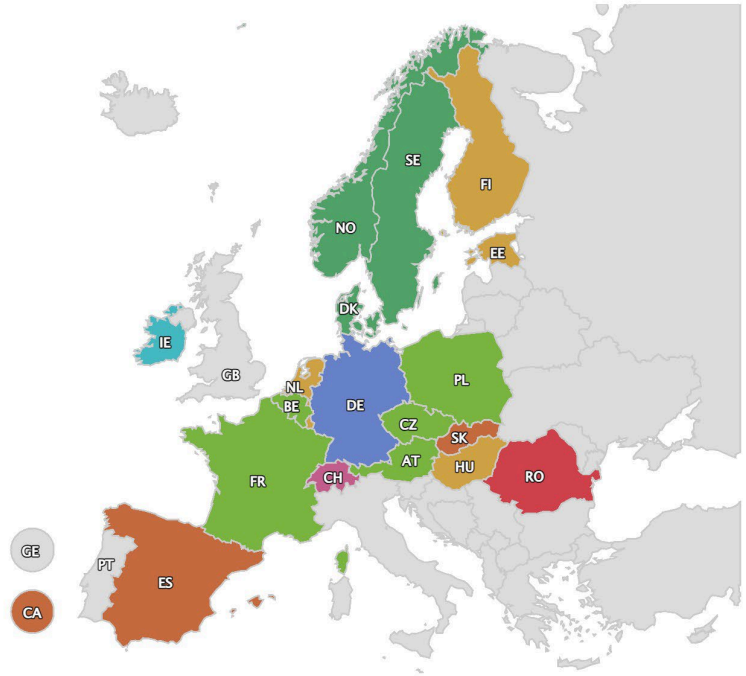
Different approaches to maximum on substitution assets

Maximum on substitute assets

32. What is the maximum level for substitute assets?

III Cover Assets for Covered Bonds



- 1 – At least 85% primary assets
- 2 – At least 80% primary assets in case of MCB and 85% in case of PSCB.
- 3 – At least 70% primary assets
- 4 – Max. 20%.
- 5 – Max. 15%.
- 6 – Max. 10%.
- 7 – Max. 5%.
- 8 – No explicit limit.
- 9 – Substitute assets not allowed in general.

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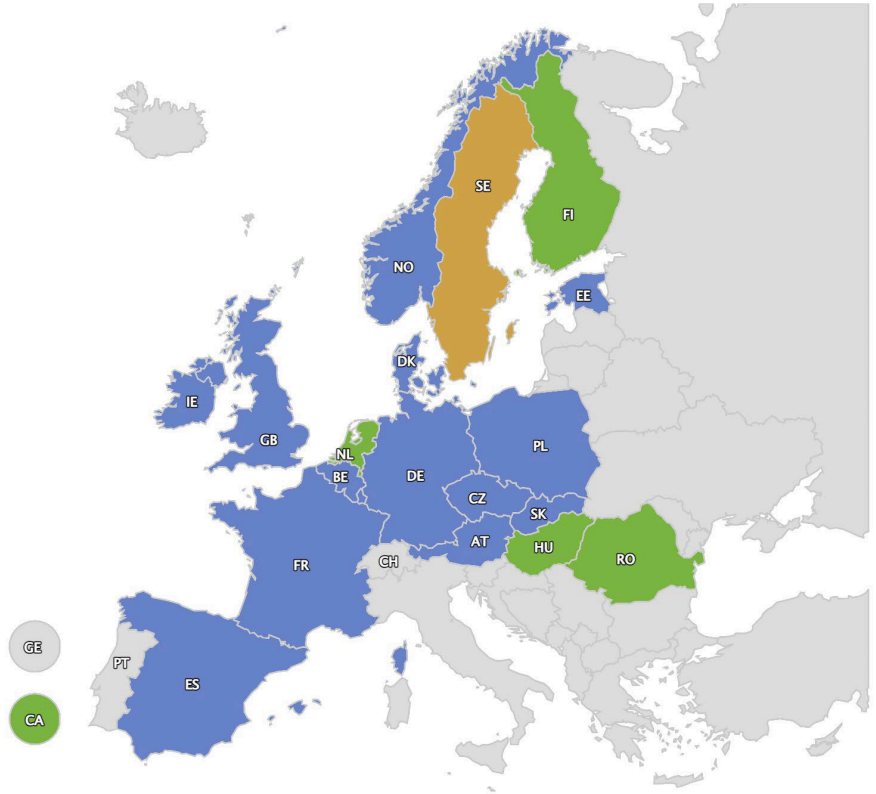
Basis of calculation

33. What is the basis of calculation of the limit for substitute assets mentioned in the previous question?

III Cover Assets for Covered Bonds



- 1 – Cover pool.
- 2 – Volume of outstanding CBs.
- 3 – Substitute assets not allowed in genera
- 4 – No explicit limit.

