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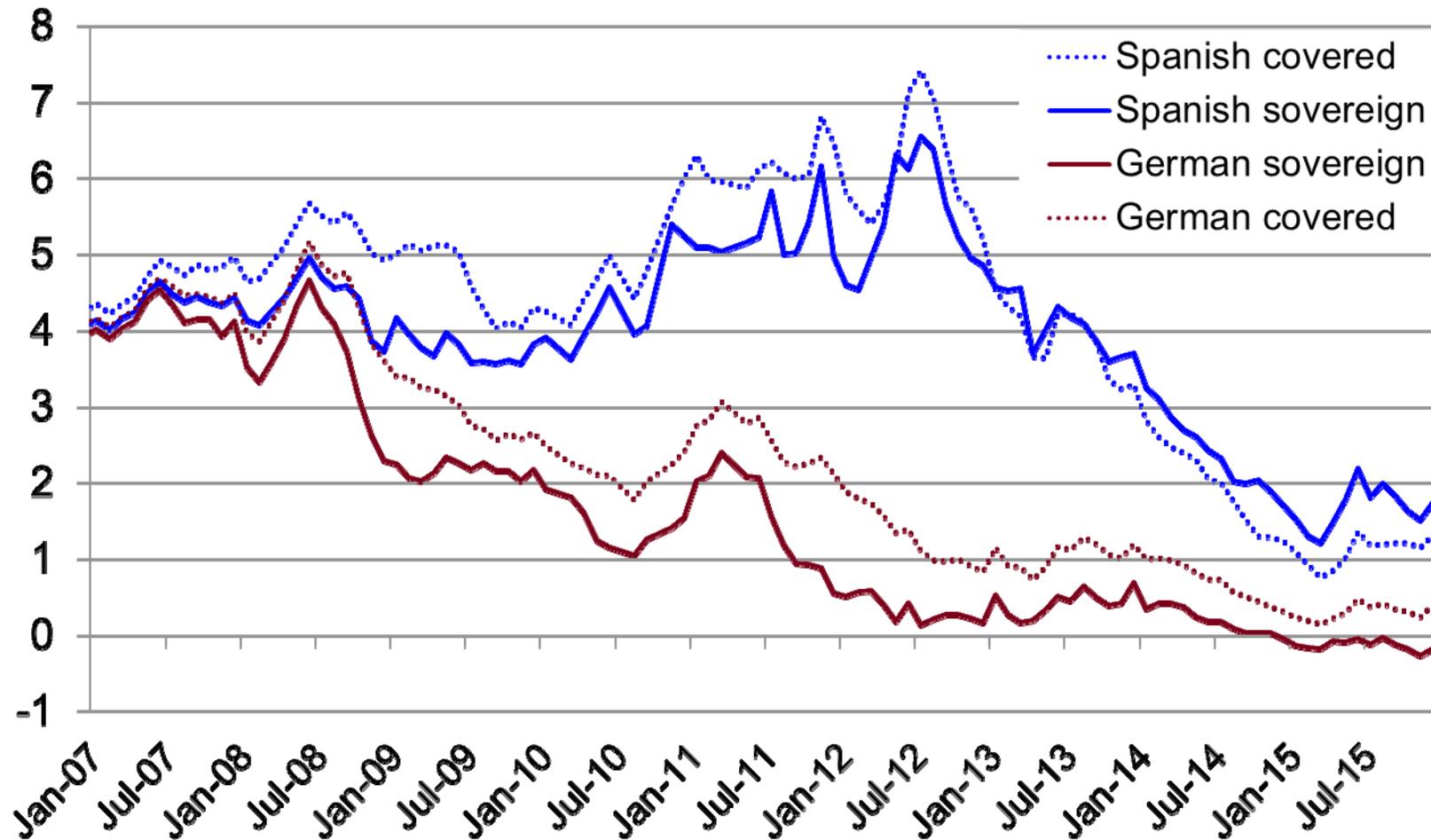
# **Covered Bonds Markets – Analysis of Market Trends**

