

THE NATIONAL COUNCIL OF SLOVAK REPUBLIC
VII. election term

647

D R A F T

ACT

of ... 2017

amending and supplementing Act No. 483/2001 Coll. on Banks and on Amendments and Supplements to Certain Acts, as amended, and amending certain acts

The National Council of the Slovak Republic has adopted the following act:

Article I

Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended by Act No. 430/2002 Coll., Act No. 510/2002 Coll., Act No. 165/2003 Coll., Act No. 603/2003 Coll., Act No. 215/2004 Coll., Act No. 554/2004 Coll., Act No. 747/2004 Coll., Act No. 69/2005 Coll., Act No. 340/2005 Coll., Act No. 341/2005 Coll., Act No. 214/2006 Coll., Act No. 644/2006 Coll., Act No. 209/2007 Coll., Act No. 659/2007 Coll., Act No. 297/2008 Coll., Act No. 552/2008 Coll., Act No. 66/2009 Coll., Act No. 186/2009 Coll., Act No. 276/2009 Coll., Act No. 492/2009 Coll., Act No. 129/2010 Coll., Act No. 46/2011 Coll., Act No. 130/2011 Coll., Act No. 314/2011 Coll., Act No. 394/2011 Coll., Act No. 520/2011 Coll., Act No. 547/2011 Coll., Act No. 234/2012 Coll., Act No. 352/2012 Coll., Act No. 132/2013 Coll., Act No. 352/2013 Coll., Act No. 213/2014 Coll., Act No. 371/2014 Coll., Act No. 374/2014 Coll., Act No. 35/2015 Coll., Act No. 252/2015 Coll., Act No. 359/2015 Coll., Act No. 392/2015 Coll., Act No. 405/2015 Coll., Act No. 437/2015 Coll., Act No. 90/2016 Coll., Act No. 91/2016 Coll., Act No. 125/2016 Coll., Act No. 292/2016 Coll., Act No. 298/2016 Coll., Act No. 299/2016 Coll., Act No. 315/2016 Coll., Act No. 386/2016 Coll. and Act No. 2/2017 Coll. is amended as follows:

1. In § 2(2) point (m) is deleted.

The present points (n) to (p) shall become points (m) to (o).

2. § 5 shall be supplemented by point (ag) as follows:

“ag) ' mortgage loan' a loan secured by a lien¹³ⁿ⁾ or other security right to real estate, including building under construction, apartment, including apartment under construction or non-residential premises, including non-residential premises under construction (hereinafter the “real estate”), a part of real estate or future real estate and granted by a bank, foreign bank or a branch of a foreign bank”.

Footnote to reference 13n is as follows:

“13n) § 118(2), § 119(2), § 151a to 151me and 555 of the Civil Code, as amended.

Act of National Council of Slovak republic No. 162/1995 Coll. on the Land Registry and the Registration of Rights of Property and Other Rights in Respect of Real Estate (Land Registry Act), as amended.”

3. In § 7(1), the second sentence, the following words are deleted “and on the granting of a banking authorisation to conduct mortgage business”.
4. In § 7(2) (a) the following words are deleted “and a capital contribution to the registered capital of the bank which conducts mortgage business, at least EUR 33,200,000.00”.
5. In § 7 (9) (a) after the words “regulation,²¹”, the words “and a request of the bank which is to conduct mortgage business” are deleted.
6. In § 8 (6) the words “2, 4 and 9” are replaced with “2 and 4”.
7. In § 8 paragraph 9 shall be deleted.
The existing paragraphs 10 and 11 shall become paragraphs 9 and 10.
Footnotes to references 24ab and 24ac shall be deleted.
8. In § 8(9) (a) the words “including the requirements of request under paragraph 1 for the branch which is to conduct mortgage business” shall be deleted.
9. In § 11(1) and (2) and in § 13(5) the words “except banking activities under § 2(2) (m) and (n)” shall be replaced with the words “except banking activity under § 2(2)(m)”.
10. In § 11(6) the words “Banking activities stated in § 2(2)(m) and (n)” shall be replaced with the words “Banking activity under § 2(2)(m)”.
11. In § 23b (1) points (d) and (e) are as follows:
“d) securities,
e) always, if possible, other financial instruments under a special regulation^{25af}) or other instruments which can be fully converted to the instruments of Tier 1 capital or written off, while it must be ensured that these instruments reflect the bank's credit quality in continuing its activity,”.

Footnote to reference 25af is as follows:

“^{25af}) Article 52 or 63 of Regulation (EU) No. 575/2013.”.

12. In § 28, paragraph 1 points (f) and (g) shall be added as follows:

“f) to the performance of activities related to the covered bond programme under § 67(5),
g) to the transfer of the covered bond programme or a part of it, including the conclusion of a contract of the transfer of the covered bond programme or the conclusion of multiple contracts of the transfer of a part of it or to conclude other contract fulfilling this purpose so that the whole covered bond programme is transferred.”.

13. In § 28(2) the following sentences shall be added to the end: “In order to issue a prior consent under paragraph 1 point (f) or (g), conditions under §§ 67 to 80 must be adequately met and, in addition thereto, if the transferor is the bank in receivership, subject to the resolution proceedings or in respect of whose property bankruptcy was declared, conditions under § 55(8) to (10) and under a special regulation^{28a}) must be met; the provisions on the sale of an enterprise or a part of it²⁸) as set forth in the Commercial Code shall apply to the transfer of the covered bond programme or a part of it, however, in order to transfer the covered bond programme or a part of it, it is not required to transfer whole or a part of

personal element of business^{28b}) and after the transfer of the covered bond programme or a part of it the creditor shall not request a judicial ruling that the transfer of an obligation from the seller to the buyer be ineffective if such obligation against the creditor constitutes a part of the transfer of the covered bond programme or a relevant part of it.^{28c}”.

Footnotes to references 28a to 28c:

^{28a}) Sections 32 to 83 and 195a of Act No. 7/2005 Coll. as amended.

^{28b}) Section 5 of the Commercial Code.

Section 28 of the Labour Code, as amended by Act No. 348/2007, Coll.

^{28c}) Section 478 of the Commercial Code.

Sections 42a and 42b of the Civil Code, as amended.

14. In § 28(6) after the fourth sentence new fifth and sixth sentences shall be added as follows: “The request under paragraph 1(f) is submitted by the bank. The request under paragraph 1(g) is submitted by the bank in collaboration with the administrator of the covered bond programme; if the covered bond programme is being transferred in parts, the bank, in collaboration with the administrator of the covered bond programme, submits one request containing the transfer of all parts of the covered bond programme.”.

15. In § 28(10) the words “to (e)” shall be replaced with the words “to (g)”.

16. In § 28, paragraph 12, the following points (c) and (d) shall be added as follows:

- “c) acts of personally interconnected legal persons,
- d) other acts similar to the ones referred to in a) to c).”

17. In § 33m, point b) is as follows:

“b) assign a preferential risk weight in the range of 50 % to 150 % for any part of exposure secured by a lien to commercial real property which will not exceed 50 % of the market value of real estate or 60 % of the value of debt funding related to relevant real estate under a special regulation,^{30zl}”.

18. In § 35(4), point k) is as follows:

“k) its administrator of the covered bond programmes and a deputy of its administrator of the covered bond programmes,”.

19. In § 35(5), point (k) shall be deleted.

20. In § 37, paragraph 9 the following points (i) to (m) shall be added as follows:

- “i) the structure of covered bonds, maturity thereof, the number and volume of the covered bond issuance, the currency thereof and the interest rates thereof,
- j) the value, type and asset ratio in the cover pool and important changes in it,
- k) the volume according to the currency of the monetary nominal value, weighted average residual maturity, weighted average interest rate and weighted average value of underlying asset security indicator in the cover pool,
- l) the proportional geographical distribution of the underlying assets and real estate which secure them and constitute the cover pool,
- m) other documents and information related to the cover bond programme.”.

21. In § 38(1), the first sentence is as follows: “A bank and a branch of a foreign bank shall, with or without the consent of the client or other affected person pursuant to a special regulation^{35da}), send without undue delay to the Register of Bank Loans and Guarantees

maintained by Národná banka Slovenska³⁶) (hereinafter the “Register”) in accordance with paragraph 2 data on the loans a bank and a branch of a foreign bank have provided to businesses or other legal persons, on the securing of their claims arising from such loans provided to businesses or other legal entities and on claims accepted by the bank or the branch of foreign bank toward businesses or other legal entities in euros or foreign currency and the data on the affected entities to the extent provided for under a special regulation.^{35da)}”.

Footnote to reference 35da is as follows:

^{35da)} For example Regulation (EU) No. 2016/867 of the Central European Bank of 18 May 2016 on the Collection of Detailed Data on Loans and Credit Risk (ECB/2016/13) (O L 144, 1 June 2016).”.

