

## **REGULATION NO 99-10 OF THE BANKING AND FINANCE REGULATIONS COMMITTEE ON SOCIETES DE CREDIT FONCIER (MORTGAGE CREDIT COMPANIES)**

The banking and finance regulations committee,

Given Act No 84-46 of 24 January 1984 amended, relating to the activity and supervision of credit institutions;

Given Act No 99-532 of 25 June 1999 relating to savings and financial security;

Given Regulation No 88-02 of 22 February 1988 amended relating to the entering in the accounts of interest rate transactions involving forward financial instruments;

Given Regulation No 90-02 of 23 February 1990 relating to own funds;

Given Regulation No 90-15 of 18 December 1990 amended relating to the entering in the accounts of interest rate or currency swap contracts;

Given Regulation No 91-01 of 16 January 1991 amended relating to the establishment and publication of the annual individual accounts of credit institutions;

Given Regulation No 97-02 of 21 February 1997 relating to the internal auditing of credit institutions,

Decides

### **Chapter 1**

#### **The valuation of buildings**

##### **Article 1**

Buildings financed by eligible loans in the assets of mortgage credit companies or provided as a guarantee for such loans are the subject of a caution valuation excluding all speculative elements.

##### **Article 2**

The valuation is conducted on the basis of the long-term lasting characteristics of the building, normal and local market conditions, the use currently made of the property and other uses which could be made of it. This mortgage value is determined in writing, clearly and transparently. At the most, it is equal to the market value. As an exception, the valuation may be founded on the total cost of the transaction excluding costs and taxes for property for which the amount of the work financed does not exceed 10% of this cost and for which this cost is lower than:

a) € 300 000 if it involves housing completed at the most five years prior to the date on which the loan was granted or a building intended for professional use;

b) € 500 000 if it involves housing completed at the least five years prior to the date on which the loan was granted.

##### **Article 3**

The valuation of the buildings is re-examined as part of the risk assessment system to which mortgage credit companies are subject under the terms of regulation No 97-02. This examination is conducted individually and once every year for buildings intended for professional use, the purchase price or most recent estimated value of which is higher than € 300,000. It is carried out individually and once every three years for buildings intended for professional use, the purchase price or most recent estimated value of which is lower than € 300,000. The value of other buildings and buildings intended for professional use, the purchase price or most recent estimated value of which is lower than € 300,000 is re-examined annually using a statistical method.

##### **Article 4**

Real estate is valued by an expert who does not depend upon the unit responsible for committing loans.

**Article 5**

The methods of building valuation and the methods used for the periodical re-examination of their value are kept available to the *contrôleur spécifique* (specific inspector) referred to in Article 107 of the aforementioned act of 25 June 1999 who rules on their validity. They are published simultaneously with the annual accounts accompanied by the assessment of the specific inspector. The banking commission may require that they be modified.

**Chapter II**

**The valuation of assets and liabilities items**

**Article 6**

Mortgage credit companies are obliged to maintain, on a permanent basis and under the conditions laid down in this regulation, a cover ratio of preferential resources by elements included under the assets equal to 100% in accordance with the conditions laid down below. The banking commission may authorise an institution subject thereto to derogate temporarily from this provision, granting it a period within which to rectify its situation.

**Article 7**

The elements included in the calculation of the ratio are taken from the company accounts of institutions subject thereto in accordance with rules laid down in the aforementioned Regulation No 91-01.

**Article 8**

The ratio denominator consists of the *obligations foncières* (mortgage bonds) and all other resources benefiting from the preferential right, defined in Article 98 of the aforementioned act of 25 June 1999, including debts attached to these elements and debts resulting from related costs referred to in the third paragraph of the same article, sums due, if appropriate, in respect of the contract provided for in Article 99 of the aforementioned act of 25 June 1999 and sums due in respect of forward financial instruments benefiting from the preferential right defined in Article 98 of the aforementioned act of 25 June 1999.

**Article 9**

The ratio numerator consists of all the assets items, weighted as follows:

- 0%, 50% or 100% for secured loans and shares in fonds communs des créances (FCC) (mutual claims funds) in accordance with the rating conditions laid down in the appendix to this regulation;
- 0% for items which are deducted from own funds in accordance with Regulation No 90-02, amended;
- 50% for assets tied up as a result of the acquisition of buildings as part of the invoking of a guarantee;
- 95% for sure and liquid stocks and debt securities;
- 100% for other eligible elements in the assets.

**Article 10**

Mortgage credit companies declare their cover ratio on 30 June and 31 December every year.

