

Consultation Document on Proposed Additional Provisions for the Covered Bond Framework

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1. Introduction

- 1.1 The [Covered Bonds Directive \(2019/2162\)](#) (the “CB Directive”) 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. The CB Directive entered into force on 7 January 2020. Member States had until 8 July 2021 to transpose the Directive, and national measures were applicable as from 8 July 2022.
- 1.2 As outlined in the MFSA circular of [17 March 2023](#), the CB Directive has been transposed by virtue of:
- Amendments to the [Financial Markets Act](#) (Chapter 345 of the Laws of Malta) (the “FMA”);
 - New subsidiary legislation issued under the FMA - [Financial Markets Act \(Covered Bonds\) Regulations](#) (SL 345.27) (the “CBR”);
 - Amendments to the [Recovery and Resolution Regulations](#) (SL 330.09) (the “RRR”); and
 - Amendments to the [Investment Services Rules](#) (the “IS Rules”).
- 1.3 The CB Directive is complemented by the [Covered Bonds Regulation \(Regulation \(EU\) No 2019/2160\)](#) (the “CB Regulation”) that aims to strengthen the quality of covered bonds on a bank’s balance sheet which are eligible for preferential capital treatment under the [Capital Requirements Regulation \(Regulation \(EU\) No 575/2013\)](#) (the “CRR”). The CB Regulation has been applicable since 8 July 2022, in parallel with the application deadline for the national measures transposing the CB Directive. No further legislative measures were introduced to implement the CB Regulation, given its direct applicability.
- 1.4 The MFSA is the designated competent authority in Malta for the purposes of implementing the provisions of the CB Directive and the CB Regulation.
- 1.5 The purpose of this Consultation Document is to present the MFSA’s proposed approach and to seek stakeholders’ views on proposed supplementary provisions to complement those transposing the CB Directive to complete the local framework for covered bonds. These consist of additions and/or changes to primary and secondary legislation as well as dedicated Covered Bonds Rules issued by the MFSA ([Annex I](#)).

2. Background

- 2.1 Covered bonds are debt securities issued by credit institutions against a ring-fenced pool of assets which offer a dual recourse protection for bondholders: they have direct recourse as preferred creditors and, at the same time, they remain entitled to claim against the issuing entity as ordinary creditors, in the event that the priority claim cannot be fully satisfied.
- 2.2 The CB Directive allowed for a number of Member State options and discretions to account for the unique covered bond systems in place across Europe. In Malta, there was no established legal framework for covered bonds before the CB Directive took effect. The choices made at the time focused on protecting investors and ensuring financial stability, while leaving room to adjust or develop these positions as needed in the future. The model adopted was that, whereby, the covered bond issuer is a universal credit institution¹, thus reflecting the characteristics of local banks.

Options and Discretions

- 2.3 During the transposition process, the MFSA adopted the following options and discretions found in the CB Directive:
- to allow for credit institutions issuing covered bonds in Malta to include assets in the cover pool that are secured by collateral assets located outside the EU, as per Article 7(1);
 - to allow for the use of intra-group pooled covered bond structures, as per Article 8;
 - to allow for covered bonds which qualify for a credit quality step2 following a change in credit quality, to continue to be part of an intragroup pooled covered bond structure, as per Article 8 last paragraph;
 - to allow for transfers by way of financial collateral arrangements, as per Article 9(2);
 - to allow for cover assets originated by an entity other than a credit institution to be used as cover asset, as per Article 9(3);
 - to require the appointment of a cover pool monitor, as per Article 13(1);
 - to allow for the cover pool monitor not to be separate from the credit institution, as per Article 13(3);

¹ "In a majority of EU Member States covered bonds are issued by credit institutions whose business and funding sources are usually diversified. In this respect, universal credit institutions do not focus on a specific business line, e.g. mortgage lending, and usually hold on the liabilities side of their balance sheet - not only covered bonds and equity, but also, for instance, deposits, unsecured liabilities and subordinated liabilities. The assets devoted by the issuer to a covered bond programme normally remain on the balance sheet of the issuer and are ring-fenced via inscription in a cover register. The covered bond investor has a first claim on the issuer with respect to the payment obligations associated with the bond and, upon issuer default, a privileged claim upon the assets included in the cover pool backing the bond" (Source: EBA Report on EU Covered Bond Frameworks and Capital Treatment, 1 July 2014, Page 20).