22. In § 38(5) the word “or” shall be replaced with a comma and at the end the following words shall be added: “or the European Central Bank”.

23. In § 38(7) after the words “public authorities” the words “and other persons” shall be added”.

24. In § 38(8) after the words “or provided from the Register” the comma and the words “the range and form of data and details according to paragraph 7” shall be added and the words “the technical aspects of data protection in the Register” shall be deleted.

25. In § 38, the following paragraph 9 shall be added:

“(9) Národná banka Slovenska shall issue the Rules of Operation of the Register which shall stipulate the rules and procedures governing technical, programming, security aspects of data protection from and to the Register and procedures governing organisational aspects of the operation of the Register. The rules of Operation of the Register shall be binding on banks, branches of a foreign bank, Export-Import bank of the Slovak Republic^{37aa)} and other affected persons who provide data to the Register or to whom such data are provided from the Register.”

26. In § 40(4) the words “paragraph (4)(a) to (h) and (j)” shall be replaced with the words “paragraph (4)(a) to (h), (j) and (k)”.

27. In § 50, paragraph 1 the following point (w) shall be added:

“(w) impose a duty on the bank to transfer the cover bond programmes or a part of it to a third party which can only be a bank or several banks so that the whole cover bond programme is transferred.”.

28. In § 50(2) after the words “receivership administrator” the words “to the administrator of covered bond programme” shall be added and after the words “to the deputy of the receivership administrator” the comma and the words “to the deputy of the cover bond programme administrator” shall be added”.

29. In § 52(3) the words “of paragraph 3” shall be replaced with the words “of paragraph 1”.

30. In § 52(4) to (6) the words “of paragraph 3” shall be replaced with the words “of paragraph 2”.

31. In § 53(2), point(c) is as follows:

“c) the protection the deposits of the bank's clients and other rights of the bank's clients and the protection of the owners of cover bonds issued by the banks against the occurrence of damage and the growing of it,”.

32. § 55 shall be supplemented by paragraphs 8 to 10 as follows:

“(8) If a receiver of the bank issuing the covered bonds, assesses with due professional care that the further management of the covered bond programme would result in an overall decrease of satisfaction of the owners of the covered bonds, he is obligated, on his own initiative and in collaboration with the administrator of the covered bond programme, to inform Národná banka Slovenska in writing on the intention to transfer the covered bond programme or a part of it to a third party, which can only be a bank or several banks authorized to perform activities related to the covered bond programme, so that the whole covered bond programme is transferred at a reasonable price within one year of the delivery of this notice to Národná banka Slovenska, unless paragraph 9 stipulates otherwise. As to the assessment according to the first sentence, the administrator takes into account the interests and possibility of fair satisfaction of all owners of the covered bonds, including creditors of these debts, the maturity of which occurs later. The provisions on the sale of an enterprise or a part of it²⁸⁾ as set forth in the Commercial Code shall apply to the transfer of the covered bond programme or a part of it, however, in order to transfer the covered bond programme or a part of it, it is not required to transfer whole or a part of personal element of business^{28b)} and after the transfer of the covered bond programme or a part of it the creditor shall not request a judicial ruling that the transfer of an obligation from the seller to the buyer be ineffective if such obligation against the creditor constitutes a part of the transfer of the covered bond programme or a relevant part of it.^{28c)}.The provisions of § 67(9) shall not apply to the transfer of the covered bond programme or a part of it by the administrator of the bank issuing the covered bonds.

(9) If the covered bond programme or a part of it is not transferred to a third party under paragraph 8 within one year of the delivery of a notice to Národná banka Slovenska under paragraph 8, Národná banka Slovenska, at the written request of the relevant administrator, can issue a decision on the extension of this period by not more than one year for the transfer of the covered bond programme or a part of it to a third party under paragraph 8 within one month before such period expires, where it can be reasonably assumed that a later transfer of the covered bond programme will lead to achievement of a higher level of satisfaction of debts owed to the owners of the covered bonds.

(10) Neither the consent of the owners of the covered bonds is required under a special regulation^{52a)} nor the consent of the debtors from liabilities corresponding to the receivables constituting underlying assets under § 70 is required in relation to the validity and effect of the transfer of the covered bond programme or a part of it.”.

Footnote to reference 52a is as follows:

“^{52a)}§ 3(6) Act No. 530/1990 Coll., as amended.”.

33. The title of part twelve is as follows: “Covered Bond Programme”.

34. § 67 to 80 including titles are as follows:

Covered Bond and Covered Bond Programme

(1) Covered bond is a secured bond under a special regulation,⁶¹⁾ the nominal value and aliquot interest income of which are fully covered by assets or asset values in a covered pool under § 68(1) and correspond to the value of assets which, for the whole period of validity of the covered bond, are preferentially intended to satisfy claims arising from this covered bond and these assets, in case the bank issuing these bonds, is not able to properly and timely pay its liabilities arising from them, will be preferentially used to pay the nominal value of the covered bond and aliquot interest income. The covered bond can be issued only by a bank under the provisions of this Act and the title must include the words “covered bond”.

(2) Bank issuing the covered bonds, is obligated to disclose information under § 37(9)(i) to (m).

(3) The issuance and management of the covered bond is subject to the supervision of the covered bond programme administrator under § 79(1) and the supervision of Národná banka Slovenska under the Act and under a special regulation.⁸⁹⁾

(4) A bond under the special regulation,⁶¹⁾ which does not meet conditions for the covered bonds under the Act, cannot be called “covered bond”.

(5) The covered bond programme is a set of all rights and duties of the bank issuing the covered bonds related to the issuance of these bonds and the covered pool. The individual covered bond issuances with the same type of underlying asset are considered a single covered bond programme.

(6) A part of the covered bond programme must correspond to one issuance or several issuances of the covered bonds together with a relevant part of the covered pool so that coverage conditions under § 68 are met.

(7) The owners of the covered bonds have a preferred security right to assets and other asset values constituting the covered pool. When applying the procedures under the Act and under a special regulation⁵⁸⁾, the debts owed to the owners of the covered bonds by the bank issuing the covered bonds are secured by way of the security right according to the first sentence.

(8) The bank issuing the covered bonds, can transfer the covered bond programme or a part of it to a third party which can only be a bank or several banks; the provisions of paragraphs 10 to 13, Section 28, Section 50(1)(w) and Section 55(8) to (10) shall not be affected. The bank issuing the covered bonds, is obligated, in collaboration with an administrator of the covered bond programme, to immediately inform Národná banka Slovenska in writing on the intention to transfer the covered bond programme or a part of it. In order to conclude a contract of the transfer of the covered bond programme or a part of it or in order to conclude other contract fulfilling this purpose it is necessary to obtain a prior consent of the Národná banka Slovenska under Section 28(1)(g), otherwise this contract is invalid.

(9) The validity and effect of the transfer of the covered bond programme or a part of it require a consent of the owners of the covered bonds with the change in terms and

conditions of issue of the covered bonds under a special regulation^{52a)} consisting in the change of a person of the issuer of the covered bonds due to the transfer of the covered bond programme or a part of it; this does not apply to the procedure under Section 55(8) to (10) or under a special regulation.^{28a)} The validity and effect of the covered bond programme or a part of it do not require the consent of the debtors from liabilities corresponding to receivables constituting the underlying assets under § 70. The provisions on the sale of an enterprise or a part of it²⁸⁾ as set forth in the Commercial Code shall apply to the transfer of the covered bond programme or a part of it, however, in order to transfer the covered bond programme or a part of it, it is not required to transfer whole or a part of personal element of business^{28b)} and after the transfer of the covered bond programme or a part of it the creditor shall not request a judicial ruling that the transfer of an obligation from the seller to the buyer be ineffective if such obligation against the creditor constitutes a part of the transfer of the covered bond programme or a relevant part of it.^{28c)} The transfer of the covered bond programme or a part of it is registered in a commercial register as other fact^{61a)} on the bank issuing the covered bonds. The bank issuing the covered bonds is obligated to submit to a competent court an application for registration of the transfer of the covered bond programme or a part of it immediately after the covered bond programme or a part of it was transferred. A seller of the covered bond programme or a part of it is obligated to immediately demonstrably inform the owners of the covered bonds on the assumption of liabilities by a buyer of the covered bond programme or a part of it and the debtors from liabilities corresponding to the receivables constituting the underlying assets under § 70 the transfer of these debts to the buyer; however the validity and effect of the transfer of the covered bond programme or a part of it is not conditioned by it.

