

**REGULATED COVERED BONDS
(RELATED AMENDMENTS) INSTRUMENT 2008**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
 - (2) section 150(2) (Actions for damages); and
 - (3) section 156 (General supplementary powers).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 6 March 2008.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Prudential sourcebook for Insurers (INSPRU) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Regulated Covered Bonds (Related Amendments) Instrument 2008.

By order of the Board
6 March 2008

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text.

covered bond

- (1) ...
- (2) ...
- (3) ...
- (4) (in accordance with Article 22(4) of the *Third Non-Life Directive* and Article 24(4) of the *Consolidated Life Directive* and for the purposes of *INSPRU 2.1*) a *debenture* that is issued by a *credit institution* which:
 - (a) has its head office in an *EEA State*; and
 - (b) is subject by law to special official supervision designed to protect the holders of the *debenture*; in particular, sums deriving from the issue of the *debenture* must be invested in accordance with the law in assets which, during the whole period of validity of the *debenture*, are capable of covering claims attaching to the *debenture* and which, in the event of failure of the *issuer*, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

Annex B

Amendments to the Prudential sourcebook for Insurers (INSPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

...

- 2.1.22 R (1) ...
- (2) ...
- (3) The limits referred to in (1) and (2) are the following, expressed as a percentage of the *firm's* business amount:
- ...
- (b) for a *counterparty* exposure to an *approved counterparty* or the aggregate exposure arising from the *counterparty* exposures to each member of a group of closely related ~~approved counterparties~~ *approved counterparties*:
- (i) 40% for that part of the exposure arising from covered bonds;
- (~~ii~~) (ii) 5% for that part of the exposure not arising from covered bonds or, if the counterparty is an approved credit institution, from short term deposits made with an approved credit institution; this limit is increased to 10% if the total of such exposures which are greater than 5% arising from applying a 10% limit, when taken together with any exposures arising from covered bonds which are within the 40% limit in (i), does not exceed 40%;
- (~~iii~~) (iii) 20% or £2 million, if larger, for the whole exposure (but excluding any exposure arising from covered bonds and after deduction of the excess arising from the limit in (b)(~~ii~~) (ii));

...

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