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Dott.ssa Roberta De Filippis  
Team Leader - Securitisation and Covered Bonds  
European Banking Authority  
Neuilly-sur-Seine  
Paris, France

By email: [roberta.defilippis@eba.europa.eu](mailto:roberta.defilippis@eba.europa.eu)

Dear Dottoressa De Filippis

**EBA Questionnaire to industry participants for the CFA on the EU covered bond framework – European Covered Bond Council (ECBC) Statement and the Australian and New Zealand covered bond markets**

On behalf of the Australian Securitisation Forum (ASF) and its members, we are writing primarily to give support to the ECBC's recommendations in its statement dated 19 August 2024 responding to the EBA Call for Advice with a detailed update on the state of the global covered bond market.

**Australian Securitisation Forum**

The ASF is the peak body representing the securitisation and covered bond sectors in Australia and New Zealand. The ASF's role is to promote the development of securitisation and covered bonds in Australia and in New Zealand by facilitating the formation of industry positions on policy and market matters, representing the industry to local and global policymakers and regulators and advancing the professional standards of the industry through education and market outreach opportunities. The ASF is comprised of a National Committee, specific subcommittees and a national membership of c.200 institutions and market organisations.

The ASF is a member of the ECBC and is represented on the ECBC Global Issues Working Group and on the Covered Bond Label Foundation (CBLF) Advisory Council. The ASF also contributes to the annual editions of the ECBC Fact Book.

**Australian covered bond market**

Australian covered bond issuers have actively engaged and established relationships with EU and EEA investors over the last 10+ years since the implementation of the Australian legislative and regulatory covered bond frameworks, educating investors about their robustness and also about the quality and performance of the underlying Australian cover asset pool portfolios.

The Australian covered bond market is well regulated by its central bank, the Reserve Bank of Australia, by the Australian Prudential Regulation Authority (APRA) - the prudential regulator - and by the Australian Securities and Investments Commissions (ASIC) - the financial services licensing body and conduct regulator. As a well-regulated market, there are well developed and pragmatic protections in place for both issuers and investors.

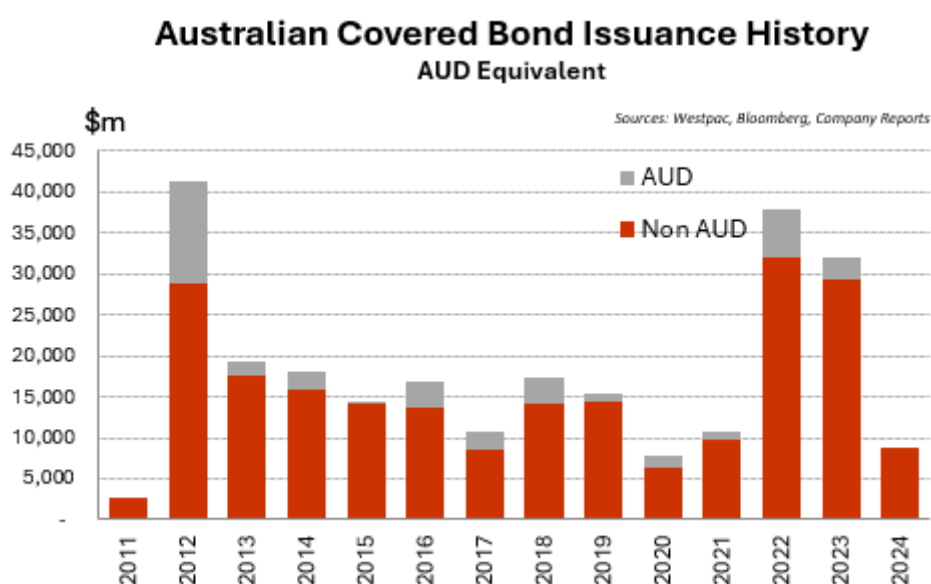
Since 2022, 6 out of the 9 Australian covered bond issuers have subscribed to the Covered Bond Label and have adopted the CBLF Harmonised Transparency Template (HTT) to meet a global standardised level of reporting which facilitates investors' due diligence obligations and enhances overall transparency in the covered bond markets and importantly is fully compliant with Art 14 of the EU Covered Bond Directive. In the case of the New Zealand market, Bank of New Zealand (BNZ) is a relatively new subscriber to the Covered Bond Label but we understand that other New Zealand issuers are considering joining the CBLF.

For more details on the main legal, regulatory and structural characteristics of Australian and New Zealand covered bonds, we refer you to pages 12 to 13 of the ECBC Global Concept Note on Third Country Equivalence for Covered Bonds (February 2024).

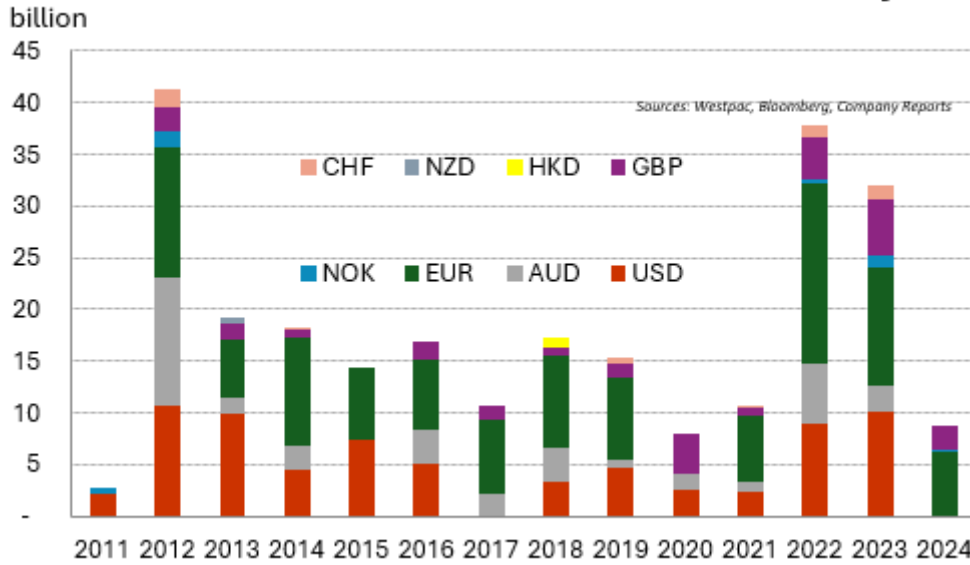
<https://hypo.org/ecbc/publications/ecbc-global-concept-note-on-third-country-equivalence-for-covered-bonds/>

