



2018/0042(COD)

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AMENDMENTS

16 - 39

Draft report
Bernd Lucke
(PE626.775v01-00)

Exposures in the form of covered bonds

Proposal for a regulation
(COM(2018)0093 – C8-0112/2018 – 2018/0042(COD))

Amendment 16
Andrea Cozzolino, Luigi Morgano

Proposal for a regulation
Recital 4

Text proposed by the Commission

(4) Pursuant to the third subparagraph of Article 129(1) of Regulation (EU) No 575/2013, competent authorities may partially waive the application of the requirement for exposures to qualify for credit quality step 1, laid down in point (c) of the first subparagraph of Article 129(1), and allow an exposure which qualifies for credit quality step 2 up to a maximum of 10% of the total exposure of the nominal amount of outstanding covered bonds of the issuing institution. Such a partial waiver however applies only after prior consultation with EBA and only provided that significant potential concentration problems in the Member States concerned can be documented as a result of the application of the credit quality step 1 requirement. As the requirements for exposures to qualify for credit quality step 1 as made available by External Credit Assessment Institutions have become increasingly difficult to comply with in most Member States both within and outside the euro zone, the application of that waiver was considered necessary by those Member States which host the largest covered bonds markets. To simplify the use of exposures to credit institutions as collateral for covered bonds and in order to address that difficulty, it is necessary to amend Article 129(1) of Regulation (EU) No 575/2013. Instead of a possibility for the competent authorities to waive the requirements, it is appropriate to establish a rule allowing exposures to credit institutions which qualify for credit quality step 2 up to a maximum of 10% of the total exposure of the nominal amount of outstanding covered bonds of the issuing institution without the need to consult EBA.

Amendment

(4) Pursuant to the third subparagraph of Article 129(1) of Regulation (EU) No 575/2013, competent authorities may partially waive the application of the requirement for exposures to qualify for credit quality step 1, laid down in point (c) of the first subparagraph of Article 129(1), and allow an exposure which qualifies for credit quality step 2 up to a maximum of 10% of the total exposure of the nominal amount of outstanding covered bonds of the issuing institution. Such a partial waiver however applies only after prior consultation with EBA and only provided that significant potential concentration problems in the Member States concerned can be documented as a result of the application of the credit quality step 1 requirement. As the requirements for exposures to qualify for credit quality step 1 as made available by External Credit Assessment Institutions have become increasingly difficult to comply with in most Member States both within and outside the euro zone, the application of that waiver was considered necessary by those Member States which host the largest covered bonds markets. To simplify the use of exposures to credit institutions as collateral for covered bonds and in order to address that difficulty, it is necessary to amend Article 129(1) of Regulation (EU) No 575/2013. Instead of a possibility for the competent authorities to waive the requirements, it is appropriate to establish a rule allowing exposures to credit institutions which qualify for credit quality step 2 **or credit quality step 3** up to a maximum of 10% of the total exposure of the nominal amount of outstanding covered bonds of the issuing institution without the need to consult EBA.

Amendment 17
Jonás Fernández

Proposal for a regulation
Recital 11

Text proposed by the Commission

(11) In order to further enhance the quality of the covered bonds that receive the preferential capital treatment as provided for in Article 129 of Regulation (EU) No 575/2013, that preferential treatment should be subject to a minimum level of overcollateralisation, meaning a level of collateral exceeding the coverage requirements as referred to in Article 15 of Directive (EU) 20.../... [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU]. Such a requirement serves the purpose of mitigating the most relevant risks arising in case of the issuer's insolvency or resolution.

Amendment

(11) In order to further enhance the quality of the covered bonds that receive the preferential capital treatment as provided for in Article 129 of Regulation (EU) No 575/2013, that preferential treatment should be subject to a minimum level of overcollateralisation, meaning a level of collateral exceeding the coverage requirements as referred to in Article 15 of Directive (EU) 20.../... [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU]. ***Member States can decide to apply a higher minimum level of overcollateralization to covered bonds issued by credit institutions located in the Member State concern. This should not affect other covered bonds with a lower minimum level of overcollateralization 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.

