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## **INFORMATION NOTE**

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**From:** General Secretariat of the Council  
**To:** Permanent Representatives Committee/Council

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**Subject:** Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on sovereign bond-backed securities  
- Outcome of the European Parliament's first reading  
(Strasbourg, 15 to 18 April 2019)

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### **I. INTRODUCTION**

The rapporteur, Jonás FERNÁNDEZ (S&D, ES), presented a report on the proposal for a Regulation on behalf of the Committee on Economic and Monetary Affairs. The report contained one amendment (amendment 1) to the proposal.

## II. VOTE

When it voted on 16 April 2019, the plenary adopted the amendment (amendment 1) to the proposal for a Regulation.

The Commission's proposal as thus amended constitutes the Parliament's first-reading position which is contained in its legislative resolution as set out in the Annex hereto<sup>1</sup>.

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<sup>1</sup> The version of the Parliament's position in the legislative resolution has been marked up to indicate the changes made by the amendments to the Commission's proposal. Additions to the Commission's text are highlighted in ***bold and italics***. The symbol "■" indicates deleted text.

## **Sovereign bond-backed securities \*\*\*I**

**European Parliament legislative resolution of 16 April 2019 on the proposal for a regulation of the European Parliament and of the Council on sovereign bond-backed securities (COM(2018)0339 – C8-0206/2018 – 2018/0171(COD))**

### **(Ordinary legislative procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to Parliament and the Council (COM(2018)0339),
  - having regard to Article 294(2) and Article 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0206/2018),
  - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
  - after consulting the European Central Bank,
  - having regard to the opinion of the European Economic and Social Committee of 17 October 2018<sup>1</sup>,
  - having regard to Rule 59 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A8-0180/2019),
1. Adopts its position at first reading hereinafter set out;
  2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
  3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

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<sup>1</sup> OJ C 62, 15.2.2019, p. 113.

## Amendment 1

### AMENDMENTS BY THE EUROPEAN PARLIAMENT\*

to the Commission proposal

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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on sovereign bond-backed securities

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank<sup>1</sup>,

Having regard to the opinion of the European Economic and Social Committee<sup>2</sup>,

Acting in accordance with the ordinary legislative procedure,

Whereas:

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\* Amendments: new or amended text is highlighted in bold italics; deletions are indicated by the symbol **■**.

<sup>1</sup> OJ C , , p. .

<sup>2</sup> OJ C , , p. .

- (1) Sovereign Bond-Backed Securities ('SBBSs') *might be able to* address some vulnerabilities that have been exposed by or have resulted from the 2007-2008 financial crisis. More specifically, SBBSs *might be able to* help banks and other financial institutions better diversify their sovereign exposures, further weaken the bank-sovereign nexus and enhance the supply of low-risk euro denominated assets *facilitating the implementation of monetary policy*. SBBSs could in addition render bonds issued in small and less liquid national markets more attractive for international investors, which can foster private sector risk sharing and risk reduction and promote a more efficient allocation of risks among financial operators.
- (2) Under the existing legal framework, SBBSs would be treated as securitisations and thus be subject to additional charges and discounts relative to the charges and discounts faced by the euro area sovereign bonds in the underlying portfolio. Those additional charges and discounts would hinder the production and use of SBBSs by the private sector, despite the fact that SBBSs carry *lesser risks than those* associated with *other types of* securitisations. **■** *However, some risks such as warehouse risks or fraudulent behaviour by SPE staff prevail*. SBBS should therefore be subject to a regulatory framework that better takes into account the features and properties of SBBSs to enable that product to emerge on the market.
- (2a) *As securitisations, SBBSs are exposed to specific product risks linked to the SPE, that is the legally separate, self-standing entity which was set up for the purpose of issuing SBBS. A first-loss tranche outside the banking system will be key to reducing the bank-sovereign nexus. Therefore, the preferential regulatory treatment accorded to the underlying assets of an SBBS should be extended to holdings by banks on an SBBS senior tranche.*
- (3) Enabling a market-led development of SBBSs is part of the Commission's efforts to reduce risks to financial stability and advance towards completion of the Banking Union. SBBSs could support further portfolio diversification in the banking sector, while creating a new source of high-quality collateral, which is particularly suited for use in cross-border financial transactions *as well as for the activities of central banks in the Eurosystem and those of central counterparties*. Furthermore, enabling SBBSs could also increase the number of instruments available for cross-border investment and *private* risk sharing, which feeds into the Commission's efforts to *complete the Banking Union and* deepen and integrate further Europe's capital markets in the context of the Capital Markets Union.

- (4) SBBSs do not involve any mutualisation of risks and losses among Member States because Member States will not mutually guarantee their respective liabilities within the portfolio of sovereign bonds underlying the SBBSs. Enabling the emergence of SBBSs neither involves any changes to the current regulatory treatment of sovereign exposures.
- (5) To achieve the objectives of geographic risk diversification within the Banking Union and the internal market, the underlying portfolio of SBBSs should be composed of sovereign bonds of Member States whose currency is the euro. To avoid currency risks only euro-denominated sovereign bonds issued by Member States whose currency is the euro should be allowed for inclusion in the SBBSs underlying portfolio. To ensure that sovereign bonds of each euro-area Member State contribute to the production of SBBSs in line with each Member State's stake in the stability of the overall euro area, the relative weight of the national sovereign bonds in the SBBSs' underlying portfolio should be very close to the relative weight of the respective Member States in the key for subscription by the national central banks of Member States of the European Central Bank's capital.
- (6) To provide for a high quality low-risk asset and at the same time cater for investors' different levels of risk appetite, an SBBS issue should be composed of both a senior tranche and one or more subordinated tranches. The senior tranche, corresponding to seventy percent of the nominal value of an SBBS issue, should keep the SBBS issue expected loss rate in line with that of the safest euro area sovereign bonds, taking into account the risk and correlation of the sovereign bonds in the SBBSs underlying portfolio of sovereign bonds. The subordinated tranches should provide for protection to the senior tranche. ■ To limit the risk *to* the junior tranche (the tranche bearing losses before any other tranche), the nominal value of the junior tranche should however be at least 5 percent of the outstanding nominal value of the entire SBBSs issue. ***Considering the particular complexity of the product, acquisition by retail consumers should only be considered for senior tranches and not for junior tranches.***
- (7) To ensure the integrity of an SBBS issue and limit as much as possible the risks related to the holding and management of the underlying portfolio of sovereign bonds, maturities of underlying sovereign bonds should be closely aligned with the maturity of the SBBSs and the composition of the underlying portfolio of sovereign bonds should be fixed for the entire lifecycle of the SBBSs.

