#### 112TH CONGRESS 1ST SESSION

# S. 1835

To establish standards for covered bond programs and a covered bond regulatory oversight program, and for other purposes.

### IN THE SENATE OF THE UNITED STATES

November 9, 2011

Mrs. Hagan (for herself, Mr. Corker, Mr. Schumer, and Mr. Crapo) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

# A BILL

To establish standards for covered bond programs and a covered bond regulatory oversight program, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE.
- 4 This Act may be cited as the "United States Covered
- 5 Bond Act".
- 6 SEC. 2. DEFINITIONS.
- 7 For purposes of this Act, the following definitions
- 8 shall apply:

1	(1) Ancillary asset.—The term "ancillary
2	asset" means—
3	(A) any interest rate or currency swap as-
4	sociated with 1 or more eligible assets, sub-
5	stitute assets, or other assets in a cover pool;
6	(B) any credit enhancement or liquidity ar-
7	rangement associated with 1 or more eligible
8	assets, substitute assets, or other assets in a
9	cover pool;
10	(C) any guarantee, letter-of-credit right, or
11	other secondary obligation that supports any
12	payment or performance of 1 or more eligible
13	assets, substitute assets, or other assets in a
14	cover pool; and
15	(D) any proceeds of, or other property in-
16	cident to, 1 or more eligible assets, substitute
17	assets, or other assets in a cover pool.
18	(2) Corporation.—The term "Corporation"
19	means the Federal Deposit Insurance Corporation.
20	(3) COVER POOL.—The term "cover pool"
21	means a dynamic pool of assets that is comprised
22	of—
23	(A) in the case of any eligible issuer de-
24	scribed in subparagraph (A), (B), (C), (D), or
25	(E) of paragraph (9)—

1	(i) 1 or more eligible assets from a
2	single eligible asset class; and
3	(ii) 1 or more substitute assets or an-
4	cillary assets; and
5	(B) in the case of any eligible issuer de-
6	scribed in paragraph (9)(F)—
7	(i) the covered bonds issued by each
8	sponsoring eligible issuer; and
9	(ii) 1 or more substitute assets or an-
10	cillary assets.
11	(4) COVERED BOND.—The term "covered
12	bond" means any recourse debt obligation of an eli-
13	gible issuer that—
14	(A) has an original term to maturity of not
15	less than 1 year;
16	(B) is secured by a perfected security in-
17	terest in or other perfected lien on a cover pool
18	that is owned directly or indirectly by the issuer
19	of the obligation;
20	(C) is issued under a covered bond pro-
21	gram that has been approved by the applicable
22	covered bond regulator;
23	(D) is identified in a register of covered
24	bonds that is maintained by the Secretary; and

1	(E) is not a deposit (as defined in section
2	3(l) of the Federal Deposit Insurance Act (12
3	U.S.C. 1813(l))).
4	(5) COVERED BOND PROGRAM.—The term
5	"covered bond program" means any program of an
6	eligible issuer under which, on the security of a sin-
7	gle cover pool, 1 or more series of covered bonds
8	may be issued.
9	(6) COVERED BOND REGULATOR.—The term
10	"covered bond regulator" means—
11	(A) for any eligible issuer that is subject to
12	the jurisdiction of an appropriate Federal bank-
13	ing agency (as defined in section 3(q) of the
14	Federal Deposit Insurance Act (12 U.S.C.
15	1813(q))), the appropriate Federal banking
16	agency;
17	(B) for any eligible issuer that is described
18	in paragraph (9)(F), that is not subject to the
19	jurisdiction of an appropriate Federal banking
20	agency, and that is sponsored by only 1 eligible
21	issuer, the covered bond regulator for the spon-
22	sor;
23	(C) for any eligible issuer that is described
24	in paragraph (9)(F), that is not subject to the
25	jurisdiction of an appropriate Federal banking