Amendment 18
Caroline Nagtegaal

Proposal for a regulation
Recital 11 a (new)

(11 a) It is crucial that all covered bonds compliant with Article 6 of [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU] will continue to benefit from the same existing preferential treatment. This explicitly includes covered bonds that have maturity structures that allow for extension, provided they meet the conditions of Article 17 of [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU].

Or. en

Amendment 19

Marco Valli

Proposal for a regulation

Recital 12 a (new)

(12 a) Extendable maturities structures are a new common practice in the covered bond market. Such bonds might be less risky than traditional hard bullet structures, as they may allow to preserve the value of cover pool assets, by avoiding fire sales in case of liquidity shortfall. No increase in the risk weights should be introduced for covered bonds with an extendable maturity structure, irrespective of its duration, if such extension takes place in the event that specific triggers occurs.

Or. en

Amendment 20

Alfred Sant

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point a – point i – indent 2

Regulation (EU) No 575/2013

Article 129 – paragraph 1 – point c

Text proposed by the Commission

Amendment

(c) exposures to credit institutions that qualify for the credit quality step 1 *or* credit quality step 2 as set out in this Chapter.;

(c) exposures to credit institutions that qualify for the credit quality step 1, credit quality step 2 *or exposures in the form of derivative contracts in accordance with Article 11 of Directive (EU) 20xx/xxxx [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU] to credit institutions that qualify for the credit quality step 3 if permitted by the competent authorities*, as set out in this Chapter. *Short-term exposures to credit institutions that qualify credit quality step 3 shall be allowed if their residual maturity does not exceed three months.*

Or. en

Amendment 21

Andrea Cozzolino, Luigi Morgano

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point a – point i – indent 2

Regulation (EU) No 575/2013

Article 129 – paragraph 1 – point c

Text proposed by the Commission

Amendment

(c) exposures to credit institutions that qualify for the credit quality step 1 or credit quality step 2 as set out in this Chapter.;

(c) *"(c)* exposures to credit institutions that qualify for the credit quality step 1, *credit quality step 2* or credit quality step *3*, as set out in this Chapter.

Or. en

Amendment 22

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Fulvio Martusciello

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point a – point i – indent 2

Regulation (EU) No 575/2013

Article 129 – paragraph 1 – point c

Text proposed by the Commission

Amendment

(c) exposures to credit institutions that qualify for the credit quality step 1 or credit quality step 2 as set out in this Chapter.;

(c) exposures to credit institutions that qualify for the credit quality step 1, **credit quality step 2** or credit quality step 3, as set out in this Chapter.;

Or. en

Amendment 23

Philippe Lamberts

on behalf of the Verts/ALE Group

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point b

Regulation (EU) No 575/2013

Article 129 – paragraph 1a – point b

Text proposed by the Commission

Amendment

(b) for exposures to credit institutions that qualify for the credit quality step 2 the exposure shall not exceed 10 % of the total exposure of the nominal amount of outstanding covered bonds of the issuing credit institution;

(b) for exposures to credit institutions **with a maturity not exceeding 100 days** that qualify for the credit quality step 2 the exposure shall not exceed 10 % of the total exposure of the nominal amount of outstanding covered bonds of the issuing credit institution;

Or. en

Amendment 24

Alfred Sant

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point b

Regulation (EU) No 575/2013

Article 129 – paragraph 1a – point ba (new)

Text proposed by the Commission

Amendment

(b a) for exposures in the form of derivative contracts to credit institutions that qualify for the credit quality step 3 and short-term exposures as referred to in point (c) of paragraph 1, the exposures shall not exceed 10 % of the total exposure of the nominal amount of outstanding covered bonds of the issuing credit institution;

The competent authorities designated under Article 18 of Directive (EU) 20xx/xxxx [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU] may allow exposures in the form of derivative contracts to credit institutions that qualify for the credit quality step 3.

