BANCO DE ESPAÑA
Eurosistema

37TH ECBC PLENARY MEETING

THE REGULATORY FRAMEWORK FOR COVERED BONDS IN SPAIN

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TOWARD HARMONIZATION. KEY MILESTONES

December 2012
- ESRB requested EBA assessing the CB framework's functioning under the best practice principles

July 2014
- First EBA report published

October 2014
- Spanish Treasury consultation on the potential improvement of the regulatory framework for CBs

September 2015
- EC released consultation paper

December 2016
- Second EBA report published

July 2017
- EP supported harmonization

March 2018
- EC released proposal for Directive and Regulation

January 2020
- New rules came into force

July 2021
- Deadline for transposition

November 3, 2021
- RDL 24/2021 transposing CBD

June 25, 2022
- RDL 11/2022 amending and supplementing RDL 24/2021

July 8, 2022
- CB Directive implemented

February 24, 2023
- CBE 1/2023 on CB information

June 28, 2023
- RDL 5/2023 amending and supplementing RDL 24/2021

September 2025
- EBA published response to the CfA

Different options analyzed (pros and cons)

- *Cédulas Hipotecarias* were a consolidated long-term financial tool used extensively by Spanish issuers
- Large adjustment to the new framework required
- Any grandfathering-like solutions were dismissed – ***big-bang* approach**
- Compulsory rules to protect CB investors' rights (ie. cover pool composition, transparency rules, cover pool monitor), and strong supervision of the process
- Old CB investors benefit from the new features, but no right to claim for early repayment

No changes in the features of the Spanish model of issuance

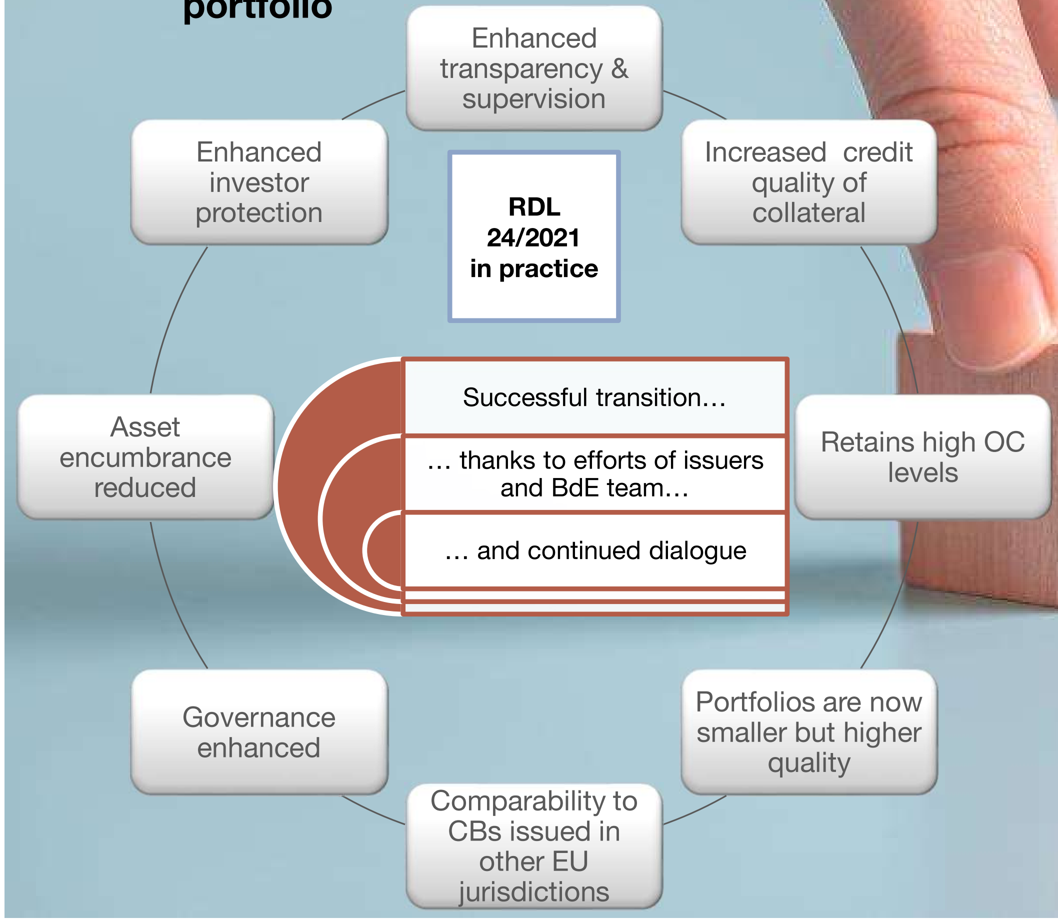
- On balance sheet model
- Revolving cover pools

July 8, 2022

- BE authorized...
  - … 19 credit institutions to issue CB
  - … 5 external cover pool monitors
  - … 27 programs (EUR 240 bn)

SPANISH TRANSITION PROCESS

- × Lower minimum OC
- × No longer backed by the entire portfolio



- ✓ 180 day liquidity buffer
- ✓ Independent cover pool monitor
- ✓ Independent CP administrator separate from the bankruptcy administrator
- ✓ Possibility of maturity extensions based on objective triggers, but liquidity buffer calculated based on original maturity
- ✓ Increased credit quality of collateral given a redefined cover pool perimeter
- ✓ Eligible assets included in a cover pool register (segregation/separate estate)
- ✓ Greater reporting transparency
- ✓ Reinforced supervisory powers
- ✓ Hard limit at inception, later soft limit permitted
- ✓ Derivatives counterparties rank *pari passu* with CB holders
- ✓ Reinforced mortgage collateral
  - Property values revised at least annually (AVM permitted)
  - Stricter rules for the evaluation of collateral
  - Maturity of residential mortgages ≤ 30 years

AFTER JULY 8, 2022

	2022	2023	2024
Number of issuers authorized	19	19	20
Number of ECPM authorized	5	5	5
Number or programs authorized	27	27	28
Amount (EUR bn) of programs authorized	240	421	417
Number of issuances CB	225	218	211
Outstanding amount CBs (EUR bn)	212	213	207
- *Cédulas Hipotecarias* (%)	91	89	90
- *Cédulas Territoriales* (%)	6	6	4
- *Cédulas de Internacionalización* (%)	3	5	6

- Investors' confidence maintained
- Ratings maintained and positive views of rating agencies
- No impact on spreads
- No strong issuances given excess liquidity
- Outstanding amounts have slightly reduced, although Spanish CB market continues being strong

Business as usual

Thank you for your attention