

## European Covered Bond Council (ECBC)

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### ***Collation of Feedback on the Amendments by the MEPs of the ECON Committee to Covered Bond Legislative Package***

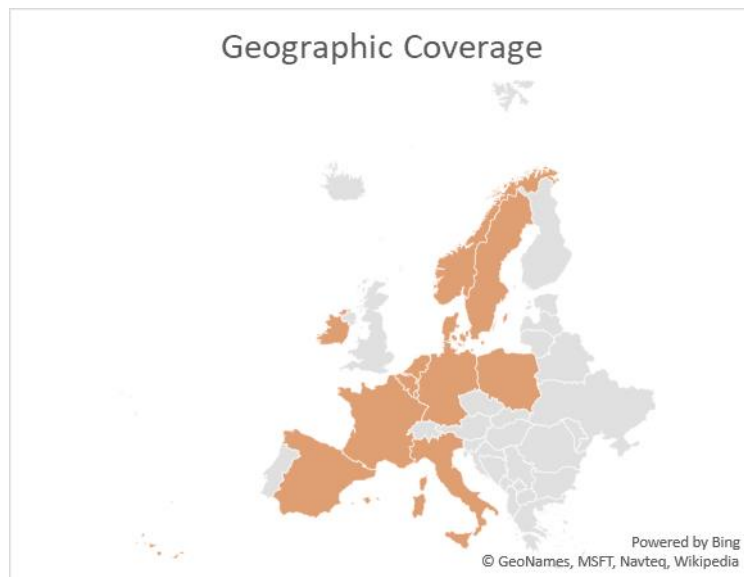
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Brussels, 12 October 2018

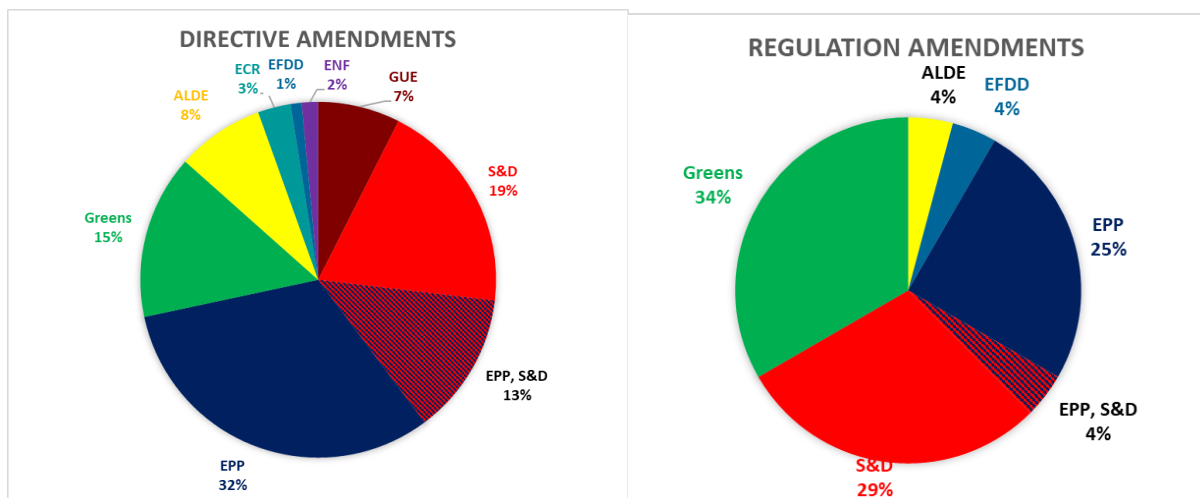
#### **Executive Summary and overall context:**

The EMF-ECBC welcomes the objectives of the European Commission's proposals for an EU Covered Bond Legislative Framework to promote further integration of the EU's financial markets and reinforce the Capital Markets Union (CMU) and is following very closely the work of the European Parliament in this area. In this respect and given the significance of this file for its membership, the EMF-ECBC has worked intensively over the last week to assess the set of amendments floored by the MEPs of the ECON Committee of the European Parliament on MEP Lucke's proposed amendments to the to the European Commission's proposals, which were dated 26 September 2018 ([here](#) for the list of amendments on the proposed directive and [here](#) the proposed regulation amending the CRR).

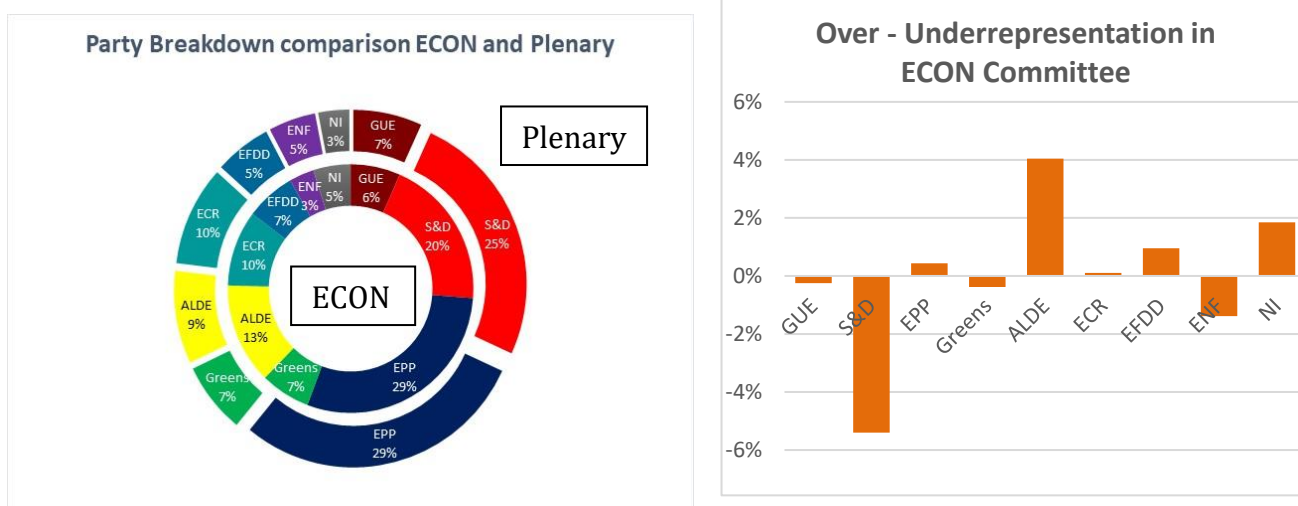
The feedback collected would like to present the three (set of) amendments which are considered to cause major concerns in the various jurisdictions and is classified according to a priority ranking ranging from 1 to 3, by level of seriousness and scope (national or European) and consolidates feedback received from **12 countries** representing **88.4% of outstanding covered bonds** and **71.8% of total outstanding residential mortgages** in the European Economic Area (EEA). The precise passages in the proposed Directive and regulation are specified in the overall table of content below.



