



## List of categories of covered bonds and issuers of covered bonds

The UCITS Directive requires ESMA to make available to the public the list of categories of bonds referred to in the first subparagraph of Article 52(4) of that Directive, together with the list of categories of issuers of those instruments authorised in each Member State.

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## Austria

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** The list in the hyperlink below is updated on a daily basis.

Categories of issuers	Categories of bonds referred to in Article 52
See Art. 74 (4) of the Austrian Investment Fund Act 2011:	See Art. 74 (4) of the Austrian Investment Fund Act:
Credit institutions in the EEA that are subject to special public supervision by virtue of laws protecting the holders of such bonds	Bonds issued by a credit institution that has its registered office in an EEA Member State and that are subject to special public supervision by virtue of laws protecting the holders of such bonds

### Notice specifying the guarantees offered (by categories of bonds)

To comply with this obligation an extract of the relevant legal text translated in English will be accepted:

Austrian Investment Fund Act 2011: “Quantitative Restrictions to Prevent a Concentration of Issuers Article 74:

(4) By way of derogation from paragraph 1, bonds issued by a credit institution that has its registered office in an EEA Member State and that are subject to special public supervision by virtue of laws protecting the holders of such bonds, up to 25% of the fund assets. The proceeds from the issue of these bonds must be invested in assets that sufficiently cover the resulting liabilities until the bonds mature and that, in the event of default of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. Where the investment in such bonds from the same issuer exceeds 5% of the fund assets, the total value of such investments shall not exceed 80% of the fund assets.”

### Hyperlinks (if applicable) to national data base for more information on issues

<http://www.profitweb.at/public/main/pw/index.jsp?content=apps%2Flist%2Findex%2Ejsp%3Fui%5Flist%3D8%26ui%5Fsh%5Fall%3Dtrue%26ui%5Fsubmit%3Dtrue>



## Belgium

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** In Belgium article 34, § 4 of the Royal Decree of 4 March 2005 allows Belgian UCITS to invest in foreign covered bonds compliant with the Directive requirements. There is as of yet no legal base for the emission of Belgian covered bonds in the sense of Article 52 (4) of the Directive.

<b>Categories of issuers</b>	<b>Categories of bonds referred to in Article 52</b>
Not Applicable	Not Applicable

**Notice specifying the guarantees offered (by categories of bonds)**

Not Applicable

**Hyperlinks (if applicable) to national data base for more information on issues**

Not Applicable



## **Bulgaria**

**Is the investment limit raised to 25% for UCITS established in this Member State:** No

**Date of last update:** Not Applicable

<b>Categories of issuers</b>	<b>Categories of bonds referred to in Article 52</b>
Not Applicable	Not Applicable

**Notice specifying the guarantees offered (by categories of bonds)**

Not Applicable

**Hyperlinks to national data base for more information on issues**

Not Applicable



## Cyprus

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 03 July 2012

<b>Categories of issuers</b>	<b>Categories of bonds referred to in Article 52</b>
Bank	Covered Bonds

### **Notice specifying the guarantees offered (by categories of bonds)**

In both cases the covered bonds are collateralised by residential mortgages of the banking institutions. There are no 3<sup>rd</sup> party guarantees offered to the covered bonds.

### **Hyperlinks (if applicable) to national data base for more information on issues**

[http://www.centralbank.gov.cy/nqcontent.cfm?a\\_id=11439](http://www.centralbank.gov.cy/nqcontent.cfm?a_id=11439)



## Czech Republic

**Name of the Member State:** Czech Republic

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 20 August 2012

Categories of issuers	Categories of bonds referred to in Article 52
Banks with registered office within the territory of the Czech Republic	mortgage bonds

### Notice specifying the guarantees offered (by categories of bonds)

Act on Bonds (190/2004 coll.)

Sec. 28: “Mortgage bonds are bonds, as well as similar securities representing the right to repay the outstanding amount issued under foreign law, whose nominal value and proportionate yield (hereinafter “obligations arising from mortgage bonds”) are fully covered (backed) by the receivables arising from mortgage loans or by part of such receivables (proper coverage) and, as the case may be, by an alternative method pursuant to this Act (alternative coverage). The designation “hypoteční zástavní list” is a part of the title of this security. Other securities may not bear such designation.”

### Hyperlinks (if applicable) to national data base for more information on issues

Not Applicable

## Denmark

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** June 2012

Categories of issuers	Categories of bonds referred to in Article 52
The Credit Institution for Local and Regional Authorities in Denmark (KommuneKredit)	Bonds
Ship Financing institutions	Bonds, covered bonds, covered mortgage-credit bonds
Mortgage-credit institutions	Mortgage-credit bonds, covered bonds, covered mortgage-credit bonds
Commercial banks, savings banks and cooperative savings banks	Covered bonds, covered mortgage-credit bonds

### Notice specifying the guarantees offered (by categories of bonds)

Members of KommuneKredit are directly, jointly and severally liable for all KommuneKredit obligations. Bonds issued by the KommuneKredit are backed by the ability of the municipalities to levy the taxes in order to pay out the debt and hence the bonds are secured by the entire tax base of Denmark. The institution is supervised by the government and established by a special Act.

Ship Financing institutions' bonds are backed by mortgages in the underlying assets.

Other institutions offer covered bonds in accordance with the Capital Requirements Directive.

### Hyperlinks (if applicable) to national data base for more information on issues

The register for covered bonds and covered mortgage-credit bonds:

[http://www.finstilsynet.dk/Tal-og-fakta/Virksomheder-under-tilsyn/Register-for-SDOSDRO.aspx?sc\\_lang=en](http://www.finstilsynet.dk/Tal-og-fakta/Virksomheder-under-tilsyn/Register-for-SDOSDRO.aspx?sc_lang=en)

The register of the bonds falling under the scope of art 52 of the UCITS Directive:

[http://www.finstilsynet.dk/Tal-og-fakta/Oplysninger-for-virksomheder/Oplysninger-til-investeringsforeninger-mv.aspx?sc\\_lang=en](http://www.finstilsynet.dk/Tal-og-fakta/Oplysninger-for-virksomheder/Oplysninger-til-investeringsforeninger-mv.aspx?sc_lang=en)



## **Estonia**

**Is the investment limit raised to 25% for UCITS established in this Member State:** No

**Date of last update:** Non applicable

<b>Categories of issuers</b>	<b>Categories of bonds referred to in Article 52</b>
Not applicable	Not applicable

**Notice specifying the guarantees offered (by categories of bonds)**

Not applicable

**Hyperlinks (if applicable) to national data base for more information on issues**

Not applicable



## Finland

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 24 August 2012

Categories of issuers	Categories of bonds referred to in Article 52
Mortgage Credit Banks and Authorised Credit Institutions	Covered bonds collateralised by a mortgage-backed credit or a public-sector credit entered in the register of bonds in accordance with the provisions of Act on Mortgage-Credit Bank Operations (688/2010)

### Notice specifying the guarantees offered (by categories of bonds)

The attachment below provides a non-official translation of the guarantees offered in Finland by the type of categories of bonds.



