

Round Table Covered Bond Legislation (RT CBL)

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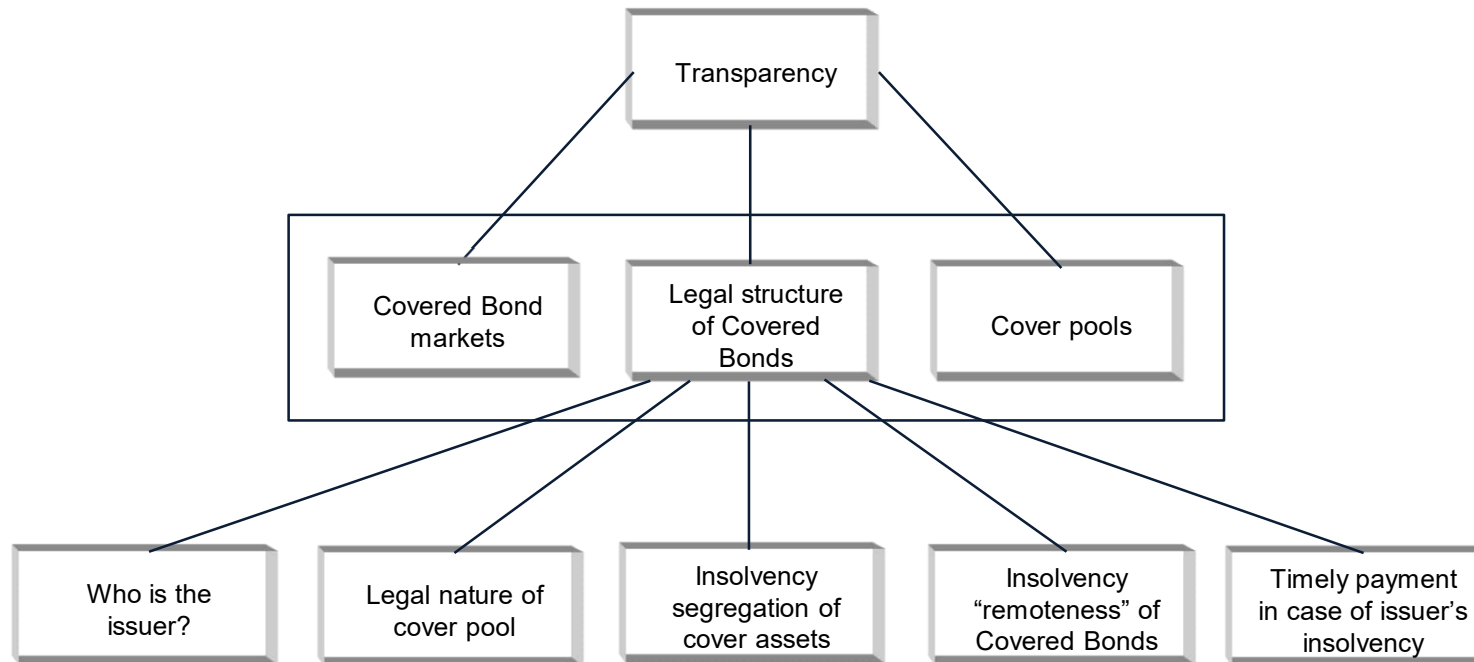
Sascha Kullig, Department Head Capital Markets, Investor Relations
Dr. Tim Lassen, Department Head Cover Assets
Association of German Pfandbrief Banks
(15-07-2024)

vdp The German
Pfandbrief Banks

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Transparency of legal structure of Covered Bonds



- All questions clearly and in detail answered by parliamentary legislation?
- Contractual structures publicly disclosed? Legal opinions / legal memoranda published?

