

## PRESS RELEASE – PRESS RELEASE – PRESS RELEASE

# “Inclusion of Covered Bonds as Extremely High Quality Liquid Assets (Level 1) and High Quality Liquid Assets (Level 2A) under the Liquidity Coverage Requirement (LCR)”

Brussels, 10 October 2014 – For immediate release

The European Commission has today published a [Delegated Regulation](#) to supplement the Regulation with regard to the Liquidity Coverage Requirement (LCR) for Credit Institutions. The LCR represents one of the most significant innovations of the Capital Requirements Regulation (CRR) *vis-à-vis* the preceding Directives on capital requirements. Moreover, this is the first time that a detailed liquidity regulation has been formally introduced at the EU level. The **European Covered Bond Council (ECBC)** welcomes the Delegated Regulation’s acknowledgement that the Basel Accord does not fully take into account the extent to which certain other asset classes may be more liquid in some jurisdictions than originally envisaged by the Accord. Consequently, the ECBC welcomes the Commission’s proposal for a number of adjustments to the LCR to reflect these EU specificities, most notably for covered bonds and securitised assets.

### Covered Bonds

The European Commission proposes to give certain covered bonds an extensive recognition in the LCR, as per the empirical analysis presented in the European Banking Authority’s (EBA) studies which highlight the excellent liquidity performance by top-rated covered bonds during the period examined. The Commission considers this warrants allowing ECAI 1 covered bonds to make up a maximum of 70% of the buffer with a 7% haircut, as well as ECAI 2 covered bonds (up to 40% of the buffer with a 15% haircut).

The ECBC welcomes and supports the clear acknowledgement of the strategic importance of the covered bond asset class in the European long-term financing toolkit. The ECBC strongly believes that enabling covered bonds to be eligible for Levels 1 and 2A of the LCR will empower banks to diversify their investments away from purely sovereign exposure and, therefore, help to remove systemic risks from the banking system.

For further information on the ECBC’s position on the LCR, please refer to the Position Paper published on the 4<sup>th</sup> of February 2014 and to the ECBC response to the European Commission published on the 28<sup>th</sup> of March 2014, which are both available via the ECBC website ([here](#)).

*“We welcome the European Commission’s recognition of the macro prudential value of covered bonds and its efforts to reduce the LCR’s overreliance on ratings by introducing specific requirements relating to transparency. This can be seen as recognition of the importance of further enhancing disclosure in the covered bond market through initiatives such as the [Covered Bond Label](#).”*

**Luca Bertalot, EMF-ECBC Secretary General**



## **Contact:**

### **Luca Bertalot**

Secretary General

Tel: +32 2 285 40 35

[lbertalot@hypo.org](mailto:lbertalot@hypo.org)

For further information on the activities of the European Mortgage Federation (EMF) - European Covered Bond Council (ECBC) please contact us at:

Avenue de Cortenbergh 71, B-1000 Brussels, Belgium

Tel. +32 2 285 40 30

E-mail: [emfinfo@hypo.org](mailto:emfinfo@hypo.org) – [ecbcinfo@hypo.org](mailto:ecbcinfo@hypo.org)

Website: [www.hypo.org](http://www.hypo.org) – <http://ecbc.hypo.org>

ECBC Covered Bond Comparative Database: [www.ecbc.eu](http://www.ecbc.eu)

## **Notes to the Editor:**

1. 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 €6.7 trillion at the end of 2012. As of October 2014, the EMF has 19 members across 14 EU Member States as well as a number of observer members in the EU and the Russian Federation.
2. 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 October 2014, 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 €2.6 trillion at the end of 2013.
3. In 2012, the EMF-ECBC established the **Covered Bond Label Foundation (CBLF)**, which highlights the quality of labelled assets. As of October 2014, 81 labels have been granted to over 4000 covered bonds from 70 issuers in 13 countries for a total face value of covered bonds which amounts to over €1.3 trillion.
4. For the latest updates from the EMF-ECBC, follow us on [Twitter](#) and [LinkedIn](#).