Act on Mortgage  
Credit Bank Operati

### Hyperlinks (if applicable) to national data base for more information on issues

Not Applicable



## France

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** July 2011

Categories of issuers	Categories of bonds referred to in Article 52
Sociétés de credit foncier	Residential (mortgage) loans and public sector exposure
Sociétés de financement de l'habitat	Residential (mortgage and guaranteed) loans
Caisse de refinancement de l'habitat	Residential (mortgage and guaranteed) loans

### Notice specifying the guarantees offered (by categories of bonds)

#### 1. *Obligations foncières (OF)*

The legislative and regulatory framework applicable is

- Art. L.515-13 and seq and R.515-2 and seq. . of the French Monetary and Financial Code,
- Act. N° 99-532 of 25 June 1999.
- **Decree N° 2011-244 of 4 March 2011 regarding sociétés de crédit foncier**
- **Decree N° 2011-205 du 23 février 2011 regarding sociétés de crédit foncier and sociétés de financement de l'habitat**
- Decree N° 99-655 of 29 July 1999.
- Decree N° 99-710 of 3 Aug 1999.
- Regulation N° 99-10 modified of the banking and finance regulation committee on SCF and on SFH [http://www.banque-france.fr/cclrf/fr/pdf/CRBF99\\_10.pdf](http://www.banque-france.fr/cclrf/fr/pdf/CRBF99_10.pdf) (see also Order of 23 February 2011 amending modification du Regulation N° 99-10 on SCF) and see in part Instructions n° 2012-I-03, no 2011-I-07 and 2011-I-06 by the Autorité de Contrôle Prudentiel)
- Art. 16 of Act N° 69-1263 of 31 December 1969.

#### Structure of the issuer

The Autorité de Contrôle Prudentiel (ACP: French supervisor of banks and insurance companies) supervises the issuers of covered bonds. OF bonds are issued by a specialised credit institution, an SCF (a 'société de crédit foncier') authorised by the ACP. SCF are limited by law in their range of business activities.

Bankruptcy remoteness is established by law by guaranteeing that the bankruptcy of a company holding shares of the SCF does not extend to the SCF. Also, upon default, no creditors can be paid until the privileged creditors are repaid in full.

There is no acceleration upon judicial liquidation of an SCF.

There is dual claim insofar as all assets of the SCF secure the OFs and other privileged creditors and no creditor can be paid until the privileged ones are repaid in full.

#### Eligible assets (L.515-14- L.515-18 of the French Monetary and Financial Code):

- Mortgage

Residential or commercial mortgages are allowed. Assets securing the loans have to be based in the EEA or in a State qualifying for the best quality step (i.e. Step 1) in the credit quality assessment by an External Credit



Assessment Institution (ECAI). RMBS bonds if they have the best quality assessment by an ECAI (i.e. AAA or AA-) can also be included in the pool, as long as they are at least 90% backed by eligible collateral.

- LTV caps

LTV limit is a soft LTV limit of 60%, 80% for loans used to finance the purchase or construction of a property and 100% for loans benefitting from an FGAS<sup>1</sup> guarantee (Article R.515-2 of the Code); loans which are guaranteed by an unfunded credit protection provided by a credit institution or an insurance company must not exceed 35% of SCF assets.

- Public Sector

Are allowed debt issued or guaranteed by a public entity located in the EEA, Switzerland, Canada, USA, Japan, Australia and New Zealand or any State that meets the conditions for the best quality step (i.e. Step 1) in the credit quality assessment by an ECAI.

- Non-performing collateral

Loans in arrears by more than 90 days are removed from the pool.

- Substitution Assets

Cash equivalent assets are allowed. Issuer or guarantor has to be rated AAA or AA-. Substitution collateral cannot exceed 15% of the cover pool.

### Hedging

Derivatives can only be used to minimise interest rate, currency or other risks.

### Valuation

Prescribed standards: Valuation rules are prescribed by Regulation N° 99-10 (amended). Requirements to disclose details of the cover pool are on a quarterly basis.

### Asset coverage/ OC (overcollateralization)

Article L.515-20 of the Code requires that, at any time, the total amount of the SCF's assets must be greater than the outstanding amount of its privileged debt. The 102% minimum level of overcollateralization is provided in Article R.515-7-2 of the Code and is at all times subject to ACP's control. Weighting treatment of various asset types is prescribed by Regulation N° 99-10 modified. Post Group Event of Default (EoD) and Amortisation Test is carried out.

Coverage ratios have to be reported at least twice a year (30 June and 31 December) – Regulation N°99-10 modified

### Interest coverage

The pre-maturity Test checks that there is enough liquidity in case of a downgrade; a breach constitutes a Group EoD but not an issuer EoD.

### Consequence of the breach

A breach of the Asset Cover test is not an issuer EoD but a Group EoD and no more issuance is allowed. Non-compliance with the Amortisation Test is an EoD.

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<sup>1</sup> Fonds de garantie à l'accession sociale



## Monitoring

A specific controller (created by Article L.515-30 of the Code) must be appointed by the SCF with approval of the ACP. The controller will check asset and interest coverage, A/L mismatches and the eligibility of the assets. Must file an annual report to the ACP/alert this latter, should it consider the levels are insufficient.

## **2. Obligations à l'habitat (OH)**

The legislative and regulatory framework applicable is:

- Art. L 515-34 and seq. of the French Monetary and Financial Code, art 74 of law 2010-1249; and R. 515-15 and seq. of the French Monetary and Financial Code.
- **Decree N° 2011-205 du 23 février 2011 regarding sociétés de crédit foncier and sociétés de financement de l'habitat**
- Regulation N° 99-10 modified of the banking and finance regulation committee on SCF and on SFH (see Order of 23 February 2011 amending modification du Regulation N° 99-10 on SCF and in particular Instructions n° 2012-I-03, no 2011-I-07 and 2011-I-06 by the Autorité de Contrôle Prudentiel )

## Structure of the issuer

The bonds are issued out of a specialised credit institution (SFH) with a limited purpose and supervised by the ACP. The exclusive legal purpose of the SFH is to grant or finance loans and hold securities under specific conditions set out in the French Monetary and Financial Code.

Bankruptcy remoteness is achieved under Art 515-27 of the French Monetary and Financial Code that precludes the extension of any safeguard procedure, judicial reorganisation or liquidation of the SFH's parent to the SFH. There is no acceleration of the bonds upon insolvency of the issuer.

There is dual claim but only with a residual claim if the cover pool is not sufficient to redeem the bonds.