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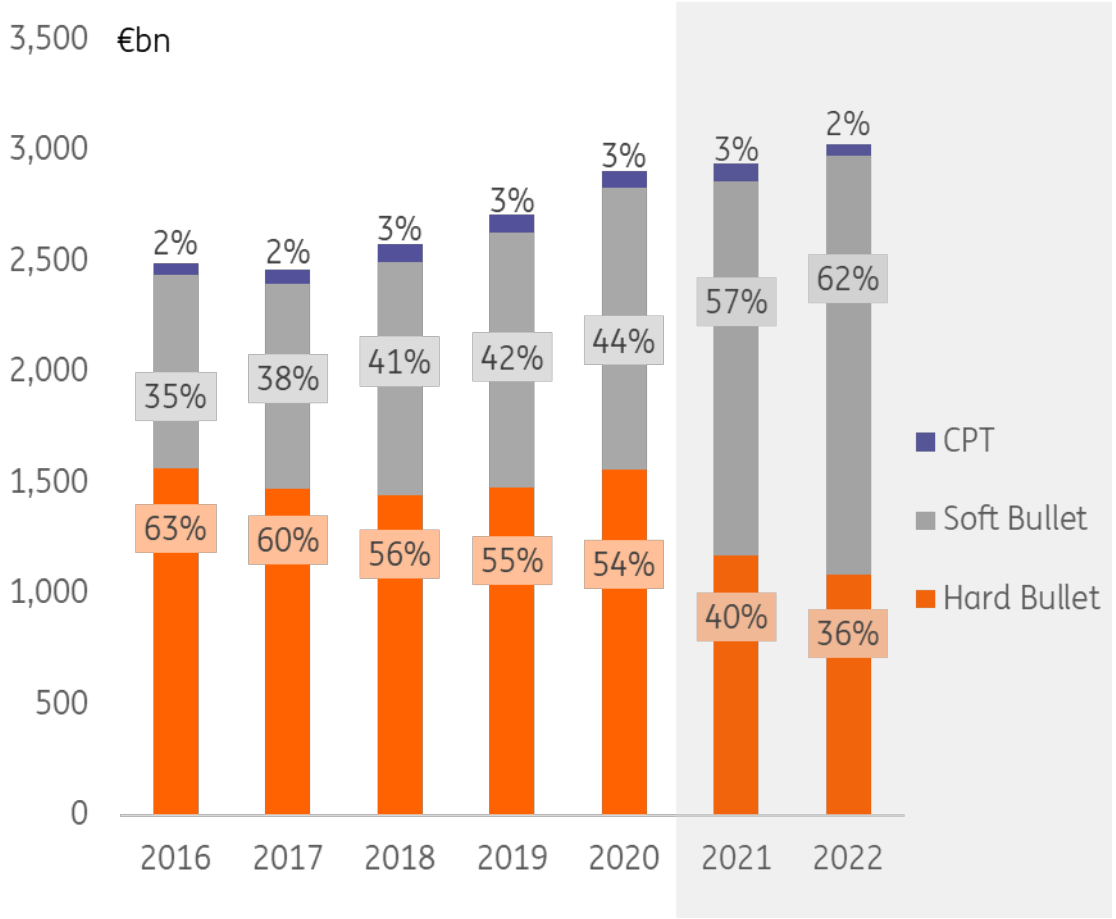
Implementation of the CBD

