

Chapter 1

Introduction

1.1 Introduction to sourcebook

Application

- 1.1.1 G This sourcebook applies to *issuers* and *owners* in relation to *regulated covered bonds*.

Purpose

- 1.1.2 G The general purpose of this sourcebook is to set out the guidance, directions and rules made by the *FCA* under the *RCB Regulations*. Those regulations enable bonds to be issued which qualify under ■ COLL 5.2.11R(5A) and ■ 5.6.7R(3A) for a concession from the general spread of risk requirements in respect of *transferable securities*.
- 1.1.3 G This sourcebook should be read together with the *RCB Regulations*.

Other relevant provisions

- 1.1.4 G This section refers to some of the other parts of the *FCA Handbook* and *PRA Handbook* which may be relevant to *regulated covered bonds*.
- 1.1.5 G Investors in *regulated covered bonds* may be able to take advantage of different regulatory treatments depending on what type of investor they are.
- 1.1.6 G [deleted]
- 1.1.7 G An *insurer* (which is not a *UK Solvency II firm* or a *non-directive friendly society*) may benefit from increased counterparty limits under ■ INSPRU 2.1.22R (3)(b). An *insurer* which is a *UK Solvency II firm* is subject to the *rules* in the *PRA Rulebook* which transposed the *Solvency II Directive* and also to the *Solvency II Regulation* (EU) 2015/35 of 10 October 2014.
- 1.1.8 G *UCITS schemes* and *non-UCITS retail schemes* may benefit from less onerous spread requirements and increased investment limits under ■ COLL 5.2.11 R and ■ COLL 5.6.7 R.

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- (1) *Issuers* which are subject to an obligation to publish a prospectus under the *Prospectus Regulation* are required by Chapter II of the *PR Regulation* to disclose risk factors. These requirements are set out in ■ PRR 2.3.1UK and ■ PRR App 2.1.1UK, where there is a link to the relevant Annexes of the *PR Regulation*.
- (2) In complying with these obligations, *issuers* should consider disclosing the risk that actions by a regulatory authority in relation to the *issuer* may adversely affect the ability of the *issuer* to meet its obligations to investors or the ability of the *owner* to meet its guarantee obligations to investors. An example of such action may include restricting the *issuer's* ability to transfer further *assets* to the *asset pool*.

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