1	agency, and that is sponsored by more than 1
2	eligible issuer, the covered bond regulator for
3	the sponsor whose covered bonds constitute the
4	largest share of the cover pool of the issuer;
5	and
6	(D) for any other eligible issuer that is not
7	subject to the jurisdiction of an appropriate
8	Federal banking agency, the Board of Gov-
9	ernors of the Federal Reserve System.
10	(7) Eligible Asset.—The term "eligible
11	asset" means—
12	(A) in the case of the residential mortgage
13	asset class—
14	(i) any first-lien mortgage loan that is
15	secured by 1-to-4 family residential prop-
16	erty;
17	(ii) any mortgage loan that is insured
18	under the National Housing Act (12
19	U.S.C. 1701 et seq.); and
20	(iii) any loan that is guaranteed, in-
21	sured, or made under chapter 37 of title
22	38, United States Code;
23	(B) in the case of the commercial mort-
24	gage asset class, any commercial mortgage loan
25	(including any multifamily mortgage loan);

1	(C) in the case of the public sector asset
2	class—
3	(i) any security issued by a State, mu-
4	nicipality, or other governmental authority
5	(ii) any loan made to a State, munici-
6	pality, or other governmental authority
7	and
8	(iii) any loan, security, or other obli-
9	gation that is insured or guaranteed, in
10	full or substantially in full, by the full faith
11	and credit of the United States Govern-
12	ment (whether or not such loan, security,
13	or other obligation is also part of another
14	eligible asset class);
15	(D) in the case of the auto asset class, any
16	auto loan or lease;
17	(E) in the case of the student loan asset
18	class, any student loan (whether guaranteed or
19	nonguaranteed);
20	(F) in the case of the credit or charge card
21	asset class, any extension of credit to a person
22	under an open-end credit plan;
23	(G) in the case of the small business asset
24	class, any loan that is made or guaranteed

1	under a program of the Small Business Admin-
2	istration; and
3	(H) in the case of any other eligible asset
4	class, any asset designated by the Secretary, by
5	rule and in consultation with the covered bond
6	regulators, as an eligible asset for purposes of
7	such class.
8	(8) Eligible Asset Class.—The term "eligi-
9	ble asset class" means—
10	(A) a residential mortgage asset class;
11	(B) a commercial mortgage asset class;
12	(C) a public sector asset class;
13	(D) an auto asset class;
14	(E) a student loan asset class;
15	(F) a credit or charge card asset class;
16	(G) a small business asset class; and
17	(H) any other eligible asset class des-
18	ignated by the Secretary, by rule and in con-
19	sultation with the covered bond regulators.
20	(9) Eligible issuer.—The term "eligible
21	issuer" means—
22	(A) any insured depository institution and
23	any subsidiary of such institution;

- 1 (B) any bank holding company, any sav-2 ings and loan holding company, and any sub-3 sidiary of any of such companies;
  - (C) any broker or dealer that is registered under section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 780) and is a member of the Securities Investor Protection Corporation, and any subsidiary of such broker or dealer;
  - (D) any insurer that is supervised by a State insurance regulator, and any subsidiary of such insurer;
  - (E) any nonbank financial company (as defined in section 102(a)(4) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5311(a)(4))) that is supervised by the Board of Governors of the Federal Reserve System under section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5323), including any intermediate holding company supervised as a nonbank financial company, and any subsidiary of such a nonbank financial company; and