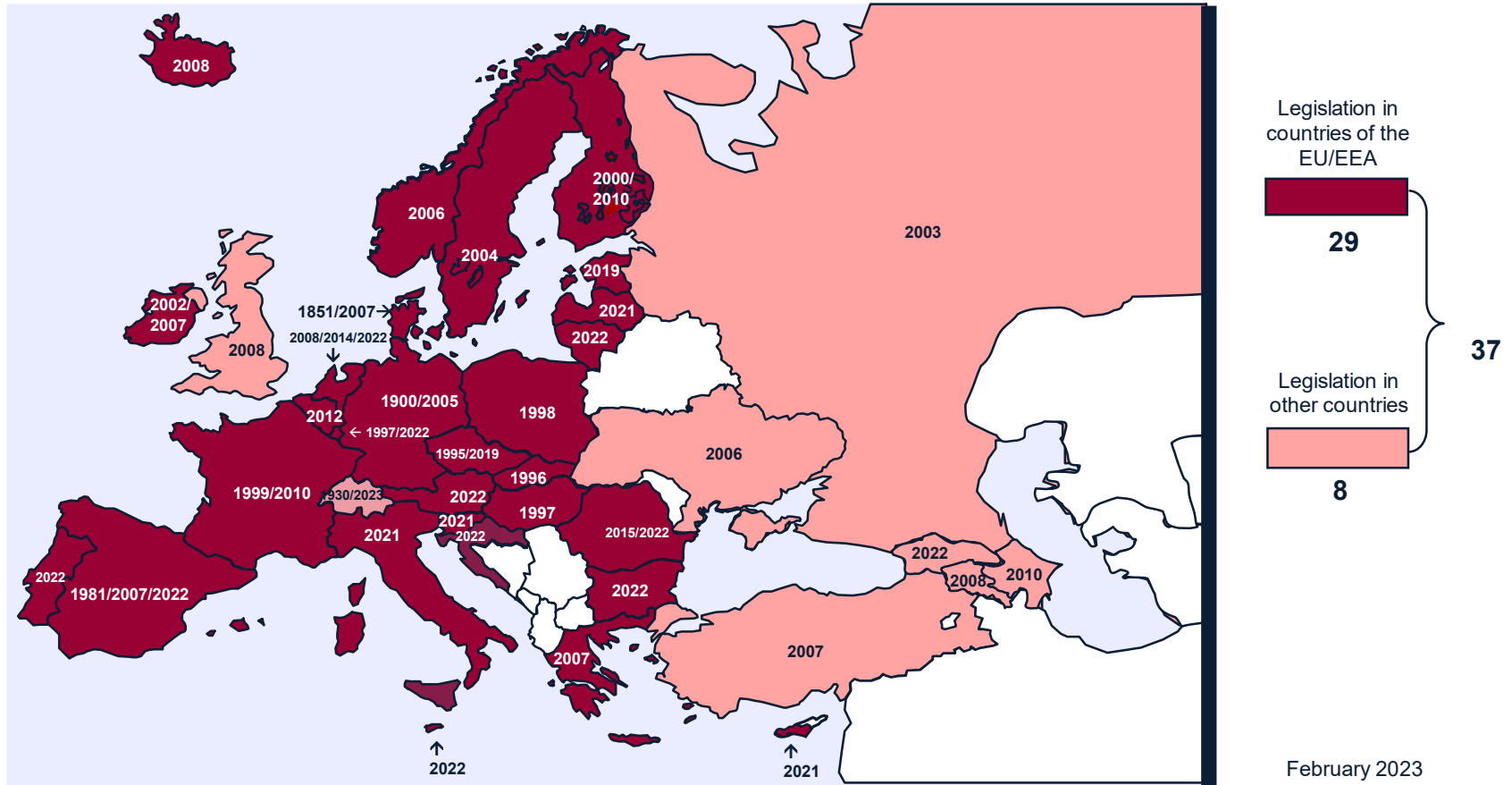
Transparency of legal structure of Covered Bonds

Relevant issues for insolvency segregation of cover assets, insolvency remoteness and timely payment of covered bonds

<i>Legal status of the cover pool</i>	<i>Management of the cover pool</i>	<i>Payment of covered bonds</i>
<p>Segregation mechanism:</p> <ul style="list-style-type: none">• Assets owned by issuer?• Assets on cover register?• Assets owned by SPE?	<p>Legally acting parties:</p> <ul style="list-style-type: none">• Supervisory authorities?• Cover pool monitor?• Special administrator?• Insolvency administrator?	<p>Conditions for changes in terms and conditions:</p> <ul style="list-style-type: none">• Automatic?• Bondholder consent?• Supervisory authorities?
<p>Insolvency status:</p> <ul style="list-style-type: none">• Part of insolvency estate?• Insolvency law applicable?	<p>Operational set-up:</p> <ul style="list-style-type: none">• Eligible central bank counterparty?• Licensed and solvent credit institution?• Sufficient means to operate?	<p>Legal basis and procedure:</p> <ul style="list-style-type: none">• Statutory law?• Contractual rules?• Role of legally acting parties?
<p>Performance of segregation:</p> <ul style="list-style-type: none">• From the beginning?• When insolvency procedure over issuer starts?• No segregation, but particular treatment?	<p>Powers and duties:</p> <ul style="list-style-type: none">• Issuance of covered bonds?• Sale of cover assets?• Bridge loan agreement?• Use of collateral?• Implications of illiquidity and/or over-indebtedness?	<p>Changes of principal payments:</p> <ul style="list-style-type: none">• Acceleration?• Maturity extension?• Pass-through?
		<p>Changes of interest payments:</p> <ul style="list-style-type: none">• Fixed / variable?• Reference index?

Geographical overview - Covered Bond Legislation in Europe

(year of introduction / latest substantial amendment)



February 2023

Research on legal frameworks of CBs

- ECBC-website
- ECBC Fact Book - short country reports
- Analysts' research papers and books
- Rating agencies' reports

**Not sufficiently detailed, transparent and easy to understand
comparisons of covered bond legislations**

RT CBL = new research group initiated by vdp

Aims and methodology of Round Table on Covered Bond Legislation

- Round Table (RT) = independent think tank and provider of information
- to collect high-level information on legislation of Covered Bonds
- on a comparison of law basis
- easy to understand and easy to compare, therefore
 - charts showing map of Europe
 - only 1 Covered Bond model/structure per country (no cherry picking allowed)
 - mostly based on legislation, because transparency of legal structure highly supported by statutory law (contractual modifications only partially covered)

