

17 March 2023

## Circular on the Transposition of the Covered Bonds Directive

### Introduction

The Covered Bonds Directive<sup>1</sup> sets out principles for a pan-European framework for covered bonds and aims to harmonise the supervision and treatment of these instruments across EU Member States.

Covered bonds are debt securities issued by credit institutions against a ring-fenced pool of assets which offer dual recourse protection for bondholders, whereby covered bondholders have direct recourse over the cover pool as preferred creditors and, at the same time, they remain entitled to claim against the issuing entity as ordinary creditors.

The main purpose of the Directive is to regulate the conditions under which credit institutions can issue covered bonds as a financing tool, by laying down:

- (1) requirements for issuing covered bonds;
- (2) the structural features of covered bonds;
- (3) covered bond public supervision; and
- (4) publication requirements in relation to covered bonds.

### Local Transposition

The MFSA is the designated competent authority in Malta for the purposes of implementing the provisions of the said Directive.

The Covered Bonds Directive has been transposed by virtue of:

- [Act No. IX of 2023](#), Financial Markets (Amendment) Act
- Financial Markets Act (Covered Bonds) Regulations ([LN 59 of 2023](#))
- Amendments to the Recovery and Resolution Regulations (S.L. 330.09) - ([LN 6 of 2021](#) and [LN 74 of 2022](#))
- Amendments to the Investment Services Rules

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<sup>1</sup> Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU

## **Amendments to the Investment Services Rules**

In order to transpose Article 28 of the Directive, amendments have been carried out to SLC 5.10 of Part BII of the Investment Services Rules for Retail Collective Investment Schemes in relation to investments by UCITS in covered bonds. This has been accompanied by new terms introduced in the respective Glossary.

The revised Rulebook enters into force on the day following the publication of this circular.

## **Implementation**

In due course, the Authority will be supplementing the transposition with further details in relation to the implementation of the said Directive.

## **Conclusion**

Should you have any queries on the general transposition of the Directive, please contact [coveredbonds@mfsa.mt](mailto:coveredbonds@mfsa.mt)