Or. en

Amendment 25

Andrea Cozzolino, Luigi Morgano

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point b

Regulation (EU) No 575/2013

Article 129 – paragraph 1a – point ba (new)

Text proposed by the Commission

Amendment

(b a) for exposures to credit institutions that qualify for the credit quality step 3, the exposures shall not exceed 10 % of the total exposure of the nominal amount of outstanding covered bonds of the issuing credit institution;

Or. en

Amendment 26

Anne Sander

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point b

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Text proposed by the Commission

(c) **the total exposure to credit** institutions that qualify for the credit quality step 1 **or the credit quality step 2** shall not exceed 15 % **of the total exposure** of the nominal amount of outstanding covered bonds of the issuing **credit** institution.

Amendment

(c) **exposures to** institutions that qualify for the credit quality step 1 **asset out in this Chapter. The total exposure of this kind** shall not exceed 15 % of the nominal amount of outstanding covered bonds of the issuing institution. **Exposures to institutions in the Union with a maturity not exceeding 100 days shall not be comprised by the step 1 requirement but those institutions shall as a minimum qualify for credit quality step 2 as set out in this Chapter;**

Or. en

Justification

The previous wording of the CRR provides for more clarity.

Amendment 27

Andrea Cozzolino, Luigi Morgano

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point b

Regulation (EU) No 575/2013

Article 129 – paragraph 1a – point c

Text proposed by the Commission

(c) the total exposure to credit institutions that qualify for the credit quality step 1 or the credit quality step 2 shall not exceed 15 % of the total exposure of the nominal amount of outstanding covered bonds of the issuing credit institution.

Amendment

(c) the total exposure to credit institutions that qualify for the credit quality step 1 or the credit quality step 2 **or the credit quality step 3** shall not exceed 15 % of the total exposure of the nominal amount of outstanding covered bonds of the issuing credit institution.

Or. en

Amendment 28

Alfred Sant

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point b

Regulation (EU) No 575/2013

Article 129 – paragraph 1a – point c

Text proposed by the Commission

(c) the total **exposure** to credit institutions that qualify for the credit quality step 1 **or the** credit quality step 2 shall not exceed 15 % of the total exposure of the nominal amount of outstanding covered bonds of the issuing credit institution.

Amendment

(c) the total **exposures** to credit institutions that qualify for the credit quality step 1, credit quality step 2 **or credit quality step 3** shall not exceed 15 % of the total exposure of the nominal amount of outstanding covered bonds of the issuing credit institution.

Or. en

Amendment 29

Philippe Lamberts

on behalf of the Verts/ALE Group

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point b

Regulation (EU) No 575/2013

Article 129 – paragraph 1b

Text proposed by the Commission

1b. For the purposes of point (d)(i) of the first subparagraph of paragraph 1, the limit of 80 % shall refer to the portion of the loan contributing to the coverage of liabilities attached to the covered bond and be applicable throughout the entire maturity of the loan.

Amendment

1b. For the purposes of point (d)(i) of the first subparagraph of paragraph 1, the limit of 80 % **shall apply on a loan by loan basis and** shall refer to the portion of the loan contributing to the coverage of liabilities attached to the covered bond and be applicable throughout the entire maturity of the loan.

