

SOCIETE DE CREDIT FONCIER - SOCIETE DE FINANCEMENT DE L'HABITAT

LEGAL PART TRANSLATION

Section 2, Chapter 3, Volume I, Book V of the Monetary and Financial Code

Real estate credit companies

ARTICLE L. 513-2

I. – Real estate credit companies are specialized credit institutions, with the sole purpose of:

1. Granting or acquiring secured loans, exposures to public legal persons and the securities and instruments referred to in articles L. 513-3 to L. 513-7;

2. In order to finance such categories of loans or exposures, securities and instruments, to issue bonds, known as covered bonds (“*obligations foncières*”) which have the benefit of the privileged right as described in article L. 513-11, and to raise other funds, provided the contract or document intended to provide information to the public within the meaning of article L. 412-1, or any other equivalent document required for admission to foreign regulated markets, refers to such privileged right.

II. – Real estate credit companies may also provide financing for the activities referred to in I above through the issue of bonds or facilities which do not have such privileged status.

They may issue promissory notes referred to in articles L. 313-42 to L. 313-48.

Notwithstanding any legal or contractual provisions to the contrary, real estate credit companies may temporarily assign their securities under repurchase agreements within the conditions set out in articles L. 211-22 to L. 211-34, implement or grant pledges over securities accounts as defined in article L. 211-20 and assign all or part of the receivables that they may hold in accordance with articles L. 211-36 to L. 211-40 or in accordance with articles L. 313-23 to L. 313-35, regardless of whether or not such receivables are of a professional nature. In such case, the statements to appear on the transfer deed referred to in article L. 313-23 shall be determined by decree.

The receivables or securities refinanced or assigned in this way do not fall within the scope of the privilege right defined in article L. 513-11 and must not be accounted for by these companies under the provisions of article L. 513-12.

III. – Real estate credit companies may acquire and own any movable or immovable property which is necessary for the fulfilment of their corporate purpose or which derives from the proceeds of their receivables.

IV. – Real estate credit companies may not hold equity investments.

Article L. 513-3

I. - Secured loans are loans benefiting from:

1. A first-ranking mortgage or a security interest over real estate property conferring at least an equivalent security,

2. Or, within the limits and under the conditions determined in a *Conseil d'Etat* decree, and subject to the guaranteed loan being used solely to finance a real estate property, a guarantee from a credit institution, a finance company or an insurance company which is not included in the same scope of consolidation, as described in article L. 233-16 of the Commercial Code, as the real estate credit company.

II. - Loans secured by a security over real estate property as referred to in 1 of I and guaranteed loans referred to in 2 of I are eligible for financing by means of privileged funds up to a limited portion of the value of the property being financed or offered as security. The said limit is determined as provided for in a *Conseil d'Etat* decree.

Specific eligibility criteria are determined in a *Conseil d'Etat* decree for those loans which benefit from the guarantee provided by the first-time homebuyers' guarantee fund referred to in article L. 312-1 of the Building and Housing Code, or any successor and for those loans which benefit, for the amount in excess of the limit up to the value of the property to which the guarantee relates, from a guarantee which meets the conditions referred to in 2 of I above or from the guarantee of one or more of the public legal persons referred to in article L. 513-4.

III. - The property securing the loan or financed by a guaranteed loan must be located in France or in any other European Union member state or in a country that forms part of the European Economic Area or in a country benefiting from the highest category of credit ratings granted by an external credit rating agency approved by the (*Autorité de Contrôle Prudentiel*) pursuant to article L. 511-44. Its value is determined prudently and excludes any element of a speculative nature. The valuation procedures are determined in an order from the Minister for the Economy which indicates the cases in which an appraisal is required.

