



# Pfandbrief

THE PFANDBRIEF – QUALITY MADE IN GERMANY

vdp VERBAND DEUTSCHER  
PFANDBRIEFBANKEN  
Association of German Pfandbrief Banks

## The Pfandbrief – further detailing regulatory framework

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vdp Tokyo Pfandbrief Seminar

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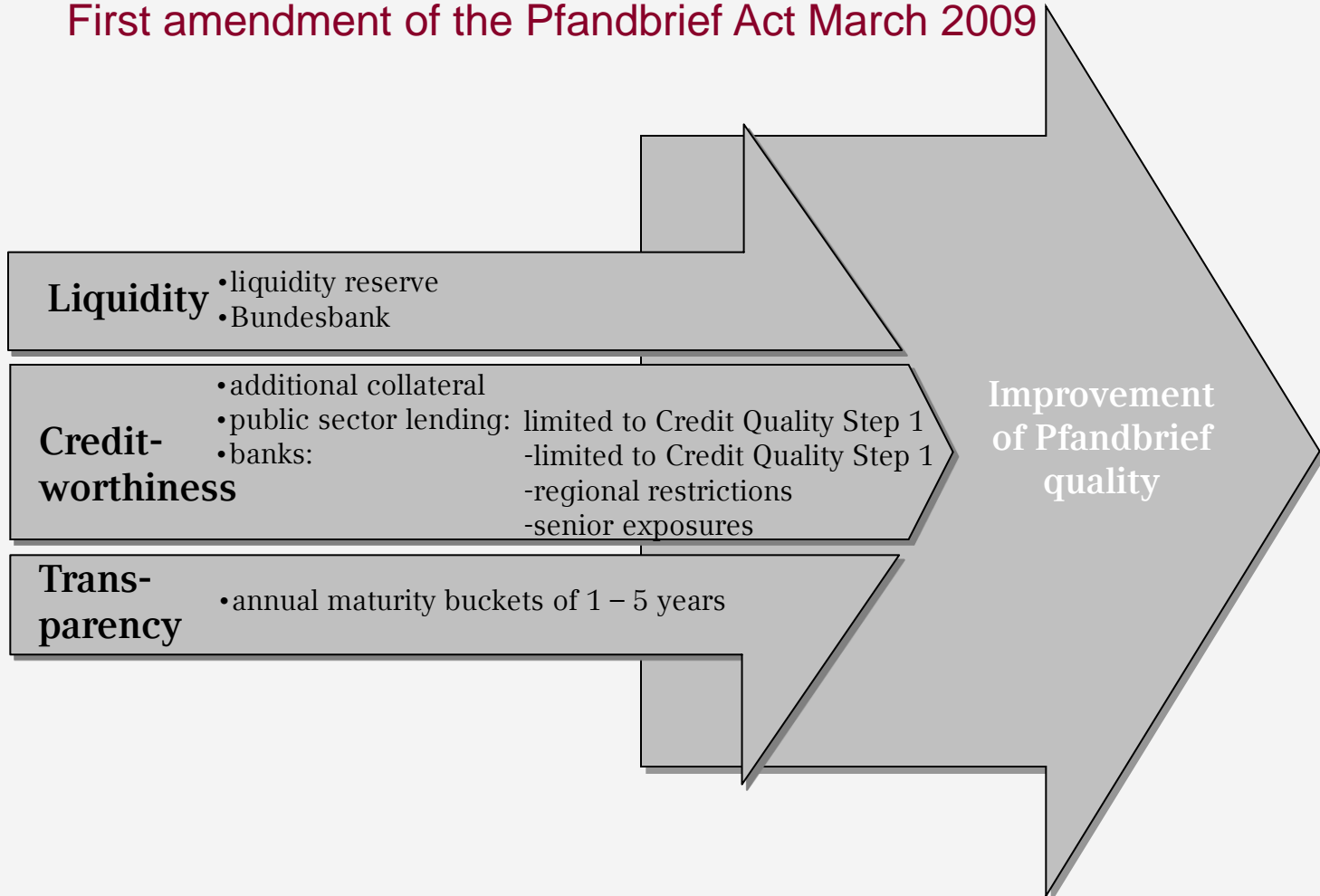


# I. 2010 amendments of the Pfandbrief Act

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Recap:

First amendment of the Pfandbrief Act March 2009

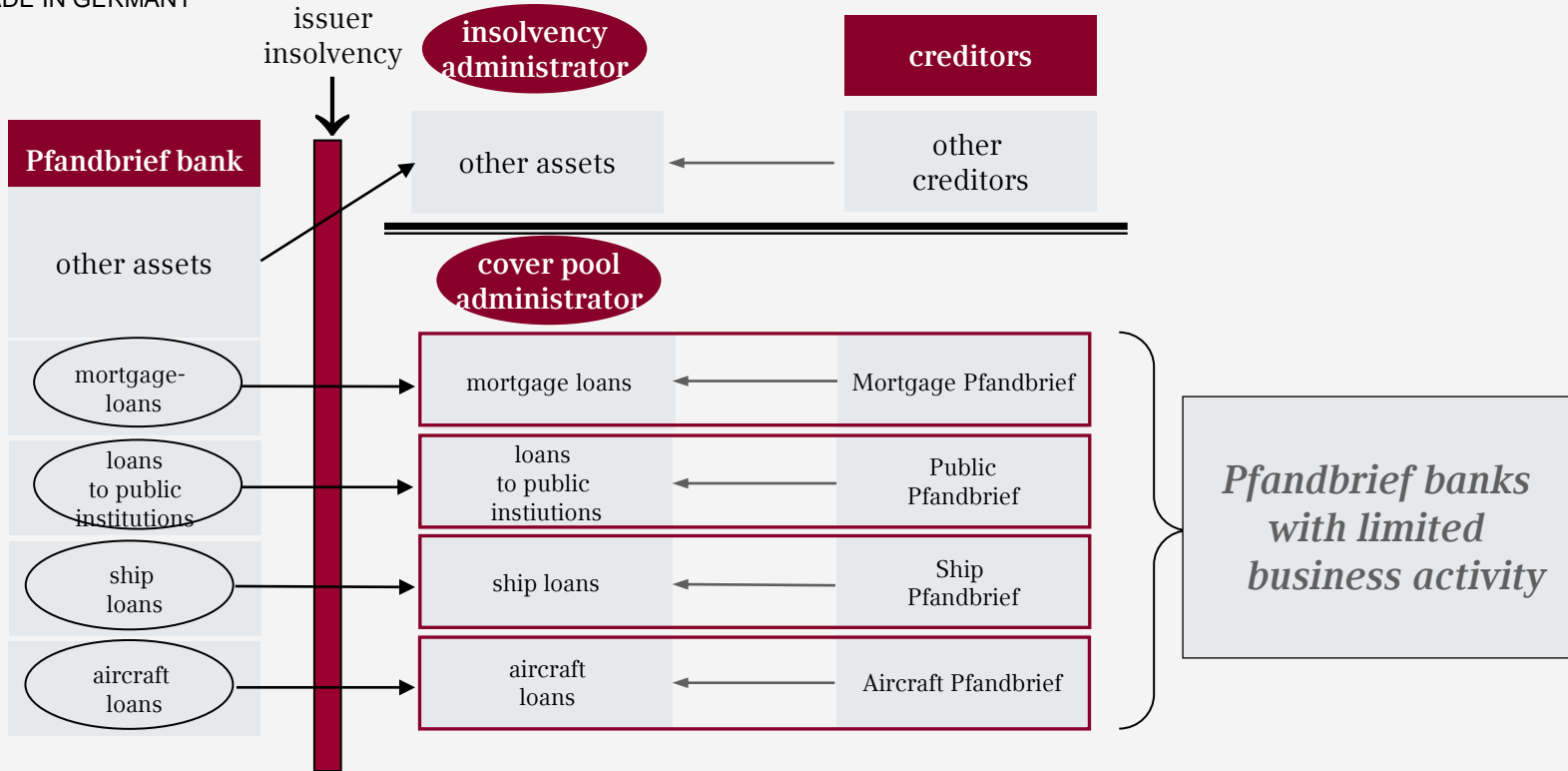




# I. 2010 amendments of the Pfandbrief Act

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## Segregation principle



- Pfandbrief does not accelerate
- Pfandbrief and cover assets are exempt from the insolvency estate
- Bank license upheld for each Pfandbrief bank with limited business activity
- Cover pool administrator



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## I. 2010 amendments of the Pfandbrief Act

### Main themes

- Strengthening legal competencies of the cover pool administrator
  - Basis for access to central bank liquidity
  - Access to minimum reserve held at central bank
  - Nomination of the cover pool administrator conditional to approval of Pfandbrief bank when helpful for transfer of cover pools and Pfandbriefe to another Pfandbrief bank
- Bank license stays valid for „Pfandbrief bank with limited business activity“
  - Cover pool administrator may issue Pfandbrief that rank pari passu with other issues



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## I. 2010 amendments of the Pfandbrief Act

### Main themes continued

- Concretization of the role of the cover pool monitor
  - Function on stay when cover pool administrator is nominated
  - Liability limited up to 1 mn €
    - Insurance permitted, but participation
  - Remuneration owed by issuer, not by BaFin as today, but amount determined by BaFin
- Disclosure requirements further detailed
  - Quarterly data according to Art 28 Pfandbrief Act to be published within a month's time span and two months for fourth quarter respectively



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## I. 2010 amendments of the Pfandbrief Act

### 2010 amendments in a nutshell

- Improved comprehensibility of regulations on protection of Pfandbrief holders in case of issuer insolvency
- Bank license remains in force for „Pfandbrief bank with limited business activity“ by operation of law
- Pfandbrief issuance permitted for the cover pool administrator in order to bridge potential inherent liquidity mismatches of cover pools



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## II. vdp transparency initiative

- Last amendment of § 28 Pfandbrief Act in March 2009
- More detailed rules governing disclosure timeline in 2010 amendment:
  - Q1, Q2 & Q3: 1 month
  - Q4: 2 months
- „vdp transparency initiative 2010“ since September 2010 provides individual and aggregated transparency data of vdp member banks on vdp website
  - investors find all data readily available „only a click away“
  - consistency of all data guaranteed
  - download and further processing of data (csv and xls-format)



Pfandbrief Act is the Covered Bond framework with highest transparency requirements



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## II. vdp transparency initiative

### Quarterly disclosure according to § 28 Pfandbrief Act

Nominal value, npv and npv at risk of Pfandbrief and respective cover pools

Maturity structure of Pfandbrief and their respective cover pools  
in maturity bands < 1 yr.; **> 1 – 2 yrs.**; **> 2 - 3 yrs.**; **> 3 - 4 yrs.**; **> 4 - 5 yrs.**; > 5 – 10 yrs.; > 10 yrs.