For the purpose of the limit on the value of the pledged properties, such properties shall be monitored on a regular basis and updated at least on a yearly basis by the competent authority by using an indexation method. The full loan amount irrespective of such limit shall be subject to the segregation of assets in the cover pool pursuant to Article 12 of Directive (EU) 20xx/xxxx [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive

Amendment 30

Philippe Lamberts

on behalf of the Verts/ALE Group

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point b

Regulation (EU) No 575/2013

Article 129 – paragraph 1c

Text proposed by the Commission

1c. For the purposes of point (f)(i) **and point (g)** of the first subparagraph of paragraph 1, the limit of 60 % shall refer to the portion of the loan contributing to the coverage of liabilities attached to the covered bond and be applicable throughout the entire maturity of the loan.;

Amendment

1c. For the purposes of point (f)(i) of the first subparagraph of paragraph 1, the limit of 60 % **shall apply on a loan by loan basis and** shall refer to the portion of the loan contributing to the coverage of liabilities attached to the covered bond and be applicable throughout the entire maturity of the loan;

For the purpose of the limit on the value of the pledged properties, such properties shall be monitored on a regular basis and updated at least on a yearly basis by the competent authority by using an indexation method. The full loan amount irrespective of such limit shall be subject to the segregation of assets in the cover pool pursuant to Article 12 of Directive (EU) 20xx/xxxx [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU].

Amendment 31

Philippe Lamberts

on behalf of the Verts/ALE Group

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point d

Regulation (EU) No 575/2013
Article 129 – paragraph 3a – subparagraph 1

Text proposed by the Commission

In addition to being collateralised by the eligible assets listed in paragraph 1, covered bonds shall be subject to a minimum level of **5** % of overcollateralisation as defined in Article 3(12) of Directive (EU) 20xx/xxx [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU].

Amendment

In addition to being collateralised by the eligible assets listed in paragraph 1, covered bonds shall be subject to a minimum level of **10** % of overcollateralisation as defined in Article 3(12) of Directive (EU) 20xx/xxx [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU].

Or. en

Amendment 32

Philippe Lamberts

on behalf of the Verts/ALE Group

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point d

Regulation (EU) No 575/2013

Article 129 – paragraph 3a – subparagraph 3

Text proposed by the Commission

The assets contributing to a minimum level of overcollateralisation shall **not** be subject to the limits on exposure size as set out in **points (b) and (c) of the first subparagraph of paragraph 1 and shall not count towards those limits.**

Amendment

The assets contributing to a minimum level of overcollateralisation shall be subject to the limits on **credit quality and** exposure size as set out in paragraph 1 **of this Article.**

Or. en

Amendment 33

Markus Ferber

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point d

Regulation (EU) No 575/2013

Article 129 – paragraph 3a – subparagraph 4

Text proposed by the Commission

Amendment

Competent authorities designated pursuant to Article 18(2) of Directive (EU) 20xx/xxx [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU] may decide to apply a lower minimum level of overcollateralisation to covered bonds provided that the following conditions are met:

Member States or competent authorities designated pursuant to Article 18(2) of Directive (EU) 20xx/xxx[OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU] may decide to **generally** apply a lower minimum level of overcollateralisation to covered bonds provided that the following conditions are met:

Or. en

Justification

Since the condition for exercise of this decision is regime-specific, it should be allowed to decide on the lowering of the minimum level of overcollateralisation regime-wide, too. The decision on the minimum level of overcollateralisation is an essential one and might be a prerogative of the national legislator in some MS; consequently, the essential decision on the regime-wide minimum level of overcollateralisation needs to be one possibly to be taken also by Member States.

Amendment 34

Philippe Lamberts

on behalf of the Verts/ALE Group

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point d

Regulation (EU) No 575/2013

Article 129 – paragraph 3a – subparagraph 4 – point b

Text proposed by the Commission

Amendment

(b) the minimum level of overcollateralisation cannot be lower than 2 % based on the nominal principle.

(b) the minimum level of overcollateralisation cannot be lower than 7 % based on the nominal principle.

Or. en

Amendment 35

Philippe Lamberts

on behalf of the Verts/ALE Group

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point d

Regulation (EU) No 575/2013

Article 129 – paragraph 3a – subparagraph 4 – point ba (new)

Text proposed by the Commission

Amendment

(b a) the level of overcollateralisation has to be publicly disclosed by the credit institution issuing covered bonds on a regular basis and at least on a quarterly basis.