1	(F) any issuer that is sponsored by 1 or
2	more eligible issuers for the sole purpose of
3	issuing covered bonds on a pooled basis.
4	(10) Oversight program.—The term "over-
5	sight program" means the covered bond regulatory
6	oversight program established under section 3(a).
7	(11) Secretary.—The term "Secretary"
8	means the Secretary of the Department of the
9	Treasury.
10	(12) Substitute Asset.—The term "sub-
11	stitute asset'' means—
12	(A) cash;
13	(B) any direct obligation of the United
14	States Government, and any security or other
15	obligation whose full principal and interest are
16	insured or guaranteed by the full faith and
17	credit of the United States Government;
18	(C) any direct obligation of a United
19	States Government corporation or Government-
20	sponsored enterprise of the highest credit qual-
21	ity, and any other security or other obligation
22	of the highest credit quality whose full principal
23	and interest are insured or guaranteed by such
24	corporation or enterprise, except that the out-

standing principal amount of these obligations

1	in any cover pool may not exceed an amount
2	equal to 20 percent of the outstanding principal
3	amount of all assets in the cover pool without
4	the approval of the applicable covered bond reg-
5	ulator;
6	(D) any other substitute asset designated
7	by the Secretary, by rule and in consultation
8	with the covered bond regulators; and
9	(E) any deposit account or securities ac-
10	count into which only an asset described in sub-
11	paragraph (A), (B), (C), or (D) may be depos-
12	ited or credited.
13	SEC. 3. REGULATORY OVERSIGHT OF COVERED BOND PRO-
<ul><li>13</li><li>14</li></ul>	SEC. 3. REGULATORY OVERSIGHT OF COVERED BOND PROGRAMS ESTABLISHED.
14	GRAMS ESTABLISHED.
14 15	GRAMS ESTABLISHED.  (a) ESTABLISHMENT.—
<ul><li>14</li><li>15</li><li>16</li></ul>	GRAMS ESTABLISHED.  (a) Establishment.—  (1) In general.—Not later than 180 days
<ul><li>14</li><li>15</li><li>16</li><li>17</li></ul>	GRAMS ESTABLISHED.  (a) ESTABLISHMENT.—  (1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Sec-
14 15 16 17 18	GRAMS ESTABLISHED.  (a) ESTABLISHMENT.—  (1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall, by rule and in consultation with the
<ul><li>14</li><li>15</li><li>16</li><li>17</li><li>18</li><li>19</li></ul>	GRAMS ESTABLISHED.  (a) ESTABLISHMENT.—  (1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall, by rule and in consultation with the covered bond regulators, establish a covered bond
14 15 16 17 18 19 20	GRAMS ESTABLISHED.  (a) ESTABLISHMENT.—  (1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall, by rule and in consultation with the covered bond regulators, establish a covered bond regulatory oversight program that provides for—
14 15 16 17 18 19 20 21	(a) Establishment.—  (1) In General.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall, by rule and in consultation with the covered bond regulators, establish a covered bond regulatory oversight program that provides for—  (A) covered bond programs to be evaluated
14 15 16 17 18 19 20 21 22	GRAMS ESTABLISHED.  (a) ESTABLISHMENT.—  (1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall, by rule and in consultation with the covered bond regulators, establish a covered bond regulatory oversight program that provides for—  (A) covered bond programs to be evaluated according to reasonable and objective standards