- (8) The standardised composition of the underlying portfolio of an SBBSs may render difficult or impede the issuance of an SBBS issue when sovereign bonds of one or more Member States are not available on the market. For that reason, it should be possible to exclude sovereign bonds of a particular Member State from future issuances of SBBSs where and as long as the issuance of sovereign bonds by that Member State is significantly limited due to a reduced need for public debt or impaired market access.
- (9) To ensure that SBBSs are sufficiently homogeneous, the exclusion and re-integration of sovereign bonds of a particular Member State from the underlying portfolio of sovereign bonds should be allowed only following a decision of the Commission, ensuring that all SBBSs issued at the same time have the same underlying portfolio of sovereign bonds. *SBBSs are new products and, in order to ensure the continuity of their issuance on the market, a timely decision-making mechanism to adjust the underlying portfolio of SBBSs in situations where a Member State no longer enjoys market access is warranted. In addition, commentators and stakeholders have raised concerns about the potential for negative impacts on the liquidity of the markets for the underlying government bonds which deserve to be taken seriously. To that end, this Regulation assigns to the European Supervisory Authority (European Securities and Markets Authority) established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council<sup>1</sup> (ESMA) the duty of monitoring the markets for SBBSs and the underlying government bonds for signs of disruption.*
- (9a) *On the basis of ESMA's observations and supported by their reports, the Commission should be empowered to provide a clear definition of "market liquidity" and a method for its calculation, and to determine the criteria by which ESMA should assess whether a Member State no longer enjoys market access for the purposes of this Regulation. The Commission should be empowered to adopt a delegated act in accordance with Article 290 TFEU. The Commission, when preparing and drawing up such delegated act, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.*

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<sup>1</sup> *Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).*

- (10) The fixed size of the senior tranche of each SBBS issue may be reduced for future SBBSs issuances where, due to adverse market developments that severely disrupt the functioning of sovereign debt markets in a Member State or in the Union, a smaller size is required to ensure continued high credit quality and low risk for the senior tranche. When such adverse market developments end, the size of the senior tranche for future SBBSs issuances should be brought back to its initial value of seventy percent. ■
- (11) Investors should be protected *as much as possible* from the risk of insolvency of the institution that acquires the sovereign bonds ('original purchaser') for the purposes of assembling the SBBSs underlying portfolio. For that reason, only special purpose entities ('SPEs') that are exclusively devoted to the issuance and management of SBBSs and that do not undertake any other activities, such as providing credit, should be allowed to issue SBBSs. For the same reason, SPEs should be subject to strict asset segregation requirements.
- (12) To manage limited maturity mismatches in the time period between receipt of proceeds of debt service on the underlying portfolio and pay out dates to SBBSs investors, SPEs should be allowed to invest the proceeds from the debt service on the underlying portfolio of sovereign bonds of the SBBSs only in cash and highly liquid financial instruments with low market and credit risk.
- (12a) Member States should ensure that holdings of sovereign bonds by SPEs enjoy the same treatment as any other holdings of the same sovereign bond or of other sovereign bonds issued with the same terms.**
- (13) Only products that fulfil the requirements regarding the composition and maturity of the underlying portfolio, the size of the senior and the subordinated tranches as provided for in this Regulation, *and whose issue complies with the supervisory regime*, should enjoy ■ the regulatory treatment *provided for in this Regulation*.
- (14) A system of *certification by ESMA* should ensure that an SBBS issue complies with the requirements of this Regulation. ESMA should therefore keep a list of *certified* SBBSs ■, enabling investors to verify whether a product that is offered for sale as an SBBS is indeed an SBBS. For the same reason, ESMA should indicate in that list whether any sanction in relation to a SBBS has been imposed and remove from that list those products that are found to be in violation of this Regulation.



- (15) Investors should be able to rely on the *certification* of SBBSs by **ESMA** and on the information provided by SPEs. Information on SBBSs and the sovereign bonds in the SBBSs underlying portfolio should empower investors to understand, assess and compare SBBSs transactions and not to rely solely on third parties, including credit rating agencies. That possibility should enable investors to act prudently and to carry out their due diligence efficiently. Information on SBBSs should therefore be freely available to investors, via standardised templates, on a website that ensures continuous accessibility.
- (16) To prevent abusive behaviour and to ensure that trust in SBBSs is maintained, appropriate administrative sanctions and remedial measures should be provided for by *ESMA* for cases of negligent or intentional infringements of notification or product requirements for SBBSs.
- (17) Investors in different financial sectors should be able to invest in SBBSs under the same conditions as they invest in the underlying euro area sovereign bonds *with the exception of investments in holdings of the subordinated tranches of an SBBS by banks*. Directive 2009/65/EC of the European Parliament and of the Council<sup>1</sup>, Regulation (EU) No 575/2013 of the European Parliament and of the Council<sup>2</sup>, Directive 2009/138/EC of the European Parliament and of the Council<sup>3</sup> and Directive (EU) 2016/2341 of the European Parliament and of the Council<sup>4</sup> should therefore be amended to ensure that SBBS are granted the same regulatory treatment as their underlying assets across the various regulated financial sectors.
- (18) To safeguard financial stability, ensure investors' confidence and promote liquidity, a proper and effective supervision of SBBSs markets is important. To that end, *ESMA* should be informed about the issuance of SBBSs and should receive from SPEs all the relevant information needed to perform *its* supervisory tasks. Supervision of compliance with this Regulation should primarily be performed to ensure investors' protection and, where

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<sup>1</sup> Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32).

