Legal base

Title of relevant act	Applicable provision (quote the text)	Remarks (if needed)
Act No. 594/2003 Coll. on collective investment, as amended Article 45 para 7	(7) The value of bonds issued by a single bank, or by a foreign bank in a Member State which is subject to supervision that protects the interests of bondholders, may not constitute more than 25% of the value of an open-end fund's assets. Funds raised by the issue of bonds shall be invested in such assets which, until the maturity of the bonds, cover the issuer's liabilities related to the bond issue and which may, in the event that the issuer becomes insolvent, be used to redeem the nominal value of the bonds and to pay the income on them. The aggregate value of bonds acquired for an open-end fund's assets under the first sentence may not exceed 80% of the value of the open-end fund's assets.	It is possible to raise the limit to 25% when investing into “covered bonds”.
Act No. 594/2003 Coll. on collective investment, as amended Article 45 para 11	(11) Bonds which are issued in the Slovak Republic and meet the criteria laid down in paragraph (7) shall be deemed to include mortgage bonds [60)] and municipal bonds (municipal debt) issued by a bank which, with the funds raised from their sale, provides a municipal loan to a municipality or higher territorial fund share, and provided that these municipal bonds are guaranteed in accordance with the conditions stipulated by a separate law.[61)] In regard to the bonds mentioned in paragraph (7) that are issued in a Member State, the management company shall take into account the similar list of bonds compiled in accordance with the law of this Member State, provided that such a list exists. 60) Articles 14 to 17 of Act No. 530/1990 Coll. on bonds, as amended. 61) Article 20(1)(a) of Act No. 530/1990 Coll., as amended.	Definition of national “covered bonds”, i.e. a) mortgage bonds b) municipal bonds issued by a bank.
Act No. 530/1990 Coll. on bonds, as amended. Articles 14 to 17 Article 20(1)(a)	**SECTION 1** **Mortgage bonds** **Article 14** (1) A mortgage bond shall be a bond the par value of which, including yields from it, is duly covered (Article 16 (4)) by the receivables of a bank or branch of a foreign bank (hereinafter simply “a bank”) from mortgage loans secured by rights of lien on real estate properties or is substitutionally covered (Article 16 (5)) and has the designation “mortgage bond” in its title. (2) Banks shall use the proceeds from the sale of mortgage bonds only for performing mortgage deals under a special regulation. [3b)] **Article 15** Mortgage bonds may be issued only by banks licensed to perform mortgage deals under a special regulation [3b)], and this under the conditions laid down in Article 7. **Article 16** (1) Bonds that do not fulfil the conditions laid down for mortgage bonds under this Act may not bear the designation “mortgage bond”.	Legal framework for mortgage bonds and municipal bonds

	(2) A mortgage bond lapses when it is bought by the bank that issued it. (3) Only receivables from mortgage loans not exceeding the part set by a special act [3ba)] of the value of the mortgaged real estate set under a special regulation [3c)] may be used for covering mortgage bonds issued. (4) The total par value of issued mortgage bonds must be covered at least in the same amount and at least with the same yield as the par value of the mortgage bank's receivables from mortgage loans, and this shall represent due coverage. (5) Due coverage of issued mortgage bonds may be replaced by substitute coverage at most up to the level of 10% of the total par value of issued mortgage bonds. Substitute coverage may comprise asset values belonging to the mortgage bank in the form of a) deposits at the National Bank of Slovakia, b) bills of the National Bank of Slovakia, c) deposits at banks incorporated in the Slovak Republic, d) deposits at branches of foreign banks in the Slovak Republic, e) cash, f) government bonds, g) treasury bills, h) mortgage bonds issued by another bank, ch) municipal bonds issued by another bank. (6) A mortgage bank may not create a security interest over asset values serving to cover the par value of mortgage bonds. (7) A bank's receivables from mortgage loans serving to cover mortgage bonds, or other values serving as substitute cover shall be entered by the bank in special lists under a special regulation. [3d)] **Article 17** (1) Within eighteen months of the effective date of its licence to pursue mortgage business [3b)] a bank on the basis of a decision of its general assembly may issue temporary mortgage bonds as bearer securities, the total par value of which shall not exceed 50% of the bank's registered capital and which the bank shall be bound to exchange within two years of their issuance for mortgage bonds covered under Article 16 (4) and (5). In the time from issuing temporary mortgage bonds until their exchange for mortgage bonds covered under Article 16 (4) and (5) the provisions of a special act 3e) shall not apply. (2) A temporary mortgage bond shall be connected with rights resulting from the mortgage bonds that the temporary mortgage bond replaces. (3) If a bank does not exchange temporary mortgage bonds for mortgage bonds covered under Article 16 (4) and (5) within two years of issuing the temporary mortgage bonds, it shall be bound to repay the temporary mortgage bonds at their par value, including yields on them for the period from their issue to the repayment. (4) A temporary mortgage bond shall lapse through its exchange for a mortgage bond covered under Article 16 (4) and (5) or through repayment under paragraph 3. 3b) Act No 483/2001 Coll. 3ba) Article 72(1) of Act No 483/2001 Coll. on banks and on the amendment of certain acts.	