1	appropriate by the Secretary to further the pur-
2	poses of this Act;
3	(B) covered bond programs to be main-
4	tained in a manner that is consistent with this
5	Act and safe and sound asset-liability manage-
6	ment and other financial practices; and
7	(C) any estate created under section 4 to
8	be administered in a manner that is consistent
9	with maximizing the value and the proceeds of
10	the related cover pool in a resolution under this
11	Act.
12	(2) Approval of each covered bond pro-
13	GRAM.—
<ul><li>13</li><li>14</li></ul>	GRAM.—  (A) IN GENERAL.—A covered bond shall be
14	(A) IN GENERAL.—A covered bond shall be
14 15	(A) In general.—A covered bond shall be subject to this Act only if the covered bond is
<ul><li>14</li><li>15</li><li>16</li></ul>	(A) In general.—A covered bond shall be subject to this Act only if the covered bond is issued by an eligible issuer under a covered
<ul><li>14</li><li>15</li><li>16</li><li>17</li></ul>	(A) In general.—A covered bond shall be subject to this Act only if the covered bond is issued by an eligible issuer under a covered bond program that is approved by the applica-
14 15 16 17 18	(A) In general.—A covered bond shall be subject to this Act only if the covered bond is issued by an eligible issuer under a covered bond program that is approved by the applicable covered bond regulator.
14 15 16 17 18	<ul> <li>(A) In general.—A covered bond shall be subject to this Act only if the covered bond is issued by an eligible issuer under a covered bond program that is approved by the applicable covered bond regulator.</li> <li>(B) Approval process.—Each covered</li> </ul>
14 15 16 17 18 19 20	<ul> <li>(A) IN GENERAL.—A covered bond shall be subject to this Act only if the covered bond is issued by an eligible issuer under a covered bond program that is approved by the applicable covered bond regulator.</li> <li>(B) APPROVAL PROCESS.—Each covered bond regulator shall apply the standards estab-</li> </ul>
14 15 16 17 18 19 20 21	<ul> <li>(A) In general.—A covered bond shall be subject to this Act only if the covered bond is issued by an eligible issuer under a covered bond program that is approved by the applicable covered bond regulator.</li> <li>(B) Approval process.—Each covered bond regulator shall apply the standards established by the Secretary under the oversight pro-</li> </ul>

take into account relevant supervisory factors,

including safety and soundness considerations, in evaluating a covered bond program that has been submitted for approval. Each covered bond regulator, promptly after approving a covered bond program, shall provide the Secretary with the name of the covered bond program, the name of the eligible issuer, and all other information reasonably requested by the Secretary in order to update the registry under paragraph (3)(A). Each eligible issuer, promptly after issuing a covered bond under an approved covered bond program, shall provide the Secretary with all information reasonably requested by the Secretary in order to update the registry under paragraph (3)(B).

(C) Existing covered bond proposed a covered bond program that is in existence on the date of the enactment of this Act. Upon such approval, each covered bond under the covered bond program shall be subject to this Act, regardless of when the covered bond was issued.

(D) Multiple covered bond programs
PERMITTED.—An eligible issuer may have more
than 1 covered bond program.

- (E) CEASE AND DESIST AUTHORITY.—The applicable covered bond regulator may direct an eligible issuer to cease issuing covered bonds under an approved covered bond program if the covered bond program is not maintained in a manner that is consistent with this Act and the oversight program and if, after notice that is reasonable under the circumstances, the issuer does not remedy all deficiencies identified by the applicable covered bond regulator.
- (F) CAP ON THE AMOUNT OF OUT-STANDING COVERED BONDS.—
  - (i) IN GENERAL.—With respect to each eligible issuer that submits a covered bond program for approval, the applicable covered bond regulator shall set, consistent with safety and soundness considerations and the financial condition of the eligible issuer, the maximum amount, as a percentage of the eligible issuer's total assets, of outstanding covered bonds that the eligible issuer may issue.

1	(ii) Review of Cap.—The applicable
2	covered bond regulator may, not more fre-
3	quently than quarterly, review the percent-
4	age set under clause (i) and, if safety and
5	soundness considerations or the financial
6	condition of the eligible issuer has
7	changed, increase or decrease such per-
8	centage. Any decrease made pursuant to
9	this clause shall have no effect on existing
10	covered bonds issued by the eligible issuer.
11	(3) Registry.—Under the oversight program,
12	the Secretary shall maintain a registry that is pub-
13	lished on a Web site available to the public and that,
14	for each covered bond program approved by a cov-
15	ered bond regulator, contains—
16	(A) the name of the covered bond program,
17	the name of the eligible issuer, and all other in-
18	formation that the Secretary considers nec-
19	essary to adequately identify the covered bond
20	program and the eligible issuer; and
21	(B) all information that the Secretary con-
22	siders necessary to adequately identify all out-
23	standing covered bonds issued under the cov-