<sup>2</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR) (OJ L 176, 27.6.2013, p.1).

<sup>3</sup> Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335 17.12.2009, p. 1).

<sup>4</sup> Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) (OJ L 354, 23.12.2016, p.37).

applicable, on aspects that may be linked to the issuance and holding of SBBSs by regulated financial entities.

- (19) *National* competent authorities *of the entities involved in assembling SBBSs or in the SBBS market and ESMA* should closely coordinate their supervision and ensure that their decisions are consistent. ■
- (20) Given that SBBSs are new products, *whose effects on the markets for the underlying sovereign debt securities is unknown* it is appropriate that the European Systemic Risk Board (ESRB) and the national competent and designated authorities for macroprudential instruments oversee the SBBSs market. *To that end, the ESRB should avail itself of the powers conferred on it under Regulation (EU) No 1092/2010 of the European Parliament and of the Council<sup>1</sup> and, if appropriate, should issue warnings and make suggestions for remedial actions to the competent authorities.*
- (21) As a body with highly specialised expertise regarding securities markets, it is appropriate to entrust ESMA with the development of draft regulatory technical standards concerning the types of investment that the SPE may conduct with the proceeds from the payments of principal or interest of the SBBSs' underlying portfolio, the information to be provided by the SPE for the notification *and certification* to ESMA of an issuance of SBBSs issues, the information to be provided before transferring an SBBS, the cooperation and information exchange obligations among competent authorities. The Commission should be empowered to adopt those standards in accordance with Article 290 of the Treaty on the Functioning of the European Union ('TFEU') and with Articles 10 to 14 of Regulation (EU) No 1095/2010.
- (22) The Commission should also be empowered to adopt implementing technical standards by means of implementing acts pursuant to Article 291 TFEU and in accordance with Article 15 of Regulation (EU) No 1095/2010 with regard to notification requirements of SPEs prior to the issuance of an SBBS issue.
- (23) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission to decide whether sovereign bonds of a Member State should be removed from or included in the SBBSs' underlying

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<sup>1</sup> *Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (OJ L 331, 15.12.2010, p.1).*

portfolio and whether the size of the senior tranche of the future SBBSs issues to be issued should be changed. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council<sup>1</sup>.

- (24) Since the objective of this Regulation, namely laying down a framework for SBBSs, cannot be sufficiently achieved by the Member States, given that the emergence of a SBBSs market depends on the removal of obstacles resulting from the application of Union legislation and that a level playing field in the internal market for all institutional investors and entities involved in the operation of SBBSs, can only be achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective,

HAVE ADOPTED THIS REGULATION:

## Chapter 1

### Subject matter, scope and definitions

#### Article 1

##### Subject matter

This Regulation lays down a general framework for sovereign bond-backed securities ('SBBSs').

#### Article 2

##### Scope

This Regulation applies to original purchasers, special purpose entities, investors and any other entity involved in the issuance or holding of SBBSs.

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<sup>1</sup> Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

### Article 3 Definitions

For the purposes of this Regulation, the following definitions shall apply:

- (1) ‘competent authority’ means a public authority or a body officially recognised by national law that is empowered by national or Union law to perform the tasks set out in this Regulation;
- (2) ‘sovereign bond’ means any debt instrument issued by the central government of a Member State that is denominated and funded in the domestic currency of that Member State and has an original maturity of one year or more;
- (3) ‘sovereign bond-backed security’ or ‘SBBS’ means a financial instrument denominated in euro whose credit risk is associated with the exposures to a portfolio of sovereign bonds and that complies with this Regulation;
- (4) ‘special purpose entity’ or ‘SPE’ means a legal person, other than the original purchaser, that issues SBBSs and carries out the activities in relation to the underlying portfolio of sovereign bonds in accordance with Articles 7 and 8 of this Regulation;
- (5) ‘original purchaser’ means a legal person that purchases sovereign bonds on its own account and subsequently transfers those sovereign bonds to an SPE for the purpose of issuing SBBSs;
- (6) ‘investor’ means a natural or legal person that holds an SBBS;
- (7) ‘tranche’ means a contractually established segment of the credit risk associated with the SBBSs' underlying portfolio of sovereign bonds and that bears a risk of greater or smaller credit loss than a position of the same amount in another segment of that credit risk;
- (8) ‘senior tranche’ means the tranche within an SBBSs issue that bears losses after all the subordinated tranches of that SBBS issue have done so;
- (9) ‘subordinated tranche’ means any tranche within an SBBSs issue bearing losses before the senior tranche;
- (10) ‘junior tranche’ means the tranche within an SBBSs issue bearing losses before any other tranche.

## Chapter 2

### Composition, maturity and structure of SBBSs

#### Article 4

##### Composition of the underlying portfolio

1. The underlying portfolio of an SBBS issue shall only consist of the following:
  - (a) sovereign bonds of Member States whose currency is the euro;
  - (b) the proceeds from the redemption of those sovereign bonds.
  
2. The weight of sovereign bonds of every Member State within an SBBSs' underlying portfolio ('baseline weight') shall be equal to the relative weight of the contribution to the European Central Bank (ECB) by that Member State in accordance with the key for subscription, by the national central banks of Members States, of the ECB's paid-in capital as laid down in Article 29 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank annexed to the Treaty on European Union and to the Treaty on the Functioning of the European Union.