- to allow for the principal for extendable maturity to be based on the final maturity, as per Article 16(5);
- to allow for the issuance of covered bonds with extendable maturity structures, as per Article 17(2);
- to allow for the appointment of a special administrator, as per Article 20(2);
- to allow for the special administrator to operate, in case of insolvency of the credit institution, under the authorisation held by that credit institution, as per Article 20(3); and
- to allow for transitional measures, as per Article 30.

2.4 The MFSA has not adopted the following options and discretions found in the CB Directive:

- providing for dual recourse in the case of the insolvency of a specialised mortgage credit institution, as per Article 4(3);
- to allow for cover eligibility of cover assets secured on a physical collateral asset by way of an alternative form of certification of the ownership of and claims on physical collateral assets where there is not a public register, as per Article 6(3);
- to allow for a lump-sum calculation for the expected costs related to maintenance and administration for the winding-down of the covered bond programme, as per Article 15(3);
- to allow for other principles of calculation for coverage requirements, as per Article 15(6);
- to allow for consideration of future interest receivable, as per Article 15(7);
- to allow for the option to have different methodology for calculation of cover assets, as per Article 15(8);
- to allow for the disapplication of the principal for extendable maturity to be based on the final maturity to covered bonds that are subject to match funding requirements, as per Article 16(6); and
- not to provide for administrative penalties or other administrative measures for breaches which are subject to criminal penalties under national law, as per Article 23.

2.5 In relation to the options and discretions in terms of the CRR brought about by the CB Regulation, the derogation present in Article 129(1a)(c) has not been utilised in the local scenario. With respect to the discretion granted in Article 129(3a), no lower minimum level of overcollateralisation for covered bonds has been set.

Supplementary Rules

- 2.6 The CB Directive, as a minimum harmonisation Directive, lays down investor protection rules concerning (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.
- 2.7 Additionally, in several Articles the CB Directive requires or allows Member States to lay down additional rules in order to further tailor the implementation of certain aspects at national level.
- 2.8 The CB Directive provides that the MFSA shall lay down rules regarding the:
- entitlement of covered bond investors and counterparties of derivative contracts to a number of claims, as per Article 4(1) and (2) **[see Section 3]**;
 - methodology and process for the valuation of physical collateral assets which secure assets, as per Article 6(5) **[see Section 11]**;
 - risk diversification in the cover pool in relation to granularity and material concentration for non-eligible assets, as per Article 6(8) **[see Section 9]**;
 - composition of cover pools, as per Article 10 **[see Section 6]**;
 - derivative contracts in the cover pool specifying (a) the eligibility criteria for the hedging counterparties; (b) the necessary documentation to be provided in relation to derivative contracts, as per Article 11(2) **[see Section 8]**;
 - segregation of cover assets, as per Article 12(1) **[see Section 7]**;
 - appointment of a cover pool monitor, as per Article 13(2) **[see Section 13]**;
 - valuation of derivative contracts, as per Article 15(5) **[see Section 14]**;
 - calculation of any interest payable, as per Article 15(6) **[see Section 14]**;
 - objective triggers required in order for a credit institution to be permitted to issue covered bonds with extendable maturity structures, as per Article 17 **[see Section 19]**;
 - tasks and responsibilities of a special administrator, as per Article 20(3) **[see Section 18]**;
 - frequency of reporting to the competent authority and the information reported, as per Article 21(1) **[see Section 16]**; and
 - public supervision in the event of the insolvency or resolution of a credit institution issuing covered bonds, as per Article 21(3) **[see Section 17]**;
- 2.9 The CB Directive provides that the MFSA may also lay down rules regarding:
- The specific case of the insolvency of a specialised mortgage credit institution when it comes to priority claim, as per Article 4(3) **[option not taken]**; and
 - The use of intragroup pooled covered bond structures, as per Article 8 **[see Section 15]**

- 2.10 The MFSA is proposing a set of additional provisions in the form of primary, secondary legislation and a dedicated Covered Bonds Rulebook. These provisions need to be applied collectively for the local covered bond framework to be implemented and operational in practice as further explained in subsequent sections of this Consultation Document.

3. Rules on Dual Recourse

- 3.1 Article 4 of the CB Directive was transposed in the local legislative framework by means of Article 31I of the FMA. The MFSA proposes to amend the article to the extent that further clarity is provided in relation to the priority claim that covered bond holders are entitled to in the event of insolvency or resolution of the credit institution issuing the covered bond, particularly how such priority claim would rank vis-a-vis other privileged claims.

