

## **Benoît Cœuré: Interview with the Association of German Pfandbrief Banks**

Interview with Mr Benoît Cœuré, Member of the Executive Board of the European Central Bank, and the Association of German Pfandbrief Banks, published on 8 May 2019.

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### **In what context did you first come across Pfandbriefe?**

Before joining the ECB, I spent five years managing France's debt and cash at Agence France Trésor, the French equivalent of the Finance Agency in Germany. That's when I first came across Pfandbriefe as an important building block of Europe's fixed income market.

### **What is the importance of Pfandbriefe and other covered bonds in monetary transmission?**

Covered bonds play an important role in the monetary policy transmission process, in particular in a traditionally bank-based economy like the euro area. The covered bond purchase programme, for example, has lowered banks' funding costs directly and thereby encouraged banks to extend more credit to firms and households at more attractive levels. It was not by chance that covered bonds were the first asset class to be purchased outright by the Eurosystem for monetary policy purposes in 2009. In addition, covered bonds make up a large share of the collateral that banks use to borrow funds in Eurosystem monetary policy operations, ensuring that banks have access to central bank funding.

### **Do you think the harmonisation of covered bonds will be a success?**

The ECB supports efforts to create a harmonised, high-quality and transparent covered bond market in the European Union. The legislative proposal on covered bonds made by the European Commission in March 2018 is an important step in that direction, also with a view to promoting a further deepening of the capital markets union. The ECB also sees merit in the proposed directive serving as a basis for new national legislation on covered bonds. Finally, the importance of private initiatives to achieve harmonisation should also be emphasised, in particular the covered bond label created by the European Covered Bond Council in 2012. National differences will of course not vanish overnight, but I am confident that practices will increasingly converge across EU countries over time.

### **Will innovation, e.g. "green" covered bonds transform the market and, if so, how?**

Successful innovations, if managed prudently, have always been important drivers of financial market developments. In the covered bond market, as in other market segments, I see "green" covered bonds as a promising innovation and transformation for the future, given the growing awareness among the general public that environmentally-friendly economic activities should be supported.