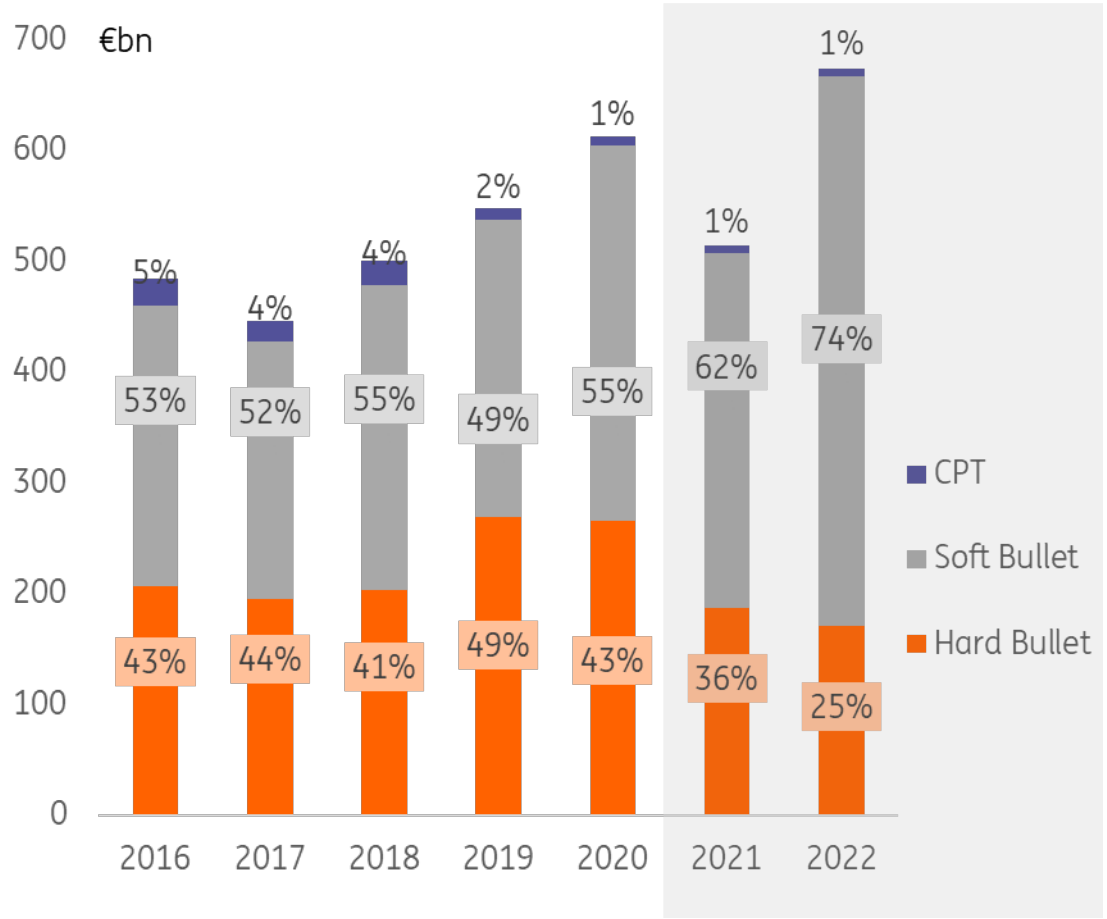
Developments on the issue of covered bonds with extendable maturity structures

CBD implementation spurs extendable covered bond supply

Market share of extendable covered bonds is up from 46% in 2020 to 64% in 2022



75% of the 2022 covered bond supply was in extendable format (mainly soft bullet)



