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# RUTGERS & POSCH

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Cheatsheet on  
Dutch covered bonds

Kees Westermann  
Vasco Hoving  
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# Programme trends 2005-2018

Maturity	Contractual	Legislative (DNB supervision)	Retained (DNB)
Hard bullet	<del>ABN</del>	<del>ABN</del>	
Hard or soft bullet (1 yr)	<del>ING</del>	ABN 2005 €40b, ING 2008 €30b	
Soft bullet (1 yr extension)	<del>Achmea, Volks- bank, NIBC</del>	Volksbank 2007 €15b, ING II 2014 €15b, Rabo 2017 €25b	ABN II 2017 €40b
Conditional pass-through		NIBC 2013, Aegon & VL 2015, Achmea & NN 2017, all €5b	



# EU regulation - the Bernd Lucke scare

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## 2015-09 EC Action Plan for 2019:

- 30 actions for integrated Capital Markets Union
- ... build a pan-European covered bond framework

## 2018-03 EC proposal: covered bond **harmonisation** directive:

- European covered bonds
- ... confirms current practice, at least for the NL

## 2018-08 EP Bernd Lucke report:

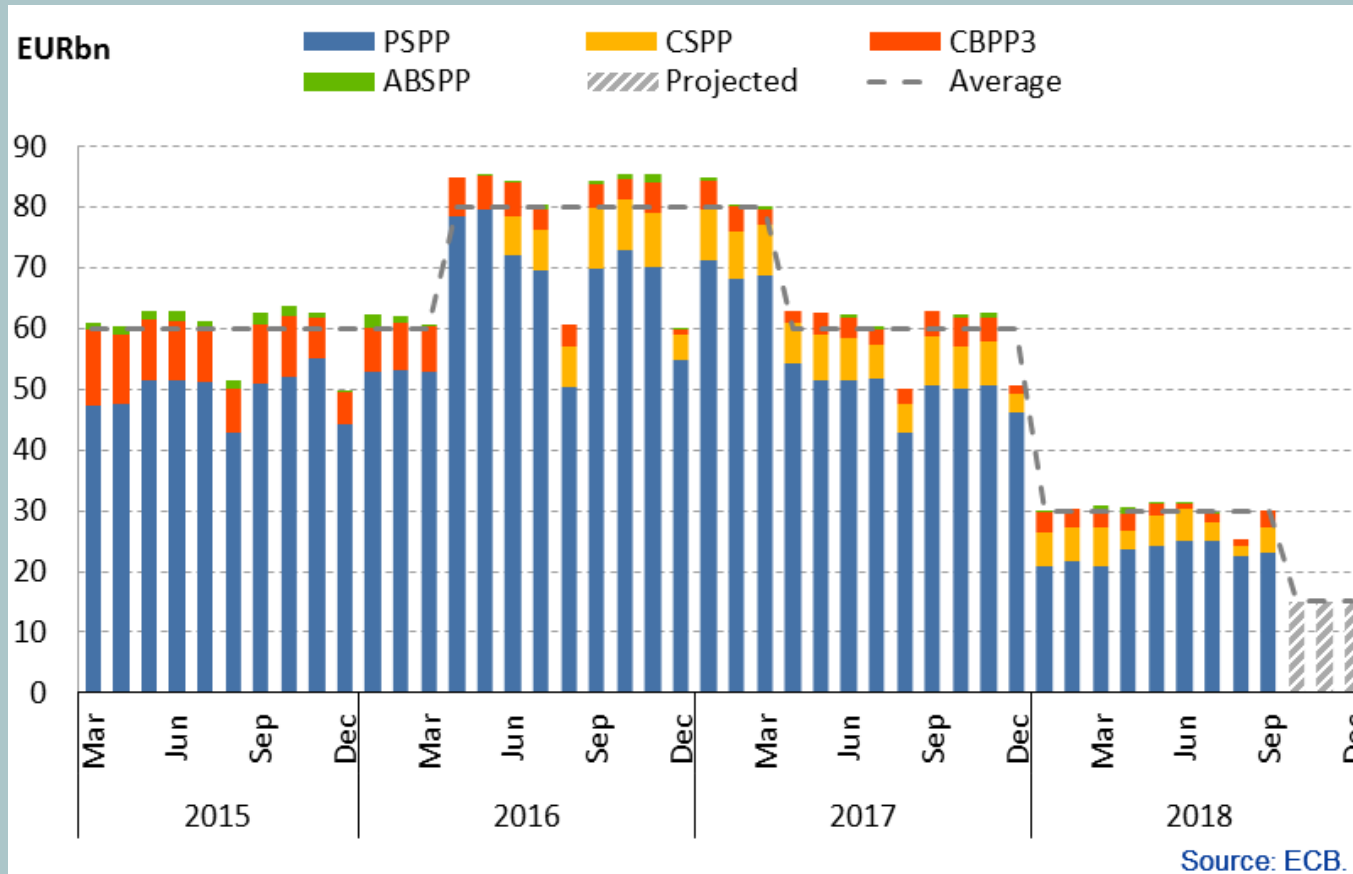
- **Differentiation** depending on maturity extension
- ... risk weight 10 → 30% for conditional pass-through cb's
- ... **counter-lobby** DACB, ECBC **likely successful**