ARTICLE L. 513-4

I.-The exposures to public legal persons referred to in article L. 513-2 are assets, such as loans, or off-balance-sheet commitments to the persons referred to hereinafter or guaranteed in full by them:

1. Central authorities, central banks, public institutions, territorial authorities, or groups thereof, member states of the European Union or of the European Economic Area, the United States of America, Switzerland, Japan, Canada, Australia or New-Zealand;
2. Central authorities or central banks of non member states of the European Union or of the European Economic Area, excluding the United States of America, Switzerland, Japan, Canada, Australia or New-Zealand, and benefiting from the highest category of credit ratings granted by an external credit rating agency approved by the *Autorité de Contrôle Prudentiel* pursuant to article L. 511-44;
3. European Union, International Monetary Fund, Bank for International Settlement, Multilateral development banks from a list established by an order of the Minister for the Economy; other international organizations and multilateral development banks benefiting from the highest category of credit ratings granted by an external credit rating agency approved by the *Autorité de Contrôle Prudentiel* pursuant to article L. 511-44;
4. Public institutions and territorial authorities, or groups thereof, from non member states of the European Union or non member states of the European Economic Area, excluding the United States of America, Switzerland, Japan, Canada, Australia or New-Zealand, when the exposures to such persons are, for purposes of the capital requirement determination, weighted as the receivables granted to central administrations, central banks or credit institutions, or guaranteed in full by these persons, and when they benefit from the highest category of credit ratings granted by an external credit rating agency approved by the *Autorité de Contrôle Prudentiel* pursuant to article L. 511-44;
5. Public institutions and territorial authorities or groups as mentioned in 4 above, benefiting from the second highest category of credit ratings granted by an external credit rating agency approved by the *Autorité de Contrôle Prudentiel* pursuant to article L. 511-44.

II. Exposures to these public legal persons include:

1. Debt instruments issued, or guaranteed in full, by one or more of the public legal persons referred to in 1 to 5 of I;
2. Cash receivables, including those resulting from a contract with recurrent cash flows, payable by public legal persons as referred to in 1 to 5 of I or guaranteed in full by one of such public legal persons;
3. Receivables deriving from leasing contracts or equivalent contracts which a public legal person referred to in 1 to 5 of I has entered into as lessee or receivables deriving from leasing contracts or equivalent contracts which are guaranteed in full by one or more of such public legal persons. Real estate credit companies that acquire receivables resulting from a leasing contract may also acquire all or part of the receivable that derive from the sale of the leased property.

III. *Conseil d'Etat* decree determines the modalities and, where applicable, the limits of the eligible exposures referred to in I, conditional on a credit rating provided by an external credit rating agency approved by the *Autorité de Contrôle Prudentiel* pursuant to article L. 511-44.



ARTICLE L. 513-5

Subject to the conditions set out by a *Conseil d'Etat* decree, the following are treated as loans and exposures referred to in articles L. 513-3 and L. 513-4 units or debt instruments issued by “*organismes de titrisation*” (*French securitisation vehicles*), as well as units or debt instruments issued by similar entities governed by the laws of member states of the European Union or of the European Economic Area, the United States of America, Switzerland, Japan, Canada, Australia or New-Zealand, if the following conditions are complied with:

1. The assets of these securitisation vehicles or similar entities, excluding sums temporarily available and pending allocation, guarantees, assets or other privileged rights that they benefit from as well as securities held by these securitisation vehicles or similar entities in reserve or as guarantee pursuant to the provisions by which applicable to it, consist of at least 90% of the same type of receivables as the loans and exposures having the characteristics defined in I of article L. 513-3 as well as in article L. 513-4, or of debts benefiting from guarantees equivalent to those of the loans and exposures of the referred to in articles L. 513-3 and L. 513-4, excluding specific units or debt instruments bearing the risk of default by their debtors;
2. Such units or debt instruments benefit from the highest category of credit ratings provided by an external credit rating agency approved by the *Autorité de Contrôle Prudentiel* pursuant to article L. 511-44;
3. These similar entities must be governed by the law of a Member State of the European Union or, party to the agreement on the European Economic Area, as long as the assets are constituted in whole or in part by loans or exposures as referred to in article L. 513-3.

ARTICLE L. 513-6

Promissory notes referred to in articles L. 313-42 and *seq.* are treated as loans referred to in article L. 513-3 to the extent that the receivables thus refinanced satisfy the conditions set out in article L. 513-3. The outstanding amount of such promissory notes shall not exceed 10 % of the assets of a real estate credit company.

ARTICLE L. 513-7

Subject to the conditions set out by a *Conseil d'Etat* decree, debt instruments, assets and deposits that are secure and liquid enough can be held as replacement assets by real estate credit companies. This decree determines the maximum portion that such replacement assets may represent.

ARTICLE L. 513-8

Real estate credit companies must at all times ensure that their liquidity needs are covered in compliance with the conditions and according to the methods set out by decree.