**EC Conference on  
Covered Bonds  
Brussels, 1 February  
2016**

*The views expressed do not necessarily reflect those of the ECB*

# Sovereign/bank -linkages during the financial crisis

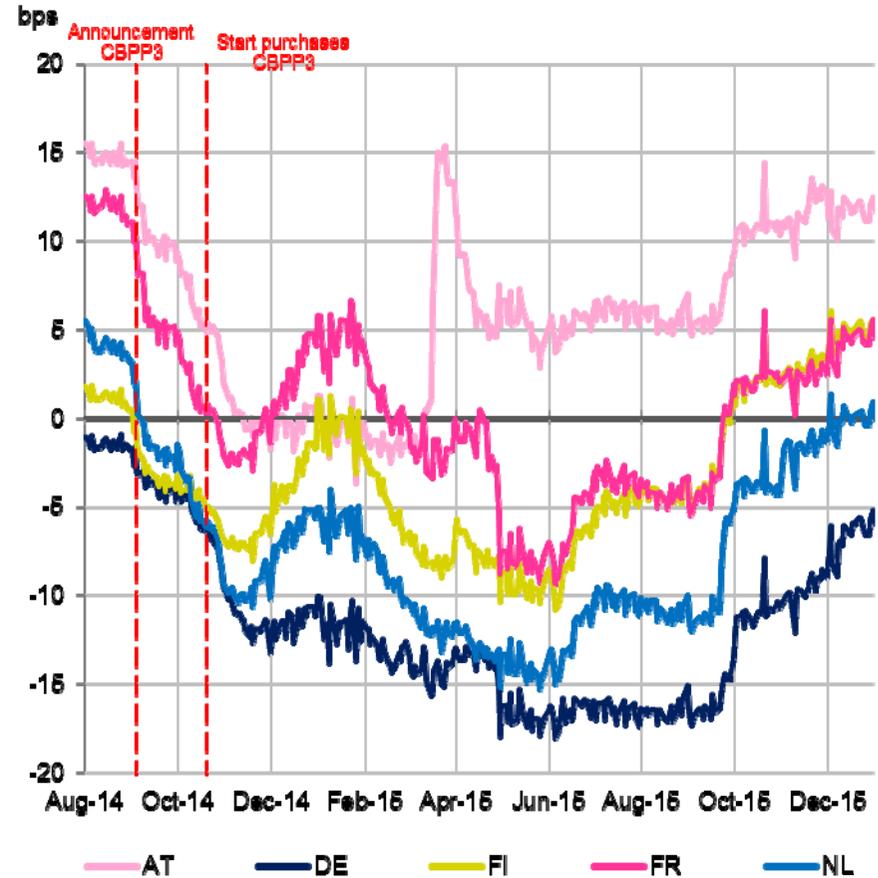
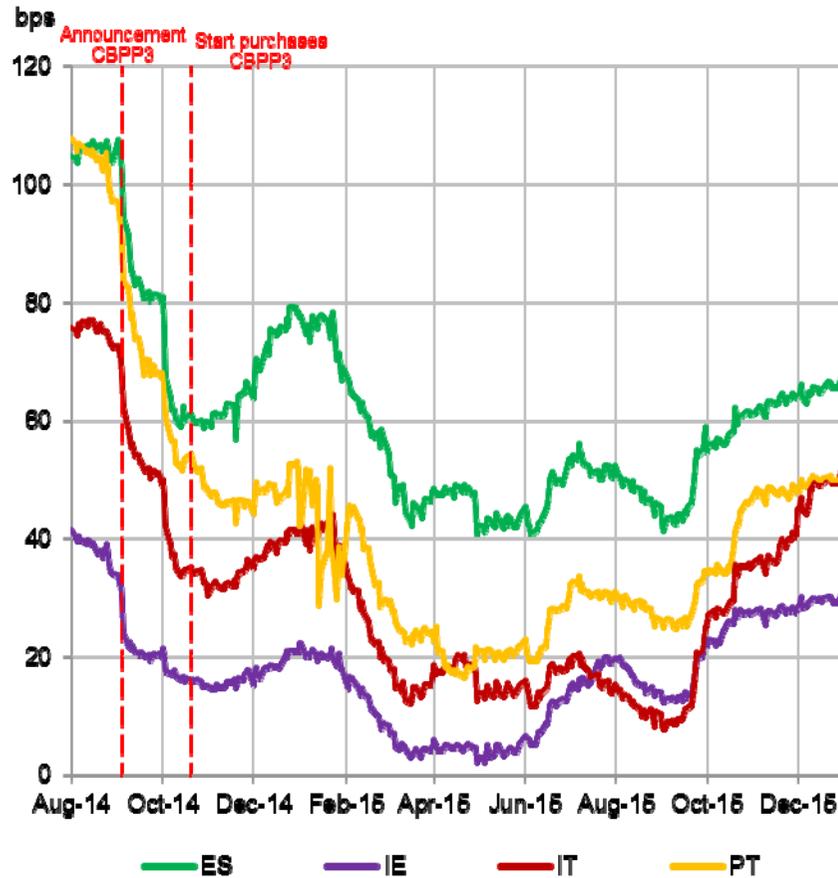
## Some covered bond and sovereign bond yields (%)



Source: Markit Iboxx indices. Monthly, last observation December 2015. Indices with intermediate maturity have been used.