(10) Since the day of the delivery of a written notice of a relevant administrator to Národná banka Slovenska on the intention to transfer the covered bond programme from the bank issuing the covered bonds under paragraph 13 to a third person on the equal terms as set forth in Section 55(8) to (10) or under a special regulation^{61aa)}, the fulfilment of liabilities from the covered bond programme is managed as follows:

- a) during the first month, the bank issuing the covered bonds, is fully obligated to fulfil liabilities arising from the covered bond programme within original maturity periods,
- b) from the second until the twelfth month, the bank issuing the covered bonds, is obligated to fulfil, within original maturity periods and in full amount, only interest liabilities from the covered bonds; if the residual maturity of the covered bond issuance is shorter than eleven months, the original maturity of the covered bond issuance is extended by a period of twelve months and other terms and conditions of the issuance, including the method of calculation of yield, shall equally apply to the extended maturity of the covered bond issuance.

(11) Since the day of the delivery of a written notice of a relevant administrator to the Národná banka Slovenska on the extension of the period for the transfer of the covered bond programme from the bank issuing the covered bonds under paragraph 13 to a third person by another twelve months on the equal terms as set forth in Section 55(8) to (10) or under a special regulation^{61aa)}, the fulfilment of liabilities from the covered bond programme is managed as follows:

- a) during these twelve months the bank issuing the covered bonds, is obligated to fulfil only interest liabilities from the covered bonds within original maturity periods and in full amount; if the residual maturity of the covered bond issuance is shorter than twelve months, the original maturity of the covered bond issuance is extended by a period of twelve months and other terms and conditions of the issuance, including the method of

calculation of yield, shall equally apply to the extended maturity of the covered bond issuance,

- b) the extension of maturity by twelve months also applies to the covered bond issuance that was due in the previous eleven months under paragraph 10(b).

(12) If Národná banka Slovenska fails to issue a prior approval under Section 28(1)(g), the extension of the maturity of the issuance initiated by the delivery of the notice under paragraph 10(b) or the request under paragraph 11 will terminate on the day of the delivery of the resolution rejecting the request for granting a prior approval; if the request for granting a prior approval under Section 28(1)(g) has not been submitted by a relevant administrator, the extension of the maturity of the issuance will terminate on the date of expiry of the period under paragraph 10(b) or paragraph 11. Should the original maturity of the covered bond issuance have occurred before the expiry of the extended maturity period, the maturity of such covered bond issuance shall fall on the date of expiry of the extended maturity period and other terms and conditions of the issuance, including the method of calculation of yield, shall equally apply to such extended maturity of the covered bond issuance

(13) The provisions of paragraphs 10 to 12 shall be applied to the bank issuing the covered bonds only if a receivership was imposed on it, if a resolution procedure was initiated and is conducted against it or if it was declared bankrupt.

§ 68

Covered pool

(1) Covered pool consists of the following parts:

- a) underlying assets under § 70,
- b) additional assets under § 72,
- c) hedging derivatives under § 73,
- d) liquid assets under § 74.

(2) Assets and other asset values become a part of the covered pool when registered in a register of covered bonds and are a part of the covered pool until they are deleted from the register of covered bonds.

(3) The covered pool can be used to cover only

- a) the liabilities of the bank issuing the covered bonds in order to pay the nominal value of the covered bonds and aliquot interest income from all covered bonds issued by this bank until they are fully repaid,
- b) the estimated liabilities or costs of the bank issuing the covered bonds which arise and are immediately connected with the management thereof and settlement toward persons that conduct activities under the Act, or arising from issuance conditions especially toward the administrator of the covered bond programme, payment service agents, administrators, representatives of the owners of the covered bonds and other persons performing similar activities at least for twelve months;
- c) the liabilities of the bank issuing the covered bonds which arise from the hedging derivatives under Section 73.

(4) Assets and other asset values constituting a part of the covered pool are used by the bank issuing the covered bonds preferentially to cover the bank's liabilities under

paragraph 3 and the bank must not dispose of them or use them to secure other liabilities until they are deleted from the register of covered bonds.

(5) When the bank issuing the covered bonds is not able to pay its liabilities from the covered bonds properly and on time, the assets and other asset values under paragraph 1, including their securities or income from their transfer, shall be preferentially used to pay liabilities under paragraph 3 until they are fully repaid.

(6) The receivables of the bank issuing the covered bonds which are registered in the register of covered bonds and meet the requirements pursuant to this Act shall not be subject to execution proceedings^{61ab}).

§ 69

The method of calculating coverage ratio

(1) Coverage ratio is a ratio of the value of the cover pool under § 68(1) and the total of the values of liabilities and costs under § 68(3) incurred by the bank issuing the covered bonds. The bank issuing the covered bonds is obligated to calculate the coverage ratio as of the last day of the relevant month.

(2) The bank issuing the covered bonds is obligated to keep the coverage ratio continuously at the minimum level of 105 % or at the higher level depending on the rating, other assessment, evaluation or testing of coverage ratio; this provision shall be without prejudice to the requirements for coverage ratio under paragraph 3.

(3) In individual terms and conditions of the issuance of the covered bonds, the bank issuing the covered bonds can determine a higher coverage ratio than the one stated in paragraph 2 and the bank issuing the covered bonds is obligated to maintain such a higher coverage ratio until the full repayment of the covered bond issuance for the entire relevant covered bond programme. If the bank issuing the covered bonds determines several higher coverage ratios for different issuances, it is obligated to maintain the highest coverage ratio for the entire relevant covered bond programme until the full repayment of the covered bonds issuance with such highest coverage ratio, while the bank is also obligated to immediately replenish and continuously replenish the cover pool to the extent corresponding to such highest coverage ratio.

§ 70

Underlying assets

(1) Underlying assets under § 68(1)(a) consist of the receivables of the bank issuing the covered bonds from mortgage loans with a maturity period not longer than 30 years granted to consumers under a special regulation,^{61b}) which are secured by liens to real estate under § 71 and which are registered by the bank in the registry of covered bonds at its discretion.

(2) The underlying assets under paragraph 1 includes, in addition to the receivables of the bank issuing the covered bonds also the liens to real estate under § 71(1) used to cover these receivables.

(3) The underlying assets under paragraph 1 must account for at least 90 % of the total value of the covered pool less the value of liquid assets under § 68(1)(d) .

(4) The value of the underlying assets is calculated on the basis of a residual nominal value of individual receivables together with aliquot interest income.

(5) The value of the underlying assets under paragraph 4 does not include the receivables under paragraph 1 or the parts of the receivables under paragraph 1 of the bank issuing the covered bonds, in relation to which the debtor is considered defaulted under a special regulation.^{61c)} The bank issuing the covered bonds is obligated to exclude the receivables or the parts of receivables referred to in the first sentence from the underlying assets and to perform the act of deletion from the register of covered bonds immediately after the debtor's default. If the act of deletion of the underlying assets from the register of covered bonds is to be performed on the grounds other than full repayment of mortgage loan, exceeding the maturity period of mortgage loan under paragraph 1 or on the grounds specified in the second sentence or on the ground specified in § 71 (2), performance of such act of deletion requires the consent of the administrator of covered pool programme including providing of reason of such deletion executed by the bank, which is the issuer of covered bonds . The Bank executes the deletion of records from the register of covered bonds referred to in the previous sentence within 30 days from according of the consent by the administrator of the covered bond programme. Any act of deletion of data from the register of covered bonds without consent of the administrator of the covered bonds programme is invalid.

(6) Due to the reasons on the part of the bank issuing the covered bonds or its legal successors it is not possible to demand early repayment of mortgage loan receivables under paragraph 1, not even in the case of dissolution and liquidation of the bank issuing the covered bonds or tis legal successors; this does not apply to a crisis situation of the bank issuing the covered bonds under special regulations governing the solution of crisis situations on the financial market,⁶²⁾ or realisation of the bankruptcy estate of the bank issuing the covered bonds after the receiver terminated the operation of the enterprise under a special regulation^{28a)} provided that the realisation of the receivables arising from mortgage loans under paragraph 1 cannot be achieved before termination of the operation of the enterprise of the bank issuing the covered bonds.

§ 71

Requirements on real estate securing the underlying assets

(1) Real estate used to secure the underlying assets under § 70(1) must meet the following requirements:

a) it is a real estate that meets requirements under a special regulation^{62a)} and that is located on the territory of the Slovak republic,

b) at the time of registration in the register of covered bonds under § 68(2) the outstanding principal of a relevant mortgage loan under § 70(1) together with permissible liens under point (c) do not exceed 80 % of the value of the pledged property,

c) there is no lien or restriction on property transactions related to the real estate except liens or restriction on property transactions under special regulations.⁶³⁾

(2) If the value of the pledged property drops to the amount of the currently outstanding principle of the mortgage loan under § 70(1), receivable from this mortgage loan is included into the underlying assets only up to the amount that does not exceed 80 % of the value of the pledged property. If the value of the pledged property drops below the amount of the outstanding principal of the mortgage loan under § 70(1), receivable from such mortgage loan is not included into the underlying assets. The bank issuing the covered bonds will immediately delete this asset from the register of covered bonds.

