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# Updated Dutch covered bond law: the ins and outs

Following the transposition of the EU Covered Bond Directive, Dutch-covered bonds issued per 8 July 2022 will be CRR compliant and able to use the label European Covered Bond (premium). Old covered bonds from programmes not adapted to the new law may still be CRR compliant if they meet the old rules

On 8 July 2022, the Dutch national measures transposing the EU Covered Bond Directive entered into force. In this report, we discuss the updated Dutch-covered bond legislation in detail.

While some revisions are more noteworthy than others, particularly the extendable maturity and cover pool monitor provisions stand out for their new specifics. For instance, on extendable maturity structures, the Dutch law no longer makes a distinction between regular covered bonds with a hard bullet or a soft bullet structure with an extension period up to 24 months, versus (conditional) pass-through covered bonds where the maturity extension period stretches beyond 24 months.

Instead, the covered bond legislation now ensures that maturity extension can never take place at the bank's discretion, but only in the case of an issuer event of default and a subsequent failure by the CBC to meet the obligations listed by the law. For the purpose of the 180 days liquidity buffer requirement the final maturity date of the bond (ie, the extended due for payment date in the case of soft bullet or conditional pass-through covered bonds) remains the reference.

When it comes to the cover pool monitoring provisions, the new Dutch law builds further on the existing asset monitoring practice in the Netherlands. Dutch covered bond issuers should either appoint an external or an internal cover pool monitor. While an external cover pool monitor should not have any links with the issuing bank or its external accountant, the internal cover pool monitor can still have ties with the bank, including with the general accountant of the bank.

Meanwhile, the Dutch overcollateralisation requirements have become stricter, not only via the 100% coverage requirement for all liabilities but also with loan parts above the LTV restriction no longer eligible to meet the 5% nominal overcollateralisation requirement. The 20% cap on substitution assets, now expressed versus the assets in the cover pool, has become a bit more lenient than before when it was applied versus the covered bonds. Other typical Dutch provisions, such as the healthy ratio requirements and related stress tests, were removed.

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