ered bond program (including the reports de-

- scribed in paragraphs (3) and (4) of subsection (b)).
- 3 (4) Fees.—Each covered bond regulator may 4 levy, on the issuers of covered bonds under the pri-5 mary supervision of such covered bond regulator, 6 reasonably apportioned fees that such covered bond 7 regulator considers necessary, in the aggregate, to 8 defray the costs of such covered bond regulator car-9 rying out the provisions of this Act. Such funds shall 10 not be construed to be Government funds or appro-11 priated monies and shall not be subject to apportion-12 ment for purposes of chapter 15 of title 31, United 13 States Code, or any other provision of law.
- 14 (b) Minimum Over-Collateralization Require-15 ments.—
  - (1) Requirements established.—The Secretary, by rule and in consultation with the covered bond regulators, shall establish minimum over-collateralization requirements for covered bonds backed by each of the eligible asset classes. The minimum over-collateralization requirements shall be designed to ensure that sufficient eligible assets and substitute assets are maintained in the cover pool to satisfy all principal and interest payments on the covered bonds when due through maturity and shall

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1	be based on the credit, collection, and interest rate
2	risks (excluding the liquidity risks) associated with
3	the eligible asset class.
4	(2) Asset coverage test.—The eligible as-
5	sets and the substitute assets in any cover pool shall
6	be required, in the aggregate, to meet at all times
7	the applicable minimum over-collateralization re-
8	quirements.
9	(3) Monthly reporting.—On a monthly
10	basis, each issuer of covered bonds shall submit a re-
11	port on whether the cover pool that secures the cov-
12	ered bonds meets the applicable minimum over-
13	collateralization requirements to—
14	(A) the Secretary;
15	(B) the applicable covered bond regulator;
16	(C) the applicable indenture trustee;
17	(D) the applicable covered bondholders;
18	and
19	(E) the applicable independent asset mon-
20	itor.
21	(4) Independent asset monitor.—
22	(A) Appointment.—Each issuer of cov-
23	ered bonds shall appoint the indenture trustee
24	for the covered bonds, or another unaffiliated

1	entity, as an independent asset monitor for the
2	applicable cover pool.
3	(B) Duties.—An independent asset mon-
4	itor appointed under subparagraph (A) shall, on
5	an annual or other more frequent periodic basis
6	determined by the Secretary under the over-
7	sight program—
8	(i) verify whether the cover pool meets
9	the applicable minimum over-
10	collateralization requirements; and
11	(ii) report to the Secretary, the appli-
12	cable covered bond regulator, the applica-
13	ble indenture trustee, and the applicable
14	covered bondholders on whether the cover
15	pool meets the applicable minimum over-
16	collateralization requirements.
17	(C) REMOVAL AND REPLACEMENT.—The
18	independent asset monitor appointed under sub-
19	paragraph (A) may be removed and replaced—
20	(i) by a covered bond regulator in any
21	case in which such action is in the best in-
22	terest of the covered bond investors; and
23	(ii) by covered bond holders who own
24	a majority of the outstanding principal

1	amount of the covered bonds secured by
2	the applicable cover pool, at any time.
3	(5) No loss of status.—Covered bonds shall
4	remain subject to this Act regardless of whether the
5	applicable cover pool ceases to meet the applicable
6	minimum over-collateralization requirements.
7	(6) Failure to meet requirements.—
8	(A) IN GENERAL.—If a cover pool fails to
9	meet the applicable minimum over-
10	collateralization requirements, and if the failure
11	is not cured within the time specified in the re-
12	lated transaction documents, the failure shall be
13	an uncured default for purposes of section 4(a)
14	(B) Notice required.—An issuer of cov-
15	ered bonds shall promptly give the Secretary
16	and the applicable covered bond regulator writ-
17	ten notice if the cover pool securing the covered
18	bonds fails to meet the applicable minimum
19	over-collateralization requirements, if the failure
20	is cured within the time specified in the related
21	transaction documents, or if the failure is not
22	so cured.
23	(c) REQUIREMENTS FOR ELIGIBLE ASSETS.—
24	(1) Requirements.—

