

SUMMARY OF FEEDBACK RECEIVED

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| Consultation title | <p>Thematic Overview: Regulated Covered Bond Regime</p> <p>Proposed guidance on the role of signatory of the annual confirmation of compliance, content of Management Information and appropriateness of systems and controls.</p> |
| Date of consultation | 16 December 2011 - 27 January 2012 (six-week consultation) |
| Summary of feedback received | <p>We received two written responses to the consultation from investors which were supportive of each proposal. The comments received refer to paragraph 7 of the consultation and can be summarised as follows:</p> <p>1-Management Information (MI) should include detail on hedging positions entered into by the Special Purpose Vehicle (SPV) and their value;</p> <p>2-MI should include information on how short-term liquidity is held, and whether it is pledged, re-invested or re-hypothecated elsewhere; and</p> <p>3-MI should provide information on the assessment of credit risk posed by counterparties to the covered bond SPV, beyond simply relying on external credit ratings.</p> <p>None of the respondents to the consultation expressed concerns about costs arising from this guidance.</p> <p>We note that one suggestion was made outside the scope of the guidance with respect to the public disclosure of levels of encumbrance, potential/actual breaches under regulated covered bond programmes, and stress testing methodology developed and used by the FSA. This suggestion was made on the grounds that some investors may not have the resources to process data, analyse and/or stress test cover pools. We will give due consideration to these proposals.</p> |
| Response to feedback received | We are grateful to the respondents for their time and effort in providing comments. We have endeavoured to take the feedback into consideration and have made changes to the final guidance as a result. |
| Changes made to the guidance as a result of feedback received | <p>As a result of feedback we received, a change has been made to bullet 5 in paragraph 7 (see in italics below):</p> <p>-‘Reporting should incorporate predictive/stressed pool performance, forward looking analysis of key tests/risks, information on eligible unencumbered assets, potential/actual breaches, <i>short term liquidity management, hedging positions (incl. values and related risks) entered by the Limited Liability Partnership with swap counterparties</i>’.</p> |

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| | <p>We believe that the above change addresses the comments received. We believe that pledging and re-hypothecation is being addressed through counterparty risk mitigation. So it is now covered by the above change.</p> |
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| <p><u>You can access the full text of the guidance consulted upon here</u></p> |
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