The Directive received overall 200 amendment proposals further to those already floored by Rapporteur Mr Bernd Lucke from 21 MEPs of 14 different EU Member States, while the Regulation received further 24 amendments from 12 MEPs of 8 different countries. Here below the breakdown of the political parties of the amendments floored.

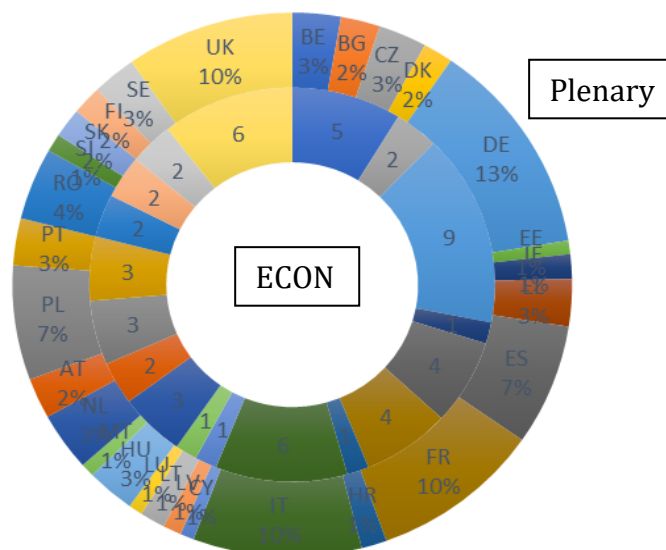


It is important to stress the fact that the amendments to pass need to have the approval of the 50%+1 majority of the ECON Committee and subsequently need to be approved in the Plenary of the European Parliament. In the charts below you will find the political breakdown of the ECON Committee and of the EP as a whole together with a graph showing the over- and under-representation in the ECON Committee in order to better grasp the political 'weight' of the various amendments.

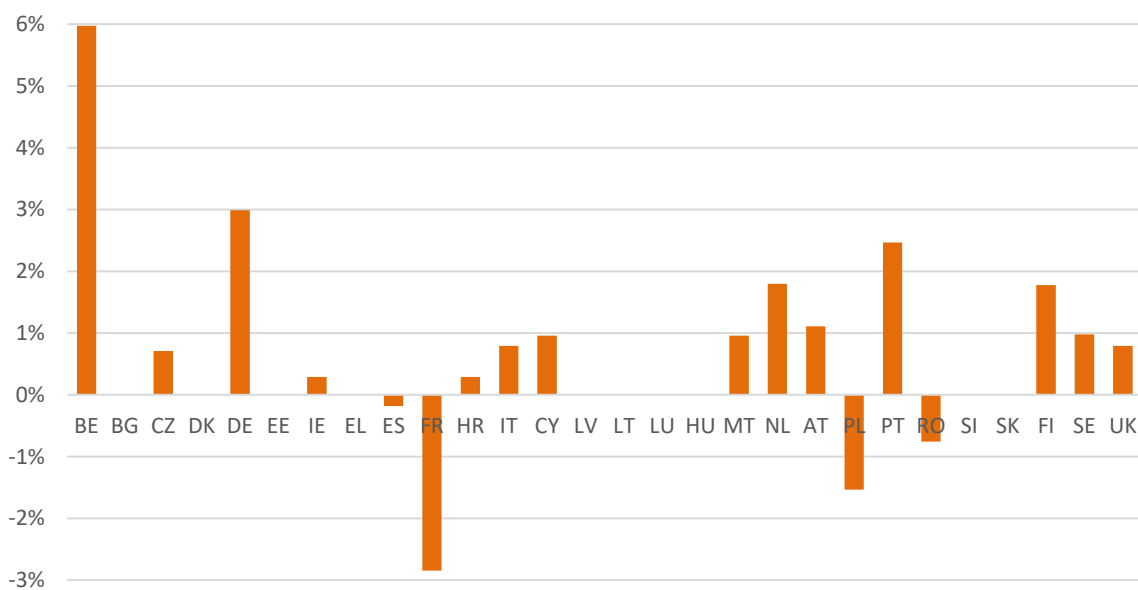


Similarly to the political parties also national representation is a key factor to keep in consideration. Here below a quick overview of the geographic breakdown at ECON Committee (in absolute seats) and Plenary level (in relative terms to the total of seats) with the respective geographic over- and underrepresentation in the ECON Committee with respect to the Plenary.

## Geographic Breakdown ECON and Plenary



## Over - Underrepresentation in ECON Committee



## Overview Table of Amendments

The tables here below provide an overview of the amendments the covered bond market deems most dangerous according to the various jurisdictions.