SPEs may however deviate from the nominal value of sovereign bonds of each Member State, as given by the application of the baseline weight, by maximum *ten* percent.
  
3. ***After the first SBBS is certified, ESMA shall, without undue delay, begin to monitor and assess continuously whether*** any of the following situations exist:
  - (a) over the previous twelve months ('period of reference'), the Member State has issued less than half of the amount of sovereign bonds resulting from its relative weight determined in accordance with paragraph 2, multiplied by the aggregate amount of SBBSs issued in the twelve months prior to the period of reference;
  - (aa) ***the SBBS issuance has had a significant negative impact on the market liquidity of the sovereign bonds of a Member State included in the underlying portfolio;***
  - (b) over the previous twelve months, the Member State has financed at least half of its annual funding requirements through official financial assistance in support of the implementation of a macroeconomic adjustment programme as specified in Article 7

of Regulation (EU) No 472/2013 of the European Parliament and of the Council<sup>1</sup>, *or for any reason the Member State no longer enjoys market access.*

*For the purposes of point (aa) of the first subparagraph, "market liquidity" shall be determined taking into account as minimum criteria, the previous three months evidence of market breadth and depth as proven by low bid-ask spreads, high trading volume and a large and diverse number of market participants.*

*For the purposes of point (aa) of the first subparagraph, the Commission shall by... [6 months after the entry into force of this Regulation] adopt a delegated act in accordance with Article 24a to provide a clear definition and calculation method of "market liquidity" for the purposes of this Regulation.*

*For the purposes of point (b) of the first subparagraph, the Commission shall by... [6 months after the entry into force of this Regulation] adopt a delegated act in accordance with Article 24a to supplement this Regulation by determining the criteria by which ESMA shall assess whether a Member State no longer enjoys market access.*

- 3a.** *ESMA shall on an ongoing basis monitor and assess whether a Member State whose sovereign bonds are included in the underlying portfolio of an SBBS no longer enjoys market access or entered a macroeconomic adjustment program, if the SBBS issuance had a significant negative impact on market liquidity and whether the baseline weights of Member States with limited availability of sovereign bonds impede the issuance of new SBBSs, or if any of these situations has ceased to exist.*

*Where ESMA, in consultation with the ESRB, finds that a situation referred to in point (a) or (aa) of the first subparagraph of paragraph 3 applies, it may request the Commission to adjust the baseline weights of the bonds of the Member States included in the underlying portfolio.*

*If ESMA, in consultation with the ESRB, finds that a situation referred to in point (b) of the first subparagraph of paragraph 3 applies, it may request the Commission either to*

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<sup>1</sup> Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013, p. 1).

*exclude the Member State from the underlying portfolio of an SBBS or to adjust the baseline weights of the bonds of the Member States included in the underlying portfolio.*

*Where ESMA, in consultation with the ESRB, finds that a situation referred to in points (a) to (b) of the first subparagraph of paragraph 3 has ceased to exist, it may request the Commission to re-instate the Member State bonds in the underlying portfolio of an SBBS and to adjust the baseline weights of the bonds of the Member States included in the underlying portfolio.*

*The Commission shall, within 48 hours of the request referred to in the second, third and fourth subparagraphs and based on the reasons and evidence provided by ESMA, do one of the following:*

- (a) adopt an implementing act that either excludes sovereign bonds of the Member State from the underlying portfolio of the SBBS or adjusts the baseline weights of relevant Member States;*
- (b) adopt an implementing act rejecting the requested exclusion or adjustment of the baseline weights of relevant Member States; or*
- (c) adopt an implementing act that re-instates the Member State bonds in the underlying portfolio of an SBBS, adjusting the baseline weights of the bonds of Member States included in the underlying portfolio as appropriate.*

*3b. Any implementing act adopted pursuant to paragraph 3a of this Article shall be adopted in accordance with the examination procedure referred to in Article 26(2).*

*Where a Member State is excluded from the underlying portfolio of an SBBS, following an implementation act under paragraph 3a, the baseline weights of sovereign bonds of the remaining Member States shall be determined by excluding the sovereign bonds of the Member State referred to in paragraph 3a and applying the calculation method set out in paragraph 2. Where an implementing act under paragraph 3a applies and the baseline weights are adjusted, the baseline weights shall be applied in accordance with the implementing act.*

*The exclusion or adjustment shall be valid for an initial period of one month. The Commission may, after consulting ESMA, extend the exclusion or adjustment of the baseline weights referred to in this Article for additional periods of one month by way of an*

*implementing act. Where the exclusion or adjustment is not renewed by the end of the initial period or by the end of any subsequent renewal period, it shall automatically expire.*

- 3c. *The ECB shall be informed in timely fashion of any decision taken pursuant to paragraphs 3a and 3b.*

#### Article 5

##### Maturity of the underlying assets

1. SBBSs tranches that are part of the same issue shall have a single original maturity date. That maturity date shall be equal to or up to one day longer than the remaining maturity of the sovereign bond with the longest remaining maturity within the underlying portfolio.
2. The remaining maturity of any sovereign bond in an SBBSs' underlying portfolio shall not be shorter *by more* than six months than the remaining maturity of the sovereign bond with the longest remaining maturity in that portfolio.

#### Article 6

##### Structure of the tranches, payment and losses

1. An SBBSs issue shall be composed of one senior tranche and one or more subordinated tranches. The outstanding nominal value of the senior tranche shall be seventy percent of the outstanding nominal value of the entire SBBSs issue. The number and the outstanding nominal values of the subordinated tranches shall be determined by the SPE, subject to the limitation that the nominal value of the junior tranche shall be at least *five* percent of the outstanding nominal value of the entire SBBSs issue.
2. Where adverse developments severely disrupt the functioning of sovereign debt markets in a Member State or in the Union, and where that disruption has been confirmed by the Commission in accordance with paragraph 4, SPEs shall lower the outstanding nominal value of the senior tranche to sixty percent for any SBBSs issue issued after that confirmation.