## Eligible assets

- Mortgage

Residential loans secured on a property located in the EEA or a state rated at least AA- are allowed. These can also be in the form of RMBS as long as at least 90% of the underlying pool satisfies the criteria, the securitisation vehicle is governed by French, EEA, US, Swiss, Canadian, Japanese, Australian or New Zealand law and the bonds are rated AAA or AA-. No limitations on guaranteed home loans.

- LTV caps

See limits for SCF - *a number of the regulatory rules applying to SCF also apply to SFH under article R. 515-15*

- Non-performing collateral

No loans in arrears can be added to the pool. Loans in arrears by more than 3 months are not given full credit in the calculation of the Asset Coverage Test.

- Substitution assets

Are allowed up to 15% of collateral. This can consist of debt guaranteed or issued by institutions rated at least AA-; debt due within 100 days or guaranteed by a credit institution or an investment firm rated at least A-



and established in a member state of the EEA; debt issued or guaranteed by public sector entities referred to in the French Monetary and Financial Code.

### Hedging

It is only used to minimise interest rate, currency or other risks.

### Valuation

Individual market values are required. Prescribed standards: valuation rules are prescribed by Regulation N° 99-10 modified. Valuation is carried out on an annual basis by the Specific Controller. Requirements to disclose details of the cover pool are on a quarterly basis.

### Asset coverage/OC

A 102% minimum level of overcollateralization is required. It is provided in Article R.515-7-2 – *a number of the regulatory rules applying to SCF also apply to SFH under article R. 515-15*. If breached, there is no event of default, but the license of the issuer as SFH can be withdrawn. Prior to parent default, an Asset Cover test has to be carried out and assets must be less than liabilities at all times. If less than 1, then no further issuance is allowed and there is a Borrower EoD but not an Issuer EoD. There is also a Pre-maturity Test that checks that the originator can provide enough liquidity in case of a downgrade; a breach constitutes a Borrower EoD. Finally, there is a Liquidity test with a similar purpose, but a breach does not lead to an EoD.

Coverage ratio has to be reported at least twice a year (30 June and 31 December) – Regulation N°99-10 modified.

### Interest coverage

The issuer has to make sure that liquidity needs for the next 180 days are covered with substitute assets, liquidity lines granted by eligible counterparties or central banks.

Post default of the parent, an Amortisation test is carried out, if the Amortisation ratio is less than 1, then an issuer event of default takes place and the bonds accelerate.

In case of breach of asset coverage, there are an asset monitor and a specific controller that acts as an independent trustee and by law reports to the ACP.

### **3. Residential (mortgage and guaranteed) loans – Obligations sécurisées – CRH (Caisse de refinancement de l'habitat)**

The legislative and regulatory framework applicable is

- Art. 13 of Law 85-695; sections 313-42 to 313-49 and sections 313-20 to 313-25 of the French Monetary and Financial Code;
- Art. 36 of Law 2006-672.

### Structure of the issuer

The bonds are issued by CRH, a specialist financial institution, supervised by the ACP, whose only business purpose is to fund French banks' loans to individuals.

Bankruptcy remoteness is achieved by special legal framework superseding general insolvency laws. There is dual claim but only under a residual claim only. At CRH level, if one of the shareholder banks defaults and the loan portfolio transferred to CRH is insufficient, then CRH becomes an unsecured creditor of the bank.



### Eligible assets

- Mortgage

Only first ranking or guaranteed French home loans to individuals.

- LTV caps

Maximum LTV is 60%, 80% for loans used to finance the purchase or construction of a property; 90% of the amount of the loan portfolio is 25% above the outstanding bonds, 100% for loans guaranteed by the FGAS.

- Substitution Assets

No replacement assets are allowed. RMBS and other types of residential assets (such as loan portfolios) are not permitted.

### Hedging

No derivative used. Exact matching of assets and liabilities are required by law.

### Valuation

The valuation is annually using a lending value, which cannot exceed the market value. The valuation has to be conservative, based on lasting, long-term characteristics of the property and normal market and local conditions.

### Asset coverage/OC

Cover pool has to be 125% of liabilities (published voluntary commitments).

In case of breach of asset coverage, the ACP and an independent monitor who audits the cover pool and checks coverage tests.

## Germany

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 1 August 2012

Categories of issuers	Categories of bonds referred to in Article 52
Credit institutions (according to section 2 Pfandbrief Act/PfandBG)	Mortgage Pfandbriefe (according to sections 12-19 of the PfandBG)
	Public Pfandbriefe (according to section 20 PfandBG)
	Ship Pfandbriefe (according to sections 21-26 PfandBG)
	Aircraft Pfandbriefe (according to sections 26a-26f PfandBG)

### Notice specifying the guarantees offered (by categories of bonds)

#### General provisions governing issuance of Pfandbriefe

Pursuant to section 3 of the Pfandbrief Act (Pfandbriefgesetz – PfandBG), the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*) exercises (public) **supervision** over the Pfandbrief banks in accordance with the provisions of the PfandBG and the Banking Act (*Kreditwesengesetz - KWG*). The Supervisory Authority is entitled to give any instructions that are appropriate and necessary to ensure that the business of the Pfandbrief banks complies with this Act and the statutory orders issued in connection therewith. On the basis of suitable random checks, it verifies the cover for the Pfandbriefe at points in time that it determines (coverage check); it may call on the services of other persons and institutions for this purpose.

The matching cover pursuant to section 4 PfandBG applies to all categories of Pfandbriefe. The cover of outstanding Pfandbriefe must secure the nominal value of cover and the net present value that includes interest and repayment obligations. There must also be an excess cover pursuant to section 4 (1) No. 1 to 3 PfandBG. There is also a statutory prescription to maintain excess cover of 2% of issue volume. The net present value cover must pass the stress test under the Pfandbrief Net Present Value Regulation (*Pfandbriefbarwertverordnung - PfandBarwertV*). In order to safeguard Pfandbrief liquidity, pursuant to section 4 (1a) PfandBG, liquidity of cover assets must also be sufficient to meet all payment obligations for the next 180 days and any shortfalls must be covered immediately. The Pfandbrief bank must use suitable calculation models to continually monitor the cover, and document the prescribed coverage at all times.

The cover assets used as Pfandbrief cover must be listed individually by the Pfandbrief bank in a register (cover register) (section 5 PfandBG). They are listed separately for each category of Pfandbrief. Further details about registration of cover assets and maintenance of the cover register are included in the Cover Register Statutory Order (*Deckungsregisterverordnung - DeckRegV*).



Each Pfandbrief bank is required to have a cover pool monitor and at least one deputy (section 7 PfandBG). These are appointed by BaFin and are required to ensure that the prescribed cover for the Pfandbriefe is available at all times. Further duties of the cover pool monitor are detailed in section 8 PfandBG.

