

Announcement: Moody's: Proposed overhaul of Austria's legal framework for covered bonds is credit positive

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London, 04 May 2017 -- Austria's plans to reform the legal framework governing covered bonds are credit positive for the sector, Moody's Investors Service said in a report today. The new covered bond law will adopt proposed minimum European standards, which would provide greater levels of investor protection in a number of key areas than is currently the case in Austria.

The report, "Covered Bonds -- Austria Aligning Covered Bond Laws with Emerging European Standards Will Be Credit Positive", is now available on www.moodys.com. Moody's subscribers can access this report via the link at the end of this press release. The research is an update to the markets and does not constitute a rating action.

In April, Austria's Economic Chambers said the Ministry of Finance would overhaul the country's legislative framework for covered bonds by consolidating three existing laws into one framework and aligning the new legislation with minimum European standards proposed by the European Banking Authority (EBA).

"We expect that Austrian authorities will adopt the minimum European standards in a way that ensures Austrian covered bonds continue to benefit from the European regulatory treatment," said Alexander Zeidler, a Moody's Vice President -- Senior Credit Officer and co-author of the report. "This is relevant for Austria because the country's banks increasingly use covered bonds to fund residential and commercial mortgages and lending to the public sector."

The EBA's proposed minimum standards are stronger than is currently the case in Austria in a number of key areas. For example, the EBA's standards require a liquidity reserve for upcoming covered bond principal repayments to improve the likelihood of timely payments, as well as a higher minimum over-collateralisation (OC) level than is currently needed in Austria.

Subscribers can access the report at: http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_1067084

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Alexander Zeidler
VP - Senior Credit Officer
Structured Finance Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Juan Pablo Soriano
MD - Structured Finance
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454



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