

Chapter 5

Commission Delegated Regulation (EU) No 523/2014

Article 2 Close correspondence

(1) A close correspondence between the value of a covered bond and the value of an institution's assets shall be deemed to exist when all the following conditions are met:

(a) any changes in the fair value of the covered bonds issued by the institution results at all times in equal changes in the fair value of the assets underlying the covered bonds. The fair value shall be determined according to the applicable accounting framework as defined in Article 4(1)(77) of Regulation (EU) No 575/2013;

(b) the mortgage loans underlying the covered bonds issued by the institution to finance the loans may be at any time redeemed by buying back the covered bonds at market or nominal value through the exercise of the delivery option;

(c) there is a transparent mechanism for determining the fair value of the mortgage loans and of the covered bonds. Determining the value of the mortgage loans shall include calculating the fair value of the delivery option.

(2) A close correspondence shall not be deemed to exist where, in accordance with paragraph 1, a net profit or loss arises from changes in the value of the covered bonds or of the underlying mortgage loans with the embedded delivery option.