Pursuant to section 27 PfandBG, a Pfandbrief bank must also have a suitable risk management system for Pfandbrief business to ensure the identification, assessment, control and monitoring of all related risks (particularly counterparty risks, interest rate, currency and other market price risks, operational risks and liquidity risks). The concentration of risk must also be limited by a limit system.

Though it has not yet occurred, if a Pfandbrief bank should become insolvent, pursuant to section 29 PfandBG and the following provisions, the values of all assets in a cover register are separated from the general assets of the Pfandbrief bank and do not form part of the insolvent estate (insolvency-free assets). These parts of the Pfandbrief bank continue to exist outside of the insolvency proceedings for every Pfandbrief category as a Pfandbrief bank with limited business activity. The purpose of a Pfandbrief bank with limited business activity is the complete and punctual fulfilment of the Pfandbrief liabilities as well as the due administration of the assets necessary to this end that are not included in insolvency proceedings. In this regard, the Court with jurisdiction over the registered office of the Pfandbrief bank shall, at the request of BaFin, appoint one or two suitable natural persons as **cover pool administrator(s)**. The duties and authorities of the cover pool administrator are outlined in section 31 PfandBG.

#### Cover assets of the individual Pfandbrief categories

##### **Mortgage Pfandbriefe**

German and specified foreign mortgages and encumbered rights that offer a comparable security (from Member States of the European Union or another Contracting State to the Agreement on the European Economic Area, Switzerland, the USA, Canada or Japan) may be used to cover Mortgage Pfandbriefe and, to a limited extent, so-called 'other cover assets' (sections 12-19 PfandBG). Pursuant to section 14 PfandBG, mortgages may be used as cover only up to the first 60 percent of the value of the property (mortgage lending value) established by the Pfandbrief bank on the basis of a valuation in accordance with section 16 PfandBG. Details of the determination of mortgage lending value are made not only in the PfandBG but also in the Regulation on the Determination of the Mortgage Lending Value (*Beleihungswertermittlungsverordnung - BelWertV*). The PfandBG also requires that any buildings on the mortgages properties should also be insured against all significant risks for the duration of the mortgage.

##### **Public Pfandbriefe**

Assets within the meaning of section 20 PfandBG may be used to cover Public Pfandbriefe. The circle of acceptable German and foreign assets that offer a comparable security can be derived from section 20 (1) No. 1 to 3 PfandBG. Suitable coverage is provided, for example, by claims against domestic regional and local authorities and such public corporations and public-law institutions for which state support (*Anstaltslast*) or a legally founded guarantee obligation (*Gewährträgerhaftung*) or a state-refinancing guarantee applies or which are legally entitled to raise fees, rates and other levies. Pursuant to section 20 (2) PfandBG, cover for Public Pfandbriefe may also be provided to a limited extent by 'other cover assets' such as money claims against suitable credit institutions.

##### **Ship Pfandbriefe**

Loan claims secured by ship mortgages may be used to cover Ship Pfandbriefe (sections 21 to 26 PfandBG), provided that they meet the requirements of sections 22 to 24 PfandBG. Loans are limited to ships and to ships under construction that are recorded in a public register (section 22 (1) PfandBG). The loan may not exceed the first 60 percent of the value of the ship (ship mortgage lending value) or of the ship under construction established by the Pfandbrief bank on the basis of a valuation in



accordance with section 24 PfandBG. Details of the ship mortgage lending value are governed by the Regulation on the Determination of the Mortgage Lending Values of Ships and Ships under Construction (Schiffsbeleihungswertermittlungsverordnung - SchiffsBelWertV). Lending against ships and ships under construction registered in foreign countries is also permissible under the provisions of section 22 (5) PfandBG.

The loan may be extended until the end of the twentieth year of the useful life of the ship at the latest unless a shorter useful life is to be expected (section 22 (4) PfandBG). Pursuant to section 23 PfandBG, the ship or the ship under construction must be insured throughout the duration of the loan to at least in the amount of 110 percent of the loan claims outstanding at any given time. The start of repayment by instalments may not be postponed by a period that exceeding two years without approval from the Supervisory Authority [BaFin]; with the approval of the Supervisory Authority, this period may be extended for special reasons up to five years.

Limited 'other cover assets' within the meaning of section 26 PfandBG are also allowed to cover Ship Pfandbriefe.

### **Aircraft Pfandbriefe**

Only loan claims secured by registered liens pursuant to section 1 of the Rights In Aircraft Act (*Gesetz über Rechte an Luftfahrzeugen* - LuftFzgG) or a foreign aircraft mortgage may be used to cover Aircraft Pfandbriefe (sections 26a-26f PfandBG), provided that they comply with the requirements of sections 26b to 26f PfandBG. Loans are restricted to aircraft within the meaning of section 1 (2) sentence 1 no. 1 of the Air Traffic Act (*Luftverkehrsgesetz* – LuftVG) that are registered in a public register. The loan may not exceed the first 60 percent of the value of the aircraft (aircraft lending value) established by the Pfandbrief bank on the basis of a valuation in accordance with section 26d PfandBG. Appropriate measures shall be taken to ensure that the registered lien or the foreign aircraft mortgage also includes the engines. Details of the aircraft lending value are governed by the Regulation on the Determination of the Mortgage Lending Values of Aircraft (*Flugzeugbeleihungswertermittlungsverordnung* - FlugBelWertV). Loans against aircraft registered in other countries is permitted under section 26b (4) PfandBG.

The loan may have a duration not extending beyond the end of the twentieth year of the useful life of the aircraft unless a shorter useful life is to be expected (section 26b (3) PfandBG). The aircraft must be insured throughout the duration of the loan at least in the amount of 110 percent of the loan claims outstanding (section 26c PfandBG). The start of repayment by instalments may not be postponed by a period that exceeding two years without approval from the Supervisory Authority; with the approval of the Supervisory Authority, this period may be extended for special reasons up to five years.

Limited 'other cover assets' within the meaning of section 26f PfandBG are also allowed to cover Aircraft Pfandbriefe.

### **Hyperlinks (if applicable) to national data base for more information on issues**

Not Applicable



## Greece

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 18 May 2012

Categories of issuers	Categories of bonds referred to in Article 52
Credit institutions	Covered bonds
SPVs	Covered bonds may also be issued by an SPV subject to a credit institution unconditionally guaranteeing as primary obligor the claims of the bond holders.