# Secondary market performance of covered bonds

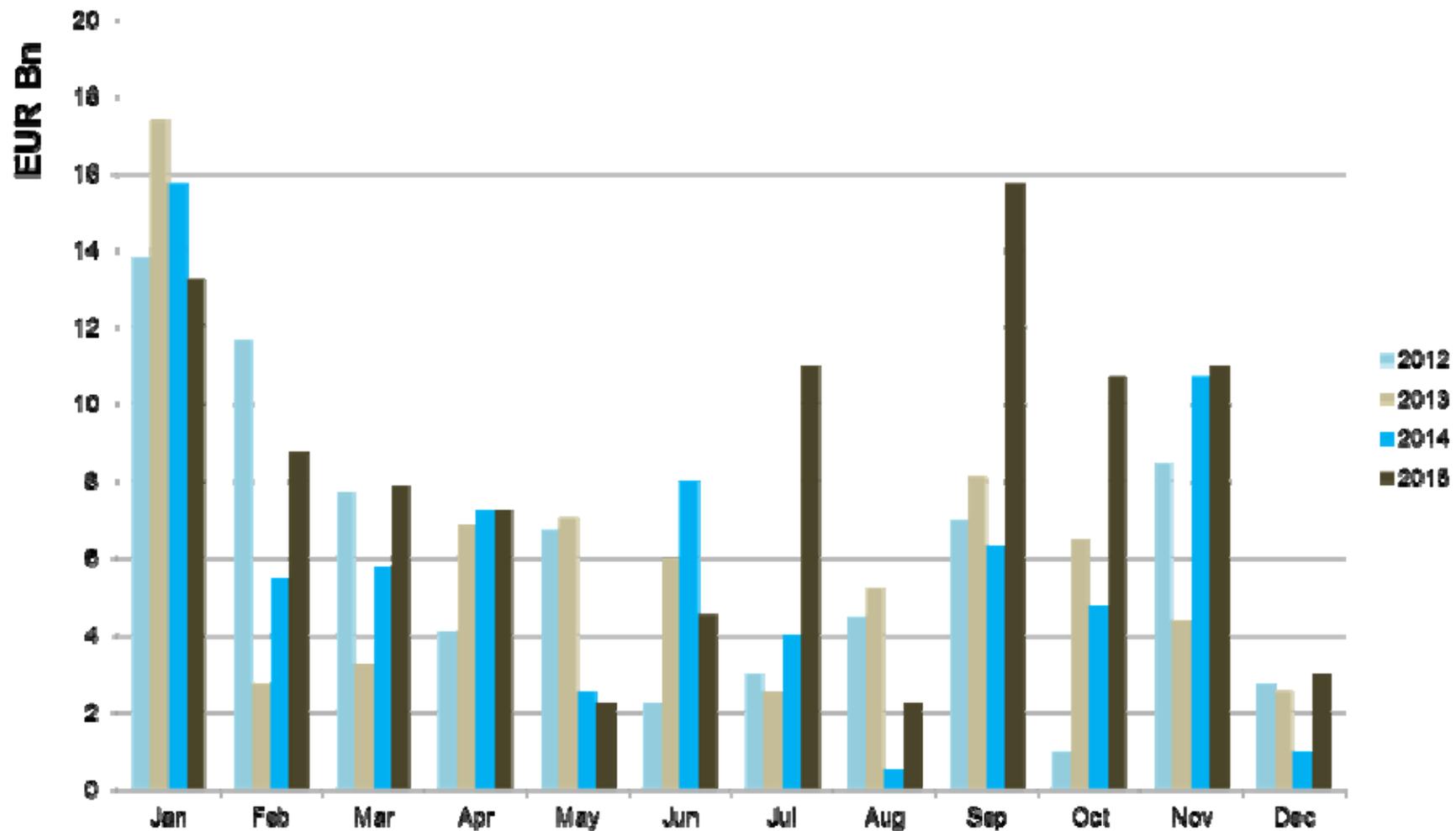
## Asset swap spread developments in selected euro area jurisdictions