**Article 11**

The banking commission may object to a weighting being applied to an element in the assets if it feels that this does not fulfil the conditions set.

## Chapter III

### Management standards specific to mortgage credit companies

#### Article 12

Mortgage credit companies must have a system for the assessment of the overall rate risk in the conditions laid down by Article 28 of Regulation No 97-02, notwithstanding the provisions of Article 29 of said regulation. The documentation and reports which, in application of Regulation No 97-02, must be made available to the executive body, the deliberating body, the general secretariat of the banking commission and the auditors or which must be sent to them, must also be made available or sent to the specific inspector. The specific inspector alerts the managers and the banking commission if he believes that the degree of matching of rate and maturity between the assets and the liabilities is inadequate.

#### Article 13

In accordance with Article 33, 7° of the aforementioned act of 24 January 1984, mortgage credit companies publish information relating to the quality of their assets and in particular concerning the characteristics and breakdown of loans and guarantees, the total amounts unpaid, the breakdown of claims by amount and by category of debtors, the proportion of advance repayments and the level and sensibility of the rate position.

#### Article 14

The forward financial instruments referred to in Article 95 of the aforementioned act of 25 June 1999 must fulfil the conditions laid down in Article 4 of Regulation No 88-02 of 22 February 1988 from the banking and finance regulations committee or by Article 2-1, b or c of Regulation No 90-15 of 18 December 1990 from the banking and finance regulations committee.

## APPENDIX

## RATING CONDITIONS REFERRED TO IN ARTICLE 9 OF REGULATION No 99-10

1. Treatment of secured loans for 100% and 50% weightings:

a) Secured loans granted by the mortgage credit company are weighted at 100% for the cover ratio referred to in Article 6 of this regulation under the following conditions:

- the surety is granted by an institution having obtained a rating issued by an agency whose name is included in Grid 1 and

- this rating is higher than or equal to the ratings specified in the same grid.

b) Secured loans granted by the mortgage credit company are weighted at 50% for the cover ratio referred to in Article 6 of this regulation under the following conditions:

- the surety is granted by an institution which has obtained a rating issued by an agency whose name is included in Grid 2 and

- this rating is higher than or equal to the ratings specified in this grid.

2. Treatment of shares in FCC for 100% and 50% weightings:

a) The shares in mutual claims funds held by the mortgage credit company are weighted at 100% for the cover ratio referred to in Article 6 of this regulation under the following conditions

- these shares have obtained a rating issued by an agency whose name is included in Grid 1 and

- this rating is higher than or equal to the ratings specified in the same grid.

b) The shares in FCC held by the mortgage credit company are weighted at 50% for the cover ratio referred to in Article 6 of this regulation under the following conditions:

- these shares have obtained a rating issued by an agency whose name is included in Grid 2 and

- this rating is higher than or equal to the ratings specified in this grid.

3. 0% weighting:

In other cases, shares in FCC and secured loans included in the assets of the mortgage credit company are weighted at 0% for the cover ratio referred to in Article 6 of this regulation.

*Grid 1: 100% weighting*

| Rating agency                              | Long-term rating<br>(minimum)       |
|--------------------------------------------|-------------------------------------|
| Fitch IBCA<br>Moody's<br>Standard & Poor's | AA-<br>Aa3<br>S&P: AA-<br>ADEF: AA3 |

*Grid 2: 50% weighting*

| Rating agency                              | Long-term rating<br>(minimum)   |
|--------------------------------------------|---------------------------------|
| Fitch IBCA<br>Moody's<br>Standard & Poor's | A-<br>A3<br>S&P: A-<br>ADEF: A3 |

**REGULATION NO 99-11 AMENDING REGULATION NO 91-05 RELATING TO THE CALCULATION  
OF THE SOLVENCY RATIO**

The banking and finance regulation committee,  
Given Act No 84-46 of 24 January 1984 amended relating to the activity and supervision of credit institutions;  
Given Act No 99-532 of 25 June 1999 relating to savings and financial security;  
Given Regulation No 91-05 of 16 January 1991 amended relating to the solvency ratio,

Decides:

**Single Article**

A point 4.2.1 *bis* is added to Article 4 of the aforementioned regulation No 91-05, which reads as follows:

«4.2.1. *bis* 10% weighting

- securities issued by a mortgage credit company within the meaning of Act No 99-532 of 25 June on savings and financial security and benefiting from the preferential right defined in Article 98 of said act;
- securities issued by a credit institution whose registered office is located in the European Economic Area and which falls within a legal system aimed at protecting holders of securities equivalent to the securities referred to above».