### **Notice specifying the guarantees offered (by categories of bonds)**

To comply with this obligation an extract of the relevant legal text translated in English will be accepted

[http://www.hcmc.gr/photos/mutual\\_fund/files/COM-COVERED-BONDS-ANNEX-18-5-2012.pdf](http://www.hcmc.gr/photos/mutual_fund/files/COM-COVERED-BONDS-ANNEX-18-5-2012.pdf)

### **Hyperlinks (if applicable) to national data base for more information on issues**

[http://www.hcmc.gr/photos/mutual\\_fund/files/COM-COVERED-BONDS-ANNEX-18-5-2012.pdf](http://www.hcmc.gr/photos/mutual_fund/files/COM-COVERED-BONDS-ANNEX-18-5-2012.pdf)



## Hungary

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** October 2008

Categories of issuers	Categories of bonds referred to in Article 52
Mortgage banks	Mortgage bonds issued by mortgage banks with its registered office in Hungary.
Credit institutions	Bonds issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. In particular, sums deriving from the issue of those bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

### Notice specifying the guarantees offered (by categories of bonds)

According to the relevant paragraph of the Act on Mortgage Loan Companies and on Mortgage Bonds Mortgage loan companies are engaged in the business of lending money secured by mortgages, including if filed in the form of an independent lien (hereinafter referred to collectively as “mortgage”) on real estate located in the territory of the Republic of Hungary, in any Member State of the European Union or any State that is a party to the Agreement on the European Economic Area (hereinafter referred to as “EEA Member State”), where the sources for which they obtain primarily by way of issuing mortgage bonds.

### Hyperlinks (if applicable) to national data base for more information on issues

Not Applicable



## Ireland

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 24 September 2012

<b>Categories of issuers</b>	<b>Categories of bonds referred to in Article 52</b>
Designated Public Credit Institutions	Asset covered securities based on public credits
Designated Mortgage Credit Institutions	Assets covered securities based on mortgage credits

### **Notice specifying the guarantees offered (by categories of bonds)**

The relevant legal text consists of: The Asset Covered Securities Act, 2001 and the Assets Covered Securities (Amendment) Act 2007. These are available as follows: [Asset Covered Securities Act, 2001](#) and [Assets Covered Securities \(Amendment\) Act 2007](#)

### **Hyperlinks to national data base for more information on issues [register of credit institutions](#)**

(Click on the register of credit institutions to open the register of Designated Credit Institutions)



## Italy

**Is the investment limit raised to 25% for UCITS established in this Member State:** No

**Date of last update:** January 2009

Categories of issuers	Categories of bonds referred to in Article 52
Banks	Obbligazioni bancarie garantite (Italian covered bonds)

### Notice specifying the guarantees offered (by categories of bonds)

Italian covered bonds (Obbligazioni bancarie garantite) are subject to the legislative framework set out in Article 7-bis of Law 130 of 30 April 1999, introduced with Law 80 of 14 May 2005, and in the subsequent secondary legislation enacted by the Minister for the Economy and Finance and by the Bank of Italy.

The Law regulates, first and foremost, the segregation of the assets which, during the whole period of validity of the bonds, cover all claims attaching to the bonds and, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the interest, by means of the assignment of the assets to a special purpose vehicle forming a segregated cover pool pursuant to the applicable provisions of Law 130/1999. The assignee then provides a guarantee in favour of the bondholders up to the amount of the segregated assets with priority relative to all other creditors of the issuer.

Pursuant to paragraph 5 of Article 7-bis, the Minister for the Economy and Finance issued a decree (n° 310 of 14 December 2006) with implementing provisions concerning: (a) the maximum ratio between covered bonds and assigned assets; (b) the specification of the type of such assets and those with an equivalent risk profile that may subsequently be used to supplement the collateral; and (c) the characteristics of the guarantee.

With reference to the type of assets that can be assigned to guarantee the bondholders, article 2, paragraph 1 of Decree 2006/310 provides for the following eligible assets:

- a) loans secured by residential real estate up to the lesser of the principal amount of the liens that are combined with any prior liens and 80 % of the value of the pledged properties;
- b) loans secured by commercial real estate up to the lesser of the principal amount of the liens that are combined with any prior liens and 60 % of the value of the pledged properties;
- c) claims owed by (or guaranteed by) <sup>(2)</sup> the following entities:
  1. public entities of the European Economic Area member countries and Switzerland with a maximum risk-weight of 20% under the standardized approach for the calculation of the credit risk capital requirements;
  2. central governments of non-EEA member countries with a risk weight of 0% and other

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<sup>2</sup> The guarantee has to be eligible for the credit risk mitigation regulation.



public entities of non-EEA member countries with a maximum risk weight of 20%, within the limit of 10% of the cover pool.

- d) assets backed securities that fulfil the following requirements:
1. the securities are backed at least for the 95% of the cover pool by claims under the abovementioned letters a), b) and c);
  2. the securities have a maximum risk weight of 20%.

Supervisory regulations issued by the Bank of Italy pursuant to paragraph 6 of the aforementioned Article 7-bis and Article 53 of the 1993 Banking Law, establish: the requirements for issuer banks; limits on the assignment of the assets providing priority security for the covered bondholders, aiming at protecting creditors other than covered bondholders; the organization and performance of controls which must be carried out by the banks and an external asset monitor independent from the bank.

Further detail on the regime can be found at:

[http://www.bancaditalia.it/vigilanza/normativa/norm\\_bi/circ-reg/vigprud/Circolare\\_263\\_2006.pdf](http://www.bancaditalia.it/vigilanza/normativa/norm_bi/circ-reg/vigprud/Circolare_263_2006.pdf)

**Hyperlinks (if applicable) to national data base for more information on issues**

More information on covered bond issues is available in the Bank of Italy's data bases, however direct hyperlink is not available.



## Latvia

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 23 August 2012

Categories of issuers	Categories of bonds referred to in Article 52
AS "Trasta komercbanka" Issue number: LV0000800415	Mortgage bonds complying with the provisions of Article 24 of the Law On Mortgage Bonds (Dated 13 October 1998)

### Notice specifying the guarantees offered (by categories of bonds)

Public security issued by AS "Trasta komercbanka" complying with the provisions of Article 24 of the Law On Mortgage Bonds:

#### Article 24

1. In cases where the mortgage bond issuer becomes insolvent as well as in other cases where the right to issue mortgage bonds is lost, it is prohibited to withdraw assets and their income from the mortgage bond cover register by such decisions as stipulated in the rules for managing the mortgage bond cover register and all income from assets included in the mortgage bond cover register shall be accrued within its composition, irrespective of the precepts prescribed by Article 9, Paragraph three of this Law.
2. The cash accumulations under Paragraph one of this Article may only be used for the following purposes and the use of assets in any other manner is inadmissible:
  - a. disbursements to mortgage bond holders if the term for interest payments or mortgage bond redemption has become due;
  - b. purchase of mortgage bonds issued by the issuer itself with their subsequent redemption in the public securities market at a price not exceeding the face value of the mortgage bonds if the remaining assets of the mortgage bond cover register suffice to establish collateral for the mortgage bonds in circulation;
  - c. payments under agreements concluded on the cover asset risk mitigation, provided the contracting party has met the conditions of such an agreement."