1. Do you agree with the proposed approach on dual recourse?

4. Rules on Approval of Covered Bond Programme

- 4.1 In terms of Article 31D of the Financial Markets Act, no covered bonds shall be issued in Malta by a credit institution unless and until a covered bond programme is approved by the competent authority. Sub-article (3) of the same article contains a list of requirements which need to be satisfied for the competent authority to approve the covered bond programme.
- 4.2 The MFSA proposes a list of documents which would need to be submitted by an applicant credit institution intending to issue a covered bond, together with an application form which the MFSA intends to publish in due course.

2. Do you deem the list of documents to be sufficient for the purpose of satisfying Article 31D of the FMA? What other documents could be relevant to assess when approving a covered bond programme?

5. Rules on Covered Bond Public Supervision

- 5.1 Article 32(1)(via) of the FMA establishes the requirement for credit institutions issuing covered bonds or any person who is or was in office, employee or agent of such institution or any person that controls such institution to (i) provide the competent authority with information and documentation, (ii) provide the competent authority with any verified information and documentation, (iii) to attend before the competent authority or any person

appointed by it to answer questions and provide information, and (iv) to give to the competent authority any assistance it may require.

- 5.2 This provision is proposed to be enhanced to also include in its scope the cover pool monitor, the special administrator and members of the issuer's governing body. This addition would explicitly establish and support the MFSA's powers in requesting information and assistance to such individuals, who are considered very relevant to the matter of the issuance of covered bonds.

3. Do you have any objections to the inclusion of these individuals in article 32(1)(via) of the FMA? If yes, what are the justifications for objection?

6. Rules on Composition of Cover Pool

- 6.1 In terms of Article 6 of the CB Directive, Member States are required to ensure that covered bonds are at all times secured by *inter alia* assets that are eligible pursuant to Article 129(1) of CRR, provided that the credit institution issuing the covered bonds meets the requirements of paragraphs 1a to 3 of Article 129 of that Regulation. This Article of the CB Directive has been transposed in regulation 3 of the CBR.
- 6.2 The MFSA proposes to only allow covered bonds issued by a credit institution which are secured by the following cover assets:
- a) Loans secured by residential immovable property; and
 - b) Loans secured by commercial immovable property.

The MFSA's proposal is to preliminarily adopt a conservative approach, with the possibility of enhancing the framework in the future. Consequently, the MFSA proposes that only assets eligible under Article 129(1)(d) and (f) of the CRR be allowed as cover assets. Primary cover assets can be composed of either residential or commercial loans, or a mix of both. The MFSA is of the view that the aforementioned cover assets fulfil the requirements of the CB Directive, including those relating to the collateral assets securing the claim for payment.

To this effect, the MFSA proposes to amend regulation 3 of the CBR to restrict cover assets to assets that are eligible pursuant to Article 129(1) (d) and (f) of the CRR.

- 6.3 Each covered bond programme shall have a distinct, segregated cover pool.

- 6.4 The MFSA proposes that the cover pool shall consist of at least 80% of eligible primary assets, and a maximum of 20% substitution assets. Substitution assets may only be included in the cover pool for a maximum of 20% of the total nominal value of the cover assets. These substitution assets may be composed of the types of eligible cover assets under CRR Article 129(1)(d) and (f).
- 6.5 The proposed Rules provide that if the credit institution has a claim to a loan on a property which it acquired to prevent any future losses, the loan may be considered as cover only on the basis of a new calculation of the lending value.
- 6.6 Moreover, should building structures connected firmly with the property be taken into account as augmenting the lending value of the loan, it must be ensured during the full lending term that, in case any such building is damaged or destroyed, the bank receives insurance payment for compensation of loss, insofar as the building is not rebuilt or restored. The insurance must at a minimum cover those risks which are significant according to the location and type of property. The amount of the insurance must cover at least the following:
- i. the expected costs to rebuild or restore the buildings;
 - ii. the amount of damages which would in all likelihood not be exceeded in the event that such significant risks to the buildings referred to above should occur; or
 - iii. the amount of the loan claim outstanding, limited to the time value loss that the bank would have received from a value-adequate building insurance policy in the event of a loss.

4. Do you agree with the restriction on eligible assets for the cover pool being proposed?

5. Do you agree that substitution assets should only be composed of assets under CRR Article 129(1) (d) and (f)? Should other assets (such as those contained in Article 129(1)(a) CRR) be considered as substitute assets?

