



Financial Services Commission
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Press Release

June 21, 2012

TASK FORCE FORMED TO LEGISLATE THE COVERED BOND ACT

BACKGROUND

The FSC formed a task force to legislate the Covered Bond Act which held the first meeting on June 21, 2012.

A year ago, the FSC/FSS established guidelines* on the issuance of covered bonds by banks, as one of follow-up measures to properly manage the rapid growth of household debt. However, the process of securitizations incurred excessive costs, and there remained uncertainty for covered bond investors to claim dual recourse of their investment. Therefore, there has been growing need for statutory rules for issuing covered bonds.

* Refer to the FSC press release titled "Guidelines on Covered Bond Issuance" published on June 29, 2011

With the legislation of the Covered Bond Act, the FSC expects the issuance of covered bonds would help banks reduce their funding costs; covered bonds would serve as a stable and long-term funding source for banks particularly in the event of crises; and it would contribute to enhancing the soundness of household debt by encouraging banks to extend more long-term and fixed-rate loans

UPCOMING SCHEDULE

- Draft bill of the Covered Bond Act by July 2012
- Approval by the FSC and 40-day legislative notice from August to September 2012
- Review by the Ministry of Government Legislation; Approval at the vice-ministerial and cabinet meetings: from September to October 2012
- Submission to the National Assembly for parliamentary approval: November 2012

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