Where the Commission, in accordance with paragraph 4, has confirmed that that disruption has ceased to exist, paragraph 1 will apply to all SBBSs issues issued after that confirmation.



3. ESMA shall monitor and assess whether the situation referred to in paragraph 2 exists or has ceased to exist and inform the Commission thereof.
4. The Commission may adopt an implementing act establishing that the disruption referred to in paragraph 2 exists or has ceased to exist. That implementing act shall be adopted in accordance with the examination procedure referred to in Article 26(2).
5. Payments under an SBBS shall be dependent upon the payments of the underlying portfolio of sovereign bonds.
6. The distribution of losses and the order of payments shall be determined by the tranche of the SBBSs issue and shall be fixed for the entire life cycle of the SBBSs issue.

Losses shall be recognised and assigned as they materialise.

#### Article 7

##### Issuance of SBBSs and obligations of SPEs

1. SPEs shall comply with all of the following requirements:
  - (a) they are established in the Union;
  - (b) their activities are limited to issuing and servicing SBBSs issues and managing the underlying portfolio of those SBBSs issues in accordance with Articles 4, 5, 6 and 8;
  - (c) SPEs are solely responsible for the provision of services and activities referred to in point (b).
2. SPEs shall have full ownership of the underlying portfolio of an SBBSs issue.

The underlying portfolio of an SBBSs issue shall constitute a security financial collateral arrangement as defined in Article 2(c) of Directive [2002/47/EC](#) of the **European Parliament and of the Council**<sup>1</sup> securing the financial obligations of the SPE towards investors in that SBBSs issue.

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<sup>1</sup> Directive [2002/47/EC](#) of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements (OJ L 168, 27.6.2002, p. 43).

Holding an SBBS of a specific SBBS issue shall not provide for any rights or claims on the assets of that SPE issuing the SBBSs issue that go beyond the underlying portfolio of that issue and the income generated from holding that SBBS.

Any reduction in the value or proceeds of the underlying portfolio of sovereign bonds shall not give rise to a liability claim from investors.

3. An SPE shall keep records and accounts so that it:
  - (a) segregates its own assets and financial resources from those of the underlying portfolio of the SBBSs issue and the related proceeds;
  - (b) segregates the underlying portfolios and proceeds of different SBBSs issues;
  - (c) segregates the positions held by different investors or intermediaries;
  - (d) verifies that at any point in time the number of SBBSs of one issue is equal to the sum of the SBBSs held by all investors or intermediaries in that issue;
  - (e) verifies that the outstanding nominal value of the SBBSs of one issue is equal to the outstanding nominal value of the underlying portfolio of sovereign bonds of that issue.
4. SPEs shall hold the sovereign bonds referred to in Article 4(1)(a) in custody, as permitted under point (1) of Section B of Annex I to Directive 2014/65/EU of the European Parliament and of the Council<sup>1</sup> and point (2) of Section A of the Annex to Regulation (EU) No 909/2014 of the European Parliament and of the Council<sup>2</sup> only at central banks, central securities depositories, authorised credit institutions or authorised investment firms.
- 4a. ***Member States shall ensure that holdings of sovereign bonds by SPEs enjoy the same treatment as any other holdings of the same sovereign bond or of other sovereign bonds issued with the same terms.***

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<sup>1</sup> Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

<sup>2</sup> Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, p.1).

## Article 8 Investment policy

1. An SPE shall invest payments of principal or interest from the sovereign bonds referred to in Article 4(1)(a) that are due prior to payments of principal or interest under the SBBS only in cash *or euro-denominated cash equivalents that are* eligible for liquidation within one day with minimal adverse price effect.

An SPE shall hold in custody, as permitted under point (1) of Section B of Annex I to Directive 2014/65/EU and point (2) of Section A of the Annex to Regulation (EU) No 909/2014, the payments referred to in the first subparagraph only at central banks, central securities depositories, authorised credit institutions or authorised investment firms.

2. An SPE shall not change the underlying portfolio of an SBBS until the maturity of that SBBS.
3. ESMA shall develop draft regulatory technical standards further specifying the financial instruments that can be considered to be highly liquid with minimal market and credit risk as referred to in paragraph 1. ESMA shall submit those draft regulatory technical standards to the Commission by [*6 months from the date of entry into force of this Regulation*].

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with the procedure laid down in Articles 10 to 14 of Regulation (EU) No 1095/2010.

## Chapter 3 Use of the designation SBBS and notification, transparency and information requirements

### Article 9 Use of the designation 'Sovereign Bond-Backed Securities'

The designation 'Sovereign Bond-Backed Security' or 'SBBS' shall only be used for financial products that comply with both of the following conditions:

(a) the financial product complies on an ongoing basis with Articles 4, 5 and 6;

**(aa) the SPE complies on an ongoing basis with Articles 7 and 8;**

(b) ESMA has *certified* that financial product in accordance with Article 10(1) and the financial product has been included in the list referred to in Article 10(2).

## Article 10

### SBBS notification requirements

1. An SPE shall **submit an application for certification of an SBBS issue by notifying** ESMA at least one week before issuance of an SBBSs issue by means of the template referred to in paragraph 5 of this Article that an SBBSs issue meets the requirements of Articles 4, 5 and 6. ESMA shall inform the SPE's competent authority thereof without undue delay.