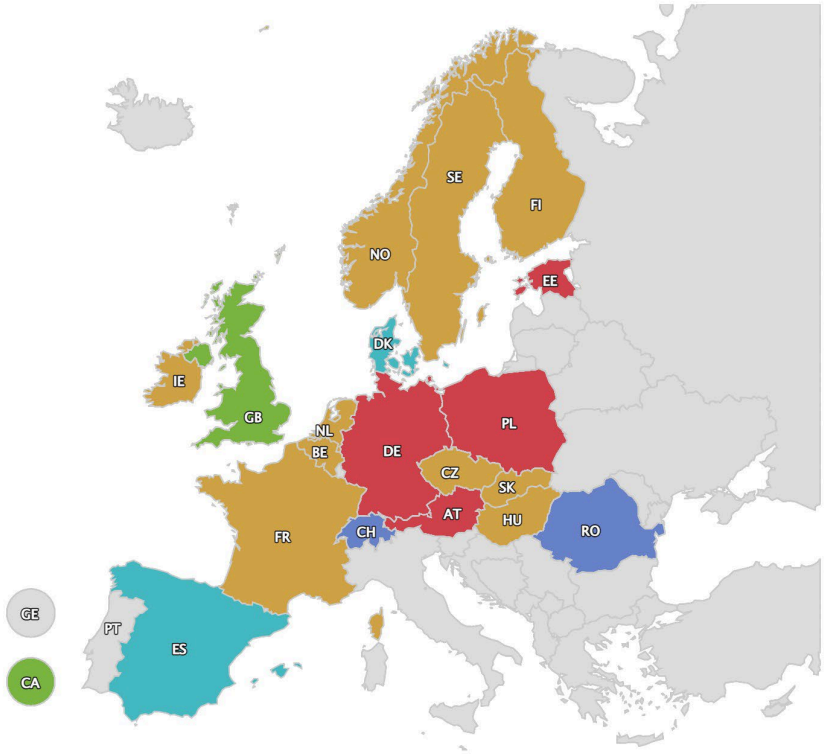
Source: Statistics ECBC Factbook 2023

Differences in implementation on maturity extension triggers

Earliest stage maturity extension

17. At what earliest stage can a maturity extension take place?

V Covered Bonds (CBs) as Securities



- 1 – Maturity extension not regulated by law.
- 2 – Maturity extension not allowed.
- 3 – Only from the opening of insolvency or resolution procedure over the issuer.
- 4 – Before issuer's insolvency or resolution.
- 5 – In case of failed refinancing of CBs.

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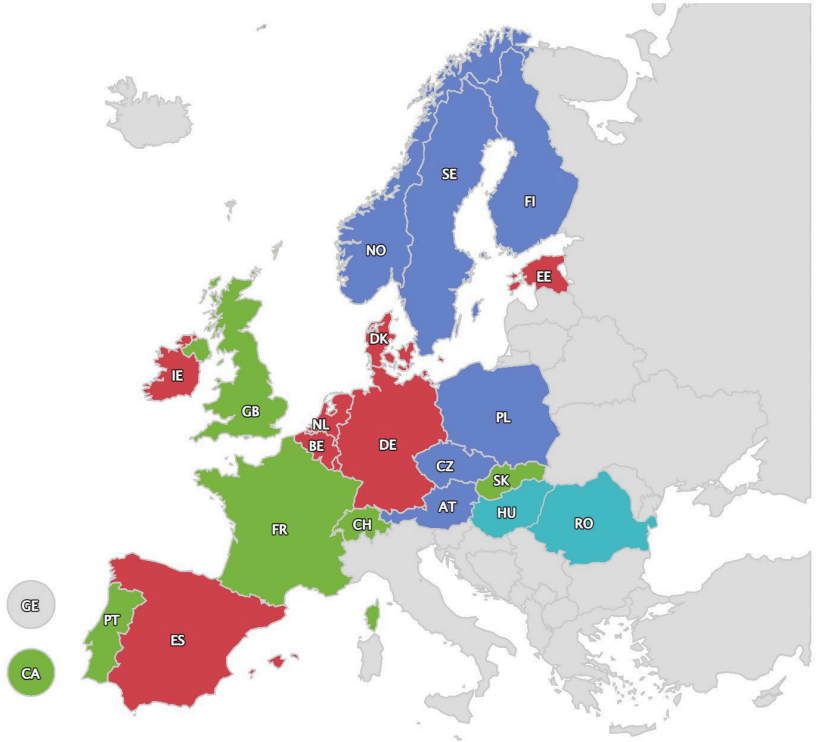
Legal specification extension triggers

18. Does statutory CB law specify the extension triggers (Art. 17 (1) (a) CBD)?

V Covered Bonds (CBs) as Securities



- 1 – No.
- 2 – Yes, this includes an exhaustive list of such triggers. (Please specify in comments.)
- 3 – Yes, the law includes a description of such triggers. (Please specify in comments.)
- 4 – The law does not specify triggers but requires them to be listed in the issuance documentation.
- 5 – Extension is not allowed.