7. Rules on Segregation of Cover Assets

- 7.1 The MFSA proposes that regulation 9 of the CBR is amended to clarify that the obligation of segregation of cover assets lies with the credit institution issuing the covered bond.
- 7.2 A few other requirements are proposed to be included under regulation 9, namely to ensure the maintenance of proper and adequate records, and to safeguard cover assets from

misappropriation. At this juncture, the MFSA is of the opinion that no further rules are required in this area.

6. Do you agree with the proposed approach on segregation of cover assets?

8. Rules on Derivative Contracts in the Cover Pool

- 8.1 In terms of Article 11 of the CB Directive, it may appear that Member States have discretion on whether to allow derivatives in the cover pool. When allowing derivative contracts to be included in the cover pool, Member States are required to ensure investor protection only where specific requirements are met. Article 11 was transposed in regulation 8 of the CBR.
- 8.2 Following further consideration by the MFSA, the latter is proposing an amendment to the aforementioned Regulations, to exclude derivatives from being included in the cover pool. The reason behind this proposal is to ensure investor protection to the best extent possible. The risks for derivatives include counterparty risks (therefore the derivatives are subject to additional risks if the counterparty defaults), that are difficult to predict or value. Additionally, a derivative per se has no intrinsic value because its value is derived from the underlying asset (this in turn results in more market risk, whereby derivatives are more sensitive to market fluctuations). Furthermore, the MFSA is of the view that accurately valuing derivatives can be challenging thus, leading to possible misrepresentation of the cover pool's value.

7. Do you agree with the exclusion of derivatives from the cover pool?

9. Rules on Risk Diversification in the Cover Pool

- 9.1 Article 6(8) of the Covered Bonds Directive provides that Member States shall lay down rules ensuring risk diversification in relation to granularity and material concentration for assets not eligible under Article 129(1) of CRR.
- 9.2 Article 6(8) has been transposed in Regulation 3(8) of the Covered Bond Regulations.
- 9.3 The proposed eligible cover assets all fall under Article 129(1) of the CRR hence no additional provisions in relation to risk diversification are proposed.

8. Do you agree with the proposed approach on risk diversification in the cover pool?

10. Rules on Joint Funding

- 10.1 Regulation 6 of the CBR specifies that eligible cover assets which were originated by a credit institution and purchased by the credit institution issuing the covered bond may be utilised as cover assets for the issuance of a covered bond. In addition, the MFSA had opted to adopt the discretion in Article 9(3) of the CB Directive, allowing for cover assets originated by an entity other than a credit institution to be used as cover assets.
- 10.2 The proposed Rule on joint funding specifies that the obligation for ensuring that such cover assets adhere to all requirements in the Covered Bonds Rules, remains with the issuer of the covered bond.

9. Do you have any objections to the proposed explicit obligation imposed on issuers of covered bonds to ensure all cover assets are compliant with the requirements in the Covered Bonds Rules? If yes, what are the justifications for objection?

11. Rules on Valuation of Physical Collateral Assets

- 11.1 Article 6(5) of the CB Directive stipulates that Member States shall lay down rules on the methodology and process for the valuation of physical collateral assets which secure the assets as referred to in points (a) and (b) of paragraph 1 of the same Article. This has been transposed in regulation 3(5) of the CBR.
- 11.2 The MFSA proposes to amend the text in regulation 3(5) of the CBR to outline that the competent authority shall be issuing Covered Bonds Rules, and the minimum requirements will then be outlined in the Rulebook in lieu of being placed in regulation 3(5).
- 11.3 The proposed Rules delve further on the valuation, outlining certain aspects that must be taken into account for the correct valuation of physical assets, including the national market characteristics and long-term sustainability aspects of the property.
- 11.4 The proposed Rules also make reference to Regulation (EU) No 575/2013 (the 'CRR') for the purposes of monitoring and reviewing the value of the physical property.

10. Do you agree with the proposed approach, and the principles regarding valuation being outlined?

12. Rules on Collateral Assets Located Outside the Union

- 12.1 Rules regarding the use of collateral assets located outside the Union are being made pursuant to regulation 4(3) of the Covered Bonds Regulations, which allow for credit institutions issuing covered bonds to make use of such assets.
- 12.2 In this regard, the proposed Rules aim to ensure that only high-quality assets are being included in the cover pool, by making reference to an equivalent regime, and to reduce concentration risk by setting a limit of their proportion within the cover pool.
- 12.3 Furthermore, credit institutions are being requested to assess the volatility of the specific market(s) in consideration and to apply appropriate haircuts.