- 1 (A) Loans.—A loan shall not qualify as an eligible asset for so long as the loan is delinquent for more than 60 consecutive days.
  - (B) SECURITIES.—A security shall not qualify as an eligible asset for so long as the security does not meet any credit-quality requirement under this Act.
  - (C) Origination.—An asset shall not qualify as an eligible asset if the asset was not originated in compliance with any rule or supervisory guidance of a Federal agency applicable to the asset at the time of origination.
  - (D) No double pledge.—An asset shall not qualify as an eligible asset for so long as the asset is subject to a prior perfected security interest or other prior perfected lien that has been granted in an unrelated transaction. Nothing in this Act shall affect such a prior perfected security interest or other prior perfected lien, and the rights of such lien holders.
  - (2) Failure to meet requirements.—Subject to paragraph (1)(D), if an asset in a cover pool does not satisfy any applicable requirement described in paragraph (1) or any other applicable standard or criterion described in this Act, the over-

sight program, or the related transaction documents. 1 2 the asset shall not qualify as an eligible asset for 3 purposes of the asset coverage test described in sub-4 section (b)(2). A disqualified asset shall remain in 5 the cover pool unless and until removed by the issuer 6 in compliance with the provisions of this Act, the 7 oversight program, and the related transaction docu-8 ments. No disqualified asset may be removed from 9 the cover pool after an estate has been created for 10 the related covered bond program under section 4(b)(1) or 4(c)(2), except in connection with the 12 management of the cover pool under section 13 4(d)(1)(E).

## (d) Other Requirements.—

- (1) Books and records of issuer.—Each issuer of covered bonds shall clearly mark its books and records to identify the assets that comprise the cover pool securing the covered bonds.
- (2) Schedule of eligible assets and sub-STITUTE ASSETS.—Each issuer of covered bonds shall deliver to the applicable indenture trustee and the applicable independent asset monitor, on at least a monthly basis, a schedule that identifies all eligible assets and substitute assets in the cover pool securing the covered bonds.

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1 (3) SINGLE ELIGIBLE ASSET CLASS.—No cover pool described in section 2(3)(A) may include eligible assets from more than 1 eligible asset class. No cover pool described in section 2(3)(B) may include covered bonds backed by more than 1 eligible asset class.

6 class.

### 7 SEC. 4. RESOLUTION UPON DEFAULT OR INSOLVENCY.

- 8 (a) Uncured Default Defined.—For purposes of 9 this section, the term "uncured default" means a default 10 on a covered bond that has not been cured within the time, 11 if any, specified in the related transaction documents.
- 12 (b) Default on Covered Bonds Prior to Con-13 Servatorship, Receivership, Liquidation, or Bank-14 Ruptcy.—
  - (1) Creation of Separate Estate.—If an uncured default occurs on a covered bond before the issuer of the covered bond enters conservatorship, receivership, liquidation, or bankruptcy, an estate shall be immediately and automatically created by operation of law and shall exist and be administered separate and apart from the issuer or any subsequent conservatorship, receivership, liquidating agency, or estate in bankruptcy for the issuer or any other assets of the issuer. A separate estate shall be created for each affected covered bond program.

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(2) Assets and liabilities of estate.—Any estate created under paragraph (1) shall be comprised of the pool (including cover overcollateralization in the cover pool) that secures the covered bond. The cover pool shall be immediately and automatically released to and held by the estate free and clear of any right, title, interest, or claim of the issuer or any conservator, receiver, liquidating agent, or trustee in bankruptcy for the issuer or any other assets of the issuer. The estate shall be fully liable on the covered bond and all other covered bonds and related obligations of the issuer (including obligations under related derivative transactions) that are secured by a perfected security interest in or other perfected lien on the cover pool when the estate is created. The estate shall not be liable on any obligation of the issuer that is not secured by a perfected security interest in or other perfected lien on the cover pool when the estate is created. No conservator, receiver, liquidating agent, or trustee in bankruptcy for the issuer may charge or assess the estate for any claim of the conservator, receiver, liquidating agent, or trustee in bankruptcy or the conservatorship, receivership, liquidating agency, or estate in bankruptcy and may not obtain or perfect a

security interest in or other lien on the cover pool to secure such a claim.