ARTICLE L. 513-9

Real estate credit companies must each quarter publish information on the quality and duration of the loans and securities being financed;

ARTICLE L. 513-10

In order to hedge the transactions for management of the loans and exposures as referred to in Articles L. 513-3 to L. 513-7, covered bonds or other facilities benefiting from the privileged right defined in article L. 513-11, real estate credit companies may utilise hedging instruments, as defined in article L. 211-1.

However, the sums due under the hedging instruments entered into by real estate credit companies to hedge their assets and liabilities, after netting if applicable, benefit from the privileged right set out in article L. 513-11, as the sums due under the hedging instruments entered into by real estate credit companies to manage or hedge the global risk on their assets, liabilities and off-balance-sheet items.

The sums due under the hedging instruments used to hedge the transactions referred to in II of article L. 513-2 do not benefit from such privileged right.

The debt instruments, sums or assets received by a real estate credit company to secure the hedging transactions referred to in this article are not taken into account for the calculation of the maximum portion referred to in article L. 513-7.

ARTICLE L. 513-11

Notwithstanding any legislative provisions to the contrary, including those of Book VI of the Commercial Code:

I. The sums deriving from loans or similar debts, exposures, securities and instruments referred to in articles L. 513-3 to L. 513-7, hedging instruments referred to in article L. 513-32, after netting if applicable, and debts resulting from deposits made with credit institutions by the real estate credit company, are allocated in priority towards the payment of the covered bonds and other privileged debt referred to in 2 of I of article L. 513-2;

II. When a real estate credit company is subject to safeguard, judicial reorganisation or liquidation proceedings (*procedure de sauvegarde, redressement ou liquidation judiciaires*) or conciliation proceedings, the debts duly deriving from the transactions referred to in 2 of I of article L. 513-2, are paid, including interest resulting from contracts of whatever duration, on their contractual due date, and in priority over all other debts, regardless of whether the latter benefit from privilege rights or security interests. No other creditor of the real estate credit company may exercise any right over the assets and rights of such company until the holders of privileged debts within the meaning of the present article have been fully satisfied;

III. The judicial liquidation of a real estate credit company does not result in the acceleration of the due date of the covered bonds and other privileged debts referred to in 1 of this present article.

The rules set out in 1 and 2 above apply to the ancillary expenses and transactions referred to in 1 and 2 of I of article L. 513-2 as well as sums due, as the case may be, under the agreement referred to in article L. 513-15.

ARTICLE L. 513-12

The total amount of the real estate credit companies' assets must be greater than the amount of their liabilities benefiting from the privileged right referred to in article L. 513-11. The Minister for the Economy determines the valuation procedures for such asset and liability items.

ARTICLE L. 513-13

The assignment to a real estate credit company of loans and exposures referred to in article L. 513-2 alongwith associated debts is made by simple delivery of a transfer deed (*bordereau*) to the assignee, the wording of which is determined by decree.

Notwithstanding the potential commencement of any safeguard, judicial reorganisation or liquidation proceedings against the assignor/transferor subsequent to the assignment, the assignment takes effect between the parties and becomes enforceable against third parties on the date affixed on the transfer deed on delivery thereof, regardless of the origination date, maturity date or due date of the receivables, and without any other formality being necessary, regardless of the law applicable to the receivables and the law of the country of domicile of the debtors. Delivery of the transfer deed shall automatically entail the transfer of all security interests, guarantees and ancillary rights attached to each loan and each exposure, including mortgage rights, as well as its enforceability against third parties, without any other formality being necessary.

When the receivables arise from a leasing contract, the commencement of any safeguard, judicial reorganisation or liquidation proceedings against the assigning lessor during the term of the contract shall not jeopardize the continuation of the leasing contract.

ARTICLE L. 513-14

Where all or part of the remuneration due pursuant to a partnership contract or a contract covered by the first paragraph of article L. 6148-5 of the Public Health Code in respect of investment costs – which would particularly include assessment and planning costs, construction and ancillary costs, interim and final financing expenses -, is assigned pursuant to article L. 513-13 of this Code, the contract may provide that this assignment is subject to acceptance by the public legal person under the conditions set out below and within the limits laid down in article L. 313-29-2.