### Directive

| Amendment                         | MEP flooring amendment                                       | Topic                                                             | Who commented                                                                                                                |
|-----------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| 86 – 115 – 152                    | Nagtegaal (ALDE, NL), Lucke (ECR, DE)                        | Definition of asset class                                         | <a href="#">Denmark</a> , <a href="#">Germany(86)</a> , <a href="#">Luxembourg (115)</a> , <a href="#">Spain (86)</a>        |
| 102 - 111                         | Ferber (EPP, DE), Rosati (EPP,PL)                            | Changes to acceleration mechanism                                 | <a href="#">Belgium</a>                                                                                                      |
| 134                               | Sant (S&D, MT), Delvaux (S&D, LU)                            | Public register                                                   | <a href="#">Sweden</a>                                                                                                       |
| 139 – 148                         | Lamberts (Greens, BE), Kofod (S&D, DK) -Bendtsen (EPP, DK)   | Independent valuer                                                | <a href="#">Belgium</a> , <a href="#">Poland</a> , <a href="#">Sweden (139)</a>                                              |
| 149 – 151                         | Lamberts (Greens, BE), Kofod (S&D, DK) -Bendtsen (EPP, DK)   | risk of loss                                                      | <a href="#">Belgium</a>                                                                                                      |
| 150 - 151                         | Ferber (EPP, DE), Kofod (S&D, DK) -Bendtsen (EPP, DK)        | Collateral eligibility criteria                                   | <a href="#">France</a> , <a href="#">Ireland(151)</a>                                                                        |
| 152                               | Lucke (ECR, DE)                                              | Cover assets for ordinary CB, ESN                                 | <a href="#">Italy</a> , <a href="#">Luxembourg</a>                                                                           |
| 154s                              | Morgano, Cozzolino (S&D, IT)                                 | ESN                                                               | <a href="#">Luxembourg</a>                                                                                                   |
| 157 - 159                         | Matias (Gue, PT), Lamberts (Green, BE)                       | Limitation of assets outside the EU                               | <a href="#">Germany</a>                                                                                                      |
| 168 - 169                         | Sander (EPP, FR), Ferber (EPP, DE)                           | Transfer of cover assets by means of a fin collateral arrangement | <a href="#">Netherlands</a>                                                                                                  |
| 183 – 189 – 205 – 209 – 235 – 236 | Hayes (EPP,IE), Martusciello (EPP,IT), Matias (Gue, PT),     | Derivatives                                                       | <a href="#">Norway</a> , <a href="#">Poland (235,236)</a>                                                                    |
| 223 -224 – 229 -230               | Lamberts (Greens, BE)                                        | Information requirements                                          | <a href="#">Germany</a> , <a href="#">Spain</a>                                                                              |
| 232 - 234                         | Lamberts (Greens, BE)                                        | Mix of valuation techniques                                       | <a href="#">France</a> , <a href="#">Netherlands</a>                                                                         |
| 248 - 263                         | Lamberts (Greens, BE)                                        | Liquidity requirements                                            | <a href="#">Norway</a>                                                                                                       |
| 269 – 272 – 274                   | Lamberts (Greens, BE), Hayes (EPP, IE), Nagtegaal (ALDE, NL) | Liquidity buffer                                                  | <a href="#">Denmark</a> , <a href="#">France(269,272)</a> , <a href="#">Ireland(269)</a> , <a href="#">Netherlands (269)</a> |
| 256 – 257                         | Hayes (EPP,IE), Sander (S&D, MT)                             | Exposures to credit institutions                                  | <a href="#">Italy</a>                                                                                                        |

### Regulation

| Where       | MEPs                                       | Topic                            | Who commented                                                                   |
|-------------|--------------------------------------------|----------------------------------|---------------------------------------------------------------------------------|
| 17- 31 - 34 | Fernandez (S&D, ES), Lamberts (Greens, BE) | Overcollateralisation            | <a href="#">Norway</a>                                                          |
| 20 - 24     | Sant (S&D, MT)                             | Derivative limits                | <a href="#">France</a> , <a href="#">Sweden(24)</a>                             |
| 26          | Sander (EPP, FR)                           | Exposures to credit institutions | <a href="#">Italy</a>                                                           |
| 29          | Lamberts (Greens, BE)                      | Mortgage lending value           | <a href="#">Poland</a> , <a href="#">Spain</a>                                  |
| 31 - 32     | Lamberts (Greens, BE)                      | Overcollateralisation            | <a href="#">Denmark</a> , <a href="#">Ireland</a> , <a href="#">Poland (32)</a> |

## Detailed Country Replies (ordered alphabetically):

### 1. Belgium

| Ranking of priority | Location in the text (precise number of amendment as indicated in the official documents) | Precise passage concerned                                                | Description of the Issue                                                | Level of seriousness | Scope of the Challenge | Proposal for a wording update |
|---------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------|------------------------|-------------------------------|
|                     | Dir: 102 & 111                                                                            | changes to acceleration mechanism                                        | This would be contrary to current market practice                       | high                 |                        | keep Commission Proposals     |
|                     | Dir: 139 & 148                                                                            | independent valuer                                                       | high operational cost                                                   | high                 |                        | keep Commission Proposal      |
|                     | Dir: 149 & 151                                                                            | risk of loss<br>the claim out of the insurance is part of the cover pool | Damage should be sufficient<br>Not the way the insurance coverage works | high                 |                        | keep Commission Proposal      |

Source: Belfius, BNP Paribas Fortis, ING

## 2. Denmark

| Ranking of priority | Location in the text (precise number of amendment as indicated in the official documents) | Precise passage concerned                                                                                                                                                                                                                                                                                                                                                                                                         | Description of the Issue                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Level of seriousness | Scope of the Challenge                                                                                                                                                                                                                                                                                                                                                                                                | Proposal for a wording update                                                                       |
|---------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 1                   | amendment 31 and 32 on Proposal for the Regulation amending CRR                           | In amendment 31 : "...covered bonds shall be subject to a minimum level of 10 % of overcollateralisation .." and in amendment 34 "(b) the minimum level of overcollateralisation cannot be lower than 7 % based on a the nominal principle"                                                                                                                                                                                       | The OC levels are raised in a non-risk bases approach from 5 to 10 % and a risk based approach the minimum level is raised from 2 to 7 %                                                                                                                                                                                                                                                                                                                                        | High                 | These higher levels of OC are unacceptable and do not take into account other elements of risk reduction in the different mortgage models                                                                                                                                                                                                                                                                             | Keep the OC-levels in the proposal from the Commission                                              |
| 2                   | amendment 86, 115 and 152 on the Proposal for a Covered Bonds Directive                   | In amendment 86: "... Assets listed in points (a) to (g) of Article 129(1) of Regulation (EU) No 575/2013 should be considered eligible to serve as collateral in the cover pool, within a covered bonds framework." In amendment                                                                                                                                                                                                 | It is too restrictive to only allow CRR compliant assets in a covered bond as proposed in amendment 86 and 115. The eligible assets should also include physical assets which do not fulfil the continuous LTV requirement in CRR article 129 and loans to public undertakings. In amendment 152 the requirement in Article 6a of 60 percent LTV for all physical assets should be amended as would exclude the Danish Realkreditobligationer (RO) - traditional covered bonds. | High                 | It is important to find the right balance in defining the asset classes that can collateralize the issued covered bonds. The legislation should underpin the very high quality of covered bonds compared to other types of funding and not risk jeopardising existing well functioning covered bonds systems .                                                                                                        | Support amendments 112, 113, 117, 121, 125, 129, 136, 140, 144, 148, 151 and 153                    |
| 3                   | amendment 269, 272 and 274 on the Proposal for a Covered Bonds Directive                  | In amendment 269 article 16, par. 5 is deleted (do not recognize final maturity of covered bonds in liquidity buffer calculation, in amendment 272 "maturity extension may only be affected upon: (i) insolvency of the credit institution issuing covered bonds; and (ii) breach of triggers in point (c )(i) and in amendment 274 "the cover pool monitor is required to organise bondholder meetings on a regular basis ....." | See "Scope of challenge"                                                                                                                                                                                                                                                                                                                                                                                                                                                        | High                 | In the calculation of the liquidity buffer the final maturity of the covered bonds should be recognized if the bond can be extended. Else there would be a double requirement. Maturity extension could also be used in other events than insolvency and resolution. This is the case according to the Danish regulation on extendable maturities. A requirement for bondholders meetings is not workable in reality. | Keep the proposal from the Commission regarding article 16, par. 5 and reject amendment 272 and 274 |