RT CBL - Workshops 2010 - 2024

1. WS 30.9.2010 (Berlin)
2. WS 15./16.12.2010 (Berlin)
3. WS 7./8.3.2011 (Berlin)
4. WS 23.3.2011 (Berlin)
5. WS 20.4.2011 (Berlin)
6. WS 27./28.6.2011 (Berlin)
7. WS 28.9.2011 (Frankfurt)
8. WS 6.12.2011 (Vienna)
9. WS 14.9.2012 (Munich)
10. WS 23.1.2013 (Copenhagen)
11. WS 13.9.2013 (Barcelona)
12. WS 14.3.2014 (Berlin)
13. WS 26.9.2014 (Vienna)
14. WS 23./24.9.2015 (Berlin)
15. WS 17./18.2.2016 (Paris)
16. WS 29.6.2016 (Berlin)
17. WS 16.9.2016 (Düsseldorf)
18. WS 29./30.5.2017 (Berlin)
19. WS 15.9.2017 (Barcelona)
20. WS 12.6.2018 (Berlin)
23. WS 12./13.9.2019 (Munich)
24. WS 22.6./6.7.2020 (video conference)
25. WS 16.9.2020 (video conference)
26. WS 30.11.2020 (video conference)
27. WS 19.01.2021 (video conference)
28. WS 10.02.2021 (video conference)
29. WS 16.03.2021 (video conference)
30. WS 27.04.2021 (video conference)
31. WS 21.05.2021 (video conference)
32. WS 21.6.2021 (video conference)
33. WS 07.10.2021 (video conference)
34. WS 17.01.2022 (video conference)
35. WS 29.03.2022 (video conference)
36. WS 20.06.2022 (video conference)
37. WS 23.09.2022 (Vienna)
38. WS 22.11.2022 (video conference)
39. WS 1./2.2.2023 (Amsterdam)
40. WS 27.03.2023 (video conference)
41. WS 20.04.2023 (video conference)
42. WS 15.05.2023 (video conference)
43. WS 12.06.2023 (video conference)
44. WS 15.09.2023 (Munich)
45. WS 23.02.2024 (Berlin)
46. WS 11.09.2024 (Porto)

RT CBL

Workflow

- RT CBL developed a questionnaire with 15 chapters.
- RT CBL discusses and decides on questions chapter by chapter.
- For each question several answers have been developed by the RT CBL. Questions and answers are designed in a way that only 1 answer per country is possible in order to facilitate transparent maps in colour.
- IT system automatically provides country maps with different colours regarding the answers.
- RT CBL reviews questions and answers chapter by chapter.
- So far access codes to investors are provided only, if the investor acts as a country expert.

RT CBL shortcomings

- priority = transparent overview via coloured map of Europe, but details in comments
- only 1 CB system per country, but different CBs may be explained in comments
- questions/answers cannot always be 100 % precise in order to cover all countries
- several countries not yet covered by country experts
(difficult access to domestic know how, priority on public relation issues, less on legal analysis)

Members of RT CB Legislation (15 July 2024)

Dr. Tim Lassen	Department Head Cover Assets, Association of German Pfandbrief Banks, Berlin	lassen@pfandbrief.de
Joost Beaumont	Senior Fixed Income Strategist, ABN AMRO Bank N.V., Amsterdam	joost.beaumont@nl.abnamro.com
Attilia Bogyi	Head of Legal Department, OTP Mortgage Bank Ltd., Budapest	bogyi.attila@otpbank.hu
Emil Boqvist	Legal Advisor, Swedish Bankers' Association, Stockholm	emil.boqvist@swedishbankers.se
Dr. Andras Botos	Head of Legal Department, Hungarian Development Bank (MFB), Budapest	Botos.AndrasGabor@mfb.hu
Kjartan Bremnes	Lawyer, Finance Norway, Oslo	kjartan.bremnes@finansnorge.no
Cristina Costa	Barclays Capital, Paris	cristina.costarusa@barclays.com
Jochen Deiss	Raiffeisen-Landesbank Steiermark AG, Graz	jochen.deiss@rlb-stmk.raiffeisen.at
Florian Eichert	Senior Covered Bond Analyst, Crédit Agricole Corporate & Investment Bank, London	florian.eichert@ca-cib.com
Jakob Grønbaek	Co-Head of Cover Pool Management, Danske Bank, Copenhagen	jakg@danskebank.dk
Jussi Harju	Citi Research EMEA, Frankfurt	jussi.harju@citi.com
Eivind Hegelstad	Chief Operating Officer, SpareBank 1 Boligkreditt, Stavanger	eivind.hegelstad@sparebank1.no
Robert Herbec	Debt Capital Markets, Slovenská sporiteľňa, a.s. Bratislava	herbec.robert@sisp.sk
Dr. Robert Horat	CEO, Pfandbriefbank Schweizerischer Hypothekarinstitute, Zurich	robert.horat@pfandbriefbank.ch
Michael Hurum Cook	Principal Advisor, Finance Norway, Oslo	michael.hurum.cook@finansnorge.no
Kaire Husu	Projects and Risk Management Unit Manager, Luminor, Tallinn	kaire.husu@luminorgroup.com
Dr. Friedrich Jergitsch	Vienna	friedrich@jergitsch-law.at
Dr. Christian Joellinger	Partner, E + H Rechtsanwälte GmbH, Vienna	c.joellinger@eh.at
Sascha Kullig	Member of the Board, Association of German Pfandbrief Banks, Berlin	kullig@pfandbrief.de
Dr. Frederik Kunze	Covered Bond Analyst, NORD/LB, Hanover	frederik.kunze@nordlb.de
Dr. Tim Lassen	Senior Manager, Association of German Pfandbrief Banks, Berlin	lassen@pfandbrief.de
Kim Laustsen	Chief Analyst Regulatory Affairs, Nykredit, Copenhagen	klau@nykredit.dk
Dr. Izabela Makowska	Director Legal Department, mBank Hipoteczny S.A., Warsaw	izabela.makowska@mhipoteczny.pl
Agustín Martín Calmarza	Head of European Credit Research, BBVA, London	agustin.martin@bbva.com
Oscar Meester	Head Asset Based Funding, BNP Paribas Fortis, Brussels	oscar.meester@bnpparibasfortis.com
Markus Nilssen	Partner, Bahr AS Advokat Partner, Oslo	marni@bahr.no
Marc Nocart	Chief Executive Officer, CRH-Caisse de Refinancement de l'Habitat, Paris	marc.nocart@crh-bonds.com