**1a. The notification provided for in paragraph 1 of this Article shall include an explanation by the SPE of how it has complied with each of the requirements set out in Articles 4, 5, 6, 7 and 8.**

**1b. ESMA shall certify an SBBS issue only where it is fully satisfied that the applicant SPE and the SBBS issue comply with all the requirements laid down in this Regulation. ESMA shall inform the applicant SPE without undue delay whether certification has been granted or refused.**

2. ESMA shall maintain on its official website a list of all SBBSs issues that have been **certified by ESMA**. ESMA shall update that list instantly and remove any SBBSs issue that is no longer considered to be an SBBSs issue following a decision **by ESMA** in accordance with Article 15.

3. **ESMA shall immediately indicate on the list referred to in paragraph 2 of this Article whenever it** has imposed administrative sanctions **referred to in Article 16** for which there is no longer a right of appeal, in relation to the SBBS concerned.

**3a. ESMA shall withdraw the certification for an SBBS issue where any of the following conditions is met:**

- (a) *the SPE has expressly renounced the certification or has not made use of it within six months after the certification has been granted;*
- (b) *the SPE has obtained the certification by making false statements or by any other irregular means;*
- (c) *the SBBS issue no longer meets the conditions under which it was certified.*

***The withdrawal of the certification shall have immediate effect throughout the Union.***

4. ESMA shall develop draft regulatory technical standards specifying the information referred to in paragraph 1.

ESMA shall submit those draft regulatory technical standards to the Commission by ... [6 months from the date of entry into force of this Regulation].

Power is conferred on the Commission to adopt the regulatory technical standards referred to in this paragraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

5. ESMA shall develop draft implementing technical standards to establish the templates to be used for the provision of the information referred to in paragraph 1.

ESMA shall submit those draft implementing technical standards to the Commission by ... [6 months from the date of entry into force of this Regulation].

Power is conferred on the Commission to adopt the implementing technical standards referred to in this paragraph in accordance with Article 15 of Regulation (EU) No 1095/2010.

## Article 11

### Transparency requirements

1. An SPE shall, without undue delay, provide investors and **ESMA** with the following information:
- (a) information on the underlying portfolio that is essential for assessing whether the financial product complies with Articles 4, 5 and 6;

- (b) a detailed description of the priority of payments of the tranches of the SBBSs issue;
- (c) where no prospectus has been drawn up in the cases set out in Articles 1(4), 1(5) or 3(2) of Regulation (EU) No 2017/1129 of the European Parliament and of the Council<sup>1</sup>, an overview of the main features of the SBBS, including, where applicable, details regarding the exposure characteristics, the cash flows and loss waterfall;
- (d) the notification *and certification* referred to in Article 10(1) *and in Article 10(1b) respectively*.

The information referred to in point (a) of this paragraph shall be made available at the latest one month after the due date for the payment of interest of the SBBS.

2. An SPE shall make the information referred to in paragraph 1 available on a website that:
- (a) has a well-functioning data quality control system;
  - (b) is subject to appropriate governance standards and is maintained and operated in accordance with an organisational structure that ensures the continuity and orderly functioning of the website;
  - (c) is subject to systems, controls and procedures that identify all relevant sources of operational risk;
  - (d) includes systems that ensure the protection and integrity of the information received and the prompt recording of that information;
  - (e) makes it possible to keep records of the information for at least five years after the maturity date of every SBBSs issue.

Information referred to in paragraph 1 and the location where the information is made available shall be indicated by the SPE in the documentation regarding the SBBSs provided to investors.

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<sup>1</sup> Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ L 168, 30.6.2017, p.12).

Article 12  
Information requirements

1. Before transferring an SBBS, the transferor shall provide to the transferee all the following information:
  - (a) the procedure to allocate proceeds from the underlying portfolio of sovereign bonds to the different tranches of the SBBSs issue, including following or in anticipation of a non-payment on the underlying assets;
  - (b) how voting rights on an exchange offer following or in anticipation of a non-payment on any sovereign bonds in the underlying portfolio shall be assigned to investors and how any losses from a debt non-payment shall be allocated across the different tranches of the SBBSs issue.
2. ESMA shall develop draft regulatory technical standards to specify the information referred to in paragraph 1.

ESMA shall submit those draft regulatory technical standards to the Commission by [6 months from the date of entry into force of this Regulation].

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with the procedure laid down in Articles 10 to 14 of Regulation (EU) No 1095/2010.

Chapter 4  
Product oversight

Article 13  
Supervision *by ESMA*

1. **ESMA** shall *be the* competent *authority* to supervise the compliance of SPEs with **the** requirements laid down in this Regulation.

2. **ESMA** shall **■** have the supervisory, investigatory and sanctioning powers to fulfil *its* duties under this Regulation.

**ESMA** shall have the power to, at least:

- (a) request access to any documents in any form to the extent that they relate to SBBSs, and to receive or take a copy thereof;
- (b) require the SPE to provide information without delay;
- (c) require information from any person related to the activities of the SPE;
- (d) carry out on-site inspections with or without prior announcement;
- (e) take appropriate measures to ensure that an SPE continues to comply with this Regulation;
- (f) issue an order to ensure that an SPE complies with this Regulation and desists from a repetition of any conduct that breaches this Regulation.

**■**

## Article 14

### Cooperation between competent authorities and ESMA

1. Competent authorities *responsible for the supervision of entities assembling SBBSs or otherwise engaged in the SBBS market* and ESMA shall cooperate closely and exchange information to carry out their duties. In particular, they shall closely coordinate their supervision to identify and remedy infringements of this Regulation, develop and promote best practices, facilitate collaboration, foster consistency of interpretation and provide cross-jurisdictional assessments in the event of any disagreements.

To facilitate the use of powers of competent authorities and ensure the consistent application and enforcement of the obligations set out in this Regulation, ESMA shall act within the powers set out in Regulation (EU) No 1095/2010.



