

Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (Text with EEA relevance)

TITLE II

**STRUCTURAL FEATURES OF COVERED BONDS**

*CHAPTER 2*

**Cover pool and coverage**

*Section I*

***Eligible assets***

*Article 11*

**Derivative contracts in the cover pool**

1 Member States shall ensure investor protection by allowing derivative contracts to be included in the cover pool only where at least the following requirements are met:

- a the derivative contracts are included in the cover pool exclusively for risk hedging purposes, their volume is adjusted in the case of a reduction in the hedged risk and they are removed when the hedged risk ceases to exist;
- b the derivative contracts are sufficiently documented;
- c the derivative contracts are segregated in accordance with Article 12;
- d the derivative contracts cannot be terminated upon the insolvency or resolution of the credit institution that issued the covered bonds;
- e the derivative contracts comply with the rules laid down in accordance with paragraph 2.

2 For the purposes of ensuring compliance with the requirements listed in paragraph 1, Member States shall lay down rules for derivative contracts in the cover pool. Those rules shall specify:

- a the eligibility criteria for the hedging counterparties;
- b the necessary documentation to be provided in relation to derivative contracts.