Members of RT CB Legislation (15 July 2024)

Slavomíra Páleníková	Senior Primary Issue Specialist, VÚB, a.s., Bratislava	spalenikova@vub.sk
Kristian Ingemann Petersen	Deputy Head of Legal, Legal Corporates, Nykredit, Copenhagen	krin@nykredit.dk
Anneliis Räpo	Senior Legal Council, Luminor, Tallinn	Anneliis.rapo@luminorgroup.com
Eric Reither	Norton Rose Fulbright, Toronto	eric.reither@nortonrosefulbright.com
Moritz Rieper	Director/Portfolio Manager, DWS Investment GmbH, Frankfurt	moritz.rieper@dws.com
Roope Riihikoski	Covered Bonds Manager, OP Mortgage Bank Plc, Helsinki	roope.riihikoski@op.fi
Natálie Rosová	Attorney at law, Schönherr Rechtsanwälte GmbH	n.rosova@schoenherr.eu
Grégory Rousseau	Head of External Affairs, Crédit Foncier, Paris	gregory.rousseau@creditfoncier.fr
Johannes Rudolph	AOK plus, Leipzig	johannes.rudolph@plus.aok.de
Karsten Rühlmann	Senior Investment Analyst/Financials Research, Landesbank Baden-Württemberg, Stuttgart	karsten.ruehlmann@lbbw.de
Nicoleta Ruxandescu	Manager Investment Banking Unit, Alpha Bank Romania, Bucharest	nruxandescu@alphabank.ro
Adrian Sacalschi	Head of Frankfurt Branch, Takarék Mortgage Bank Co. Plc, Frankfurt	adrian.sacalschi@gmail.com
Dr. Filipe Santos Barata	Senior Associate, Gómez-Acebo & Pombo Abogados, S.L.P., Lisboa	fsbarata@gomezacebo-pombo.com
Alexandra Schadow	Head of Covered Bonds/Financials Research, Landesbank Baden-Württemberg, Stuttgart	alexandra.schadow@lbbw.de
Arjan Scheltema	NautaDutilh N.V, Amsterdam	arjan.scheltema@nautadutilh.com
Hagen Schmidt	Luxembourg	
Maureen Schuller	Head of Financials Research, ING Bank N.V., Amsterdam	maureen.schuller@ingbBank.com
Jonny Sylvén	Senior Legal Advisor, Swedish Bankers' Association, Stockholm	jonny.sylvén@swedishbankers.se
Konrad Szymczyk	Asset and Liability Management Expert, mBank Hipoteczny, Warsaw	Konrad.Szymczyk@mhipoteczny.pl
Kristyna Tupa	Attorney at law, Schönherr Rechtsanwälte GmbH	kr.tupa@schoenherr.eu
Dr. Herbert Uitz	Raiffeisenlandesbank Oberösterreich AG	herbert.uitz@rlbooe.at
Bernd Volk	Head of European Covered Bond and SA Research, Deutsche Bank AG, Schweiz	bernd.volk@db.com
Petr Vybíral	Partner, Allen & Overy, Prague	petr.vybiral@allenoverly.com
Andrej Zeher	Senior Lawyer, VÚB, a.s., Bratislava	azeher@vub.sk

