

The New Golden (Green) Standard for Bonds

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A row of small potted cacti on a windowsill. The cacti are in white pots and are arranged in a line, receding into the distance. The background is a blurred view of a window with a view of a city or landscape.

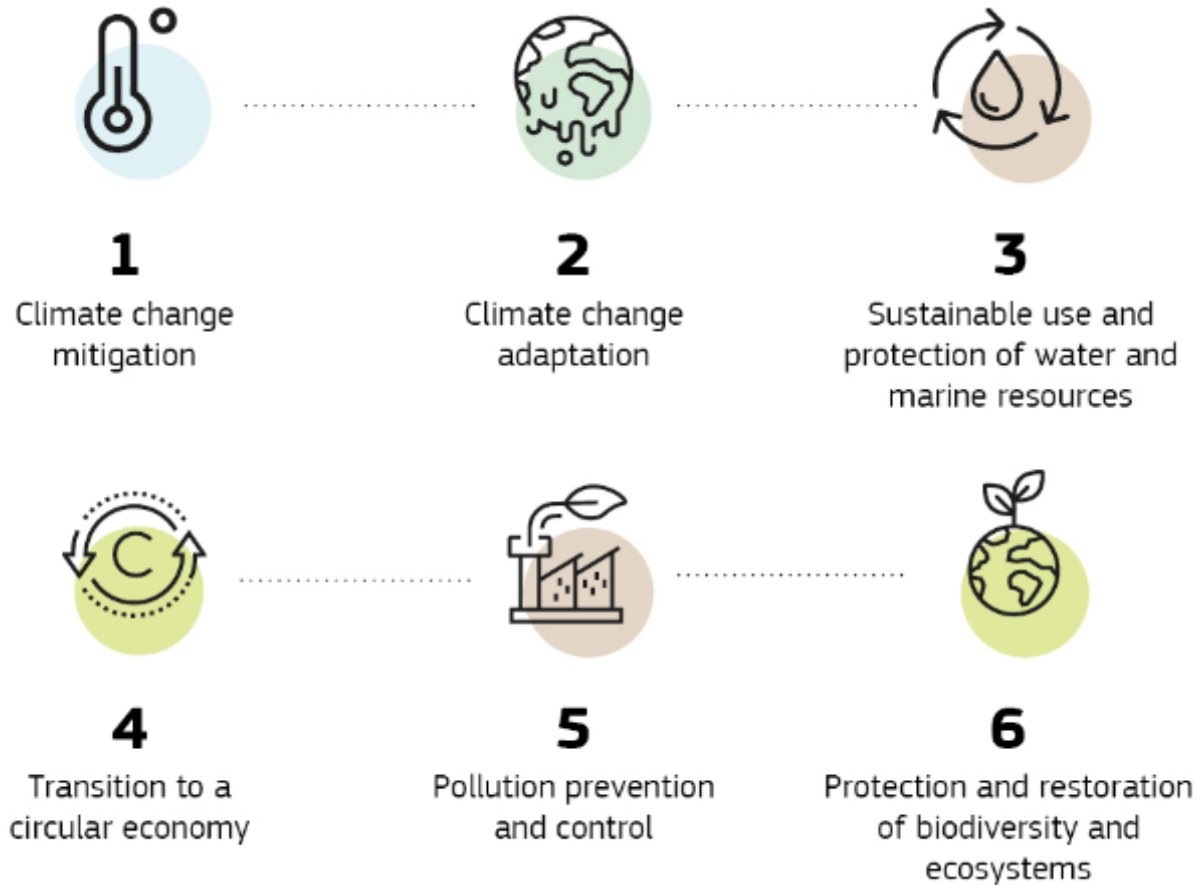
EU Green Bond Standard Regulation (ES) 2023/2631

- Creates a regulatory, "**voluntary**" standard for European green bonds and
- disclosure forms for other sustainable bonds in terms of environmental factors, as well as sustainability-related bonds
- also applies to asset-backed securities
 - only «E», not «S» or «G»
- In force as of 20 December 2023, applicable from **21 December 2024** (some parts – mid-2026).

Concepts

- **environmentally sustainable bonds**
 - those with which the funds raised are used to achieve the environmentally sustainable goal set by the issuer
- **environmentally sustainability-linked bonds**
 - those whose financial indicators or structure are affected by the extent to which the issuer achieves the sustainable goal in terms of environmental factors
- **EU Green Bond**
 - funds are invested in certain asset classes &
 - in environmentally sustainable economic activities as per Taxonomy Regulation (15% flexibility pocket)
- **securitization bonds**





Environmentally sustainable economic activity

- A. contributing substantially to an environmental objective
- B. not significantly harming the environmental objective
- C. carried out in compliance with the minimum safeguards
- D. complying with technical screening criteria established by the European Commission

Requirements

- **Taxonomy-alignment**
- **Transparency**
 - **prospectus** – mandatory
 - pre-issuance **fact sheet**
 - post-emission **funds' allocation report** and **impact report**
- **External review** – mandatory
- **Supervision:**
 - external reviewers are registered and supervised by ESMA
 - prospectus, etc. the documents are checked by the financial sector supervisor





Sanctions

- Suspension or prohibition of bond trading
- Advertising suspension or ban
- Public notices of violations
- Prohibition of future issuances (up to 1 year)
- Request to cease conduct
- Fines:
 - at least 2x of the profits gained or losses avoided
 - legal person – EUR 500 000 or 0.5% annual turnover
 - natural person – EUR 50 000

Challenges ahead

- Data collection
- Transition
- Parallel standards
- Market reality