### Hyperlinks (if applicable) to national data base for more information on issues

[http://www.fktk.lv/en/market/financial\\_instruments\\_market/issuers/issuers/](http://www.fktk.lv/en/market/financial_instruments_market/issuers/issuers/)



## **Lithuania**

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 10 August 2012

<b>Categories of issuers</b>	<b>Categories of bonds referred to in Article 52</b>
Not Applicable	Not Applicable

**Notice specifying the guarantees offered (by categories of bonds)**

Not Applicable

**Hyperlinks (if applicable) to national data base for more information on issues**

Not Applicable





## Luxembourg

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** June 2012

Categories of issuers	Categories of bonds referred to in Article 52
Mortgage bonds issuing banks, covered by articles 12-1. to 12-9. of the law of 5 April 1993 on the financial sector	Public mortgage bonds

### Notice specifying the guarantees offered (by categories of bonds)

See articles 12-1., 12-2. and 12-5. of the law of 5 April 1993 on the financial sector, which is available in its

English language version under the following link:

[http://www.cssf.lu/fileadmin/files/Lois\\_reglements/Legislation/Lois/L\\_050493\\_lfs\\_upd281011.pdf](http://www.cssf.lu/fileadmin/files/Lois_reglements/Legislation/Lois/L_050493_lfs_upd281011.pdf).

### Hyperlinks (if applicable) to national data base for more information on issues

<http://www.cssf.lu/en/banks/issues/>



## Malta

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:**

Categories of issuers	Categories of bonds referred to in Article 52
Not Applicable	Not Applicable

**Notice specifying the guarantees offered (by categories of bonds)**

Not Applicable

**Hyperlinks (if applicable) to national data base for more information on issues**

Not Applicable



## The Netherlands

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 22 August 2012

Categories of issuers	Categories of bonds referred to in Article 52
Banks	Registered Covered Bonds included in the register of De Nederlandsche Bank

### Notice specifying the guarantees offered (by categories of bonds)

The Decree on Dutch covered bonds introduces the supervision of covered bonds issued by Netherlands-based banks. These are bonds covered by assets which, in the event of default of the issuing bank, will be used to pay interest and principal on the bonds. The issuing bank is obliged to provide additional assets as security for the bonds if there would, at any moment, be inadequate cover.

#### Article 124b

1. At the request of a bank that has its registered office in the Netherlands, De Nederlandsche Bank N.V. (hereafter: 'DNB') shall decide to include in a public register a category of bonds issued or to be issued by the said bank as well as to include therein the issuing bank, if the said bank demonstrates that the bonds are to be designated as covered bonds. Rules shall be imposed by Ministerial Regulation with respect to the manner in which such can be demonstrated by the bank.
2. DNB shall submit to the Commission of the European Communities a list of bonds and banks that have been registered in accordance with paragraph 1 above as well as any changes therein, such for the purposes of applying Article 22(4) of the UCITS Directive. DNB shall forthwith notify the issuing bank of any list being submitted as referred to in the previous sentence with respect to the said bank and the categories of bonds issued by it.
3. If a bonds category no longer complies with the registration requirement set out in paragraph 1 above or if the issuing bank does not or ceases to comply with the provisions of Article 124c, DNB may decide to remove the registration of the bonds category or of the issuing bank, as referred to in paragraph 1 above, from the register. In that case, DNB shall forthwith notify the Commission of the European Communication thereof and shall forthwith make the said removal public on its website.

#### Article 124c

A bank which has issued bonds pertaining to a category that has been registered in accordance with Article 124b:

- a. shall keep records which include:
- b. the issued bonds that pertain to the said category, and
- c. the assets that serve as collateral for those bonds; and



2. shall demonstrate to DNB at least annually that the relevant bonds category still meets the registration requirement as referred to in Article 124b(1).

**Hyperlinks (if applicable) to national data base for more information on issues**

<http://www.toezicht.dnb.nl/en/2/2/51-202602.jsp>

## Poland

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 04 October 2012

Categories of issuers	Categories of bonds referred to in Article 52
Mortgage bank established under the Polish Act on Mortgage Bonds and Mortgage Banks of August 29th 1997 (Journal of Law of 2003, No. 99, item 919, as amended).	Mortgage bonds.
Credit institution	Debt securities (various legal forms)

### Notice specifying the guarantees offered (by categories of bonds)

- Mortgage bonds – guarantees described in Article 3(1) and (2) of the Polish Act on Mortgage Bonds and Mortgage Banks of August 29th 1997:

Article 3. 1. Hypothecary mortgage bond is a security roll-call or bearer shares, based on an issue of mortgage bank debts secured by mortgages, in which the list of mortgage bank commitment to the fulfilment of certain eligible for cash benefits.

Article 3.2. Public mortgage bond is a security roll-call or bearer shares, based on an issue of mortgage bank debt due to:

- 1) loans secured in part, together with accrued interest, warranty or guarantee the Polish National Bank, the European Central Bank, governments or central banks of the Member States of the European Union, the Organisation for Economic Co-operation and Development, with the exception of countries that restructure or restructured its foreign debt during the past 5 years, and a guarantee of the Treasury in accordance with separate laws, or
- 2) loans to the entities listed in paragraph 1, or
- 3) the secured loans, together with accrued interest, a guarantee of local government units and loans to local government units. (...).”

- Debt securities issued by credit institutions which are subject to special public supervision dedicated to protect the holders of subjective securities - guarantees described in Article 97(1)(2) of Polish Act on Investment Funds dated on May 27th (Journal of Laws of 2004, No 146, item 1546, as amended):

Article 97. 1. An open-end investment fund shall not invest more than 25% of the value of its assets in:

- 1) in mortgage bonds issued by a single mortgage bank, as defined in the Act on Mortgage Bonds and Mortgage Banks of August 29th 1997 (Journal of Law of 2003, No. 99, item 919, as amended) and/or



- 2) debt securities issued by a single credit institution which is subject to special public supervision dedicated to protect the holders of such securities, provided that the amounts received from the issuance of such securities by the issuer are invested in assets which, during the whole period until redemption ensure that the all monetary benefits arising from such securities shall be performed and in the event of insolvency of the issuer shall ensure the priority in recovering any monetary benefits arising from such securities. (...).”.

## Portugal

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 27 August 2012

Categories of issuers	Categories of bonds referred to in Article 52
Credit institutions  [according to article 2 of the Legal Framework of Credit Institutions and Financial Companies – <i>Regime Geral das Instituições de Crédito</i> (RGIC)]	Mortgage Covered Bonds ( <i>Obrigações Hipotecárias</i> )

### Notice specifying the guarantees offered (by categories of bonds)

#### General provisions governing issuance of Mortgage Covered Bonds (*Obrigações Hipotecárias*)

According to article 3 of the Decree-Law no 59/2006 of 20 March<sup>3</sup> holders of mortgage bonds benefit from a special preferential claim on the mortgage credits and other assets (as per article 17 of said Decree-Law), with precedence over any other creditors, for the purpose of redemption of principal and receipt of interest corresponding to the respective securities. The mortgages that guarantee the credits mentioned above prevail over any real estate preferential claims.