Source: Finance Denmark

### 3. France

| Ranking of priority | Location in the text (precise number of amendment as indicated in the official documents) | Precise passage concerned                                                                                                                                                                                                                                                                                                                                                                                | Description of the Issue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Level of seriousness | Scope of the Challenge                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Proposal for a wording update                                                                            |
|---------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| 1                   | Regulation Amendment 20,24<br><br>Directive Amendments 232, 234                           | <b>In amendment 20</b> “or exposures in the form of derivative contracts in accordance with Article 11 of Directive” <b>and in amendment 24</b> “(b a) for exposures in form of derivative contracts to credit institutions that qualify for credit quality step 3... the exposures shall not exceed 10% of the nominal amount of outstanding covered bonds...”<br><br>Calculation of the coverage ratio | Limit on derivatives contract that are used for hedging purposes only<br><br>Derivatives at mark-to-market value in the coverage ratio                                                                                                                                                                                                                                                                                                                                                                       | Very high            | Setting a limit on derivatives for hedging and risk management purposes can lead to counterproductive effects where bondholders risks greatly increase if the limit is reached.<br><br>Taking into account the market value volatility is not appropriate when calculating a coverage ratio.<br>In several jurisdictions, covered bonds issuers apply accrued accounting and not mark-to-market accounting in their financial statements, in particular for derivatives. For this reason, the coverage ratio should comply with national accounting standards. Doing so, methodologies will remain the same between national issuers and will continue to be easily auditable by the national cover pool monitor.<br>Moreover, it should be reminded that derivatives are used for hedging purposes only; they are maintained in the books until their maturity or the maturity of the instrument hedged; they cannot be accelerated in case of insolvency or bankruptcy. | Delete these amendments and keep the European Commission’s initial proposal<br><br>Support amendment 233 |
| 2                   | Directive Amendment 150, 151                                                              | Concerning provisions of article 6 of the draft of the Directive: amendment 151 all 3”Member States shall require from credit institutions (...) cover pool”                                                                                                                                                                                                                                             | Collateral’s eligibility criteria                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Very high            | Requirement mentioned in these proposed amendments are sufficiently addressed through articles 129(3) of CRR enabling covered bond issuers to get the best prudential treatment. All collateral eligibility requirements are already listed in provisions of 129(3) of CRR. Therefore, no other eligibility requirements should be added.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | These amendments should not be supported                                                                 |
| 3                   | Directive Amendments 54, 55, 272<br><br>Directive Amendment 269                           | Soft Bullet covered bonds                                                                                                                                                                                                                                                                                                                                                                                | Suggested amendments add unnecessary additional constraints on investors and issuers. Conditions to trigger the maturity extension are already defined in the covered bonds documentation, which protects investors’ interests. Besides, these investors are, at least, “professional investors” or “eligible counterparties” under MIFID clients categorization.<br><br>In amendment 269, article 16, par. 5 is deleted (do not recognize final maturity of covered bonds in liquidity buffer calculation). | Very high            | The maturity extension should occur before the insolvency / resolution of the issuer in order to avoid such a default. A distinction should be made, in several jurisdictions, between the default of a sponsor vs. that of an issuer, which is a separate credit institution.<br><br>The maturity extension is regarded as an efficient liquidity tool that prevents covered bonds default and should be taken into account for the calculation of the net liquidity outflow. Otherwise, it would be double counted.                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Delete these amendments and keep the initial proposal of the European Commission                         |

Source : CFF

#### 4. Germany

| Ranking of priority | Location in the text (precise number of amendment as indicated in the official documents) | Precise passage concerned                                                                                                                                                                               | Description of the Issue                                                                                                                                                                                                                                                                                                                                                                                                             | Level of seriousness | Scope of the Challenge                                                                                                                                                                     | Proposal for a wording update         |
|---------------------|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| 1                   | 86                                                                                        | <b>Deletion of the sentence: "Member States should also be free to exclude assets in their national frameworks."</b>                                                                                    | Even though member states may have in any case the legal possibility to be stricter, it should be made clear in the Directive that not all assets have to be eligible in a national framework                                                                                                                                                                                                                                        | Very serious         | Exclusion of cover assets on national level could be questioned                                                                                                                            | Proposed amendment should be refused  |
| 2                   | 157/159                                                                                   | <b>Deletion of Article 7 par 1/"Member States shall ensure that such assets located outside of the Union do not exceed 20% of the total cover pool at issuance of the covered bond until maturity."</b> | Limiting assets located outside the Union is not justified, if assets offer comparable security in a way similar to collateral located within the Union; could have severe impact on some markets with regard to Brexit; if third country covered bonds should get same preferential treatment as European covered bonds, it is hard to understand that third country assets in European covered bonds should be excluded or limited | Very serious         | Exclusion/Limitation of non Union assets could distort well functioning markets, especially with regard to UK assets in cover pools of some European covered bonds                         | Proposed amendments should be refused |
| 3                   | 223/224/229/230                                                                           | <b>"...the loan-to-income ratio;"/"...the credit characteristics of the debtor;"/"an overview of the key transaction parties;"/" a glossary with definitions, data sources and criteria"</b>            | Proposed information requirements are unnecessary and hardly to deliver                                                                                                                                                                                                                                                                                                                                                              | Very serious         | Cover pool eligibility built on high quality of collateral, credit characteristics of debtor as well as key transaction parties undefined, glossary should be left to industry initiatives | Proposed amendments should be refused |