11. Do you agree with the proposed approach being taken on collateral assets located outside the EU?

12. To what extent do you foresee that such Rules might impact covered bond issuance by local credit institutions?

13. Rules on Cover Pool Monitor

- 13.1 Article 13 of the CB Directive provides that Member States taking up the option for a cover pool monitor shall lay down rules at least on a number of aspects pertaining to the cover pool monitor.
- 13.2 Regulation 10 of the CBR transposes Article 13 of the CB Directive.
- 13.3 In addition to the provisions of regulation 10, the MFSA proposes introducing in the Covered Bonds Rulebook provisions requiring credit institutions issuing covered bonds to appoint an independent cover pool monitor for each covered bond programme. The appointment must be approved by the MFSA after the credit institution conducts its own due diligence process. Termination of the monitor's role would also need the MFSA's approval.
- 13.4 The cover pool monitor must have the necessary expertise to ensure that the prescribed cover and assets for covered bonds are correctly maintained and recorded. They would need to issue certificates confirming this, and approve any amendments to the cover register.
- 13.5 The cover pool monitor would report significant findings and breaches to the MFSA and provide information as requested. They would be entitled to remuneration based on their

work and must assist any cover pool administrator appointed, although their duties would be suspended during the administrator's term.

13. Do you agree with the provisions regulating the appointment of a cover pool monitor?

14. Should a deputy cover pool monitor be appointed?

15. Should the remuneration of the cover pool monitor be capped or set by the MFSA?

14. Rules on Coverage

Valuation of Derivative Contracts

- 14.1 In view of the fact that the MFSA has opted not to include derivative contracts as cover assets, no rules are being proposed with respect to valuation of derivative contracts.
- 14.2 Sub-regulation (2) of regulation 12 of the CBR states that all liabilities of the covered bonds shall be covered by claims for payment attached to the cover assets. The regulation goes on to provide a list of what these liabilities should include.

Given the MFSA's intention not to allow derivative contracts in the cover pool, this regulation would require amendment to remove reference to payment obligations attached to derivative contracts. The list of cover assets which are considered to contribute to the coverage requirement as contained in sub-regulation (3) of Regulation 12, would also require to be amended to remove reference to claims for payment attached to derivative contracts.

Calculation of Interest Payable and Receivable

- 14.3 Regulation 12 of the CBR states that credit institutions issuing covered bonds shall ensure that such covered bond programmes comply at all times with the coverage requirements laid down in this regulation and with any additional coverage requirements that may be established by the competent authority in Covered Bonds Rules.
- 14.4 In this respect, the MFSA is proposing that the total amount of outstanding cover bonds be always covered by cover assets of at least an equal amount.
- 14.5 Sub-regulation (4) of regulation 12 currently requires that the competent authority issues Covered Bonds Rules on the valuation of derivative contracts shall, for the purposes of sub-regulation (2)(c) and sub-regulation (3)(d) of Regulation 12. However, in view of the fact that the Authority's intention is not to allow derivative contracts in the cover pool, following

the amendments to sub-regulation (2) and sub-regulation (3) of Regulation 12, no rules would be required in this respect.

14.6 The calculation of the required coverage is necessary to ensure that the aggregate principal amount of all cover assets is equal to or exceeds the aggregate principal amount of outstanding covered bonds. With respect to the calculation of any interest payable in respect of outstanding covered bonds and interest receivable in respect of cover assets, the MFSA is proposing Rules which require that:

- The interest payable on covered bonds be calculated based on the nominal value of the bonds and the fixed or variable interest rate specified in the bond terms. The interest is typically paid semi-annually or annually.
- The interest receivable on cover assets, such as loans, is calculated based on the outstanding principal and the interest rate agreed upon in the loan contract. The interest is usually accrued monthly and added to the cover pool.

16. Do you agree with the proposed Rules relating to interest payable and interest receivable?

15. Rules on Intragroup Pooled Covered Bond Structures

15.1 The MFSA considers that the requirements outlined under regulation 5 of the CBR are sufficient in the case of intragroup pooled covered bond structures. In this regard, regulation 5 is proposed to be slightly reworded to explicitly specify the requirements related to intragroup pooled covered bond structures in the CBR, without the need of issuing further requirements through Covered Bonds Rules.

17. Do you agree with the proposed approach on intragroup pooled structures?

16. Rules on Reporting

16.1 Regulation 15 of the CBR establishes the requirement for reporting to the competent authority of information on covered bond issuances, by credit institutions issuing covered bonds. The Covered Bonds Rules being proposed in [Annex I](#) include a section dedicated to reporting requirements, aimed at specifying the obligations regarding such ongoing requirement.

