

2012 No. 2977

FINANCIAL SERVICES AND MARKETS

The Regulated Covered Bonds (Amendment) Regulations 2012

Made - - - - 28th November 2012

Laid before Parliament 29th November 2012

Coming into force - - 1st January 2013

The Treasury are a government department designated for the purposes of section 2(2) of the European Communities Act 1972(a) in relation to financial services(b).

The Treasury, in exercise of the powers conferred by section 2(2) of that Act, make the following Regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Regulated Covered Bonds (Amendment) Regulations 2012, and come into force on 1st January 2013.

(2) In these Regulations, “the Principal Regulations” means the Regulated Covered Bonds Regulations 2008(c).

Amendment of the Regulated Covered Bonds (Amendment) Regulations 2011

2.—(1) The Regulated Covered Bonds (Amendment) Regulations 2011(d) are amended as follows.

(2) In regulation 2(4), in the new paragraph (1D)(a) to be inserted after regulation 7(1) of the Principal Regulations, for “one month” substitute “three weeks”.

(3) In regulation 2(9)(c), for the new paragraphs to be inserted after regulation 17(2) of the Principal Regulations, substitute—

“(2A) In determining whether the requirement in subparagraph (e) of paragraph (2) is satisfied, no account shall be taken of eligible property which is liquid assets.

(2B) Subject to paragraph (2C), in determining whether the requirement in subparagraph (f) of paragraph (2) is satisfied, the total principal amounts outstanding in respect of eligible property which is liquid assets shall not exceed an amount which is the sum of—

(a) 8% of the total principal amounts outstanding in relation to bonds with a maturity of one year or more, and

(a) 1972 c. 68; section 2(2) of, and Schedule 2 to, the 1972 Act were amended by section 27 of the Legislative and Regulatory Reform Act 2006 (c.51); and by section 3 of, and the Schedule to, the European Union (Amendment) Act 2008 (c.7).

(b) S.I. 2012/1759.

(c) S.I. 2008/346 which is to be amended by S.I. 2011/2859 on 1st January 2013; there are other amending instruments but none is relevant.

(d) S.I. 2011/2859.

(b) 100% of the total principal amounts outstanding in relation to bonds with a maturity of less than one year.

(2C) In applying paragraph (2B) in relation to the asset pool of a single asset class bond which is comprised only of assets within class 1 as specified in regulation 2(1A)(a), no account shall be taken of eligible property which is within paragraph (a) of the definition of “liquid assets” in regulation 1(2).

(2D) In ensuring that the arrangements satisfy the requirements in subparagraphs (f) and (g) of paragraph (2), the issuer may take account of any hedging agreements which it has entered into in relation to the assets in the asset pool and the regulated covered bonds.

(2E) Nothing in this regulation shall prevent the Authority directing an issuer to observe additional requirements in relation to its asset pool.”.

*Mark Lancaster
David Evennett*

28th November 2012

Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) (“the Amendment Regulations”) which will amend the Regulated Covered Bonds Regulations 2008 (SI 2008/346) (“the Principal Regulations”) on 1st January 2013. These Regulations make additional provision in relation to the asset pool maintained to secure the obligations of the issuer of a regulated covered bond.

Regulation 2(2) amends the deadline for notifying the Financial Services Authority of whether an existing regulated covered bond is a single asset class bond. This amendment is consequential on the other amendments made by these Regulations.

Regulation 2(3) amends the Amendment Regulations so that provision is made about the extent to which liquid assets may be taken into account in calculating the overcollateralisation requirement in new regulation 17(2)(f) of the Principal Regulations. Liquid assets can be taken into account for these purposes up to a specified amount, but for single asset class bonds comprised only of public sector assets no account is to be taken of government securities meeting the conditions set out in paragraphs 68(a) or (b) of Annex VI to Directive 2006/48/EC.

A full regulatory impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.

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