(3) The value of the property under paragraph 1 will be determined by the bank issuing the covered bonds based on an overall assessment of the property. The bank issuing the covered bonds is bound solely by own assessment of the property. When determining the value of the property, the bank issuing the covered bonds is obligated to take into account the prudent assessment of the capability of the property being tradeable in the future, its value being sustainable in a long-term perspective, the market conditions and its utilization. The value of the property under paragraph 1 must be documented in a demonstrable manner.

(4) The bank issuing the covered bonds is obligated to continuously monitor and regularly reappraise the value of the pledged property under special regulations.⁶⁴⁾

§ 72

Additional assets

(1) Additional assets under § 68(1)(b) must meet conditions under a special regulation^{64a)} and they consist of

- a) deposits in Národná banka Slovenska, the European Central Bank or a central bank of a member state, and long-term certificates of the European Central Bank,^{64b)}
- b) cash,
- c) treasury bills issued by the Slovak Republic or debt securities issued by a member state or
- d) deposits in banks, foreign banks and debt securities issued by the banks and foreign banks.

(2) The additional assets under paragraph 1 can account for not more than 10 % of the total value of the covered pool less the value of liquid assets under § 68(1)(d).

(3) The value of the additional assets will be determined on the basis of their real value.

§ 73

Hedging derivatives

(1) Hedging derivatives under § 68(1)(c) consist of derivatives,⁶⁵⁾ the purpose of which is to manage and mitigate currency risk or interest rate risk connected with issued covered bonds.

(2) The hedging derivatives must meet qualification criteria of an effective hedging relation under special regulations.⁶⁶⁾

(3) If the bank issuing the covered bonds makes transactions in order to mitigate the currency or the interest rate risk arising from a net open currency position or an interest rate position between the issued covered bonds and the assets making up the covered pool, it is

obligated to include these hedging derivatives and financial flows from them, together with their security, into the covered pool.

(4) The hedging derivatives are included into the calculation of the value of the covered pool as follows:

- a) the hedging derivatives used to mitigate the currency risk are measured at fair value,
- b) the hedging derivatives used to manage and mitigate the interest rate risk of the additional assets are measured at fair value,
- c) the hedging derivatives used to mitigate the interest rate risk of the underlying assets and the covered bonds are not included into the calculation of the value of the covered pool.

(5) The declaration of receivership, resolution procedure, liquidation or bankruptcy in relation to the bank issuing the covered bonds cannot be, regardless of the provisions of a contract dealing with the hedging derivatives, considered a reason to end transaction, to realise collateral or to prepare a final settlement of profits and losses if the bank issuing the covered bonds or a relevant receiver continues to manage the covered pool and keeps on fulfilling the main contractual obligations including the payment of payments, performance and provision of collateral.

§ 74

Buffer of liquid assets

(1) If the bank issuing the covered bonds has not aligned the maturities of positive cash flows and negative cash flows within the covered bond programme in every moment during the following 180 days then, in order to cover all expected negative cash flows from the covered bond programme, it is obligated to cover them from a buffer of liquid assets at least in the value of uncovered negative cash flows, unless § 67(13) stipulates otherwise; these assets are a part of the covered pool under § 68(1)(d).

(2) The buffer of liquid assets consists of

- a) assets of tier 1 and assets of tier 2A under a special regulation,^{66a}) except own covered bonds issued by the bank issuing the covered bonds and
- b) exposure^{64a}) toward institutions.

(3) If the principle of the covered bond issuance becomes due during the following 180 days, the difference between positive cash flows and negative cash flows shall be calculated as follows:

- a) for the period of the following 30 days the calculation includes positive cash flows and negative cash flows in full amount,
- b) for the period of the following 31 to 180 days the calculation includes positive cash flows and negative cash flows from interests and principal in full amount, unless § 122ya(16) stipulates otherwise.

(4) The value of securities entering the buffer of liquid assets shall be determined on the basis of their fair value including an aliquot interest income.

(5) The value of the buffer of liquid assets is a part of the coverage ratio.

(6) Liquid assets that are a part of the buffer of liquid assets under the Act can be included for the purposes of the fulfilment of liquidity requirements during the period of

thirty days under a special regulation^{66a}) only to the extent of coverage of uncovered negative cash flows from covered bonds during the period of the following thirty days.

Section 75 Register of Covered Bonds

(1) The bank issuing covered bonds shall enter the cover pool, the issued covered bonds, the liabilities and costs referred to in Section 68(3) in the register of covered bonds.

(2) The bank issuing covered bonds shall make entries in the register of covered bonds in order to register the value of assets and other property values comprising the cover pool, together with the allocated values of the rights and liabilities of the Covered Bond Program broken down by individual issues of covered bonds in the scope of coverage pursuant to Section 69 for each individual issue, except for liquid assets, which can be recorded in the register of covered bonds for the whole covered bond programme. Registration of a mortgage, as collateral, in the register of covered bonds shall not affect the requirements for registration of the mortgage in the land register pursuant to a special regulation.^{66b})

(3) The bank issuing covered bonds is obligated to immediately correct erroneous, incomplete or obsolete data it has entered in the register of covered bonds and it shall forthwith notify the covered bond programme administrator thereof.

(4) The bank issuing covered bonds must store the register of covered bonds and documents forming the basis for registration of data in the register of covered bonds separately from other documents, and must ensure their protection against misuse, destruction, damage, theft or loss.

(5) In its accounting records, the bank issuing covered bonds shall maintain separate analytical records concerning transactions involving covered bonds, assets and other property values comprising the cover pool.

(6) In a decree, which can be issued by the Národná Banka Slovenska and is promulgated in the Collection of Laws will be set out:

- a) the structure, the extent and the sections of the register of covered bonds and the register of mortgage loans kept in accordance with § 122ya, section 9
- b) the data, which should be recorded in the register of covered bonds and in the register of mortgage loans kept in accordance with § 122ya, section 9, their scope, content, classification, terms, form, record type, method, procedure of their recording into the register of covered bonds and register of mortgage loans kept in accordance with § 122, section 9, their updating and storage in these registers.
- c) method, reasons, procedures and technical rules for exclusion of assets from the cover pool, deletion of data from the register of covered bonds and storage of these data.
- d) method, procedures, technical rules and control of keeping of these registers and storage of documents relevant to covered bond programme.
- e) keeping of coverage ratios, procedure and details of their calculation based on data in the register of covered bonds.

f) scope, content, method, form and terms of submission of data from register of covered bonds and from the register of mortgage loans kept in accordance with § 122ya, section 9.

g) methodology for keeping of the register of covered bonds and the register of mortgage loans kept in accordance with § 122ya, section 9, as well as keeping of data in these registers and for submission of data from them under (a) to (e).

Section 76 Stress Test

(1) The bank issuing covered bonds shall carry out stress tests as part of its covered bond program in order to identify potential change in compliance with coverage indicator resulting from potential changes in market conditions that might have adverse effect on the coverage indicator.

(2) The bank issuing covered bonds shall perform stress test at least once per year according to the data available as on 31 December of the preceding calendar year or before 31 March of the subsequent calendar year. Stress test shall cover the entire calendar year in which the stress test is performed.

(3) The stress test referred to in paragraph 1 shall include test for:

- a) credit risk;
- b) interest rate risk;
- c) currency risk;
- d) liquidity risk;
- e) counterparty risk;
- f) operational risk;
- g) immovable property prices decline risk.

(4) The bank issuing covered bonds shall set the stress test parameters in line with the stress test performed to evaluate the appropriateness of the internal capital pursuant to Section 27(7).

(5) All risk mitigating factors will be taken into account in the stress test.

(6) The bank issuing covered bonds is required to prove in the stress test that it is able to keep the coverage ratio at the level specified in Section 69(2) and (3) also during the stress test period.

(7) The Národná Banka Slovenska is entitled to require that banks issuing covered bonds furnish to the Národná Banka Slovenska documentation concerning the form, scope, methodology and results of stress tests performed in the last 24 months.

Section 77 Covered Bonds Program Administrator

(1) The bank issuing covered bonds is required to have a covered bonds program administrator and his deputy. The Národná Banka Slovenska, acting on its own initiative or on the proposal of the bank issuing covered bonds, shall review the suitability of the administrator proposed by the bank, or its deputy, and shall appoint the covered bonds

program administrator and his deputy, who shall supervise compliance with the conditions related to the covered bonds program set out in this Act and other generally binding legal regulations. Covered bonds program administrator's deputy shall act as the substitute of the covered bonds program administrator in the fullest extent of his rights and obligations at the time of the former's absence.