Countries covered in comparative analysis

Country	Existing types of Covered Bonds	Types of Covered Bonds included in slides
Austria	<i>Pfandbrief– PfandBG</i>	<i>Pfandbrief</i>
Belgium	<i>Belgische pandbrief / lettre de gage belge</i>	<i>Belgische pandbrief / lettre de gage belge</i>
Canada	<i>Legislative Covered Bonds on Residential Mortgages</i>	<i>Legislative Covered Bonds on Residential Mortgages</i>
Czech Republic	<i>Hypoteční zástavní listy</i>	<i>Hypoteční zástavní listy</i>
Denmark	<i>RO</i> <i>SDRO</i> <i>SDO specialised / non-specialised bank</i>	<i>SDO + specialised bank</i>
Estonia	<i>hüpoteekpandikiri</i>	<i>hüpoteekpandikiri</i>
Finland	<i>Katetut joukkolainat</i>	<i>Katetut joukkolainat</i>
France	<i>obligations foncières</i> <i>obligations de financement de l'habitat</i> <i>CRH</i>	<i>obligations foncières</i> <i>only chapter XIII.</i>
Germany	<i>Hypothekendarlehen</i> <i>Öffentlicher Pfandbrief</i> <i>Schiffspfandbrief</i> <i>Flugzeugpfandbrief</i>	<i>Hypothekendarlehen</i> <i>Öffentlicher Pfandbrief</i>
Hungary	<i>jelzáloglevel</i>	<i>jelzáloglevel</i>
Ireland	<i>Asset Covered Securities (mortgage and public)</i>	<i>Asset Covered Securities (mortgage and public)</i>

Countries covered in comparative analysis

Country	Existing types of Covered Bonds	Types of Covered Bonds included in slides
Luxembourg	<i>lettre de gage publique lettre de gage hypothécaire lettre de gage mobilière lettre de gage mutuelle</i>	<i>lettre de gage publique lettre de gage hypothécaire</i>
Netherlands	<i>gedekte obligatie geregistreerde gedekte obligatie</i>	<i>geregistreerde gedekte obligatie</i>
Norway	<i>Obligasjoner med fortrinnsrett</i>	<i>Obligasjoner med fortrinnsrett</i>
Poland	<i>hipoteczny list zastawny publiczny list zastawny</i>	<i>hipoteczny list zastawny publiczny list zastawny</i>
Portugal	<i>Obrigacoes Cobertas</i>	<i>Obrigacoes Cobertas</i>
Romania	<i>obligatiuni garantate</i>	<i>obligatiuni garantate</i>
Singapore	<i>Singapore covered bonds</i>	<i>Singapore covered bonds</i>
Slovakia	<i>Kryté dlhopisy</i>	<i>Kryté dlhopisy</i>
Spain	<i>cédulas hipotecarias cédulas territoriales bonos hipotecarios</i>	<i>cédulas hipotecarias cédulas territoriales</i>
Sweden	<i>Säkerställda Obligationer</i>	<i>Säkerställda Obligationer</i>
Switzerland	<i>Pfandbrief</i>	<i>Pfandbrief</i>
United Kingdom	<i>Regulated covered bonds</i>	<i>Regulated covered bonds</i>

RT CBL - Outcome

Outcome for members of RT CBL

- Intensive exchange of legal know how in workshops
- Access code to special IT program with all country information on legal framework of CBs provided by the RT's members
- Role of moderators and panelists in special conferences and meetings with EU Commission, EBA, ECB, national supervisors etc.
- Simplifies own analysis of different CB models and CB legislation

General outcome

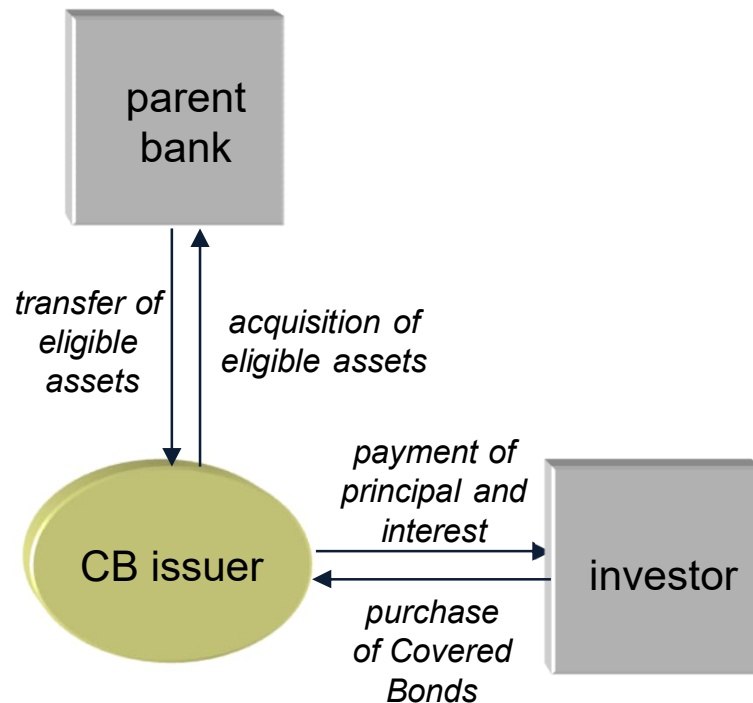
- Special database for legal framework of CBs
- Offers both, workable and very detailed comparison of legal framework of CBs
- Constitutes benchmark for discussions on further national legislation and EU harmonization as well as supervision practice
- Charts on CB Models (meanwhile widely used in conferences and publications). The charts are done to show the insolvency ring fencing and the legal relation between CBs and cover assets
- Charts on single legal questions used in conferences

