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## Covered Bond Label Issuers Agree Common Harmonised Transparency Template

Brussels, 17 September 2015 – For immediate release

In response to the European Commission's Capital Markets Union (CMU) initiative and its call for an increased level of harmonisation in the covered bond space, as well as the European Banking Authority's (EBA) recommendations on EU covered bond frameworks and capital treatment, the Covered Bond Label Foundation ([CBLF](#)) and the European Covered Bond Council ([ECBC](#)) are delighted to announce that on the 8<sup>th</sup> of September 2015, the Covered Bond Label Committee of the CBLF and the ECBC Steering Committee agreed to implement a common Harmonised Transparency Template across jurisdictions for all covered bond issuers which hold the Covered Bond Label.

The agreed common Harmonised Transparency Template (HTT), which is available [here](#), will be implemented by all of the Label issuers, with a phase-in period of one year, starting from the 1<sup>st</sup> of January 2016. This development has been welcomed by the Label Advisory Council, which includes representatives of the World Bank, European Central Bank (ECB), European Bank for Reconstruction and Development (EBRD), EBA, national central banks/authorities, investors and other market participants, as a significant and substantial step forward in enhancing transparency in the covered bond space.

The HTT plays a pivotal role in the Covered Bond Label's efforts to keep pace with current and prepare for future regulatory requirements, especially in relation to Article 129 (7) of the Capital Requirements Regulation (CRR), and will allow for the cross-border comparison of data in a centralised way in a comparable format. Moreover, it completes the "three pillars of transparency" (see below) on which the Covered Bond Label is founded, offering a complete set of data directly linking every covered bond to the legislative framework under which it is issued and to the cover pool assets. In doing so, the Covered Bond Label [platform](#)<sup>1</sup> provides market participants with both a self-certification by each issuer and the supporting evidence on data disclosed on the cover pool asset side.

### The Covered Bond Label's "Three Pillars of Transparency":

- **Liability Transparency** - Statistics ISIN by ISIN, and issuer by issuer for every covered bond with a direct link to its cover assets. Investors have at their disposal a comparable set of data around the globe.
- **Regulatory Transparency** - A unique centralised database of the major covered bond markets globally, with summaries of legal frameworks and legislative texts in English.

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- **Asset Transparency** - Asset disclosure comparable at a national level and, from 2016, global level via the National/Harmonised Transparency Templates.

The Covered Bond Label [platform](#) is the only source where investors can identify, verify and compare covered bonds' regulatory treatment, in particular compliance with the CRR and UCITS, based on issuers' self-certification. As such, the Label also allows investors to undertake their due diligence in terms of eligibility for the Liquidity Coverage Ratio (LCR), Solvency 2, capital requirements and exclusion from bail-in under the Bank Recovery and Resolution Directive (BRRD). The Label provides market participants with a simple and transparent tool to ensure the CRR compliance of covered bonds encompassing the three main dimensions of CRR compliance:

- **Supervision:** In line with UCITS requirements, CRR compliance requires the issuer to be "registered in a Member State and subject by law to special public supervision designed to protect bond-holders." (Article 52(4) Directive 2009/65/EC).
- **Quality and credit risk:** Art. 129 of the CRR includes very specific eligibility requirements in terms of asset quality and their suitability as collateral for covered bonds; Article 129 highlights the need for this collateral to be "exclusively restricted by legislation to the protection of the bond-holders against losses" (Article 129(2) Regulation 648/2012).
- **Transparency:** The CRR also specifies the need for investors to have access to a number of aspects in term of cover pool asset disclosure at a semi-annual frequency (Article 129(7) Regulation 648/2012).

For all these reasons, the Covered Bond Label is a key market qualitative and quantitative database which:

- Is based on a **self-certification principle**, with a very high reputational commitment from the issuer himself.
- Is under the governance of the **Label Committee, which ensures high quality eligibility criteria**, best practices and market consensus, and the implementation of these principles by all Label issuers.
- Is based on **Issuers' and Investors' due diligence**, thus significantly enhancing comparability and convergence across covered bond jurisdictions.
- Significantly improves transparency on the legal protection of bondholders through its requirement of Public Supervision not only of the issuer, but also of the cover pool.
- Acts as "lighthouse" for the market, **being the only official source where market participants can identify covered bonds that are compliant with UCITS and the CRR.** This has direct **practical implications for determining LCR and BRRD eligibility.**
- Offers **up-to-date information on legal and supervisory covered bond frameworks**, cover asset data and issuer profiles.
- Allows investors to directly **contact cover pool managers.**
- All data is available in **Excel format for every market participant**, for free.
- Reduces overreliance on rating agencies, by offering a **complementary tool for supporting investors' due diligence.**

*"This market-led initiative has ensured convergence to market best practices, moving the covered bond industry with a bottom-up approach to offer an unprecedented level of transparency. This demonstrates the willingness of the Industry to cooperate with the European Institutions in the building of a Capital Markets Union and to ensure the smooth functioning of what is a crucial asset class for financial stability and access to funding."*

**Carsten Tirsbæk Madsen, European Covered Bond Council (ECBC) Chairman**

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**Notes to the Editor:**

1. In 2012, the EMF-ECBC established the **Covered Bond Label Foundation (CBLF)**, which highlights the quality of labelled assets. Following on from an initial test phase run in 2012, the Covered Bond Label [website](http://www.coveredbondlabel.com) became fully operational on the 1<sup>st</sup> of January 2013, with the first Labels being effective since then. As of September 2015, the website features 14 National Transparency Templates, 74 issuer Profiles and information on 86 labelled cover pools. The Covered Bond Label website currently provides issuance data on 4,245 covered bonds, amounting to a total face value of over 1.5 trillion EUR, out of which 1,865 covered bonds already include information on the Liquidity Coverage Requirement (LCR).
2. Established in 1967, the **European Mortgage Federation (EMF)** is the voice of the European mortgage industry, representing the interests of mortgage lenders and covered bond issuers at European level. The EMF provides data and information on European mortgage markets, which were worth over €6.9 trillion at the end of 2014. As of September 2015, the EMF has 18 members across 14 EU Member States as well as a number of observer members.
3. In 2004 the EMF founded the **European Covered Bond Council (ECBC)**, which is a platform that brings together covered bond market participants including covered bond issuers, analysts, investment bankers, rating agencies and a wide range of interested stakeholders. As of September 2015, the ECBC has over 100 members across 25 active covered bond jurisdictions and many different market segments. ECBC members represent over 95% of covered bonds outstanding, which were worth over €2.5 trillion at the end of 2014.
4. For the latest updates from the EMF-ECBC, follow us on [Twitter](#), [LinkedIn](#) and [YouTube](#).