(2) The Národná Banka Slovenska, acting on its own initiative or on the proposal of the bank issuing covered bonds, appoints the, or recalls from the office, the program administrator and his deputy. The office of the covered bonds program administrator terminates on the date of delivery of the recall notice; the same applies also to termination of the office of the deputy covered bonds program administrator, if recalled from his office. The office of the covered bonds program administrator and his deputy appointed for a bank issuing bonds shall terminate as on the date of transfer of the entire covered bonds program, or all its parts, operated by this bank to third party.

(3) Only natural persons who are professionally competent to carry out such office and possess integrity may be appointed as covered bonds program administrator, or deputy covered bonds program administrator. Professionally competent person shall be deemed natural person with university-level education and at least 5 years of past economic or law practice in the banking area. Person possessing integrity shall be deemed natural person who has never been validly sentenced for a crime committed in the discharge of a managerial position, or for the intentional offence.

Section 78

(1) The covered bonds program administrator shall perform his activities individually, independently and impartially. In the performance of his activities, the covered bonds program administrator is bound by generally binding legal regulations, the agreement for performance of covered bonds program administrator's activities and decisions issued in the course of supervision over the covered bonds program administrator's activities and activities of the bank issuing covered bonds relating to the covered bonds program. In the performance of his activities, the covered bonds program administrator acts in his own name and on the account of the bank issuing covered bonds.

(2) The Národná Banka Slovenska shall resolve disputes between the covered bonds program administrator and bank issuing covered bonds.

Section 79

(1) The covered bonds program administrator supervises the process of issuing covered bonds issued according to special regulation ⁶¹⁾ from the aspect of the required elements of, and other requirements for the coverage under this Act.

(2) Prior to any issue of covered bonds, the covered bonds program administrator is required to prepare a written certificate evidencing that coverage of those covered bonds is secured in agreement with this Act.

(3) The covered bonds program administrator verifies whether the bank issuing covered bonds discharges the obligations associated with the covered bonds program in agreement with this Act and other generally binding legal regulations.

(4) As part of supervision performed by the covered bonds program administrator, the latter checks and verifies whether

- a) the aggregate nominal value of the issued covered bonds, and the corresponding interest revenues, is covered by the assets comprising the cover pool at least at the coverage indicator value pursuant to Section 69;
- b) the bank issuing covered bonds complies with the requirements for structure of the cover pool according to this Act;
- c) the assets comprising the cover pool and registered in the register of covered bonds comply with the requirements of this Act;
- d) the agreement dealing with the securing derivatives comprising the cover pool contains provisions pursuant to Section 73(5);
- e) the estimated liabilities referred to in Section 68(3)(b) are justified;
- f) the immovable property securing the underlying assets meet the requirements set out in Section 71;
- g) the bank issuing covered bonds keeps the register of covered bonds and documentation serving as basis for making entries in the register of covered bonds separately from other documents, and whether the bank has secured the same against misuse, destruction, damage, theft or loss;
- h) the bank issuing covered bonds keeps in its accounting records separate analytical records of related transactions.

(5) On the request of the bank issuing covered bonds, the covered bonds program administrator shall provide his collaboration in the activities related to the covered bonds program which the bank issuing covered bonds would otherwise not be able to carry out.

(6) On or before 30 April of a current calendar year, the covered bonds program administrator shall submit to the Národná Banka Slovenska a report on the covered bonds program covering the preceding year and containing information concerning the

- a) number, volume, revenues and maturity dates of the issued covered bond issues;
- b) volume of assets in the cover pool and covered bonds issued in euros or foreign currency;
- c) structure of the cover pool as referred to in Section 68(1);
- d) coverage indicator pursuant to Section 69(2), or coverage indicator pursuant to Section 69(3), if applicable;
- e) average value, maturity of the underlying assets, as well as the fixation period and weighted interest rate;
- f) volume of failed mortgage loans and volume of mortgage loans eliminated from the cover pool;
- g) reasons of material changes in replenishing, or elimination of assets from the cover pool;
- h) structure of immovable property securing the underlying assets, broken down by family houses, flats, building land and unfinished structures;
- i) the relative situation of immovable properties securing the underlying assets according to territorial division of the Slovak Republic, and the ratio of the value of the immovable property to the amount of mortgage loans;
- j) method for calculation, and amount of the estimated liabilities or costs pursuant to Section 68(3)(b) incurred by the bank issuing covered bonds;
- k) methodology and results of stress tests;

- l) activities of the covered bonds program administrator, and the supervision carried out by the Národná Banka Slovenska in relation to the covered bonds program for the last calendar year;
- m) other factors related to the activities of the bank issuing covered bonds.

(7) The bank issuing covered bonds shall publish the report pursuant to the above paragraph 6 on its website whereof it must inform the Národná Banka Slovenska in advance.

(8) Covered bonds program administrator is responsible for the correctness, completeness and timelines of the report on the covered bonds program.

Section 80

(1) If the covered bonds program administrator identifies shortcomings or breaches of this Act in relation to the covered bonds program, he will be required to inform thereof Národná Banka Slovenska in writing without delay. Section 93 shall not apply to disclosures of information pursuant to this paragraph 1 of Section 80.

(2) The bank issuing covered bonds must allow the covered bonds program administrator to perform his activities; in particular the bank will allow the covered bonds program administrator to inspect accounting records, documents relating to the cover pool and other documents related to the covered bonds program.

(3) Národná Banka Slovenska, after agreement with the bank issuing covered bonds, shall determine the remuneration of the covered bonds program administrator and his deputy. This remuneration referred to in the first sentence will be paid by the bank issuing covered bonds.

(4) The bank issuing covered bonds and the covered bonds program administrator will enter into an agreement for the performance of the administrator's activities setting out in more detail the rights and obligations of the bank issuing covered bonds and the rights of the covered bonds program administrator. The bank issuing covered bonds and deputy of the covered bonds program administrator will enter into an agreement for the performance of the deputy's activities setting out in more detail the rights and obligations of the bank issuing covered bonds, and of the covered bonds program administrator's deputy.

(5) Activities of the covered bonds program administrator and his deputy are subject to supervision by the Národná Banka Slovenska under this Act. Národná Banka Slovenska maintains a list of covered bonds program administrators and deputies of covered bonds program administrators appointed for individual banks issuing covered bonds; this list and the procedure for its maintenance are subject to special regulations.^{66c)}

(6) The bank issuing covered bonds, the covered bonds program administrator and his deputy are jointly and severable liable for damage(s) caused to owners of covered bonds due to incorrect or untruthful data entered in the register of covered bonds."

Footnotes 61, 61a, 61aa, 61ab, 61b, 61c, 62, 62a, 63, 64, 64a, 64b, 65, 66, 66a to 66c read as follows:

„⁶¹⁾ Section 20b of Act No. 530/1990 Coll. as later amended.

- ^{61a}) Section 2 (1) lett. t) of Act No.530/2003 Coll. as amended by Act No. 91/2016 Coll.
- ^{61aa}) Section 195a (2) to (8) of Act No.7/2005 Coll. as amended by Act No. .../2017 Coll.
- ^{61ab}) Section 61q (1) of Act of the National Council of the Slovak Republic No.233/1995 Coll. as amended by Act No. 2/2017 Coll.
- ^{61b}) Section 1(3) of Act No. 90/2016 Coll. concerning housing loans and amending certain laws.
- ^{61c}) Article 178 (1) of Regulation (EU) No. 575/2013.
- ⁶²) Act No. 371/2014 Coll. as later amended.
- ^{62a}) Section 8 /16) of Act No. 90/2016 Coll. as amended by Act No. 299/2016 Coll.
Section 6 (2) of Measure of the National Bank of Slovakia of 13 December 2016 No. 10/2016 setting out the details concerning evaluation of consumers' ability to repay housing loans (Announcement No. 373/2016 Coll.).
- ⁶³) Section 15 (1) 1 of Act of the National Council of the Slovak Republic No. 182/1993 Coll., as later amended.
Section 8 (16) and Section 9 of Act No. 90/2016 Coll. as amended by Act No. 299/2016 Coll.
- ⁶⁴) Section 8 (16) of Act No. 90/2016 Coll. as amended by Act No. 299/2016 Coll.
Section 8 of Measure No. 10/2016 (Announcement No. 373/2016 Coll.).
- ^{64a}) Article 129 (1)(c) of Regulation (EU) No. 575/2013.
- ^{64b}) GUIDELINE (EU) 2015/510 OF THE EUROPEAN CENTRAL BANK of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60), as amended.
- ⁶⁵) Section 5 (1)(d) of Act No. 566/2001 Coll. as later amended.
- ⁶⁶) Article 30 of Commission Delegated Regulation (EU) 2016/2251 of 4 October 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty (OJ EU L 340, 15. 12. 2016), as amended.
Paragraph 6.4.1 of Appendix to Commission Regulation (EU) 2016/2067 of 22 November 2016 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9 (OJ EU L 323, 29. 11. 2016) as amended.
- ^{66a}) Articles 10 and 11 of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions (OJ EU L 11, 17. 1. 2015)
- ^{66b}) Act of the National Council of the Slovak Republic No. 162/1995 Coll. as later amended.
- ^{66c}) For example Section 34b (1)(a) to (c) of Act of the National Council of the Slovak Republic No. 566/1992 Coll. as later amended, Section 36 (2) to (4) of Act No. 747/2004 Coll. as later amended.“.