Share of derivatives in cover pools **/liabilities**

#### Other cover assets

##### Cover pool Mortgage Pfandbriefe

- loans grouped according to their nominal amounts: < 0.3 mn; < 5 mn; > 5 mn € incl. geographical distribution
- type of building
- payments in arrears for at least 90 days incl. geographical distribution

##### Cover pool Public Pfandbrief

- loans grouped according to geographical distribution (nominal values) and according to debtors
- payments in arrears for at least 90 days incl. geographical distribution

##### Cover pool Ship Pfandbrief

- loans grouped according to nominal amount outstanding: < 0,5 mn; 0,5 – 5 mn; > 5 mn €
- payments in arrears for at least 90 days incl. geographical distribution

##### Cover pool Aircraft Pfandbrief

- **grouped according to nominal amount outstanding:**  
  - < 0.5 mn
  - > 0.5 – 5 mn
  - > 5 mn€
- **geographical distribution of registrations**



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## II. vdp transparency initiative

### vdp transparency initiative on [www.pfandbrief.org/statistics](http://www.pfandbrief.org/statistics)

Publication according to section 28 para. 1 nos. 1 and 3 Pfandbrief Act

**Pfandbriefe outstanding and their cover | Q3 2010 (vdp member banks)**

		nominal value		net present value		risk-adjusted net present value	
		Q3 2010	Q3 2009	Q3 2010	Q3 2009	Q3 2010	Q3 2009
<b>Outstanding total</b>							
<b>Mortgage Pfandbriefe</b>	(€ mn.)	210,065.0	213,892.2	226,315.4	226,785.4	223,094.4	224,218.8
of which derivatives	(€ mn.)	111.5	-	328.3	16.8	41.5	5.5
Cover Pool	(€ mn.)	265,347.3	259,879.0	287,569.3	278,674.0	276,068.3	268,275.9
of which derivatives	(€ mn.)	67.0	4.1	659.4	718.7	187.7	385.3
Over-Collateralisation (OC)	(€ mn.)	55,282.3	45,986.8	61,253.9	51,888.6	52,973.9	44,057.1
OC in % of Pfandbriefe outstanding		26.3	21.5	27.1	22.9	23.7	19.6

		nominal value		net present value		risk-adjusted net present value	
		Q3 2010	Q3 2009	Q3 2010	Q3 2009	Q3 2010	Q3 2009
<b>Outstanding total</b>							
<b>Public Pfandbriefe</b>	(€ mn.)	408,771.9	481,538.5	447,439.2	511,374.7	408,563.8	472,941.5
of which derivatives	(€ mn.)	-	-	129.4	102.2	10.8	-
Cover Pool	(€ mn.)	486,823.2	539,928.7	534,486.7	576,816.6	481,714.4	525,375.5
of which derivatives	(€ mn.)	9.7	5.6	913.6	636.2	14.9	12.1
Over-Collateralisation (OC)	(€ mn.)	78,051.3	58,390.2	87,047.5	65,441.9	73,150.6	52,434.0
OC in % of Pfandbriefe outstanding		19.1	12.1	19.5	12.8	17.9	11.1

		nominal value		net present value		risk-adjusted net present value	
		Q3 2010	Q3 2009	Q3 2010	Q3 2009	Q3 2010	Q3 2009
<b>Outstanding total</b>							
<b>Ship Pfandbriefe</b>	(€ mn.)	7,591.5	8,256.1	8,014.9	8,635.3	8,122.1	8,832.3
of which derivatives	(€ mn.)	-	-	18.8	25.0	18.5	24.1
Cover Pool	(€ mn.)	10,464.0	10,872.6	10,947.1	11,199.2	10,210.4	9,990.4
of which derivatives	(€ mn.)	202.8	57.4	217.2	82.1	223.8	84.0
Over-Collateralisation (OC)	(€ mn.)	2,872.5	2,616.5	2,932.2	2,563.9	2,088.3	1,158.1
OC in % of Pfandbriefe outstanding		37.8	31.7	36.6	29.7	25.7	13.1



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### III. outlook

- ▶ Strong interest in Pfandbrief issuance from domestic and cross-border banks
  - Efficient funding of mortgage portfolios
  - Reduce transformation risk from deposit funding
- ⇒ Diversification of funding options
- ▶ Regulatory revamp (Basel III) not in line with exceptional performance of Pfandbrief throughout the crisis



## Contact

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