



EUROPEAN COMMISSION

*Brussels, 21.1.2019
C (2019) 161 final*

Dear President,

The Commission would like to thank the Senat for its Opinion on the proposal for a Regulation of the European Parliament and of the Council on Sovereign Bond-Backed Securities (SBBS) {COM(2018) 339 final}.

As the Senat notes, the proposal aims at further deepening and integrating Europe's capital markets. It is the Commission's view that Sovereign Bond-Backed Securities could help further weaken the sovereign – bank nexus and enhance the supply of euro-denominated low-risk assets, thus enhancing the efficiency and resilience of the euro area financial system. A more efficient and more stable euro area would have positive spillovers for the entire European Union.

At the same time, the proposal is clear that Sovereign Bond-Backed Securities are meant to be a private sector instrument. Thus, the specific purpose of this proposal is to enable private sector issuance and use of these novel instruments. Specifically, the proposal would eliminate several undue existing regulatory impediments that currently render Sovereign Bond-Backed Securities unappealing, especially vis-à-vis direct holding of portfolios of euro area sovereign bonds.

However, as the Senat also notes, even the removal of these identified regulatory impediments would provide no guarantee that private sector participants, including banks, will demand such instruments. The extent of the demand for such novel products can only be ascertained by subjecting Sovereign Bond-Backed Securities to the test of the markets. The proposal would make such test possible.

The Commission hopes that these clarifications address the issues raised by the Senat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

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First Vice-President*

*Valdis Dombrovskis
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