### Australian covered bond issuance

Covered bonds represent an important tool of funding for the 9 Australian bank issuers ensuring access to alternate wholesale markets both domestically and offshore. Since the Australian market was established in 2011, major bank issuers have tended to favour foreign currency issuance, predominantly EUR denominated. In fact, European banks play key roles in acting as arrangers and managers on covered bond issues. The following charts demonstrate total covered bond issuance historically, across the multiple currencies from the various issuers.



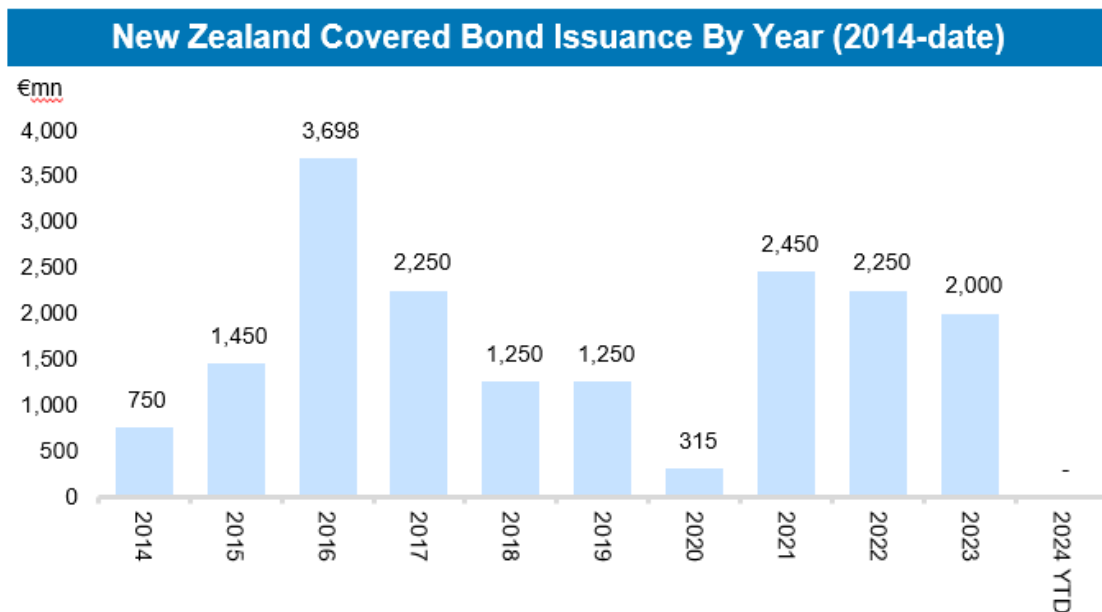
## Australian Covered Bond Issuance Currency



### New Zealand covered bond issuance

Although the New Zealand covered bond market is smaller than the Australian market it is just as important. Covered bonds constitute an important funding tool for the 5 New Zealand bank issuers. With the exception of 1 (i.e. Kiwibank), all New Zealand issuers are ultimately owned by Australian parent banks. Historically, NZD or AUD denominated covered bonds have been issued directly by the New Zealand banks, while non-NZD bonds have mostly been issued through the London branches of their respective subsidiaries and are guaranteed by the New Zealand bank. Details of all Australian and New Zealand covered bond issuers can be found in the ECBC Fact Book 2024.

The following chart demonstrates total covered bond issuance historically since 2014.



The ASF is of the view that European investors perform a pivotal role in the Australian and New Zealand covered bond markets by providing alternate and additional funding capacity and investment, secondary trading and swap products. Equally, the Australian and New Zealand covered bond markets offer European investors an opportunity to diversify their investments into well-regulated and high-quality markets outside their home jurisdiction. In fact, EU investors receive favourable regulatory capital treatment by holding Australian and New Zealand covered bonds. See the following table:

Issuer domicile	Type of CB	CRR	Large exposures (CRR, BCBS)	LCR	ECB repo	ECB CBPP3	EU Solvency II
Australia, NZ	Legal based	20% RW	CRR (Art 400); yes BCBS; exempted if 10% OC	Level 2A depending on rating and OC	Not eligible	No	Weightings like senior bonds

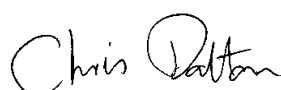
As a whole, these investments and services add value to both the EU and Australian financial systems.

### **Commitment to covered bond harmonisation**

The ASF and its covered bond constituency in Australia and New Zealand is committed to being part of the global covered bond market and recognises the importance of embracing a global principles-based approach to covered bonds. Similarly, our market is prepared to be aligned with the broad principles of the EU Covered Bond Directive, to the extent that they fall within the existing legal and regulatory frameworks, to ensure there is a greater harmonisation of market practices that will facilitate investor access globally.

The ASF would welcome the opportunity for one of our representatives to meet with you at the ECBC conference in Porto in September.

Yours sincerely,



Chris Dalton, Chief Executive – Australian Securitisation Forum