

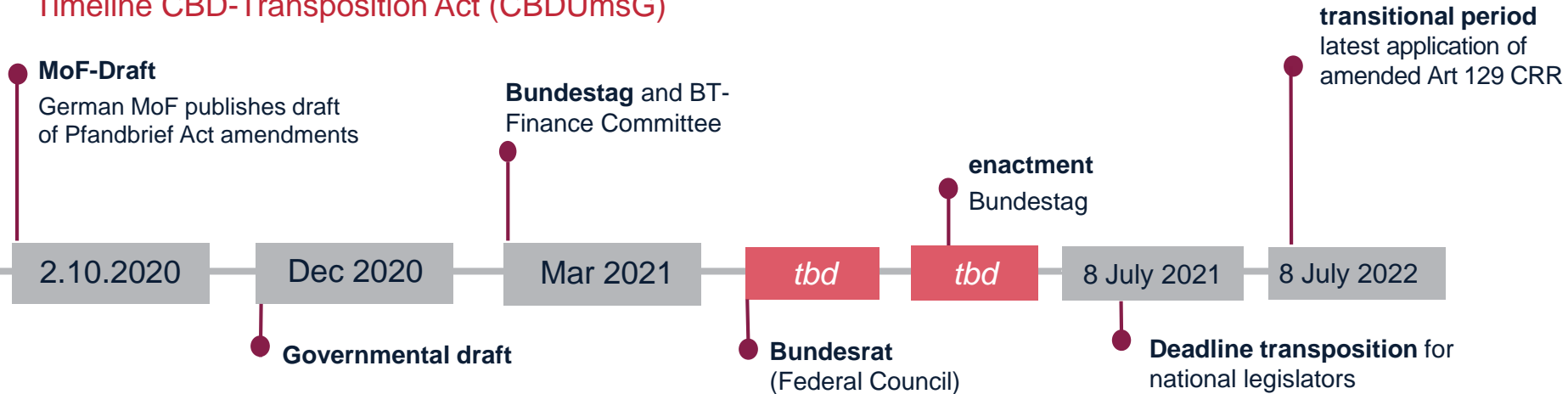
The Transposition of the EU CB-harmonization into the German Pfandbrief Act

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2. Amendments to the Pfandbrief Act

Timeline CBD-Transposition Act (CBDUmsG)



- All mandatory provisions of the EU-CB Directive and the requirements according to Art. 129 CRR will be implemented in the PfandBG. Consequently, Pfandbrief will continue to benefit from all EU regulatory privileges.
- Entry into force
 - Art. 1 = amendments to the Pfandbrief Act – the day after promulgation, 8 July 2021, at the latest.
 - Art. 2 = further amendments to Pfandbrief Act – entry into force 8 July 2022.

2. Amendments to the Pfandbrief Act

§ 4 PfandBG – calculation of cover, overcollateralization

What will be changed

- Net present value OC will become a lump sum for costs of cover pool administrator.
(= implementation of Art. 15 (3) (d) CBD)
- Consideration of smaller redemption values for (central-) bank accounts.
(= beyond CBD; reflecting negative interest rates)
- Non-performing unsecured claims may not be included in the calculation of cover.
(= implementation of Art. 15 (4) CBD)
- Introduction of 2% nominal overcollateralization for Mortgage and Public Pfandbrief, 5% for Ship and Aircraft Pfandbrief.
(= national, optional decision following Art. 129 CRR)

to be introduced

2021

2021

2021

2022

2. Amendments to the Pfandbrief Act

§ 4 par. 1a PfandBG – liquidity buffer

What will be changed

- Non-performing unsecured claims may not be used for liquidity buffer.
(= implementation of Art. 16 (3) (b) CBD)

Eligible for liquidity buffers exclusively...

- Assets that meet the requirements of the LCR Regulation.
(= implementation of Art. 16 para. 3 (a) of the CB Directive)
- Balances with credit institutions of credit quality step 1 or 2.
(= implementation of Art. 16 (3) (b) of the CBD)
- Short-term deposits with credit institutions in credit quality step 3 are not permitted.
(= option of Art. 16 (3) (b) of the CBD will not be used)

to be introduced

2021

2022

2. Amendments to the Pfandbrief Act

§§ 4, 19, 20 PfandBG - claims against credit institutions and derivatives

What will be changed

- Exposure to credit institutions only allowed if external rating and not part of the same group (goes beyond CBD).
- Exposure to credit institutions...
 - ...credit quality step 1 up to a maximum of 15% of outstanding Pfandbriefe;
 - ...credit quality step 2 up to a maximum of 10% of outstanding Pfandbriefe;
 - ...credit quality step 3 up to a maximum of 8% of outstanding Pfandbriefe, applicable only to claims on derivatives when general regulation of BaFin is enacted.
- Claims on derivative transactions are to be counted towards the limits.
(= adjustment to Art. 129 CRR).
- Share of "substitute assets" for Public Pfandbriefe increased to a maximum of 15%.

to be introduced

2022

2022

2022

2. Amendments to the Pfandbrief Act

§ 28 PfandBG – Transparency

What will be changed

- ISIN list for outstanding Pfandbriefe.
(= implementation of Art. 14 (2) (b) CBD)
- Levels of statutory, contractual and voluntary overcollateralization.
(= implementation of Art. 14 (2) (f) CBD)
- Information on maturity extension: triggers, conditions, cover pool administrator powers and consequences for the maturity structure of the Pfandbrief.
(= beyond CBD; implementation of Art. 14 (2) (e) CBD)
- 5 Key figures on liquidity risk.
(= beyond CBD; implementation of Art. 14 (2) (d) CBD)
- Amount of cover assets that have defaulted pursuant to art. 178 CRR.
(= implementation of Art. 14 (2) (g) CBD)

to be introduced

2022

2. Amendments to the Pfandbrief Act

§ 30 PfandBG – Maturity extension

What will be changed

Introduction of a maturity extension (= option of Art. 17 (1) CBD)

- Legal option only for the cover pool administrator, no discretion for the issuer.
(= implementation of Art. 17 (1) (a) CBD)
- Applies to both outstanding and new Pfandbriefe.
- Maturity extension of interest and principal within the first four weeks after appointment to the end of the four-week period without further requirements.
- Additional maturity extension of principal by a maximum of 2 x 6 months, if (1) necessary, (2) not over-indebted and (3) subsequent solvency can be assumed.
(= implementation of Art. 17 (1) (d) CBD)
- Cover pool administrator may (prematurely) fulfill Pfandbriefe within the extension period.
- Triggers must be described in the terms and conditions for new Pfandbriefe, outstanding Pfandbriefe are covered by Art. 30 CBD.
(= implementation of Art. 17 (1) (b) CBD)
- Sequencing will not be inverted, original maturity schedule of Pfandbriefe must be kept.
(= implementation of Art. 17 (1) (e) CBD)

to be introduced

2021