Or. en

Amendment 36

Philippe Lamberts

on behalf of the Verts/ALE Group

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point d

Regulation (EU) No 575/2013

Article 129 – paragraph 3b

Text proposed by the Commission

Amendment

3b. Eligible assets referred to in paragraph 1 may be included in the cover pool as substitution assets as defined in Article 3(11) of Directive (EU) 20xx/xxx [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU] for the primary assets as defined in Article 3(10) of that Directive, subject to the limits on credit quality and exposure size as set out in paragraph 1 of this Article.;

3b. Eligible assets referred to in paragraph 1 may be included in the cover pool as substitution assets as defined in Article 3(11) of Directive (EU) 20xx/xxx [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU] for the primary assets as defined in Article 3(10) of that Directive, subject to the limits on credit quality and exposure size as set out in paragraph 1 of this Article ***and provided that such substitution assets do not exceed 20 % of the total nominal amount of all outstanding covered bonds of the issuer.***

Or. en

Amendment 37

Jeppe Kofod, Bendt Bendtsen

Text proposed by the Commission

Amendment

7 a. For the purpose of point (d)(i), (e), (f)(i) and (g) of the first subparagraph of paragraph 1, Member States may decide to apply a higher limit referring to the portion of the loan contributing to the coverage of liabilities provided that the following conditions are met:

(a) the limits referred to in those points are applicable at the time of the initial inclusion of the loan in the cover pool;

(b) the portion of the loan exceeding the limits referred to in those points remains in the cover pool at the lifetime of the loan and is compliant with all requirements of [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EU and Directive 2014/59/EU];

(c) the calculation of overcollateralisation is either based on an approach which takes into account the underlying risk of the assets or an approach where the valuation of the assets is subject to mortgage lending value as defined in Article 4(1)(74);

(d) the limit referring to the portion of the loan contributing to the coverage of liabilities cannot be higher than 100%.

Or. en

Justification

In some MS, national covered bond law requires cover assets in form of loans collateralized by first lien mortgages to remain fully in the cover pool throughout the lifetime of the loan. This means that the covered bond investors have full recourse to the whole loan (and underlying mortgage) regardless of the value of the property in case of issuer default – i.e. including the portion of loans breaching the LTV-limits in article 129 (1). In other words, the investors will have full coverage up to 100% LTV in case of a borrower default (after issuer default).

Amendment 38
Markus Ferber

Proposal for a regulation
Article 1 – paragraph 1 – point 2 – introductory part

Text proposed by the Commission

2. in point (a) of Article 416(2), point (ii) is **replaced by the following**:

Amendment

2. in point (a) of Article 416(2), point (ii) is **amended as follows**:

Or. en

Amendment 39
Markus Ferber

Proposal for a regulation
Article 1 – paragraph 1 – point 2 a (new)
Regulation (EU) No 575/2013
Article 416 – paragraph 3 – subparagraph 2a (new)

Text proposed by the Commission

Amendment

2 a. after point (c) of the first subparagraph of the third paragraph, the following subparagraph is inserted:

“The condition referred to in point (a) of the first subparagraph and in point (c) of the second subparagraph of Annex III shall not apply to liquid assets held in response to a liquidity buffer requirement in accordance with Article 16 of Directive (EU) 20.../... [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU] in the cover pool of a covered bond within the meaning of Article 3 (1) of Directive (EU) 20.../... [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU] limited to the liquidity outflows of the corresponding covered bond programme on the condition of being legally and

operationally available in a timely manner.”;

Or. en

Justification

Article 16 paragraph 4 of the Directive provides the wrong solution for an existing issue of overlapping requirements to hold liquid assets in response to net liquidity outflows of covered bonds. Instead of separating the liquid assets held in response to covered bond net liquidity outflows from those outflows upon separation of estates, potentially prompting immediate insolvency of the covered bond estate due to illiquidity, the overlap issue should appropriately be addressed in the LCR DA.