



vdp's considerations for Pfandbrief Act amendments

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Panel 2: How to proceed if cover pool
proceeds prove insufficient: secondary
insolvency procedure or pass-through?



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Association of German Pfandbrief Banks

- objective: encounter liquidity bottlenecks in the "Pfandbrief bank with limited business activity" (stand-alone cover pool at bank insolvency)
- up to 1 year (2x 6 months)
- all Pfandbriefe, not only new issues after amendment
 - no split market for Pfandbriefe with or without extension option
 - no technical default
 - no legal retroaction is effected by that
- Calculation of sufficient coverage and sufficient liquidity for the next 180 days only without maturity extension.
 - Maturity extension shall be only the measure of last resort!

- only extension of principal payments, not interest payments
 - during extension interest payments
 - maturity extension to the discretion of the cover pool administrator / Sachwalter
 - cover pool administrator is the best to decide if an extension is necessary
 - cover pool administrator can select issues / Pfandbriefe to be extended
 - given structural subordination by maturity date might be affected, but within strict limits (1 year); cover pool administrator has to care that bondholders do not obtain a worse position than without extension

- regulation on the fees of the cover pool administrator

- better coordination with new European winding up regulations
 - option for BaFin to transfer a Pfandbrief license with the cover pool

- general power to BaFin for tentative appointment of the cover pool administrator (not only in certain cases)

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