2. A competent authority that has clear and demonstrable grounds that an SPE is in breach of this Regulation shall promptly inform *ESMA* in a detailed manner. *ESMA* shall take appropriate measures, including the decision referred to in Article 15.
3. Where the SPE persists in acting in a manner that is clearly in breach of this Regulation despite measures taken by **ESMA**, *ESMA may* take all appropriate measures to protect investors, including prohibiting the SPE from carrying out any further marketing of SBBSs within its territory and taking the decision referred to in Article 15.

## Article 15

### Misuse of the SBBS designation

1. Where there are reasons to believe that an SPE in infringement of Article 9 has used the designation ‘SBBS’ to market a product that fails to comply with the requirements set out in that Article, *ESMA* shall follow the procedure provided for in paragraph 2.
2. Within 15 days after becoming aware of the possible infringement referred to in paragraph 1 *ESMA* shall decide whether Article 9 has been infringed and shall notify other relevant competent authorities thereof, including the competent authorities of the investors, when known. **█**

**█**

Where *ESMA finds* that the infringement by the SPE is related to non-compliance with Article 9 in good faith, *it* may decide to grant the SPE a period of maximum **one month** to remedy the identified infringement, starting from the day the SPE was informed of the infringement by *ESMA*. During that period, an SBBS appearing on the list maintained by ESMA pursuant to Article 10(2) shall continue to be considered an SBBS and shall be kept on that list.

3. ESMA shall develop draft regulatory technical standards to specify the cooperation obligations and the information to be exchanged under paragraph 1 and 2.

ESMA shall submit those draft regulatory technical standards to the Commission by [*6 months from the date of entry into force of this Regulation*].

Power is delegated to the Commission to adopt the regulatory technical standards referred to in this paragraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

## Article 16

### Remedial measures and administrative sanctions

1. Without prejudice to the right for Member States to lay down criminal sanctions pursuant to Article 17, **ESMA** shall impose on the SPE or the natural person managing the SPE the appropriate remedial measures, including the decision referred to in Article 15, and the appropriate administrative sanctions set out in paragraph 3 where SPEs:
  - (a) have failed to comply with the obligations set out in Articles 7 and 8;
  - (b) have failed to meet the requirements of Article 9, including where they have not notified ESMA in accordance with Article 10(1), or have made a misleading notification;
  - (c) have failed to meet the transparency requirements of Article 11.
2. The administrative sanctions referred to in paragraph 1 shall be at least the following:
  - (a) a public statement indicating the identity of the natural or legal person having committed the infringement and the nature of the infringement;
  - (b) an order requiring the natural or legal person that committed the infringement to cease the conduct and to desist from a repetition of that conduct;
  - (c) a temporary ban preventing any member of the SPE's management body or any other natural person held responsible for the infringement from exercising management functions in SPEs;
  - (d) in case of an infringement as referred to in point (b) of paragraph 1, a temporary ban on the SPE from making a notification as referred to in Article 10(1);
  - (e) an administrative pecuniary sanctions of maximum EUR 5 000 000, or in Member States the currency of which is not the euro, the corresponding value in the national currency on [*the date of entry into force of this Regulation*], or of maximum 10 % of

the total annual net turnover of the SPE, as established in the most recent available accounts approved by the management body of the SPE;

- (f) an administrative pecuniary sanctions of maximum twice the amount of the benefit derived from the infringement where that benefit can be determined, even where that benefit exceeds the maximum amounts referred to in point (e).

3. *ESMA*, when determining the type and level of administrative sanctions, shall take into account the extent to which the infringement was intentional or results from negligence and all other relevant circumstances, including, where appropriate:

- (a) the materiality, gravity and the duration of the infringement;
- (b) the degree of responsibility of the natural or legal person responsible for the infringement;
- (c) the financial strength of the responsible natural or legal person;
- (d) the importance of profits gained or losses avoided by the responsible natural or legal person, insofar as those profits or losses can be determined;
- (e) the losses for third parties caused by the infringement;
- (f) the level of cooperation of the responsible natural or legal person with the competent authority;
- (g) previous infringements by the responsible natural or legal person.

4. *ESMA* shall ensure that any decision imposing the remedial measures or administrative sanctions is properly reasoned and is subject to a right of appeal.

## Article 17

### Interaction with criminal sanctions

Member States that have laid down criminal sanctions for the infringement referred to in Article 16(1) shall *allow ESMA* to liaise with judicial, prosecuting, or criminal justice authorities within their jurisdiction *and* to receive from, and to provide to, *relevant* authorities specific information

about criminal investigations or proceedings commenced for the infringements referred to in Article 16(1).

## Article 18

### Publication of administrative sanctions

1. **ESMA** shall publish on *its* website any decision imposing an administrative sanction in respect of which there is no longer a right of appeal and which is imposed for an infringement as referred to in Article 16(1) without undue delay and after the person concerned has been informed.

The publication referred to in subparagraph 1 shall include information on the type and nature of the infringement, the identity of the natural or legal person on whom the administrative sanction has been imposed.

2. **ESMA** shall publish the administrative sanction on an anonymous basis, ■ in any of the following circumstances:
  - (a) where the administrative sanction is imposed on a natural person and, following an prior assessment, publication of personal data is found to be disproportionate;
  - (b) where publication would jeopardise the stability of financial markets or an ongoing criminal investigation;
  - (c) where publication would cause disproportionate damage to the SPE or natural persons involved.

Alternatively, where the circumstances referred to in the first subparagraph are likely to cease within a reasonable period of time, publication under paragraph 1 may be postponed for such a period of time.

3. **ESMA** shall ensure that information published under paragraph 1 or 2 remains on *its* official website for five years. Personal data shall be retained on the official website of **ESMA** only for the period necessary.