Covered Bond models in Europe

Model 1

Covered Bond issuer is completely specialised funding institute:

France

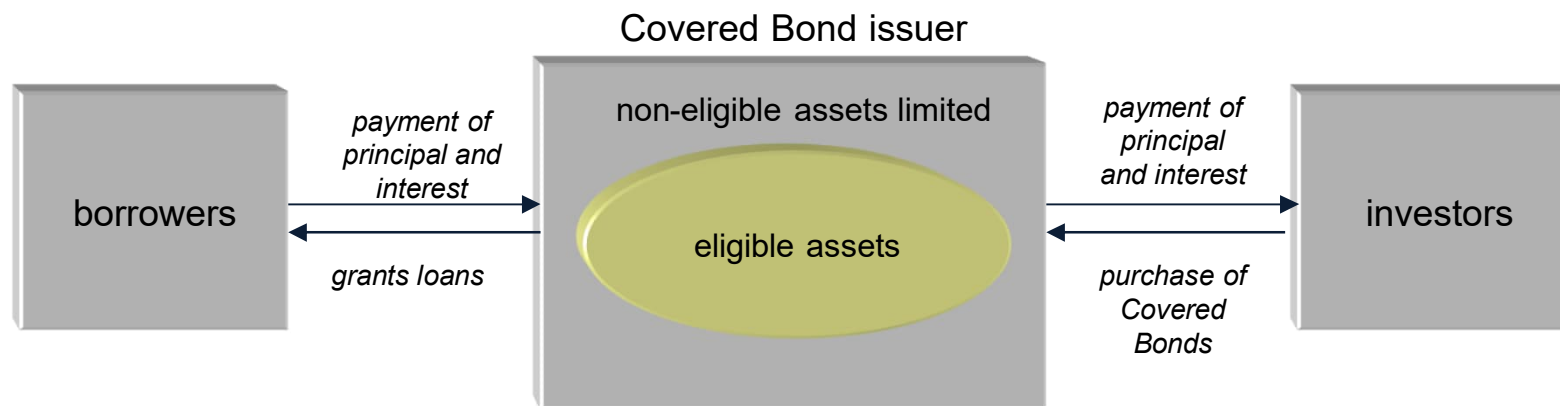


- Origination and servicing of eligible assets and management of Covered Bond issuing institute by parent bank or other parent institution
- Funding institute has no other function than holding (or mainly holds) eligible assets
- Issuer has the legal status of a credit institution
- Issuance governed by special legal framework
- Issuer has no or almost no staff
- Decisive = insolvency segregation of CB issuer from parent bank
- CB issuer capable of acting in spite of insolvency of parent bank?

Covered Bond models in Europe

Model 2

**Covered Bond issuer is specialized credit institution by law:
Denmark, Hungary, Ireland, Luxembourg (until 7 July 2022), Norway,
Poland**



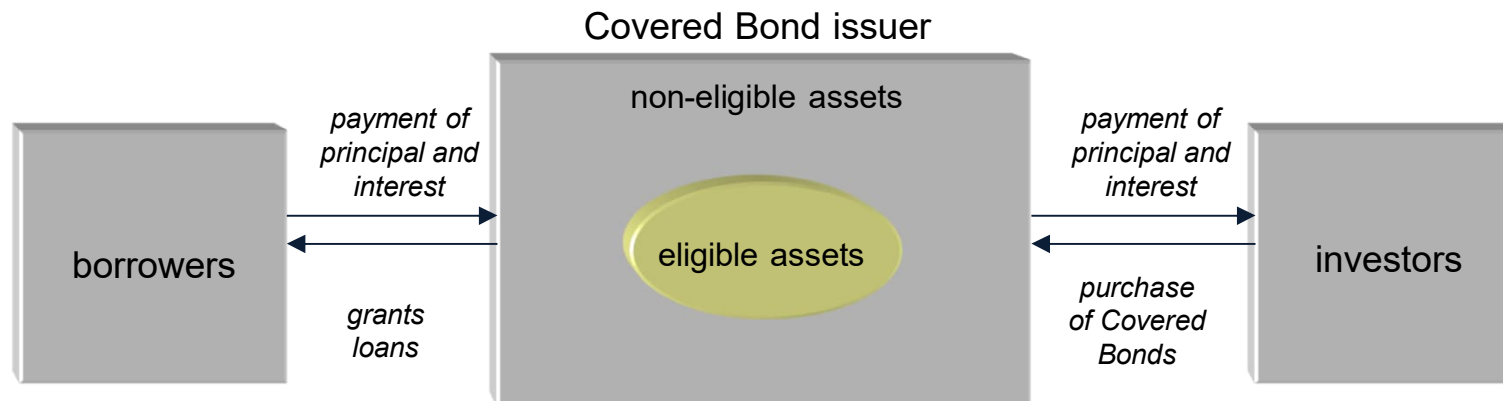
- Issuer originates, services and funds eligible and non-eligible business
- Loan origination restricted by law to mortgages and public-sector loans
- Issuer has the legal status of a credit institution
- Issuance governed by special legal framework
- Decisive = insolvency segregation of cover assets from insolvency estate