Footnote to ref. 68 shall be deleted.

35. In Section 90 (3) above the word "chamber" and above the word "regulation" the reference "^{87d}" shall be replaced with the reference "^{76aa}".
36. Sections 81 to 88 shall be deleted. Footnote to reference 71 shall be deleted.
37. In Section 91 (3) the words "mortgage bank also to its mortgage administrator and the deputy of this mortgage administrator" shall be replaced with words "bank issuing covered bonds also to its covered bonds program administrator and the deputy of such covered bonds program administrator".
38. In Section 91(4) let. p), is as follows:
"p) Military Intelligence Agency for the purposes of fulfilling its duties under a special regulation, ^{86da}".
Footnote to reference 86da is as follows:
^{86da}) Section 2(1) of Act of the National Council of the Slovak Republic No. 198/1994 Coll. on Military Intelligence Agency as later amended."
39. In Section 93(1), the words "mortgage administrator" shall be replaced with the words "covered bonds program administrator".
40. After Section 122y, Section 122ya shall be inserted reading, including its title, as follows:

„Section 122ya

Interim Provisions Concerning Provisions Effective as of 1 January 2018

(1) Legal relations and claims occurring under mortgage bonds and municipal bonds issued prior to 1 January 2018, or mortgage loans and municipal loans provided under mortgage loan agreements and municipal loan agreements entered into prior to 1 January 2018, shall be governed by the provisions of legal regulations effective until 31 December 2017 also after 31 December 2017 until the full repayment of such mortgage bonds, municipal bonds, mortgage loans and municipal loans unless paragraphs 2 to 11 stipulate otherwise; however, also after 31 December 2017, the provisions of paragraphs 2 to 11 shall be without prejudice to the rights and the scope of rights of the owners of mortgage bonds, to the rights and the scope of rights of the owners of municipal bonds, to the rights and the scope of rights of the debtors of mortgage loans and to the rights and the scope of rights of the debtors of municipal loans that have arisen prior to 1 January 2018.

(2) Bank licence to perform mortgage transactions issued to a mortgage bank which is valid until 31 December 2017 shall cover also termination of the performance of such transactions after 31 December 2017; however, as of January 2018, it will not be possible to issue mortgage bonds or municipal bonds, and to enter into mortgage loan agreements and municipal loan agreements under legal regulations effective until 31 December 2017. As from 1 January 2018, financing of mortgage loans and municipal loans provided under mortgage loan agreements and municipal loan agreements entered into prior to 1 January 2018 shall not be subject to the requirements pursuant to legal regulations effective until 31 December 2017 governing financing of mortgage loans through the issue and sale of mortgage bonds and financing of municipal loans through the issue and sale of municipal bonds.

(3) As from 1 January 2018 to 31 December 2018, the bank, which has been granted prior approval to perform activities related to the covered bond programme, may transfer from its register of mortgages to its register of covered bonds the mortgage bonds issued prior to 1 January 2018 as well as the mortgage loans provided under the mortgage loan agreements entered into prior to 1 January 2018, including the mortgage loans under Section 72(2) in the wording effective until 31 December 2017, security rights and claims of that bank arising from the mortgage loans provided under the mortgage loan agreements entered into prior to 1 January 2018 and other property values serving for due or substitute coverage of mortgage bonds issued prior to January 2018, provided that the bank ensures such assets and other property values meet the eligibility criteria for constituting a part of the cover pool pursuant to legal regulations effective after 31 December 2017. While performing the transfer according to the first sentence, the bank is obligated to carry out deregistration from the register of mortgages and registration to the register of covered bonds to the same date.

(4) Mortgage bonds, which the bank issued prior to 1 January 2018 and registered in the register of covered bonds in accordance with this Act, shall be deemed to be covered bonds pursuant to legal regulations effective after 31 December 2017 as from the date of registration in the register of covered bonds and the designation „hypotekárny záložný list“ as well as the rights and obligations related to the mortgage bond shall remain and not be affected by it; however, the possibility of changing the terms and conditions of the issuance according to paragraph 5 or pursuant to a special regulation¹⁰¹) shall not be affected thereby. The bank shall immediately publish on its web site data related to each issuance of mortgage bonds that are deemed to be covered bonds, including the date as of which they are deemed to be covered bonds.

(5) The bank, which has been granted prior approval to perform activities related to the covered bond programme, may, as the issuer of the mortgage bonds issued prior to 1 January 2018, even without obtaining consent from the owners of such mortgage bonds pursuant to a special regulation^{52a}), unilaterally change the terms and conditions of the issue of such mortgage bonds to such extent so that they will correspond to the terms and conditions prescribed for the covered bonds and covered bond programme pursuant to legal regulations effective after 31 December 2017; however, also after 31 December 2017, the rights and the scope of rights of the owners of mortgage bonds arisen before 1 January 2018 shall remain preserved or be more advantageous and it is not possible, even while modifying the terms and conditions of the issuance, to apply to such mortgage bonds the provisions of Section 67(10) to (13) in the wording effective as of 1 January 2018 and it is also not possible to apply the requirement for the percentage ratio of the value of the pledged immovable property and the secured claim arising from the principal of the mortgage loan pursuant to Section 71(1)(b) of this Act in the wording effective as of 1 January 2018 if such percentage ratio would be less advantageous for the secured claim than the percentage ratio applicable pursuant to legal regulations effective until 31 December 2017.

(6) The Bank shall immediately upon modification of the terms and conditions related to the issue of mortgage bonds pursuant to paragraph 5 publish, by the same method as used for the original terms and conditions of such issue, and on its web site the relevant modification that has been made together with the date such modification becomes effective, the full wording of the terms and conditions of the issue and information on the rights and claims of the owners of the mortgage bonds pursuant to paragraph 7; however, if the modification of the terms and conditions relates to the issue of mortgage bonds issued prior to 1 September 2014, the bank is also obligated, upon such modification, to send to each owner

of the mortgage bond from the relevant issue, in a demonstrable manner, in writing, the relevant modification that has been made together with the date such modification becomes effective as well as the full wording of the terms and conditions of the issue and information on the rights and claims of the owners of the mortgage bonds pursuant to paragraph 7, otherwise the publication, submission and provision of such modification of the terms and conditions of the mortgage bond issuance shall be governed by the provisions of a special regulation¹⁰²).

(7) If an owner of the mortgage bond, which is affected by modification of the terms and conditions of the issue made by the bank pursuant to paragraph 5, does not agree with that modification, he has the right to request the bank for early repayment of the mortgage bond, including repayment of a proportional yield, according to the original terms and conditions of the issue within three months from the date of publication of such modification of the terms and conditions of the issue by the same method as used for the original terms and conditions of such issue and on the issuing bank's web site; if a person is the owner of the mortgage bond issued before 1 September 2014, he has the right to request the bank for early repayment of mortgage bonds together with a proportional yield within three months from the date of delivery of a written information of the bank pursuant to paragraph 6. The bank is obligated to prepay the mortgage bond together with a proportional yield in accordance with the original terms and conditions of the issue within 30 days from the delivery of the request for early repayment.

(8) After 31 December 2017, the mortgage bank, which, as on 31 December 2017, held valid licence to carry out mortgage transactions and is not authorized to perform activities related to the covered bond programme after 31 December 2017, may also use for due coverage of mortgage bonds the receivables of such mortgage bank arising from the loans provided by it for a minimum 4 years maturity period, which are secured by the right of pledge over immovable property and which do not fall within the category of mortgage loans pursuant to legal regulations effective until 31 December 2017, provided that such use is to the extent which is necessary to ensure that, in general, the scope and quality of due coverage of mortgage bonds issued by the mortgage bank pursuant to legal regulations effective until 31 December 2017 is not deteriorated. After 31 December 2017, the mortgage bank, which, as on 31 December 2017, held valid licence to carry out mortgage transactions and is not authorized to perform activities related to the covered bond programme after 31 December 2017, may also use for due coverage of municipal bonds the receivables of such mortgage bank arising from the loans provided by it for a minimum 4 years maturity period, which are secured by the right of pledge over immovable property of the municipality or self-governing region and which do not fall within the category of municipal loans pursuant to legal regulations effective until 31 December 2017, provided that such use is to the extent which is necessary to ensure that, in general, the scope and quality of due coverage of municipal bonds issued by the mortgage bank pursuant to legal regulations effective until 31 December 2017 is not deteriorated.