Source: Markit, iBoxx indices; Last observation: 31/12/2015

# Primary market issuance of covered bonds 2012 - 2015

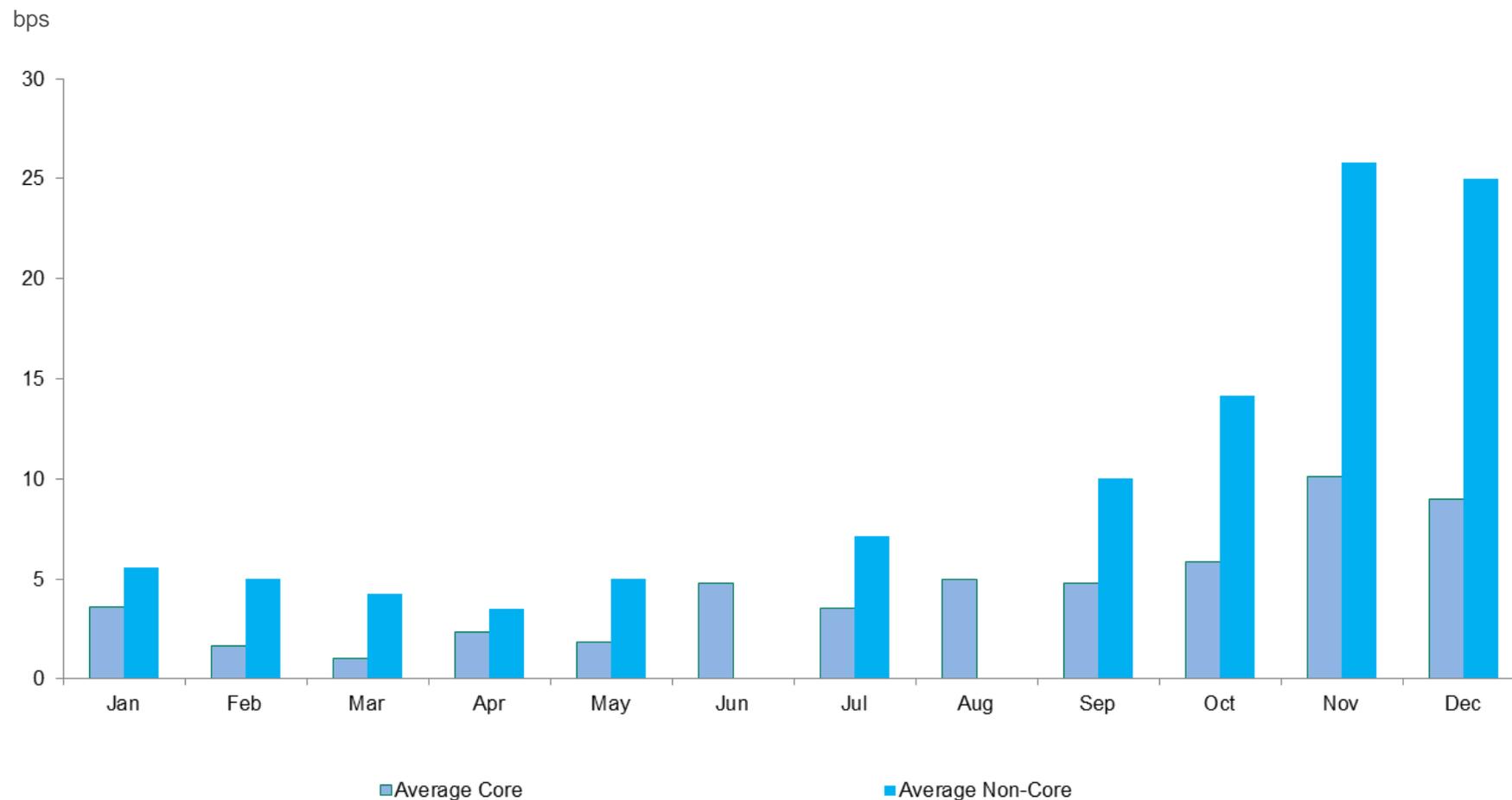
## Exceptionally strong issuance since September



Source: Dealogic. Monthly, last observation December 2015.

# CBPP3 and market developments for different issuers

## New issuance premium increasing



Source: Crédit Agricole, ECB calculation

# Alignment in the regulatory treatment

## Aim

- Maintaining appropriate level playing field
- Regulatory treatment of covered bonds should reflect unique features but also similarities with close substitutes

## Assessment

- Regulatory treatment of covered bonds under Art 129 CRR overall prudent
- Consistent with the resilience of covered bonds historically

## Development areas

- Risk-sensitivity of the covered bond prudential treatment
  - Reducing the reliance on ratings from credit rating agencies
    - (i) segregation and quality of the cover pool
    - (ii) the quality of the issuer
    - (iii) mitigants to liquidity or operational risks
    - (iv) transparency to enable market participants in their due diligence of covered bonds.
  - Monitoring on the appropriateness of preferential risk weight treatment