Concerning the assignment and segregation principle (article 4 of said Decree-Law), mortgage bonds issues are guaranteed by the underlying assigned mortgage credits, including proceeds from interest and capital redemption and also other assets described on article 17. Mortgage credits assigned to one or more mortgage bond issues, as well as proceeds from the respective interest and redemption, are considered autonomous estate and shall not account for any debts of the issuing entity, until full payment of the amounts due to the holders of mortgage bonds has occurred.

Regarding the continuity of issues (article 5) it is stated that (1) in the event of issuer dissolution and liquidation, the mortgage credits and other assets to which refers article 4 shall be separated from the insolvent estate, according to procedures to be defined by Bank of Portugal, until full payment of amounts due to the bondholders is met; (2) Upon the event of issuer dissolution and liquidation, redemption and interest proceeds from the mortgage credits allocated to one or several mortgage bonds issues are also separated from the insolvent estate; (3) In the situation described in nrs 1 and 2 above, the bondholders' meeting may decide by a majority of 2/3 to call the mortgage bonds, in which case the entity designated to manage the credits shall provide for the settlement of the estate assigned to covered bonds as established in procedures defined by Bank of Portugal in nr 1; (4) the procedures established in this article shall bear no effect on the timely compliance of capital and interest payments by the corresponding borrowers of mortgage loans or of the other assets held.

#### Hyperlinks to national data base for more information on issues

For a list of CMVM Regulated Covered Bond issues, please see CMVM Information Disclosure System available at:

[http://web3.cmvm.pt/english/sdi2004/emitentes/prosp\\_obr.cfm](http://web3.cmvm.pt/english/sdi2004/emitentes/prosp_obr.cfm)

<sup>3</sup> Complete version of the Decree-Law n.º 59/2006 (related to issuers and issues of covered bonds) available in Portuguese at the CMVM website:

[http://www.cmvm.pt/CMVM/Legislacao\\_Regulamentos/Legislacao%20Complementar/Emitentes/Documents/DL592006ObrigacoesHipotecarias.pdf](http://www.cmvm.pt/CMVM/Legislacao_Regulamentos/Legislacao%20Complementar/Emitentes/Documents/DL592006ObrigacoesHipotecarias.pdf)



## **Romania**

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** Not Applicable

<b>Categories of issuers</b>	<b>Categories of bonds referred to in Article 52</b>
Not Applicable	Not Applicable

**Notice specifying the guarantees offered (by categories of bonds)**

Not Applicable

**Hyperlinks to national data base for more information on issues**

Not Applicable



## Spain

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 2005

Categories of issuers	Categories of bonds referred to in Article 52
Credit institutions which have their registered office in a Member State and are subject by law to special public supervision designed to protect bond-holders.	Cédulas y Bonos Hipotecarios
	Cédulas Territoriales
	Bonds issued by " <i>Fondos de Titulización Hipotecaria</i> ", provided that they are not subordinated. Should an issue have different tranches, only the most senior tranche will be considered eligible, pursuant to article 52.4 of the Directive

### Notice specifying the guarantees offered (by categories of bonds)

Article 52.4 of the UCITS Directive has been transposed into Spanish Regulation through article 50.2 c) of Royal Decree 1082/2012, which develops Law 35/2003 on Collective Investment Schemes. According to Spanish regulation, the following assets are considered eligible under article 52.4 of the Directive:

- "*Cédulas y Bonos Hipotecarios*" (regulated by Law 2/1981, of 25 March)
- "*Cédulas Territoriales*" (regulated by Law 44/2002, of 22 November)
- Certain types of Mortgage Backed Securities (MBS) provided that they are not subordinated (as opposed to Asset Backed Securities (ABS) which are not considered eligible. In Spain, MBS are mainly referred to as "*Fondos de Titulización Hipotecaria*" (regulated by Law 19/1992, of 7 July).

### Hyperlinks (if applicable) to national data base for more information on issues

Not Applicable



## Slovakia

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 30 June 2012

Categories of issuers	Categories of bonds referred to in Article 52
Banks	Mortgage bonds
Banks	Municipal bonds
Higher territorial units	Municipal bonds
Municipalities	Municipalities bonds

### **Notice specifying the guarantees offered (by categories of bonds)**

Act No. 7/2005 Coll. on Bankruptcy and Restructuring and on amendments to certain acts, as amended, Article 195 paragraph 4:

If the debtor is a mortgage bank; the separated estate of secured creditors, which are the owners of mortgage bonds and the owners of municipal bonds issued by this mortgage bank, is created by asset values serving to cover issued mortgage bond and issued municipal bonds and also serving for the purpose of securing 33) receivables of the owners of mortgage bonds and the owners of municipal bonds issued from the mortgage bank; this separated estate includes also mortgage credits receivables and municipal credits receivables, including pledge rights to real estate serving to secure mortgage credit receivables and municipal credit receivables, which were financed by means of issuance and distribution of mortgage bonds and municipal bonds

33) Articles 72, 74, 76 a 77 of Act No 483/2001 Coll., as amended, Article 16 para 3 to 7 a Article 20 para 4 of Act No. 530/1990 Coll. on bonds, as amended."

### **Hyperlinks to national data base for more information on issues**

Not Applicable



## Slovenia

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 24 March 2014

Categories of issuers	Categories of bonds referred to in Article 52
Bank authorised to issue mortgage bonds and municipal bonds in accordance with Article 8 of Mortgage Bond and Municipal Bond Act.	Mortgage bonds and municipal bonds issued under the terms and conditions of Mortgage Bond and Municipal Bond Act.

### Notice specifying the guarantees offered (by categories of bonds)

According to Article 3 of Mortgage Bond and Municipal Bond Act:

- cover assets for mortgage bonds are receivables from mortgage loans, substitute cover assets provided for by the Act and the derivative financial instruments referred to in Article 24 of the Act.
- cover assets for municipal bonds are receivables from loans granted to public law entities, substitute cover assets provided for by the Act and derivative financial instruments referred to in Article 24 of the Act.

Further information regarding the cover assets can be found in Chapter III of Mortgage Bond and Municipal Bond Act (Official Gazette of the Republic of Slovenia No. 10/12 and 47/12; available at Ministry of Finance website: [www.mf.gov.si](http://www.mf.gov.si)).