Source: vdp

## 5. Ireland

| Ranking of priority | Location in the text                                            | Precise passage concerned                                                                                                                                                                                                                   | Description of the Issue                                                                                                                 | Level of seriousness | Scope of the Challenge                                                                                                                    | Proposal for a wording update                                |
|---------------------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| 1                   | Amendment 269                                                   | Amendment 269 article 16, par. 5 is deleted (do not recognize final maturity of covered bonds in liquidity buffer calculation)                                                                                                              | In the calculation of the liquidity buffer the final maturity of the covered bonds should be recognized if the bond can be extended.     | High                 | In the calculation of the liquidity buffer the final maturity of the covered bonds should be recognized if the bond can be extended.      | Keep the Commission's proposal regarding Article 16, par. 5. |
| 2                   | Amendment 31 and 32 on Proposal for the Regulation amending CRR | In amendment 31 : "...covered bonds shall be subject to a minimum level of 10 % of overcollateralisation .." and in amendment 34 "(b) the minimum level of overcollateralisation cannot be lower than 7 % based on a the nominal principle" | The OC levels are raised in a non-risk bases approach from 5 to 10 % and a risk based approach the minimum level is raised from 2 to 7 % | High                 | These higher levels of OC are unacceptable and do not take into account other elements of risk reduction in the different mortgage models | Keep the OC-levels in the proposal from the Commission       |
| 3                   | Amendment 151                                                   | Amendment 151: "Member States shall require from credit institutions that the collateral is adequately insured against the risk of loss or damage and that the claim out of the insurance is part of the cover pool."                       | Not practical to implement and beyond existing requirements.                                                                             | High                 | Existing text addresses risks and is in line with existing practices.                                                                     | Amendment should not be supported                            |

Source: BPFi

## 6. Italy

| Ranking of priority | Location in the text                                       | Precise passage concerned                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Description of the Issue                                                                                                                                                                                                | Level of seriousness | Scope of the Challenge                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Proposal for a wording update                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                   | Regulation - Amendment 26 (Anne Sander)                    | (c) exposures to institutions that qualify for the credit quality step 1 asset out in this Chapter. The total exposure of this kind shall not exceed 15 % of the nominal amount of outstanding covered bonds of the issuing institution. Exposures to institutions in the Union with a maturity not exceeding 100 days shall not be comprised by the step 1 requirement but those institutions shall as a minimum qualify for credit quality step 2 as set out in this Chapter; | According the text proposal, it seems that covered bonds can be collateralised by exposures to credit institutions that qualify for the credit quality step 1 (or credit quality step 2 under certain conditions) only. | High                 | If derivatives are to be considered as “exposures” according to the art 129 1 c) of the Regulation or if they are relevant for the coverage requirement calculation, the Regulation should provide that derivative counterparties can qualify also for the credit quality “step 3”. Otherwise the new legal framework would limit the covered bond issuing in many European jurisdictions - where there are not step 1 or step 2 derivatives counterparties - paving the way for significant potential concentration risks and an unwanted disruption and fragmentation of the current market conditions.                                                                                                                                                                                                                                                                                                                                                                     | "(c) exposures to credit institutions that qualify for the credit quality step 1 , credit quality step 2 or credit quality step 3, as set out in this Chapter.                                                                                                                                                                                                                                                                                                                           |
| 2                   | Directive - Amendment 256 - 257 (Brian Hayes/ Anne Sander) | (b) exposures to credit institutions that qualify for the credit quality step 1 and step 2 exposures, in accordance with Article 129(1)(c) of Regulation (EU) No 575/2013.<br>(b) exposures to credit institutions that qualify for the credit quality step 1 and step 2, in accordance with Article 129(1)(c) of Regulation (EU) No 575/2013.                                                                                                                                  | According to the amendment proposals 256 and 257, only exposures to credit institutions qualifying “step 1” and “step 2” are eligible for liquidity buffer purposes.                                                    | High                 | It is necessary to allow exposures to credit institutions qualified as credit quality “Step 3” to be eligible for liquidity buffer purposes. Limiting eligible counterparties to those with credit quality “Step 1” and “Step 2” restricts the market to a very limited number of eligible counterparties for many issuing banks, increasing market concentration risks and the programmes’ all-in cost. In addition, such limitation would imply the fragmentation of the CB market mainly by jurisdiction, resulting in the opposite of the general principle of the CMU.                                                                                                                                                                                                                                                                                                                                                                                                   | "(b) exposures to credit institutions that qualify for the credit quality step 1, credit quality step 2 and credit quality step 3"                                                                                                                                                                                                                                                                                                                                                       |
| 3                   | Directive - Amendment 152 (Bernd Lucke)                    | Article 6a (Cover assets for ordinary covered bond)                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                         | High                 | We strongly believe that the banking industry needs a new dual recourse funding instrument having as underlying assets SME exposures and aimed to SMEs financing.<br>Article 6a proposed by Bernd Lucke provides a new category of instrument labelled as covered bond (OCB). In his proposal, some requirements are not compliant with the regulation of certain Member States and the amendment proposed by Jeppe Kofod and Bendt Bendtse (n 153) is preferable. However, we can support the introduction of OCB, as proposed by Jeppe Kofod and Bendt Bendtse, only with the condition that the text also provides the introduction of the “European Secured Notes” as SMEs funding instrument, as originally proposed in July 2017 also by the European Parliament in the INI Report (“Towards a pan-European covered bonds framework”). ESN has to be clearly labelled as a different instrument from covered bonds in order to avoid confusion and market segmentation. | Amendment 153 - Article 6a (Cover assets for ordinary covered bond)<br>[...]<br>[...]<br>5. (new) Member States may also allow credit institutions issuing debt instruments which meet the requirements laid down in this Directive, covered by SMEs exposures. These new instruments are labelled “European Secured Notes” (ESNs). EBA lays down the minimum requirements that SMEs exposures have to meet. The Regulation (EU) No 575/2013 allows for a preferential treatment of ESNs |