Covered Bond models in Europe

Covered Bond issuer is universal credit institution

Model 3

Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Estonia, Finland, Germany, Greece, Iceland, Latvia, Lithuania, Luxembourg (from 8 July 2022 on), Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Sweden



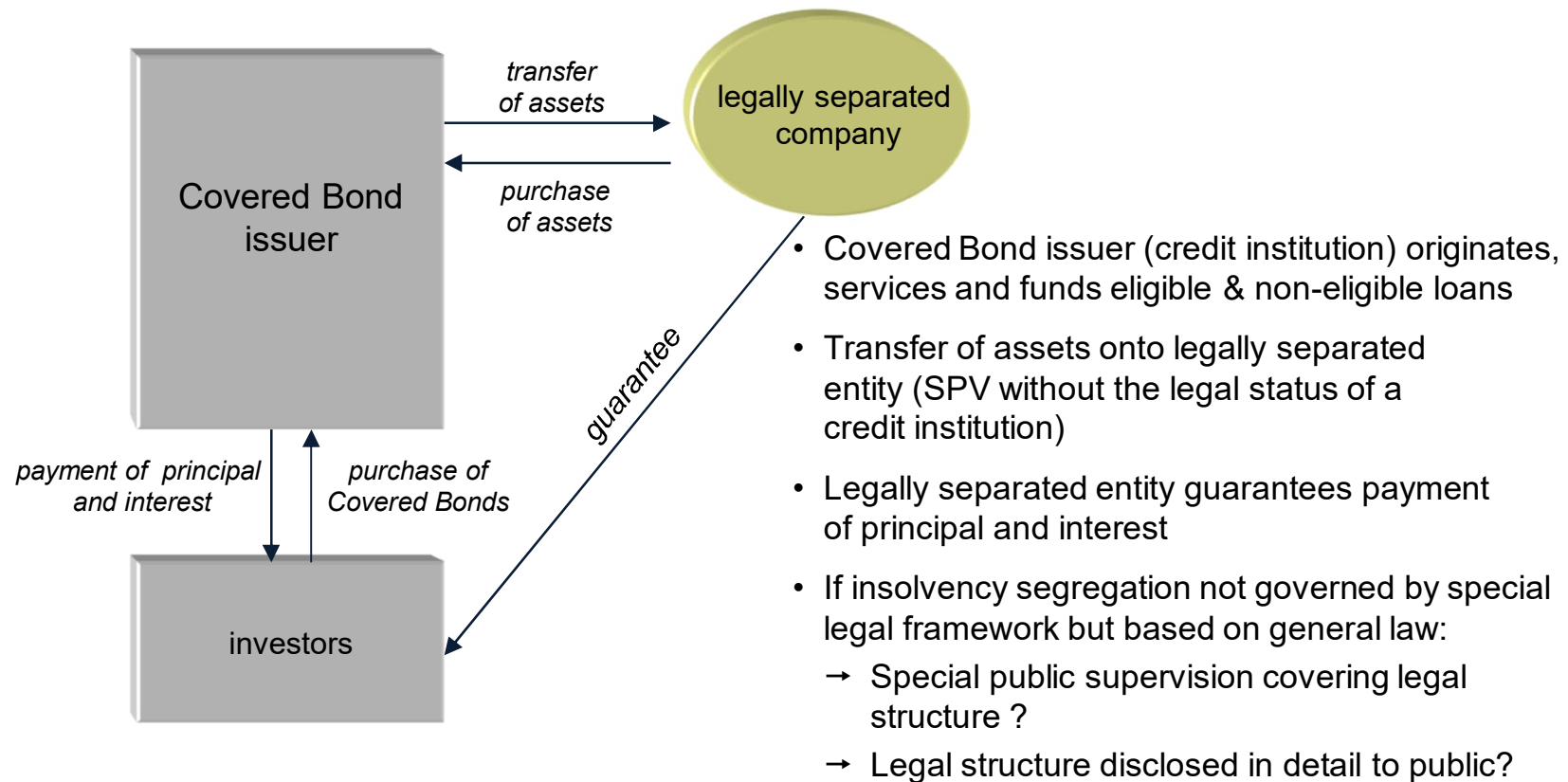
- Issuer originates, services and funds eligible and non-eligible business
- Strict eligibility criteria apply to eligible cover assets
- Issuance governed by special legal framework
- Decisive = insolvency segregation of cover assets from insolvency estate

Covered Bond models in Europe

Covered Bond issuer is using SPV to achieve insolvency segregation of cover assets:

Australia, Canada, Italy, Netherlands, New Zealand, Singapore, UK

Model 4

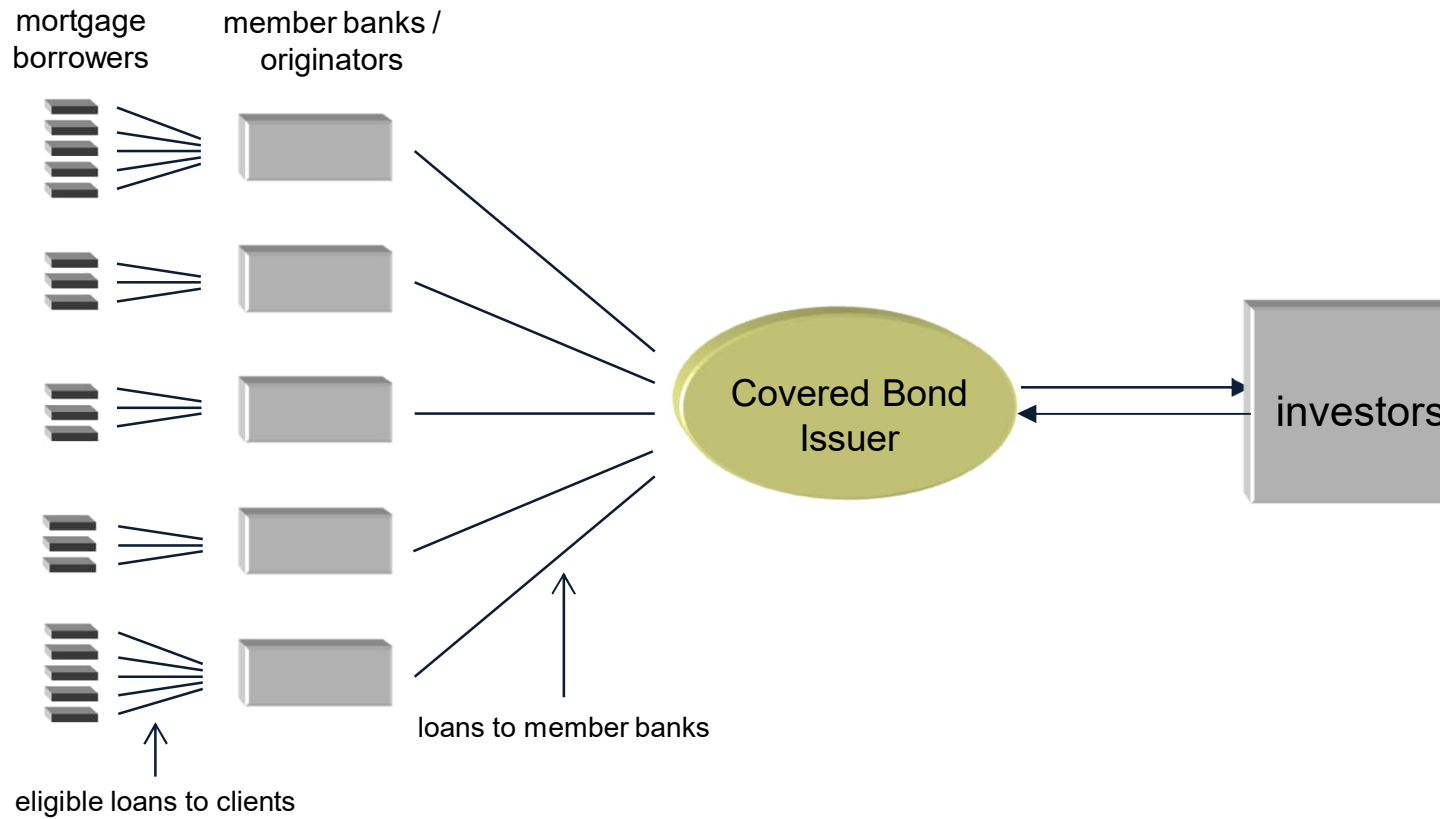


Covered Bond models in Europe

Covered Bond - Pooling Models

Model 5

France (CRH), Switzerland



RT CBL

Contents of questionnaire of RT CB Legislation

1. Covered Bond Legislation Overview
2. Covered Bond Models
3. Cover Assets for Covered Bonds
4. Valuation of the Mortgaged Real Estate & LTV Criteria
5. Covered Bonds as Securities
6. Covered Bond Specific Asset-Liability Guidelines
7. Transparency
8. Public Supervision of CB issuers, Cover Pool Monitor
9. Resolution Procedures over CB Issuers
10. Insolvency Procedures over CB Issuers
11. Special Questions on CB-Model 1
12. Special Questions on CB-Model 4
13. Special Questions on CB-Pooling-Models
14. Compliance with European Regulation
15. Commitment of Covered Bond Issuers

Summary

1. There is a large variety of covered bond legislations in Europe.
2. There are not sufficiently detailed, transparent and easy to understand comparisons of the existing covered bond legislation.
3. A survey on insolvency segregation of cover assets and insolvency remoteness of covered bonds needs to take into account the relevant legal issues of the respective covered bond model.
4. The Round Table CB Legislation is working on such a fundamental analysis of the legal structure.

Dr. Tim Lassen
Department Head Cover Assets
Verband deutscher Pfandbriefbanken e.V.
Association of German Pfandbrief Banks

Georgenstraße 21
10117 Berlin
Phone +49 30 20915-520
E-Mail: lassen@pfandbrief.de
Internet: <http://www.pfandbrief.de> /
<http://www.pfandbrief.org>