### Hyperlinks to national data base for more information on issues

Not Applicable



## Sweden

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:**

Categories of issuers	Categories of bonds referred to in Article 52
Banks and credit institutions	Mortgage Bonds

### **Notice specifying the guarantees offered (by categories of bonds)**

*Covered Bonds (Issuance) Act (2003:1223)*

Banks and credit market undertakings may issue covered bonds pursuant to a license issued by the Financial Supervisory Authority.

### **Hyperlinks (if applicable) to national data base for more information on issues**

Not Applicable



## United Kingdom (UK)

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

The Covered Bond Regulations implement Article 22(4) of the UCITS Directive, Article 22(4) of the Third Non-Life Directive and Article 24(4) of the Consolidated Life Directive.

UCITS schemes and non-UCITS retail schemes can hold up to 25% of their assets in Regulated Covered Bonds issued by one issuer, but only 5% in unregulated covered bonds issued by one issuer (COLL 5.6.7R).

**Date of last update:** 27 August 2012

Categories of issuers	Categories of bonds referred to in Article 52
Deposit taking institutions with registered office in the United Kingdom (subject to conditions under regulation 9 of the Regulated Covered Bond Regulations 2008 No. 346)	Regulated covered bonds

### Notice specifying the guarantees offered (by categories of bonds)

Regulated covered bonds are issued by credit institutions that have successfully registered with the FSA as a regulated issuer. The issuer is responsible for the payment of interest and principal on the bonds.

Issuers are required to maintain and administer the asset pool in such a way that there is timely payment of claims attaching to the bond and provide the FSA with information on steps taken to achieve this. Following an event of default or the insolvency of the issuer, the obligations to investors under the programme continue. The owner is subject to supervision by the FSA, and must comply with the Regulations that require it to administer the asset pool to provide for timely payment of claims attaching to the bond.

Under the Regulations, an issuer must set up a Special Purpose Vehicle (SPV), which is typically a limited liability partnership (LLP). The Regulations refer to the SPV as the 'owner' of the asset pool. The Regulations require the issuer to use the proceeds from issuing a regulated covered bond to make a loan to the owner. The owner must then use this loan to purchase a portfolio of eligible assets from the issuer. The issuer may also make contributions to support any additional over-collateralisation (OC). While a statutory minimum OC requirement of 8% was introduced in 2011, this minimum is totally independent from the FSA regulatory OC requirement, which is determined dynamically on a programme-by-programme basis. While the statutory minimum sets a clear floor for comparison across different jurisdictions, cover pools in regulated programmes have to maintain a higher level of over-collateralisation driven in part by the FSA's stress testing.

While Regulated Covered Bonds are in the first instance an obligation of the issuer, they are also ultimately secured against the asset pool held by the owner via a guarantee which must be granted by the owner (typically via a trustee) to use the asset pool to pay the issuers' obligations to regulated covered bond holders in the event of the failure of the issuer.



The Regulations provide that holders of regulated covered bonds shall have a priority claim on the asset pool ahead of other creditors, subject to the priority of the expenses of the winding-up in a compulsory liquidation. They will also remain unsecured creditors of the failed issuer, which will give them the opportunity to recover any residual loss after realisation of the asset pool in line with other creditors. Investors therefore benefit from ‘dual recourse’ – to both the issuer of the regulated covered bond and to the underlying pool of assets.

Any material change to a regulated covered bond programme must be approved by the FSA. Such changes would include any change of ownership of the owner. The FSA would consider an application for a change of the owner in line with its duties as the regulator, including its duty to have regard to preserving investor confidence in regulated covered bonds.

***Related information:***

*-The Regulated Covered Bond Regulations 2008 No. 346*

<http://www.legislation.gov.uk/ukSI/2008/346/contents/made>

*Extract taken from the explanatory note:*

“A covered bond is a class of corporate bond, issued by credit institutions and backed by certain assets, normally mortgages or public sector loans. Interest and repayments of principal is payable out of ring-fenced assets (“an asset pool”) backing the bond. Covered bonds that comply with the UCITS Directive (and equivalent requirements in the other Directives referred to above) benefit from higher prudential investment limits under the UCITS Directive and lower risk weights under the Banking Consolidation Directive”.

“The Regulations establish a new regime supervised by the Financial Services Authority (the Authority) and take account of UK practice in relation to covered bonds. In the UK, covered bonds are issued by credit institutions. The issuer lends the sums derived from the bonds to a separate legal entity owned by another person (“the owner”). The owner uses the sums to purchase property which it holds in an asset pool. The owner agrees to guarantee the issuer’s obligations to the covered bond holders in the event of the failure of the issuer. The loan is repaid once the bond holders’ claims to the principal and accrued interest have been met”.

The 2008 Regulations should also be read in conjunction with:

*-The Regulated Covered Bonds (Amendment) Regulations 2011 No. 2859*

[http://www.hm-treasury.gov.uk/d/condoc covered bonds annexe regulated cb regs2011.PDF](http://www.hm-treasury.gov.uk/d/condoc%20covered%20bonds%20annexe%20regulated%20cb%20regs2011.PDF)

*-The FSA RCB Sourcebook*

<http://fsahandbook.info/FSA/html/handbook/RCB>

*-An overview of the UK Regulated Covered Bond regime:*

[http://www.fsa.gov.uk/fsaregister/use/other\\_registers/rcb\\_register/qanda](http://www.fsa.gov.uk/fsaregister/use/other_registers/rcb_register/qanda)

**Hyperlinks (if applicable) to national data base for more information on issues**



The Regulated Covered Bond Register (specifying a list of registered issuers and Regulated Covered Bonds in issue):

[http://www.fsa.gov.uk/fsaregister/use/other\\_registers/rcb\\_register](http://www.fsa.gov.uk/fsaregister/use/other_registers/rcb_register)



## **EFTA countries**

### **Iceland**

**Is the investment limit raised to 25% for UCITS established in this Member State:** No

**Date of last update:** Not applicable

<b>Categories of issuers</b>	<b>Categories of bonds referred to in Article 52</b>
Commercial banks	Mortgage covered bonds
	Covered bonds

### **Notice specifying the guarantees offered (by categories of bonds)**

Not applicable

### **Hyperlinks to national data base for more information on issues**

Not applicable





## **Liechtenstein**

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 20 August 2012

<b>Categories of issuers</b>	<b>Categories of bonds referred to in Article 52</b>
Not applicable	Not applicable

**Notice specifying the guarantees offered (by categories of bonds)**

Not applicable

**Hyperlinks (if applicable) to national data base for more information on issues**

Not applicable



## Norway

**Is the investment limit raised to 25% for UCITS established in this Member State:** Yes

**Date of last update:** 20 August 2012

<b>Categories of issuers</b>	<b>Categories of bonds referred to in Article 52</b>
Not applicable	Not applicable

**Notice specifying the guarantees offered (by categories of bonds)**

Not applicable

**Hyperlinks (if applicable) to national data base for more information on issues**

Not applicable