*Article 18a*  
*Supervisory fees*

1. *ESMA shall charge the SPE fees in accordance with this Regulation and in accordance with the delegated acts adopted pursuant to paragraph 2 of this Article. Those fees shall be in proportion to the turnover of the SPE concerned and shall fully cover ESMA's necessary expenditure relating to the licensing of SBBSs and supervision of SPEs.*
2. *The Commission is empowered to adopt a delegated act in accordance with Article 24a to supplement this Regulation by further specifying the type of fees, the matters for which fees are due, the amount of the fees and the manner in which they are to be paid.*

Article 19

Macroprudential oversight of the SBBSs market

Within the limits of its mandate laid down in Regulation (EU) No 1092/2010, the ESRB shall be responsible for the macroprudential oversight of the Union's SBBSs market and act in accordance with the powers set out in that Regulation. *If it finds that SBBS markets are posing a severe risk to the orderly functioning of the markets for the sovereign debt securities of those Member States whose currency is the Euro, the ESRB shall avail itself of the powers under Articles 16, 17 and 18 of Regulation (EU) No 1092/2010, as appropriate.*



Chapter 4

Implementing powers and final provisions

Article 21

Amendment to Directive 2009/65/EC

In Directive 2009/65/EC the following Article 54a is inserted:

## “Article 54a

1. Where Member States apply a derogation as referred to in Article 54 or grant a waiver as referred to in Article 56(3), the competent authorities of the UCITS home Member State shall:

- (a) apply the same derogation or grant the same waiver for UCITS to invest up to 100% of their assets in SBBSs as defined in Article 3(3) of Regulation [*reference of the SBBS Regulation to be inserted*] in accordance with the principle of risk-spreading where those competent authorities consider that unit-holders in the UCITS have a protection that is equivalent to that of unit-holders in UCITS complying with the limits laid down in Article 52;
- (b) shall waive the application of paragraphs 1 and 2 of Article 56.

2. By [*6 months from date of entry into force of SBBS Regulation* ], Member States shall adopt, publish and communicate to the Commission and ESMA measures necessary to comply with paragraph 1.”.

## Article 22

### Amendment to Directive 2009/138/EC

In Article 104 of Directive 2009/138/EC, the following paragraph 8 is added:

"8. For the purposes of the calculation of the Basic Solvency Capital Requirement, exposures to sovereign bond-backed securities as defined in Article 3(3) of Regulation [*reference of the SBBS Regulation to be inserted*] shall be treated as exposures to Member States' central governments or central banks denominated and funded in their domestic currency.

By [*6 months from date of entry into force of SBBS Regulation*], Member States shall adopt, publish and communicate to the Commission and ESMA measures necessary to comply with the first subparagraph.”.

Article 23  
Amendments to Regulation EU No 575/2013

Regulation (EU) No 575/2013 is amended as follows:

(1) in Article 268 , the following paragraph 5 is added:

"5. By way of derogation from the first paragraph, **the senior tranche of** sovereign bond-backed securities as defined in **Article 3(8)** of Regulation [*reference of the SBBS Regulation to be inserted*] may always be treated in accordance with the first paragraph of this Article.";

(2) in Article 325, the following paragraph 4 is added:

"4. For the purpose of this Title, institutions shall treat exposures in the form of **the senior tranche of** sovereign bond-backed securities as defined in **Article 3(8)** of Regulation [*reference of the SBBS Regulation to be inserted*] as exposures to the central government of a Member State.";

(3) in Article 390(7), the following subparagraph is added:

“The first subparagraph shall apply to exposures to sovereign bond-backed securities as defined in Article 3(3) of Regulation [*reference of the SBBS Regulation to be inserted*].”.

Article 24  
Amendment to Directive (EU) 2016/2341

In Directive (EU) 2016/2341, the following Article 18a is inserted:

“Article 18a  
Sovereign-Bond Backed Securities

1. In their national rules regarding the valuation of assets of IORPs, the calculation of own funds of IORPs, and the calculation of a solvency margin for IORPs, Member States shall treat sovereign-bond backed securities, as defined in Article 3(3) of

Regulation [*reference of the SBBS Regulation to be inserted*], in the same way as euro area sovereign debt instruments.

2. By [*6 months from date of entry into force of the SBBS Regulation*], Member States shall adopt, publish and communicate to the Commission and ESMA measures necessary to comply with paragraph 1.”.

#### *Article 24a*

##### *Exercise of the delegation*

1. *The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.*
2. *The power to adopt delegated acts referred to in the third and fourth subparagraphs of Article 4(3) and in Article 18a(2) shall be conferred on the Commission for a period of five years from [date of entry into force of this regulation]. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.*
3. *The delegation of power referred to in the third and fourth subparagraphs of Article 4(3) and in Article 18a(2) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.*
4. *Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.*
5. *As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.*



6. *A delegated act adopted pursuant to the third or fourth subparagraph of Article 4(3) or to Article 18a(2) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of three months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by [two months] at the initiative of the European Parliament or of the Council.*

#### Article 25

##### Evaluation clause

No sooner than five years after the date of entry into force of this Regulation and once sufficient data have become available, the Commission shall carry out an evaluation of this Regulation assessing whether it has achieved its objectives to eliminate undue regulatory hindrances to the emergence of SBBSs.

#### Article 26

##### Committee procedure

1. The Commission shall be assisted by the European Securities Committee established by Commission Decision 2001/528/EC<sup>1</sup>. That Committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

#### Article 27

##### Entry into force

This Regulation shall enter into force the 20<sup>th</sup> day following that of its publication in the *Official Journal of the European Union*.

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<sup>1</sup> Commission Decision 2001/528/EC of 6 June 2001 establishing the European Securities Committee (OJ L 191, 13.7.2001, p. 45).

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at ...,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

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