Source: ABI

## 7. Luxembourg

| Ranking of priority | Location in the text (precise number of amendment as indicated in the official documents) | Precise passage concerned                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Description of the Issue                                                                                       | Level of seriousness | Scope of the Challenge                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Proposal for a wording update                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                   | 115                                                                                       | <b>Article 6 – paragraph 1 – subparagraph 1 – introductory part</b><br>Member States shall ensure investor protection by requiring that covered bonds are at all times collateralised by high quality assets referred to in points (a) to (g) of Article 129(1) of Regulation (EU) No 575/2013.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Definition of cover assets (limiting scope to CRR eligible assets)                                             | high                 | Limiting the scope on CRR 129 eligible assets only leads to market disruption for Luxembourg regarding the public covered bond and no innovation towards other high quality assets like renewable energy covered bonds.                                                                                                                                                                                                                                                                                                                                       | Member States shall ensure investor protection by requiring that covered bonds are at all times collateralised by high quality assets referred to in points (a) to (g) of Article 129(1) of Regulation (EU) No 575/2013 <b>and assets resulting of loans to public undertakings as defined in Article 2(b) of Commission Directive 2006/111/EC. Other high quality assets have to meet at least the following requirements:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 2                   | 152                                                                                       | <b>Proposal for a directive Article 6 a (new)</b><br>Cover assets for ordinary covered bonds<br>1. Member States may allow the issuance of covered bonds secured by high quality cover assets not referred to as eligible in points (a) to (g) of Article 129(1) of Regulation (EU) No 575/2013. In this case, Member States shall require that cover assets provide the credit institution issuing covered bonds with claims for the payment of a clearly determined amount of money as set out in paragraph 2 and secured by collateral assets as set out in paragraph 3. Member States shall also require that the choice of cover assets mitigates cover pool risk as set out in paragraph 4.<br><br>2. Member States shall lay down rules ensuring that the claim for payment referred to in paragraph 1 meets the following legal requirements:<br>(a) Each claim is collateralised by assets for which a public register records ownership and collateral rights or is a loan to a public undertaking as defined in Article 2(b) of Commission Directive 2006/111/EC.<br>(b) Each collateralised claim is secured by a legally established mortgage, charge, lien or other guarantee and each of these is enforceable.<br>(c) the mortgage, charge, lien or guarantee referred to in (b) enable the credit institution issuing covered bonds to receive the payment of the claim in due time and at reasonable cost.<br>For the purposes of points (a) and (b), Member States shall lay down rules ensuring the prompt filing or registration of mortgages, charges, liens or guarantees on the claims in the cover pool.<br>For the purposes of points (b) and (c), Member States shall ensure that credit institutions issuing covered bonds assess both the | Definition of cover assets for ordinary covered bonds (eligibility criteria / requirements ; risk mitigations) | high                 | Limiting the scope of eligible assets resulting from several eligibility requirements and the risk mitigations set out in paragraph 4 would lead to market disruption for Luxembourg regarding covered bonds and no innovation towards renewable energy covered bonds.<br><br>Luxembourg is generally against a distinction between premium and ordinary covered bonds and therefore prefers equal treatment of cover assets within the Directive. However, if a distinction is supported by the majority, see our proposal for a wording update in column g. | Proposal for a directive Article 6 a (new)<br>Cover assets for ordinary covered bonds<br>1. Member States may allow the issuance of covered bonds secured by high quality cover assets not referred to as eligible in points (a) to (g) of Article 129(1) of Regulation (EU) No 575/2013. In this case, Member States shall require that cover assets provide the credit institution issuing covered bonds with claims for the payment of a clearly determined amount of money as set out in paragraph 2 and secured by collateral assets as set out in paragraph 3.<br><br>2. Member States shall lay down rules ensuring that the claim for payment referred to in paragraph 1 meets the following legal requirements:<br>(a) Each claim is collateralised <b>by a mortgage, charge, lien, guarantee or transfer of property for security purposes for the financing of renewable energy as defined in Article 2(a) of Directive 2009/28/EC</b> or is a loan to a public undertaking as defined in Article 2(b) of Commission Directive 2006/111/EC.<br>(b) Each collateralised claim <b>which</b> is secured by a legally established mortgage, charge, lien, guarantee <b>or transfer of property for security purposes for the financing of renewable energy as defined in Article 2(a) of Directive 2009/28/EC</b> is enforceable.<br>(c) The mortgage, charge, lien, <b>guarantee or transfer of property for security purposes for the financing of renewable energy as defined in Article 2(a) of Directive 2009/28/EC</b> enables the credit institution issuing covered bonds to receive the payment of the claim in due time and at |

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|  |  | <p>enforceability of claims and the expected length of legal proceedings before including such claims in the cover pool.</p> <p>3. Member States shall lay down rules ensuring that the collateral assets referred to in paragraph 1 meet either of the following requirements:</p> <p>(a) for physical assets either the market or the mortgage lending value can be determined or, if this is not possible, the asset is valued by rules laid down by the Member State;</p> <p>(b) for assets in the form of exposures to a counterparty, the counterparty's safety and soundness is inferred from its tax-raising powers or from being subject to either public supervision or an on-going credit assessment by an independent professional third party. For the purposes of this point, the rating by a nominated ECAI shall be regarded as an independent third party's credit assessment. For the purposes of the asset valuation rules referred to in point (a), Member States shall require that the collateral physical asset is valued by an independent valuer. Moreover, they shall lay down a valuation methodology and process designed to yield values which are equal to or less than the unknown market or mortgage lending value of an asset at the moment of inclusion in the cover pool.</p> <p>4. Member States shall ensure the risk mitigation referred to in paragraph 1 by imposing the following requirements:</p> <p>(a) all collateral for cover pool assets shall be adequately insured against the risk of loss or damage and the claim out of the insurance shall be part of the substitution assets of the cover pool;</p> <p>(b) physical assets referred to in paragraph 3 (a) serve as collateral for cover pool claims with at most 60% of their value determined according to the applicable rules referred to in paragraph 3;</p> <p>(c) assets in the form of exposures to a counterparty referred to in paragraph 3 (b) shall be cover pool eligible at a discount rate applicable to their nominal amount and not exceeding - 90% of the exposure in case the counterparty has tax raising powers, - 80% of the exposure in case the counterparty is under public supervision, - 60% of the exposure in case the counterparty is subject to an ongoing credit assessment by an independent professional third party. Member States shall ensure that credit assessments of independent professional third parties clearly identify a threshold for credit qualities which the professional third party considers to be of investment grade. Exposures to counterparties shall not be eligible as cover pool assets if a credit assessment of an independent professional third party falls below its own threshold for investment grade quality.</p> <p>(d) The cover pool assets shall be sufficiently granular to enable risk diversification. For the purposes of this point, sufficient granularity shall mean that the cover pool contains at least 500 exposures, loans</p> |  |  |  | <p>reasonable cost.</p> <p>For the purposes of points (a) and (b), Member States shall lay down rules ensuring the prompt filing or registration of <b>securities</b> on the claims in the cover pool. <b>For such securities where a filing or registration is legally not required, Member States may decide for legal opinions to replace the registration in a public register, provided that the legal opinions ensure investor protection by confirming the enforceability of the claim. The credit institution issuing covered bonds shall provide, upon request of the competent authority, the most recent version of the independent, written and reasoned legal opinion or opinions that it used to replace the registration in a public register.</b></p> <p>For the purposes of points (b) and (c), Member States shall ensure that credit institutions issuing covered bonds assess both the enforceability of claims and the expected length of legal proceedings before including such claims in the cover pool.</p> <p>3. Member States shall lay down rules ensuring that the collateral assets referred to in paragraph 1 meet either of the following requirements:</p> <p><b>(a) for physical assets, international valuation standards or a public register to record ownership and claims are available;</b></p> <p><b>(b) for assets in the form of exposures to a counterparty, the counterparty's safety and soundness is inferred from being subject to either public supervision or an ongoing credit risk assessment based on regulator-permitted IRB approach as defined in Articles 143 and 144 of Regulation (EU) No 575/2013 or provided by an independent professional third party.</b></p> <p>For the purposes of the asset valuation rules referred to in point (a), Member States shall require that the collateral physical asset is valued by an independent valuer. Moreover, they shall lay down a valuation methodology and process designed to yield values which are equal to or less than the unknown market or mortgage lending value of an asset at the moment of inclusion in the cover pool.</p> <p><b>paragraph 4 to be deleted</b></p> |
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|   |             | or other types of claims all of which shall have some degree of idiosyncratic risk.<br>(e) The cover pool shall be free of material concentration. For the purposes of this point, material concentration shall mean that aggregate exposure to a single obligor exceeds 2% of the nominal cover pool value.                                                                                                                                                                                                                  |                                  |      |                                                                                                                                                                                                                                  |               |
| 3 | 154 et seq. | <p><b>Article 6 – paragraph 1 – subparagraph 1 a (new)</b></p> <p>Article 6 a<br/>European Secured Notes</p> <p>1. Member States may allow the issuance of debt instruments secured by assets bearing value for growth and innovation, in full compliance with the requirements laid down in this Directive, such as exposures to SMEs. Such debt instruments shall be labelled "European Secured Notes" (ESNs).</p> <p>2. The EBA shall lay down minimum requirements for SMEs' exposures' eligibility as a cover asset.</p> | Implementio<br>n of ESN<br>(SME) | high | Implementation of a new product class named "ESN" remains very vague and focussed on SMEs only. Would lead on market disruption for Luxembourg and no innovation towards towards renewable energy covered bonds or other assets. | to be deleted |

