

Regulated Covered Bonds

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 comply with Article 52(4) of the *UCITS Directive*.

- 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** *IFPRU investment firms* which have *exposures* to *covered bonds* which meet the requirements set out in the provisions of article 129 of the *EU CRR* may benefit from reduced *risk weights* as set out in article 129 of the *EU CRR*.
- 1.1.7 **G** An *insurer* (which is not a *UK Solvency II firm*, *non-directive friendly society*, *incoming EEA firm* or an *incoming Treaty firm*) 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 transpose the *Solvency II Directive* and also to *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 Directive* are required by Article 3 of the *PD Regulation* to disclose risk factors. These requirements are set out in ■ PR 2.3.1 EU and ■ PR App 3.1.1 EU.
- (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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