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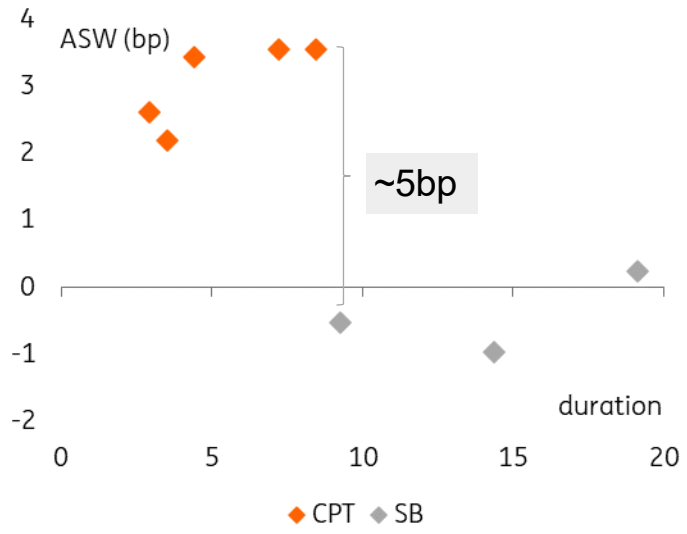
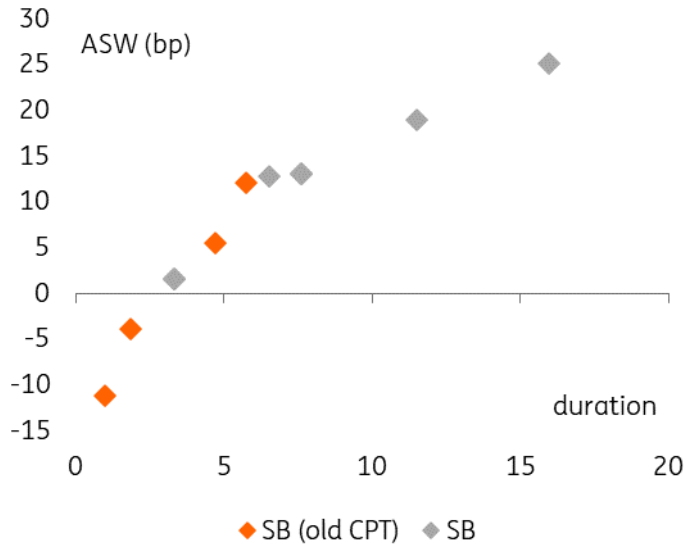
No extension risk premium left for Dutch CPT covered bonds

NN Bank – April 2021



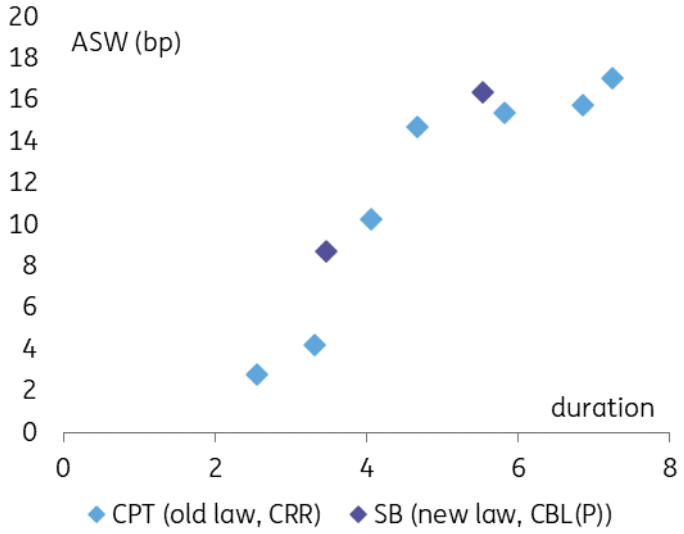
NN Bank's CPT covered bonds traded at a pick-up of almost **5bp** at the early days of the separate SB programme

NN Bank – current



NN Bank merged its CPT programme into the SB programme in March 2022. The SB programme is CBL(P)

NIBC Bank- current



NIBC Bank's CPT programme is not registered under the new law. Yet, the CPT bonds trade tighter than SB bonds

The graphics only include publicly placed EUR benchmark covered bonds with a minimum size of €500m