Source: ABBL

## 8. The Netherlands

| Ranking of priority | Location in the text (precise number of amendment as indicated in the official documents) | Precise passage concerned                                                                                                                                                                                                                                                                                                                                                                                                                               | Description of the Issue                                                                                                                                                                                                                                                                                                       | Level of seriousness | Scope of the Challenge                                          | Proposal for a wording update                 |
|---------------------|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------------------------------------------------|-----------------------------------------------|
| 1                   | AM 234                                                                                    | the calculation of the level of coverage required ensures that: <i>(i)</i> the total nominal amount of all assets in the cover pool, <b>with the exception of assets which are derivatives</b> , are at least of the same value as the total nominal amount of outstanding covered bonds ('nominal principle') <b>and (ii) assets and liabilities resulting from derivatives are measured at market value</b> ;                                         | A mix of two valuation techniques will lead to an unacceptable distortion of reported OCs, since the derivatives are there to hedge the associated assets and liabilities.                                                                                                                                                     | High                 | EU wide                                                         | Stick to original text<br>European Commission |
| 2                   | AM 269                                                                                    | Proposal to delete Article 16.5: Member States may allow for the calculation of the principal for extendable maturity structures to be based on the final maturity date of the covered bond.                                                                                                                                                                                                                                                            | This could imply that for extendable maturity CBs the scheduled maturity date should be used (= proposal ECB)                                                                                                                                                                                                                  | High                 | EU wide                                                         | Stick to original text<br>European Commission |
| 3                   | AM168/169                                                                                 | Member States shall ensure investor protection by laying down rules regulating the <b>sale or transfer by way of financial collateral arrangement pursuant to Directive 2002/47/EC</b> of loans and mortgages, charges, liens or other comparable security rights from the credit institution which issued them to the credit institution issuing covered bonds. Those rules shall ensure that all requirements laid down in Articles 6 and 12 are met. | Amendments 168/169 propose to prescribe the transfer of cover assets by means of a financial collateral arrangement. The Dutch civil code doesn't allow for the transfer of mortgage loans in this way, so we would not be able to implement this requirement. Therefore this amendment is not acceptable to our jurisdiction. | High                 | In any case the Netherlands, not sure about other jurisdictions | Stick to original text<br>European Commission |

Source: DACB

## 9. Norway

| Ranking of priority | Location in the text (precise number of amendment as indicated in the official documents) | Precise passage concerned                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Description of the Issue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Level of seriousness | Scope of the Challenge | Proposal for a wording update                                                                                                 |
|---------------------|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| 1                   | 263 and 248                                                                               | <p>Topics related to liquidity requirements:</p> <p>3 a. Liquid assets in the cover pool liquidity buffer shall not contribute towards the liquidity requirements set out in Delegated Regulation (EU) 2015/61.</p> <p>a) assets qualifying as level 1 and level 2A assets pursuant to Articles 10 and 11 of Delegated Regulation (EU) 2015/61, valued in accordance with Article 9 of that Delegated Regulation, segregated in accordance with Article 13 of this Directive and appropriately diversified in accordance with Article 8(1) of that Delegated Regulation;</p> | <p>One should find a sensible solution to avoid double liquidity requirements. Amendment 263 seems to contribute to the opposite.</p> <p>The limitation proposed in amendment 248 (excluding level 2 B assets) is not wise and will increase systemic concentration risk.</p>                                                                                                                                                                                                                                                                                             | High                 | EU                     | <p>Do not take amendment 263 into account.</p> <p>Keep the Commission text where level 2B assets are considered eligible.</p> |
| 2                   | 183, 189, 205, 209, 235, 236                                                              | <p>Topics related to derivatives:</p> <p>Valuation on a net cash flow basis, derivative contracts terminated upon insolvency, EBA developing draft regulatory technical standards to specify limits on the amount of derivatives, not including received collateral in the cover pool, delete derivatives from contributing to coverage</p>                                                                                                                                                                                                                                  | <p>Derivatives are used for risk hedging purposes only and is essential for issuers who have assets denominated in a different currency/different type of interest rate than its outstanding covered bonds. Derivatives should be included in the cover pool and valued according to mark-to-market principles. It should not be terminated upon the insolvency or resolution of the issuer. Furthermore, it is not rational to limit the issuers hedging of risk which implies that there is no need for a limitation (including the proposal of an EBA assessment).</p> | High                 | EU                     | Keep the Commission text                                                                                                      |
| 3                   | 17, 31, 34                                                                                | <p>Topics related to overcollateralization:</p> <p>Allowing for member states to decide a higher minimum level of OC, increasing the minimum OC-requirement to 10%, increasing the minimum OC-requirement based on the nominal principle to 7%</p>                                                                                                                                                                                                                                                                                                                           | <p>The Commission proposal is deemed as sufficient in terms of member state flexibility and lower limits on OC-levels. There is no reasonable explanation for tightening the OC-requirement as proposed in amendment 17, 31 and 34.</p>                                                                                                                                                                                                                                                                                                                                   | High                 | EU                     | Keep the Commission text                                                                                                      |