(9) The mortgage bank is obligated to keep the register of mortgages maintained pursuant to legal regulations effective until 31 December 2017 until the full repayment of the mortgage bonds and municipal bonds issued before 1 January 2018 and shall keep such register, together with the documents serving as the basis for making entries in the register, for additional five years from the repayment of those mortgage bonds and municipal bonds; the register of mortgages ceases to exist after expiry of that period. The register of mortgages ceases to exist also as a result of the fact that the bank, which has been granted prior approval

to perform activities related to the covered bond programme and which does not have any entries in the register of mortgages concerning the municipal bonds issued prior to 1 January 2018, the municipal loans provided under municipal loan agreements entered into prior to 1 January 2018, completes the transfer of entries from the register of mortgages to the register of covered bonds pursuant to paragraph 3, while such transfer concerns the entries of mortgage bonds issued prior to 1 January 2018 as well as the mortgage loans provided under the mortgage loan agreements entered into prior to 1 January 2018, security rights and claims of that bank arising from the mortgage loans provided under the mortgage loan agreements entered into prior to 1 January 2018 and other property values serving for due or substitute coverage of mortgage bonds issued prior to January 2018 and meeting eligibility criteria for constituting part of the cover pool pursuant to legal regulations effective after 31 December 2017; the register of mortgages ceases to exist also as a result of the fact that only entries of property values serving for coverage of the mortgage bonds issued prior to 1 January 2018 and not meeting eligibility criteria for constituting a part of the cover pool pursuant to legal regulations effective after 31 December 2017 have remained in the register after completion of the transfer pursuant to paragraph 3.

(10) Rights and obligations, liability, manner of appointment and recall, requirements for discharge of the office and other legal relationships of mortgage administrators and their deputies that are related to the performance of mortgage transactions, including the mortgage register, or to supervision of the mortgage transactions, shall be governed by regulations effective until 31 December 2017 even after 31 December 2017 until the full repayment of the mortgage bonds and municipal bonds issued by the mortgage bank prior to 1 January 2018; the provisions of paragraphs 2 to 9 are not affected thereby. The office of the mortgage administrator, and the office of the deputy of the mortgage administrator appointed for a mortgage bank shall terminate as on the date of full repayment of mortgage bonds and municipal bonds issued by that mortgage bank prior to 1 January 2018; the provisions of paragraphs 2 to 9 are not affected thereby. The office of the mortgage administrator can be merged with the office of the covered bonds program administrator, provided that both offices are discharged for the same bank; the same applies also to the offices of the mortgage administrator's deputy and deputy of the covered bonds program administrator, provided that both offices are discharged for the same bank. In the list pursuant to Section 80(5), second sentence, Národná Banka Slovenska lists also mortgage administrators and deputies of mortgage administrators until their respective offices will have terminated according to the second sentence.

(11) Loans secured by the right of pledge over immovable property extended by a bank under agreements entered into before 1 January 2018 and not subject to paragraph 3 may be used as the underlying assets to be included in cover pools, provided that such assets meet the conditions set for covered bonds programs according to regulations effective after 31 December 2017 and as far as the bank authorized to perform activities related to the cover bond programme is concerned.

(12) In relation to mortgage loan agreements entered into before 1 January 2018, legal regulations effective until 31 December 2017 shall apply for the purposes of determining, calculating, lodging a claim, granting and expiring a claim to a state interest subsidy under Section 84(1) in the wording effective until 31 December 2017 and to a state interest subsidy for young people under Section 85a(1) in the wording effective until 31 December 2017.

(13) Legal regulations effective until 31 December 2017 shall apply for the purposes of submitting a request for a state interest subsidy and a state interest subsidy for young people under paragraph 12, remitting payment of a state interest subsidy and a state interest subsidy for young people under paragraph 12 from a state budget, settling payment of a state interest subsidy and a state interest subsidy for young people under paragraph 12 and repaying a state interest subsidy and a state interest subsidy for young people under paragraph 12.

(14) Legal regulations effective until 31 December 2017 shall apply for the purposes of keeping a central register of mortgage loan agreements for which a state interest subsidy under paragraph 12 is claimed, keeping a central register of mortgage loan agreements for which a state interest subsidy for young people under paragraph 12 is claimed, supplying information on total claims for state interest subsidies and state interest subsidies for young people under paragraph 12 and supplying summary data on the purposes for which mortgage loans have been provided under mortgage loan agreements entered into before 1 January 2018.

(15) Legal regulations effective until 31 December 2017 shall apply for the purposes of performing state supervision over compliance with the terms and conditions stipulated for the granting of a state interest subsidy and a state interest subsidy for young people under paragraph 12 in relation to mortgage loan agreements entered into before 1 January 2018 and for the purposes of imposing obligations and fines on the basis of shortcomings revealed in the course of such state supervision; the same relates to the performance of state supervision unfinished until 31 December 2017.“.

(16) The requirement for calculation of the buffer of liquid assets referred to in Section 74(3)(b) shall be implemented in following stages:

- (a) as from 1 January 2018, for the period of the following 31 to 180 days the calculation includes positive cash flows and negative cash flows from interests in full amount and negative cash flows from principal multiplied by a coefficient of 0.6; .
- (b) as from 1 January 2019, for the period of the following 31 to 180 days the calculation includes positive cash flows and negative cash flows from interests in full amount and negative cash flows from principal multiplied by a coefficient of 0.8;
- (c) as from 1 January 2020, for the period of the following 31 to 180 days the calculation includes positive cash flows and negative cash flows from interests in full amount and negative cash flows from principal in full amount.

Footnote to reference 101 and 102 is as follows:

¹⁰¹) § 3(6) and (11) and § 27f(1) of the Act No. 530/1990 Coll., as amended.

¹⁰²) § 3(8) to (10) of the Act No. 530/1990 Coll., as amended.”.

41. After Section 123a, new Section 123b is inserted, reading as follows:

„Section 123b

Repealing provision effective as of 1 January 2018

Decree of the National Bank of Slovakia and Ministry of Finance of the Slovak Republic No. 600/2001 Coll. concerning register of mortgages and detail about the function of mortgage administrators and their deputies, as amended by Decree No. 661/2004 Coll., is hereby repealed."

Article XI

Act No. 7/2005 Coll. concerning bankruptcy and restructuring and amending certain laws, as amended by Act No. 520/2005 Coll., Act No. 198/2007 Coll., Act No. 209/2007 Coll., Act No. 270/2008 Coll., Act No. 552/2008 Coll., Act No. 477/2008 Coll., Act No. 276/2009 Coll., Act No. 492/2009 Coll., Act No. 224/2010 Coll., Act No. 130/2011 Coll., Act No. 348/2011 Coll., Act No. 305/2013 Coll., Act No. 371/2014 Coll., Act No. 87/2015 Coll., Act No. 117/2015 Coll., Act No. 390/2015 Coll., Act No. 437/2015 Coll., Act No. 282/2015 Coll., Act No. 389/2015 Coll., Act No. 91/2016 Coll., Act No. 125/2016 Coll., Act No. 291/2016 Coll., Act No. 315/2016 Coll. and Act No. 377/2016 Coll. shall be amended as follows:

1. In Section 83(1)(j) after the words "paragraph 1" the words "or paragraph 5" shall be added.
2. In Section 95 paragraph 5 shall be added:
„(5) The provisions of paragraph 3 shall not apply to satisfaction of claims of a creditor who is not related to the bankrupt or to a person from which he has acquired a related claim representing a claim arising from a covered bond under a special regulation^{21aa)}“.

Footnote to reference 21aa is as follows:

^{21aa)} § 67 of the Act No. 483/2001 Coll., as amended.
¹⁰²⁾ § 3(8) to (10) of the Act No. 530/1990 Coll., as amended.”.

3. In Section 176(5) after the word "insurance company" the words "a creditor under a special regulation on residential loans,^{28d)} not referred to in paragraph 1," shall be added.

Footnote to reference 28d is as follows:

^{21aa)} § 2(1)(a) of the Act No. 90/2016 Coll.“.

4. In Section 178, first sentence, the text after semicolon shall read:
"if the bankrupt is a bank issuing covered bonds, member of the creditors' committee shall be also the bank's covered bonds program administrator."
5. In Section 195 (2), the following sentence is added at its end:
"Extension and conditions of maturity of liabilities of a bankrupt bank that is an issuer of covered bonds that have arisen from the covered bonds before announcement of bankruptcy shall be governed by special regulation.³³⁾".