Implementation of the CBD

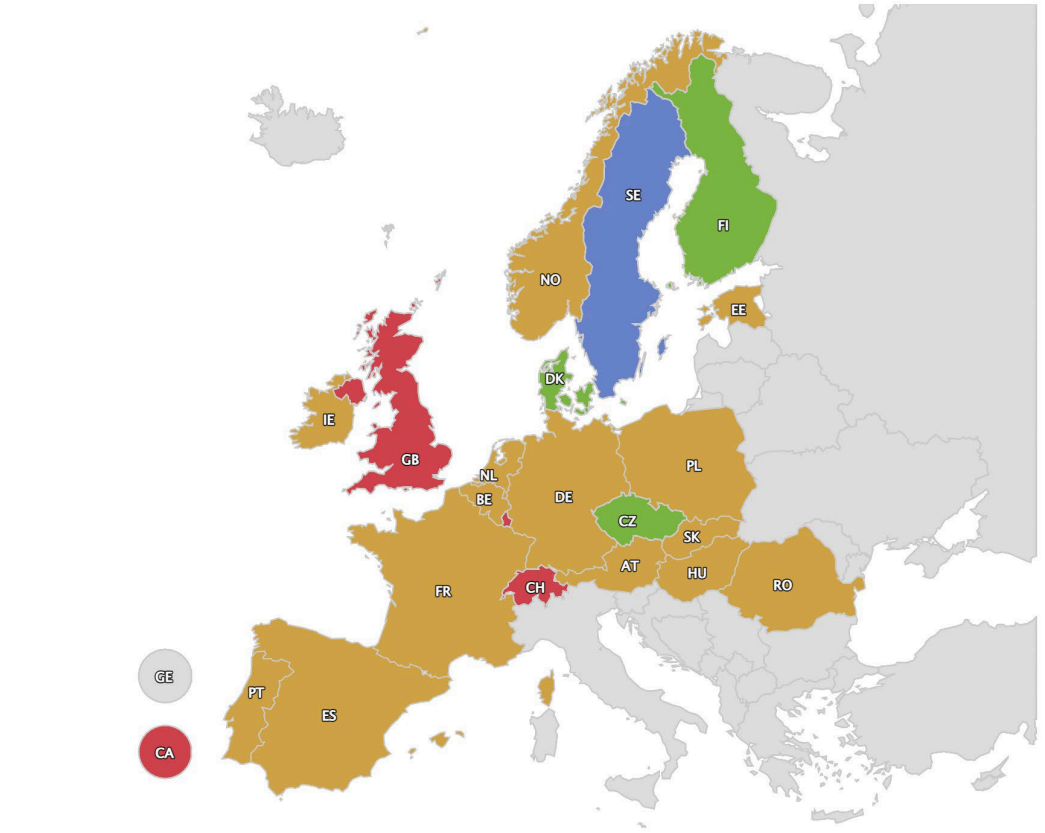
Developments on the use of a cover pool monitor

Differences in implementation on cover pool monitor

Is there a cover pool monitor?

5. Is there a cover pool monitor (CPM) in addition to the designated competent authority?

VIII Public Supervision of CB issuers, Cover Pool Monitor



1 – No. 2 – cpm outside the scope of Art. 13 CBD 3 – Yes. 4 – Yes, in line with Art. 13 CBD.

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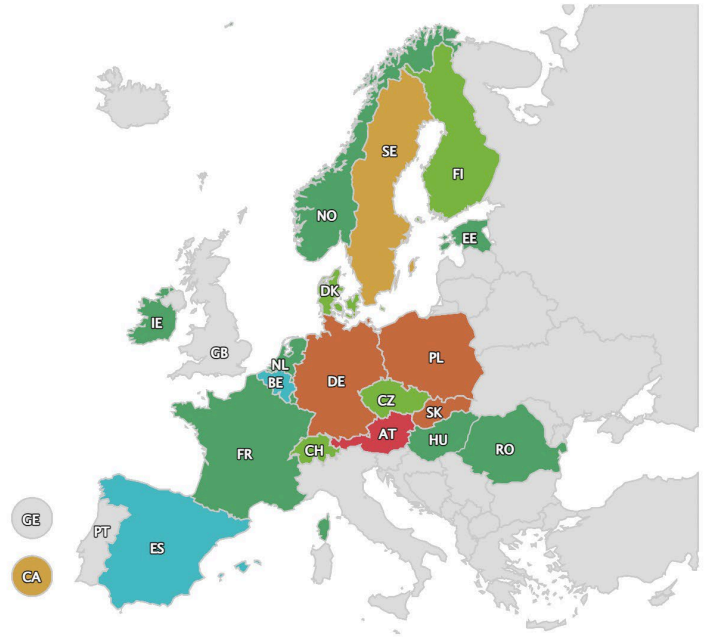
Independence cover pool monitor

8. How is separation and independence of an external cover pool monitor (CPM) from general auditing functions for the issuer achieved (Art. 13 (3) CBD), if the CPM is an auditor?

VIII Public Supervision of CB issuers, Cover Pool Monitor



1 – No CPM.
2 – Only internal CPM.
3 – 4 or 8.
4 – CPM is an individual auditor; general auditing from the same auditing company allowed,if their responsibilities are not linked to each othe
5 – 6 or 8.
6 – CPM is an individual auditor; general auditing from the same auditing company not allowed.
7 – CPM is an auditing company; different partners must be responsible for CPM and general auditing.
8 – CPM is an auditing company, which cannot perform CPM and general auditing at the same time.

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