## Expectation for 2019:

- Q1 EP/EC adopt harmonisation directive
- reconfirm (or finetune) Dutch covered bond law



# Sugar daddy ECB – moving out



PSPP:  
public  
sector

CSPP:  
corporate  
sector

CBPP3:  
3<sup>rd</sup> covered  
bond

ABSPP:  
asset-backed  
securities

## ➤ Tapering:

- 2018-02 No more CPTCBs if issuer rating < investment grade
- 2018-Q4 Reduce to 10% of primary issuance (was 50%)
- 2019-Q1 Replace maturing bonds only

# Brexit – uncertainty

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## ➤ Dutch covered bonds:

- cover pools consist of Dutch resi loans → no direct UK angle
- UK investor base in Dutch covered bonds minor and likely to decline:
- ... e.g. asset managers moving to Frankfurt



## ➤ UK covered bonds:

- limited appetite prior to Brexit, unless at concession

## ➤ UK commercial and resi mortgage loans:

- limited appetite from e.g. German Pfandbriefe banks prior to Brexit

# Green covered bonds

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- No Dutch green covered bonds yet, but:
  - unsecured corporate & bank bonds → use of proceeds is green
  - Obvion's Green Storm RMBSs 2017 & 2018:
    - ... separate SPV → use of proceeds & source of repayment is green
- Foreign green & social covered bonds:
  - market first BerlinHyp 2016 → use of proceeds is green
  - ... also funding Dutch green real estate
- ECBC – Energy Efficient Mortgages Initiative 2016:
  - pan-European mortgage financing mechanism



# Weeding the long-winded risk factors

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## ➤ Risk factors:

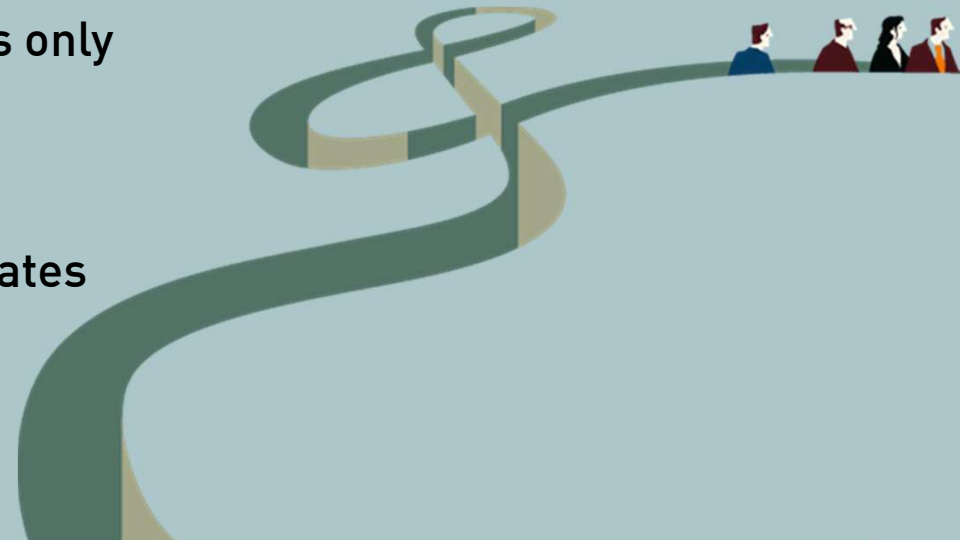
- 22-109 pages long in Dutch covered bond base prospectuses
- Prospectus Regulation 2017-07, **new regime** effective **2019-07-21**
- ... repealing Prospectus Directive 2003

## ➤ 2018-07 draft ESMA guidelines for **new risk factor regime**:

- specificity : risks must have clear and direct link with issuer, CBC, cb's
- materiality: disclose negative impact
- corroboration: prospectus as a whole to explain specificity & materiality
- presentation: per category, most material risk 1st
- focus: concise wording
- summary: 15 most material risks only

## ➤ Expectation for 2019:

- Q1 ESMA to finalise guidelines
- Q2 avalanche of programme updates
- Q3 **new risk factor regime**



# Questions?

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kees.westermann  
@rutgersposch.com  
T +31 20 891 3922



vasco.hoving  
@rutgersposch.com  
T +31 20 891 3944