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"Covered Bond Label Convention Aligned with CRR from 2014"

Brussels, 17 October 2013 – For immediate release

The Covered Bond Label Foundation (CBLF) is pleased to announce that as of the 1st of January 2014, the Covered Bond Label Convention, which defines the core characteristics required for a covered bond programme to qualify for the Label, will be amended to require compliance with Article 129 of the Capital Requirements Regulation (CRR). A phase-in period of up to one year from the 1st of January 2014 will be granted to issuers where the national implementation of CRR in their home country requires a longer implementation period.

Background

Over recent months, the European Central Bank (ECB) and the European Banking Authority (EBA), as well as the investor community, have each indicated their strong support for the alignment of the Label Convention with the newly agreed CRR. This position has now been endorsed by the Label Committee and follows a comprehensive consultation with labelled issuers and with stakeholders in all relevant jurisdictions.

For the sake of clarity, the Covered Bond Label Foundation advises that this change refers to the recently agreed version of the CRR as published in the Official Journal of the European Union on the 27th of June 2013. Any future changes to the CRR or UCITS Directive will be considered separately by the Covered Bond Label Committee and Advisory Council.

> *"The alignment of the Label Convention with the CRR strengthens the Covered Bond Label and confirms the strong commitment of the covered bond industry to quality by keeping in line with market and regulatory developments."*
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> **Paul O'Connor, Covered Bond Label Foundation (CBLF)**

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Notes to the Editor:

1. The **Covered Bond Label Foundation** (CBLF) grants quality Labels and is a response to a market-wide request for improved standards and increased transparency in the European covered bond market. The Label was established by the European Covered Bond Council (ECBC) in 2012 and developed by the European issuer community, working in close cooperation with investors and regulators, as well as in consultation with all major stakeholders. The Label is intended to result in multiple benefits with an enhancement of the overall recognition of and trust in the asset class. The Label facilitates access to relevant and comprehensive information for investors, regulators and other market participants, and demonstrates the determination of the covered bond community to tackle the challenges arising from the crisis. It also underlines the Industry's active engagement in the maintenance of the high quality of the collateral assets, the improvement of transparency, and eventually, the promotion of liquidity and the strengthening of secondary market activity. For more information, please visit the Covered Bond Label website www.coveredbondlabel.com.
2. The **European Covered Bond Council** (ECBC) 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. The ECBC was created by the European Mortgage Federation (EMF) in 2004. As of September 2013, the Council has over 100 members across 25 active covered bond jurisdictions and many different market segments. ECBC members represent over 95% of covered bonds outstanding. For more information please visit the ECBC website, http://ecbc.hypo.org.
3. Established in 1967, the **European Mortgage Federation** (EMF) is the voice of the European mortgage industry, representing the interests of mortgage lenders and covered bonds issuers at European level. The EMF provides data and information on European mortgage markets and its members grant more than 75% of residential and non-residential mortgage loans in Europe.
4. With **over EUR 2.8 trillion outstanding at the end of 2012**, covered bonds are playing an important role in European capital markets, contributing to the efficient allocation of capital and, ultimately, economic development and recovery. The **EUR 707 billion issuance and the arrival of 20 new issuers during 2012** evidence the ability of the asset class to provide essential access to long-term capital market funding. This is achieved even during volatile market conditions, notably thanks to a stable investor base. Their consistently strong performance and quality features attract the attention of regulators and market participants worldwide, which, in turn, leads to an increasing recognition of the macro-prudential value of the asset class.
5. From an issuer perspective, covered bonds provide an important contribution to the enhancement of a bank's funding profile and the management of liquidity. **Benefits provided by covered bonds include**:
   - adding duration to liabilities, allowing banks to obtain long-term funding matching the maturity profile of their long-term asset portfolios;
   - providing stability to the funding mix, allowing ALM teams to increase predictability in the maturity profiles;
   - enabling issuers to increase diversification in the investor base, both in terms of geography and investor type; and
   - serving the Industry as one of the most reliable funding tools, even in times of turmoil.