The acceptance governed by this article must be recorded, failing which it will be deemed void, by a written document headed: "deed of acceptance of assignment of receivables to a real estate credit company" and it shall be subject to the contracting public legal person certifying that the investments have been made in accordance with contract specifications. From the time this is certified, and provided that the real estate credit company does not knowingly act against the interests of the public legal person debtor in acquiring the receivable, the public legal person is bound to pay the assigned receivables to the real estate credit company directly and no set-off, nor any legal defence based on personal relationships of the debtor with the holder of the partnership contract or the contract referred to in the first paragraph of article L. 6148-5 of the Public Health Code, such as cancellation, termination of the contract, may be raised against the real estate credit company, except the four-year prescription period contained in law no. 68-1250 of 31 December 1968 on the prescription period for receivables from the Government, government departments, local authorities and public legal persons.

The holder of the contract is bound to pay in full to the contracting public legal person any liabilities that it may be due to pay as a result of breaches of its contractual obligations and, particularly, as a result of any penalties that may be imposed upon it; objection to the enforcement order issued on the grounds of the

deed executed by the public legal person shall have not suspensive effect for the amount of the acceptance in favour of the real estate credit company.

The real estate credit company may, at any time, prohibit the public legal person debtor of the assigned loan receivable from making payments into the hands of the signatory of the transfer deed. Effective from the time of this notification, in the form determined by a *Conseil d'Etat* decree, the public legal person debtor can only make valid discharge of its payment obligation by paying directly to the real estate credit company.

ARTICLE L. 513-15

The management or servicing of the loans, exposures, similar debts, securities and assets, bonds or other facilities referred to in article L. 513-2 may only be carried out by a credit institution or a finance company contractually bound to the real estate credit company.

ARTICLE L. 513-16

The credit institution or the finance company in charge of the management of the loans, exposures, similar debts, and securities and assets is authorised to bring legal proceedings, whether as plaintiff or defendant, and to exercise all enforcement procedures for and on behalf of the real estate credit company.

ARTICLE L. 513-17

In the event of a change to the legal entity in charge of the management or servicing of the loans, exposures or similar debts, the debtors are informed thereof by simple letter.

ARTICLE L. 513-18

The provisions of article L. 632-2 of the Commercial Code are not applicable to contracts entered into by or with real estate credit companies, or to legal transactions entered into by real estate credit companies or on their behalf, where such contracts or such transactions are directly related to the transactions referred to in article L. 513-2.

ARTICLE L. 513-19

When a receiver or a liquidator has been appointed to a real estate credit company pursuant to articles L. 612-34 and L. 613-24, the provisions of article L. 613-25 shall apply.

ARTICLE L. 513-20

Notwithstanding any provision to the contrary, including Part II to IV of Book VI of the Commercial Code, the safeguard, judicial reorganisation or liquidation proceeding against a company holding shares in a mortgage credit cannot be extended to the real estate credit company.

ARTICLE L. 513-21

In the event of a safeguard procedure, judicial reorganisation or liquidation of a company in charge of the administration or servicing of the loans, exposures similar debts, assets and securities, bonds or other facilities referred to in article L. 513-2 on behalf of a real estate credit company, the agreements which

provide for that administration or servicing may be immediately terminated, notwithstanding any provision to the contrary, including those of Parts II to IV of Book VI of the Commercial Code.

ARTICLE L. 513-22

The *Autorité de Contrôle Prudentiel* oversees the real estate credit companies' fulfilment of the obligations they assume under the present section and penalises any recorded breaches as provided for in Chapter II and sections 1 and 2 of Chapter III of Part 1° of book VI.

ARTICLE L. 513-23

In each real estate credit company, a specific controller and an alternate specific controller chosen from among the persons included on the official list of auditors are appointed for a term of four years by the company's executives, subject to approval by the *Autorité de Contrôle Prudentiel*.

The alternate specific controller is called upon to replace the incumbent in the event of refusal, impediment, resignation or death. His functions cease on the expiry date of the mission entrusted to the latter, unless the impediment is only of a temporary nature. In the latter case, when the impediment has ceased, the incumbent resumes his functions after drawing up the report referred to in the fifth paragraph of the present article.

The auditor of the real estate credit company, the auditor of any company controlling the real estate credit company within the meaning of article L. 233-3 of the Commercial Code, or the auditor of a company directly or indirectly controlled by a company controlling the real estate credit company, cannot be appointed as specific controller or alternate specific controller.

