

Covered Bonds Team

The Covered Bonds Team of Katten Muchin Rosenman LLP is an interdisciplinary team of attorneys from the firm's Structured Finance and Securitization Practice. The attorneys in Katten's Covered Bonds Team have the breadth of structured finance, banking, derivatives and tax knowledge necessary to help U.S. and European participants achieve success in this growing market.

A "covered bond" is a debt instrument secured by a perfected security interest in a specified pool of collateral, or "cover pool." Covered bonds, although similar to mortgage-backed securities, have important differences. For example, covered bonds remain on the issuer's balance sheet, are paid by the issuer's general cash flows, are structured to avoid prepayment prior to the maturity date (through swaps and deposit agreements), and provide investors with recourse to both the cover pool and the issuer's other assets.

Covered bonds have been an important source of financing in Europe since the late 18th century. There have been two U.S. covered bonds issuances, but recent regulatory and market developments are expected to cause an increase in issuance levels of covered bonds. Specifically, the FDIC's publication on July 15 of its Final Covered Bond Policy Statement, and the Department of Treasury's publication on July 28 of its Best Practices Guide for Residential Covered Bonds, are important milestones in the continuing development of the U.S. covered bonds market. The FDIC's Final Policy Statement and the Treasury Department's Best Practices Guide set forth important limitations and eligibility criteria for U.S. covered bonds that issuers and underwriters must comply with in order to obtain the full benefits of those regulatory frameworks.

As the Treasury Department recently noted, U.S. covered bonds "represent a potential additional source of financing that could reduce borrowing costs for homeowners, improve liquidity in the residential mortgage market and help depository institutions strengthen their balance sheets by diversifying their funding sources." Katten's Covered Bonds Team leverages our experience in structured finance, banking, derivatives and tax law to assist clients in structuring and executing successful covered bond transactions both in the United States and in Europe through our London affiliate, Katten Muchin Rosenman Cornish LLP.



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About the Firm

Founded in 1974, Katten Muchin Rosenman LLP is a full-service law firm with more than 650 attorneys in locations across the United States and an affiliate in London. The firm's business-savvy professionals provide clients in numerous industries with sophisticated, high-value legal services, with a focus on corporate, financial services, litigation, real estate, commercial finance, intellectual property and trusts and estates. Among our clients are a wide range of public and private companies, including nearly a third of the Fortune 100, as well as a number of government and nonprofit organizations and individuals. For additional information, visit www.kattenlaw.com.

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