Footnote to reference 33 reads::

„³³⁾ Section 67 (10) to (13) of the Act No. 483/2001 Coll. as amended by Act No..../2007 Coll.“.

6. In Section 195, paragraph 6 is as follows:

“(6) Should operation of a business of a creditor under a special regulation on residential loans^{28d}) terminate in accordance with Section 83(1)(j), Section 88(1) and (2) and Section 195(1), the bankruptcy trustee shall immediately notify, in writing, the debtors from the residential loans falling under mortgage loans used for the purposes defined in a special regulation^{33aa}), of termination of operation of such creditor's business and a period, not shorter than three months from the date of termination of operation of business, during which a consumer has the right to repay, on its own initiative, the loan prior to its maturity without having to pay any early repayment fees and after the expiry of which it is possible to enforce early repayment of claims arising from residential loans used for the purposes defined in a special regulation.^{33aa)}“.

Footnote to reference 33aa reads:

„^{33aa}) Section (1)(6) of the Act No. 90/2016 Coll. a amended by Act No..../2007 Coll.“.

7. After Section 195, new Section 195a is inserted reading, including the title, as follows:

"Section 195a
Separate Estate Pertaining to Owners of Covered Bonds

(1) If the bankrupt is a bank issuing covered bonds, separate part of the bankrupt's estate relating to secured creditors who are owners of covered bonds issued by such bank shall be comprised of assets and other property values serving for the coverage of such issued covered bonds and, at the same time, also for securing^{33b}) the claims of owners of such bonds against such bank that are part of the cover pool according to special regulation,^{33c}); such separate estate includes also receivables from mortgage loans, including liens to immovable property securing the claims under mortgage loans serving for the coverage of the issued covered bonds.

(2) The bankruptcy trustee of a bank that is issuer of covered bonds establishes in the course of the bankruptcy, ~~having applied due professional care~~, whether or not continued administration of the covered bonds program would result in reduced degree of satisfaction of owners of covered bonds. When carrying out assessment according to the first sentence, the trustee acts, in close collaboration provided by the covered bonds program administrator and takes into account the interests, and fair satisfaction of all owners of covered bonds, including creditors under those receivables that fall due on the latest date(s).

(3) The trustee - acting on a proposal of the covered bonds program administrator or on its own initiative and in close collaboration provided by the covered bonds program administrator - is obliged to notify Národná banka Slovenska of the intention to transfer the covered bonds program, or its part(s), to a third party, so as to secure the transfer of the entire covered bonds program if continued administration of the covered bonds program may result in reduced degree of satisfaction of owners of covered bonds. Only one or more banks may acquire the covered bonds program. The covered bonds program shall be transferred for an adequate consideration within one year of the date of delivery of the notice to Národná banka Slovenska.

- (4) Prior to the conclusion of an agreement for transfer of the covered bonds program, or its part(s), or other agreement serving the same purpose, the trustee shall seek the prior consent of Národná Banka Slovenska pursuant to special regulation.^{33e)}
- (5) If the covered bonds program or its part(s) is/are not transferred within one year of the date of delivery of the notice according to paragraph 3, Národná banka Slovenska may, on the request of the trustee, issue one month prior to the expiry of the said time limit, a decision whereby it will extend the said time limit for the transfer of the covered bonds program or its part(s) to a third party by not more than one additional year if it can be reasonable expected that such later transfer of the covered bonds program will result in a higher degree of satisfaction of the claims of owners of covered bonds.
- (6) If the notice of the intention to transfer the covered bonds program has already been served under special regulations,^{33d)}, the effects of this consent and duration of the said time limit shall be maintained also for the purpose of this Act, and the trustee will continue in carrying out the intention to transfer the covered bonds program that have already been notified.
- (7) To be valid and effective, transfer of a covered bonds program or its part(s) will not require the consent of owners of the covered bonds to change(s) in the terms and conditions of the issue of the covered bonds pursuant to special regulation^{33f)}, such change being the change in the person of the issuer of the covered bonds as a result of transfer of the covered bonds program or its part(s). For the transfer of the covered bonds program or its part(s) to be valid and effective, it is not required to seek the consent of borrowers under liabilities corresponding to receivables included in the underlying assets under special regulations^{33g)}. Provisions of the Commercial Code dealing with disposals of enterprises or their part(s)¹⁸⁾ shall be applicable to transfers of covered bonds programs, however, in order to transfer the covered bond programme or a part of it, it is not required to transfer whole or a part of personal element of business^{33h)} and after the transfer of the covered bond programme or a part of it the creditor shall not request a judicial ruling that the transfer of an obligation from the seller to the buyer be ineffective if such obligation against the creditor constitutes a part of the transfer of the covered bond programme or a relevant part of it³³ⁱ⁾. Transfers of covered bonds programs or their part(s) are registered in the Commercial Register as 'other fact/circumstance^{33j)} pertaining to the bank issuing the covered bonds. Trustee of the bank issuing covered bonds files the application for the registration in the Commercial Register promptly after the transfer of the covered bonds program or its part(s).
- (8) Once the trustee of the bank issuing covered bonds has completed the transfer of the covered bonds program or a part of it, he shall promptly inform owners of the covered bonds that liabilities have been assumed by purchaser and inform debtors under the liabilities corresponding to receivables included in the underlying assets according to special regulation^{33g)} that such receivables have passed onto the purchaser. However, this shall not be a condition of validity and effectivity of transfer of the covered bonds program or a part of it.
- (9) If the trustee of the bank issuing covered bonds fails to manage realisation of assets via transfer of the covered bonds program or a part of it in a manner specified under paragraph 2 to 8 and under special regulations,^{33d)}, the trustee is entitled, in the course of the operation of the business, to realise the receivables arising under mortgage loans included in the assets

of the cover pool according to special regulations^{33g}) via transfer of such receivables for remuneration; provisions of Section 55 and Section 195(2) shall be equally applicable to such receivables and transfer of such receivables. Receivables according to the first sentence may be realised only via transfer of such receivables for remuneration to a third party as a transferee that may be only a bank, foreign bank, branch of a foreign bank or other creditor under a special regulation pertaining to residential loans.

(10) If it is not possible to achieve realisation of assets by applying procedure specified in paragraphs 2 to 8 before termination of the operation of the business and if the operation of the business of the bank issuing covered bonds terminates in accordance with Section 83(1)(j), Section 88(1) and (2) and Section 195(1), the trustee shall promptly notify, in writing, the debtors from liabilities corresponding to receivables arising under mortgage loans included in the assets of cover pool according to special regulations^{33g}) of such termination of the operation of the business and a period not shorter than three months from the date of such termination, during which a debtor has the right to repay, on its own initiative, the liabilities prior to their maturities without having to pay any early repayment fees and after the expiry of which it is possible to enforce early repayment of liabilities corresponding to receivables constituting underlying assets of cover pool under special regulations^{33g}).

Footnotes to references 33b to 33j are as follows:

^{33b}) Sections 67 to 80 of Act No. 483/2001 Coll. as amended.

^{33c}) Section 68 of Act No. 483/2001 Coll. as amended.

^{33d}) Sections 55 and 67(10) to (13) of Act No. 483/2001 Coll. as amended.

^{33e}) Sections 28 (1)(g) and 28 (2) of Act No. 483/2001 Coll. as amended.

^{33f}) Section 3(6) of Act No. 530/1990 Coll. on bonds, as amended.

^{33g}) Section 70(1) of Act No. 483/2001 Coll. as amended by Act No. .../2017 Coll.

^{33h}) Section 5 of the Commercial Code.

Section 28 of the Labour Code as amended by Act No. 348/2007 Coll.

³³ⁱ) Section 478 of the Commercial Code.

Sections 42a and 42b of the Civil Code, as amended.

^{33j}) Section 2(1)(t) of Act No. 530/2003 Coll. concerning Commercial Register and amending certain law, as amended by Act No. 91/2016 Coll.

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8. After Section 206f, new section 206g is inserted reading as follows:

„Section 206g

Interim Provision Concerning Provisions to be Effective from 1 January 2018

If the bankrupt is a bank having issued mortgage bonds or municipal bonds before 1 January 2018 and in relation to the due and substitute coverage of such bonds it maintains the register of mortgages existing as at the date the bankruptcy is declared on that bank's assets, the bankruptcy proceedings conducted after 31 December 2017 will be subject also to the provisions of Section 178 and Section 195(6) as valid and effective before 1 January 2018 until the full repayment of mortgage bonds and municipal bonds issued by that bank before 1 January 2018."