The specific controller ensures that the company complies with articles L. 513-2 to L. 513-12. He verifies that the contributions made to the real estate credit company are compatible with the objective defined in article L. 513-2 and meet the conditions set forth in articles L. 513-3 to L. 513-7.

The specific controller certifies the documents sent to the *Autorité de Contrôle Prudentiel* regarding to compliance with the preceding provisions. He prepares an annual report on the accomplishment of his mission for the company's executives and governance bodies, a copy of which is sent to the *Autorité de Contrôle Prudentiel*.

He attends all meetings of shareholders and may address the Board of Directors or the Executive Board upon request.

The specific controller, as well as his staff and his experts, is bound by professional secrecy in regard to the facts, acts and information he has knowledge of on account of his functions. He is nevertheless released from professional secrecy in regard to the *Autorité de Contrôle Prudentiel*, to which he is required to immediately report any fact or decision he has become aware of in the performance of his duties and which could jeopardize the situation or continuity of the real estate credit company's activity. Professional secrecy is also lifted, within the framework of their respective duties, between the specific controller and the auditors of the real estate credit company and of any controlling company of the real estate credit company within the meaning of article L. 233-3 of the Commercial Code. The specific controller shall reveal to the Public Prosecutor any criminal acts of which he has knowledge, without incurring liability in relation to that revelation.

He is liable towards both the company and third parties for the prejudicial consequences of any breach, errors or negligence committed by him in the performance of his functions.

ARTICLE L. 513-24

When a real estate credit company is subject to safeguard, judicial reorganisation or liquidation proceedings (*procedure de sauvegarde, redressement ou liquidation judiciaires*), the specific controller makes the declaration stipulated in article L. 622-24 of the Commercial Code for and on behalf of the holders of the privileged debts referred to in article L. 513-11.

The provisions of articles L. 823-7, L. 823-13, L. 823-14, L. 823-18, L. 822-18, L. 820-4 to L. 820-7, L. 822-6, L. 822-7 and L. 822-10 to L. 822-13 of the Commercial Code and article L. 612-44 of the present code apply to the specific controller. The *Autorité de Contrôle Prudentiel* may exercise the action provided for in article L. 823-7 of the Commercial Code.

Notwithstanding the provisions of article L. 823-14 of the Commercial Code, the specific controller's right to information may extend to communication of contracts and other documents held by the company in charge of the administration or servicing of the loans, exposures similar debts, assets and instruments, bonds and other facilities, pursuant to article L. 513-15, provided that those agreements and other documents are directly related to the tasks performed by that company on behalf of the real estate credit company.

ARTICLE L. 513-25

Article L. 228-39 of the Commercial Code does not apply to real estate credit companies.

ARTICLE L. 513-26

By exception to articles 1300 of the Civil Code and L. 228-44 and L. 228-74 of the Commercial Code, real estate credit companies may subscribe their own covered bonds for the sole purpose of pledging them as collateral security for Banque de France credit transactions in accordance with the procedures and under the terms that the latter may determine for its monetary policy and intraday lending transactions, should real estate credit companies be unable to cover their liquidity needs by any other means at their disposal.

The covered bonds thus subscribed for must comply with the following conditions:

1. As a maximum they may not represent more than 10% of the total outstanding liabilities benefiting from the privileged right at the acquisition date;
2. They shall not be entitled to the rights provided for in articles L. 228-46 to L. 228-89 of the commercial code throughout the time that they are held by the real estate credit company;
3. They shall be pledged as security with the Banque de France. Failing which, they shall be cancelled within eight days;
4. They may not be subscribed for by third parties.

The specific controller shall certify that these conditions are complied with and shall prepare a report for the *Autorité de Contrôle Prudentiel*.

ARTICLE L. 513-27

The implementing regulations for the present section are determined in a *Conseil d'Etat* decree.

Article L. 313-29-1 of the same Code is amended as follows:

1. In the first paragraph, the words: "A maximum of 80%" are deleted and the following words are added: "within the limits laid down in article L. 313-29-2";
2. In the first sentence of the second paragraph, after the words: "the acceptance", the following words are inserted: "provided for in article L. 313-29".