Source: Finance Norway

## 10. Poland

| Ranking of priority | Location                                                                                                                                                                    | Precise passage concerned                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Description of the Issue                                                                                                                                                                                                                                                                                                                                                                             | Level of seriousness | Proposal for a wording update | Scope     |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------|-----------|
| 1                   | Directive<br>Amendment 235 and Amendment 236<br>Article 15 – paragraph 1 – subparagraph 1 – point c – point iv                                                              | Deleted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Derivatives should be included in the calculation of coverage. Otherwise the fulfillment of coverage test will be dependent on FX changes even when hedging is provided.                                                                                                                                                                                                                             | High                 | <b>Keep Comission wording</b> | EU – wide |
| 2                   | <b>Regulation<br/>Amendment 32- Article 1 – paragraph 1 – point 1 – point d</b>                                                                                             | The assets contributing to a minimum level of overcollateralisation shall be subject to the limits on credit quality and exposure size as set out in paragraph 1 of this Article.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | In our opinion part of exposure above soft LtV limit should be included in OC calculation. This part is included in cover pool and benefits covered bonds investors. Our proposal is to keep the Commission wording.                                                                                                                                                                                 | High                 | <b>Keep Comission wording</b> | EU – wide |
| 3                   | <b>Regulation<br/>Amendment 29 - Article 1 – paragraph 1 – point 1 – point b</b><br><br><b>Amendment 139 and Amendment 148<br/>Article 6 – paragraph 1 – subparagraph 2</b> | <b>For the purpose of the limit on the value of the pledged properties, such properties shall be monitored on a regular basis and updated at least on a yearly basis by the competent authority by using an indexation method. The full loan amount irrespective of such limit shall be subject to the segregation of assets in the cover pool pursuant to Article 12 of Directive (EU) 20xx/xxxx [OP: Please insert reference to Directive (EU) on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive2014/59/EU].</b><br><br><b>For the purposes of point (a), Member States shall lay down rules on valuation of assets. The rules shall ensure at least that the assets are valued by an independent evaluator who possesses the necessary qualifications, ability and experience to carry out the valuation.</b><br><br><b>The Member States' rules on valuation of the collateral shall ensure that the collateral is valued by an independent valuer at the market value or at the mortgage lending value.</b> | In Poland we are using Mortgage Lending Value (MLV) with is long term value of the property. So it is not indexed and such requirement is excessive and hard to apply.<br><br>Additionally in Poland mortgage bank is responsible for the valuation. If it will be independent evaluator form sales forces then it is acceptable. If it will be independent from the bank then it is not acceptable. | High                 |                               | national  |

Sources: PKO Bank Hipoteczny S.A., mBank Hipoteczny S.A., pekao Bank Hipoteczny S.A.

## 11. Spain

| Ranking of priority | Location in the text (precise number of amendment as indicated in the official documents) | Precise passage concerned                                                                                                                                                                                                                      | Description of the Issue                                                                                                                                                                      | Level of seriousness | Scope of the Challenge | Proposal for a wording update          |
|---------------------|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------|----------------------------------------|
| 1                   | 29                                                                                        | For the purpose of the limit on the value of the pledged properties, <b>such properties shall be monitored on a regular basis and updated at least on a yearly basis by the competent authority by using an <u>indexation method</u> (...)</b> | The compulsory use of indexation methods is in opposition to current Spanish practice.                                                                                                        | High                 | Mainly national        | Keep current text.                     |
| 2                   | 223/224/229/230                                                                           | "...the loan-to-income ratio;" / "...the credit characteristics of the debtor;" / "an overview of the key transaction parties;" / "a glossary with definitions, data sources and criteria"                                                     | Proposed information requirements are unnecessary and hardly to deliver                                                                                                                       | High                 | EU wide                | Proposed amendment should be rejected. |
| 3                   | 86                                                                                        | <b>Deletion of the sentence: "Member States should also be free to exclude assets in their national frameworks."</b>                                                                                                                           | Even though Member States may have in any case the legal possibility to be stricter, it should be made clear in the Directive that not all assets have to be eligible in a national framework | High                 | EU wide                | Proposed amendment should be rejected. |

Source: AHE

## 12. Sweden

| Ranking of priority | Location in the text (precise number of amendment as indicated in the official documents) | Precise passage concerned | Description of the Issue | Level of seriousness | Scope of the Challenge                                                                                                                                                                                                                                                                  | Proposal for a wording update                | Scope |
|---------------------|-------------------------------------------------------------------------------------------|---------------------------|--------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-------|
| 1                   | 24                                                                                        | 8                         | Derivative Limits        | Very high            | Any limits on derivative exposures must be very clearly defined. Setting a limit on derivatives for hedging and risk management purposes can lead to counterproductive effects where bondholders risks greatly increase if the limit is reached.                                        | Delete                                       | EU    |
| 2                   | 134                                                                                       | 26                        | Public Register          | High                 | Requiring Public Registers is jurisdictionally biased, with severe potential impact on cover pool assets in established markets where there is no such equivalent. It is critical that such requirement must be balanced by a legal opinion confirming the enforceability of the claim. | Delete or include reference to legal opinion | EU    |
| 3                   | 139                                                                                       | 28                        | Independent Evaluator    | High                 | Requiring Independent Valuers is jurisdictionally biased and would seriously impact mortgage lenders where transaction price is used as market value, like arms length, standard residential property transactions.                                                                     | Keep text proposed by the Commission         | EU    |

Source: ASCB