16.2 The proposed Rules on reporting requirements set the frequency, reference dates and remittance dates for reporting to the MFSA. It also outlines applicable Rules for the first reporting by issuers of covered bonds.

- 16.3 The Covered Bonds Rules on reporting specify the obligation for issuers of covered bonds to submit to the MFSA, information which is correct, clear and sufficiently structured, which is essential for it to be able to carry out its tasks and responsibilities. In addition, the Rules establish obligations in terms of the submission of audited and unaudited information, where quantitative information is submitted to the MFSA.
- 16.4 Finally, the proposed Rules also specify the need for requesting resubmissions of and/or clarifications on the submitted information from issuers of covered bonds, as well as any additional information as it may deem necessary.

18. Do you think the reporting Rules are sufficient and clear?

19. Do you deem that the time allowed from reference date to remittance date is sufficient for issuers of covered bonds to submit accurate and good quality information to the MFSA?

20. Is there any other information, in addition to that specified in regulation 15(3) of the CBR, which may be deemed useful for the MFSA to receive as part of the ongoing reporting requirements?

17. Rules on Public Supervision in the Event of Insolvency or Resolution

- 17.1 Regulation 37E(1) of the FMA requires the competent authority to cooperate closely with various authorities, and more specifically with the Resolution Committee, in the event that the credit institution issuing covered bonds is subject to a resolution action.
- 17.2 The purpose of the proposed Rules are to further clarify that whilst covered bonds cannot be written down and/or converted in the event of a resolution of the credit institution issuing covered bonds, coordination is still required between the competent authority and/or the special administrator (if appointed) and the Resolution Committee to ensure that a balance is reached between protecting covered bond holders and the smooth execution of a resolution action.
- 17.3 In addition, the proposed Rules further enhance the powers of the special administrator in administering the cover pool.

21. Do you have any objections to the inclusion of a clarification that covered bonds cannot be the subject of bail-in in terms of the RRR?

22. Do you agree with the duties and powers of the special administrator? If not, kindly provide alternative suggestions.

18. Rules on the Special Administrator

- 18.1 Article 20(2) of the CB Directive provides that Member States may grant the competent authority the power to appoint a special administrator. Member States taking up this option are required to lay down rules detailing the functions and responsibilities of the special administrator as a minimum in relation to a number of aspects.
- 18.2 In adopting this option, the MFSA transposed the above-cited provision under Article 39L of the FMA.
- 18.3 To complement this provision, the proposed Rules further enhance the appointment and dismissal of the special administrator, clarify that the said appointment would be subject to the oversight of the MFSA, indicate the special administrator's duties, powers and responsibilities and establish that a special administrator could be held liable if any damages are suffered by the credit institution issuing covered bonds as a result of the former's negligence or misconduct.

23. Do you agree with the provisions regulating the appointment of a special administrator?

24. Should more than one entity be appointed as a special administrator?

25. Do you consider the list of duties, powers and responsibilities exhaustive?

26. Should the remuneration of the special administrator be capped and specified in the proposed Rules?

19. Rules on Conditions for Extendable Maturity Structures

- 19.1 Article 17 of the CB Directive grants Member States the option to allow the credit institution issuing covered bonds to issue such bonds with an extendable maturity structure whilst ensuring the protection of the covered bond holders.
- 19.2 In light of the fact that the MFSA decided to adopt this option, which was indeed transposed by means of regulation 14 of the CBR, it is required to specify the objective triggers that would justify the extension of maturity.
- 19.3 The proposed Rules further clarify that the special administrator needs to fulfil a number of conditions in allowing the extension of the maturity date. One of the conditions is that the total period of the extension is capped at one year.

27. Do you agree with the objective triggers being set?

28. Do you agree with the total period of the extension of the maturity date?

20. Annex I – Covered Bonds Rules

20.1 [Annex I](#) presents the proposed Covered Bonds Rules. Legislative changes as explained would still need to be drafted following this Consultation.

21. Conclusion

21.1 The MFSA invites comments on all matters in this Consultation Paper, particularly on the specific comments outlined at the end of each section. Stakeholders are encouraged to provide clear, detailed feedback and, where relevant, to include drafts of specific suggestions or alternative proposals. The MFSA will consider all comments received by **11 November 2024**. All contributions should be sent via email on coveredbonds@mfsa.mt.