After article L. 313-29-1, is inserted article L. 313-29-2, worded as follows:

Art. L. 313-29-2. – Where the contracting public legal person accepts, under the conditions set out in article L. 313-29-1 or in article L. 513-14, one or more assignments of receivables each of which cover all or part of the remuneration due on capital expenditure costs or finance costs referred to in the same articles L. 313-29-1 or L. 513-14, the overall commitment of the public legal person under this or these acceptances may not exceed 80% of the remuneration due in respect of the capital expenditure and financing costs defined above.

Section 5, Chapter V, Volume I, Book V of the Monetary and Financial Code

*Société de Financement de l'Habitat - Home financing companies***ARTICLE L. 513-28**

Home financing companies are specialized credit institutions whose sole purpose is to grant or to finance home loans and to hold securities or instruments under the conditions set out by a *Conseil d'État* decree. These companies are governed by articles L. 513-3, L. 515-16 and L. 513-7 to L. 513-26 subject to the provisions of this section.

ARTICLE L. 513-29

I. – To achieve their purpose, home financing companies may:

1. Grant to any credit institutions loans guaranteed by the delivery transfer, assignment of or pledge over receivables referred to in II, with the benefit of articles L. 211-36 to L. 211-40 or of articles L. 313-23 to L. 313-35, regardless of whether or not such receivables are of a professional nature.
2. Acquire promissory notes issued by any credit institution under the conditions and in accordance with the modalities set out in articles L. 313-43 to L. 313-48 and which, by exception to article L. 313-42, serve to finance the receivables referred to at II of this article;
3. Grant home loans as defined in II of this article.

II. – Home loans granted or financed by home financing companies shall be:

1. Designated, in whole or in part, for financing residential real estate property located in France or in any other European Union member state or in a country that forms part of the European Economic Area or in a country benefiting from the highest category of credit ratings granted by an external credit rating agency approved by the *Autorité de Contrôle Prudentiel* under the conditions set out in article L. 511-44;
2. And secured by:
 - a) A first ranking mortgage or a real estate security providing at least equivalent security;
 - (b) Or a guarantee issued by a credit institution, a finance company or an insurance company.

III. – Home financing companies may acquire and own any movable or immovable property which is necessary for the accomplishment of their corporate purpose or which derives from the servicing of their receivables.

IV. – They may not hold equity investments.

ARTICLE L. 513-30

I. – To finance the operations referred to in article L. 513-29, home financing companies may issue bonds, to be called covered bonds (“*obligations de financement de l’habitat*”), benefiting from the privileged right set out in article L. 513-11 and to raise other funds, provided the contract or document intended to provide information to the public within the meaning of article L. 412-1 or any other equivalent document required for admission to foreign regulated markets mentions such privileged right.

II. – Home financing companies can also raise other funds that do not benefit from the privileged right referred to in article L. 513-11, through:

1. Borrowings or funding where the contract or document intended to provide information to the public within the meaning of article L. 412-1 or any equivalent document required for admission to foreign regulated markets makes no mention of the benefit from the privileged right set out in article L. 513-11;

2. Issuance of promissory notes, under the conditions and in accordance with the procedures set out in articles L. 313-43 to L. 313-48 which, by exception to article L. 313-42, serve to finance receivables referred to in at II of article L. 513-29;

3. Notwithstanding any provision or stipulations to the contrary, temporary transfer of securities under stock repurchase agreements under the conditions set out in articles L. 211-22 to L. 211-34, pledge over client securities accounts as defined in article L. 211-20 and assignment of all or part of the receivables that they may hold in accordance with articles L. 211-36 to L. 211-40 or in accordance with articles L. 313-23 to L. 313-35, regardless of whether or not such receivables are of a professional nature. In this case, the statements that must appear on the transfer deed referred to in article L. 313-23 shall be determined by decree.

The receivables or securities financed or assigned in this way do not fall within the scope of the privilege right defined in article L. 513-11 and shall not be recorded in the accounting records of home financing companies under article L. 513-12.

ARTICLE L. 513-31

Article L. 632-2 of the Commercial Code is neither applicable to contracts entered into by a home financing company, nor to the legal acts carried out by a home financing company or for their benefit, where these contracts or acts relate directly to transactions provided for in articles L. 513-28 to L. 513-30 of this Code.

