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## **COVERED BONDS**

### **Background**

The Covered Bond market is a large and important part of the European bond markets with a loyal and growing investor base. Given recent disruptive events and falling credit quality, the security provided by Covered Bonds is likely to result in much more attention in future.

This course explains what a Covered Bond is, looks at its pros and cons for different investor types and for issuers, and focuses on the significant variation between the different issue types, including Structured Covered bonds and the many geographic sectors.

### **Objectives**

By the end of the course participants will be able to understand:

- What a Covered bond is
- Its pros and cons for investors and issuers
- Its regulatory capital treatment for investors and issuers
- How much it varies by type and jurisdiction
- How Structured Covered bonds are created and how they compare
- How issuance has spread internationally
- How they have been performing during the credit crisis

### **Delegates**

- Fund Managers and their Support staff
- Operations & Back Office staff
- Risk & Compliance managers
- Accountants & Lawyers (CPD eligible)
- IT & System executives involved in Fixed Income applications
- Brokers, Bankers and IFAs looking at new investment or Issuance opportunities
- Dealers, Treasury, Control and Valuation staff

A basic Fixed Income knowledge is assumed. Some awareness of the basics of mortgages would be helpful but is not essential.

### **Content**

- Main features and Background to Covered Bonds. Size of CB Market
- Defining a Covered bond: the UCITS Directive
- Investor pros and cons: the credit record, Risk Weight, pricing, their place in debt indices
- The impact on senior unsecured bonds and regulatory limits on CB issuance.
- Issuer pros and cons: funding at a competitive rate, Basel and capital requirements, comparison with securitisation.
- Trading & Settlement

Continued...

- How Price, Return, Investor audience / Liquidity can change with ratings changes
- Importance of Diversification and number of properties.
- Meaning and importance of LTV and Asset and Income coverages. How these change.
- Repayments and Pool Factor meaning
- Arrears and Repossessions impacts. Loss Severity meaning
- Issuing process. Role of Trustee and Investment Banks.
- Underwriting.
- Explain LIBOR and Pricing process.
- Role of Euroclear and a Custodian
- How CBs performed in the recent crisis and why.
- Case study: A Pfandbrief issue
- Pfandbrief in more detail:
  - Asset-Liability Management and hedging
  - Managing the issue over its lifecycle
  - Rating agency analysis: how the rating agencies approach rating Covered bonds
  - Risk weights and the investor base
- Cedulas Hipotecarias, Over-Collateralisation levels and Cedulas Cajas: bonds covered by Cedulas Hipotecarias
- Societe de Financement D'Habitat (SFH) and Obligations foncieres : Societes de Credit Foncier (SCFs)

Case study: Cedulas Hipotecarias and Cedulas Cajas issues

<b>Duration</b>	1 day
<b>London</b>	12 March 2013 10 July 2013 10 October 2013
<b>Fee</b>	£ 650 + VAT

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