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<td>3c) Article 73 of Act No 483/2001 Coll.
3d) Article 76 of Act No 483/2001 Coll.

Please find at:
http://www.nbs.sk/_img/Documents/LEGA/A4832001.pdf

SECTION 3

Article 20
Municipal bonds

(1) Bonds designated as municipal bonds may be issued
a) by a bank that from financial resources acquired through the sale of municipal bonds is to provide a municipal loan to
1. a higher territorial unit that has requested an issuance of municipal bonds, or
2. a municipality that has requested an issuance of municipal bonds, whereby the higher territorial unit or municipality guarantees their issuance with their real estate assets,</td>
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<td>Act No 483/2001 Coll. on banks and on the amendment of certain acts.

Article 72 (4)

* Please note that this is unofficial translation of this provision for the purpose of this notification</td>
<td>(4) The mortgage bonds owners has preferred lien over asset values serving to secure issued mortgage bonds including pledge rights to real estate according to Article 74 and the municipal bonds owners has preferred lien over asset values serving to secure issued municipal bonds including pledge rights to real estate according to Article 74; this lien, by utilization of the mechanism of this act or of the mechanism of separate legal provisions [64a)], secures the receivables of the owners of mortgage bonds and the receivables of the owners of municipal bonds from the mortgage bank on payment of mortgage bonds’ principal and yields and on payment of municipal bonds’ principal and yields.

64a) i.e. Articles 8, 28(2), 69, 176 to 196 of Act No. 7/2005 Coll. on Bankruptcy and Restructuring and on amendments to certain acts, as amended</td>
<td>Protection of mortgage bonds owners in banking regulation</td>
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<td>Act No. 7/2005 Coll. on Bankruptcy and Restructuring and on amendments to certain acts, as amended

Article 195 para 4

* Please note that this is unofficial translation of this provision for the purpose of this notification</td>
<td>(4) If the debtor is a mortgage bank; the separated estate of secured creditors, which are the owners of mortgage bonds and the owners of municipal bonds issued by this mortgage bank, is created by asset values serving to cover issued mortgage bond and issued municipal bonds and also serving for the purpose of securing [33)] receivables of the owners of mortgage bonds and the owners of municipal bonds issued from the mortgage bank; this separated estate includes also mortgage credits receivables and municipal credits receivables, including pledge rights to real estate serving to secure mortgage credit receivables and municipal credit receivables, which were financed by means of issuance and distribution of mortgage bonds and municipal bonds.

33) Articles 72, 74, 76 a 77 of Act No 483/2001 Coll., as amended, Article 16 para 3 to 7 a Article 20 para 4 of Act No. 530/1990 Coll. on bonds, as amended.

Please find at:
http://www.nbs.sk/_img/Documents/LEGA/A4832001.pdf
http://www.nbs.sk/_img/Documents/LEGA/a5301990.pdf</td>
<td>Bankruptcy regulation in case of issuer’s bankrupt</td>
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