ARTICLE L. 513-32

In each home financing company, the specific controller referred to in article L. 513-23 shall ensure that the company complies with articles L. 513-28 to L. 513-30.

He also verifies that the home loans granted or financed by the home financing company are in compliance with the purpose set out in article L. 513-28 and comply with the conditions provided for in articles L. 513-29 and L. 513-30.

Where home loans granted or financed by the home financing company are backed by a guarantee from a credit institution, a finance company or an insurance company falling within the same scope of

consolidation, as defined in article L. 233-16 of the Commercial Code, as the home financing company, the specific controller shall be entitled to carry out all controls on documents or on-site to determine whether the methods used to evaluate risk by that credit institution or that insurance company are appropriate.

ARTICLE L513-33

The modalities regarding the application of this section are determined by a *Conseil D'Etat* decree.”

Article 74 Loi de Régulation Bancaire et Financière 22 October 2010 (Not Codified)

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Timetable for the implementation of the law

A credit institution licensed as a finance company by the *Autorité de Contrôle Prudentiel* may, if it complies with articles L. 513-28 and L. 513-29 of the Monetary and Financial Code, opt for the status of a home financing company. In this case, it must notify its choice to the *Autorité de Contrôle Prudentiel* within twelve months of the promulgation of this law.

On notifying the *Autorité de Contrôle Prudentiel*, the credit institution shall appoint a specific controller under the conditions set out in article L. 513-23 of that Code. The specific controller shall carry out the tests/controls provided for in article L. 513-32 of that Code. It shall prepare a report on the work it has performed which shall be sent to the *Autorité de Contrôle Prudentiel* and to the credit institution.

The *Autorité de Contrôle Prudentiel* shall ensure that the articles of association and the proposed structure of the company comply with section 5, Chapter V, Volume I, Book V of the same Code.

On the basis of the report prepared by the specific controller and through its own checks, the *Autorité de Contrôle Prudentiel* may authorise the credit institution to opt for the status of home financing company. It shall deliver its decision within a time limit set by decree, which shall run from delivery of the report by the specific controller.

As of the decision of the *utorité de Contrôle Prudentiel*, this same section 5 is applicable automatically without any further formalities:

1. To the covered bonds and equivalent instruments issued under foreign laws by the credit institution prior to becoming a home financing company and having home financing as its sole purpose;
2. And also to the contracting parties referred to in articles L. 513-10 and L. 513-15 of the same Code.

The privilege right set out in article L. 513-11 of the same Code shall automatically and without further formality replace and substitute itself for the security existing over the assets of the credit institution that had previously been granted to secure the bonds referred to in 1 of this article. It shall also apply automatically and without further formality in favour of the persons referred to in 2.

The French government shall pass to the parliament, at the latest on the last day of the sixth month following that of the promulgation of this law, a report on refinancing loans for small and medium-sized enterprises.

Article 76

I. – Article L. 213-1 A of the Monetary and Financial Code has an additional eight paragraphs added to it, worded as follows:

By exception to article 1300 of the Civil Code and to article L. 228-74 of commercial code, the following securities may be acquired and held by their issuers for the purpose of enhancing liquidity in the said securities:

1. Tradable debt securities;

2. Debt securities not giving access to share capital admitted for trading on a regulated market or on a multilateral trading platform which is subject to legislative and regulatory provisions aimed at protecting investors against insider trading, price manipulation and distribution of misleading information under the conditions laid down by the General Regulations of the AMF (*Autorité des Marchés Financiers*, the French financial markets regulator).

During the time that they are held by the issuer, all rights attaching to the debt securities referred to at 2 shall be suspended.

"The General Regulations of the AMF shall set forth the conditions under which the issuer shall make public the buyback of a quantity of the debt securities referred to at 2.

"A decree shall determine the maximum holding period for debt securities referred to at 2 acquired or held by the issuer.

"An issuer may not hold more than 15% of a single issue of a debt security referred to at 2.

"A decree shall determine the conditions under which the issuer may buy back the tradable debt securities that it has issued and must notify the Bank of France of these buybacks.

II. – Section 1, Chapter III, Volume I, Book II of the same Code has the following article added to it, article L. 213-4-1 worded as follows:

Article L. 213-4-1. – The issuer may not allow any pledge whatsoever over its tradable debt securities.