(3) RETENTION OF CLAIMS.—Any holder of a covered bond or related obligation for which an estate has become liable under paragraph (2) shall retain a claim against the issuer for any deficiency with respect to the covered bond or related obligation. If the issuer enters conservatorship, receivership, liquidation, or bankruptcy, any contingent claim for such a deficiency shall be allowed as a provable claim in the conservatorship, receivership, liquidating agency, or bankruptcy case. The contingent claim shall be estimated by the conservator, receiver, liquidating agent, or bankruptcy court for purposes of allowing the claim as a provable claim if awaiting the fixing of the contingent claim would unduly delay the resolution of the conservatorship, receivership, liquidating agency, or bankruptcy case.

### (4) Residual interest.—

(A) Issuance of Residual interest.—
Upon the creation of an estate under paragraph
(1), a residual interest in the estate shall be immediately and automatically issued by operation of law to the issuer.

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1	(B) Nature of residual interest.—
2	The residual interest under subparagraph (A)
3	shall—
4	(i) be an exempted security as de-
5	scribed in section 5;
6	(ii) represent the right to any surplus
7	from the cover pool after the covered bonds
8	and all other liabilities of the estate have
9	been fully and irrevocably paid; and
10	(iii) be evidenced by a certificate exe-
11	cuted by the trustee of the estate.
12	(5) Obligations of issuer.—
13	(A) IN GENERAL.—After the creation of an
14	estate under paragraph (1), the issuer shall—
15	(i) transfer to or at the direction of
16	the trustee for the estate all property of
17	the estate that is in the possession or
18	under the control of the issuer, including
19	all tangible or electronic books, records,
20	files, and other documents or materials re-
21	lating to the assets and liabilities of the es-
22	tate; and
23	(ii) at the election of the trustee or a
24	servicer or administrator for the estate,
25	continue servicing the applicable cover pool

for 120 days after the creation of the estate in return for a fair-market-value fee,
as determined by the trustee in consultation with the applicable covered bond regulator, that shall be payable from the estate
as an administrative expense.

- (B) Obligations absolute.—Neither the issuer, whether acting as debtor in possession or in any other capacity, nor any conservator, receiver, liquidating agent, or trustee in bankruptcy for the issuer or any other assets of the issuer may disaffirm, repudiate, or reject the obligation to turn over property or to continue servicing the cover pool as provided in subparagraph (A).
- 16 (c) Default on Covered Bonds Upon Con-17 Servatorship, Receivership, Liquidation, or Bank-18 Ruptcy.—
- 19 (1) Corporation conservatorship or re-20 ceivership.—
- 21 (A) IN GENERAL.—If the Corporation is 22 appointed as conservator or receiver for an 23 issuer of covered bonds before an uncured de-24 fault results in the creation of an estate under 25 subsection (b), the Corporation as conservator

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or receiver shall have an exclusive right, during the 1-year period beginning on the date of the appointment, to transfer any cover pool owned by the issuer in its entirety, together with all covered bonds and related obligations that are secured by a perfected security interest in or other perfected lien on the cover pool, to another eligible issuer that meets all conditions and requirements specified in the related transaction documents. The Corporation as conservator or receiver may not remove any asset from the cover pool, except to the extent otherwise agreed by a transferee that has assumed the covered bond program pursuant to subparagraph (C).

(B) Obligations during 1-year period described in subparagraph (A), the Corporation as conservator or receiver shall fully and timely satisfy all monetary and nonmonetary obligations of the issuer under all covered bonds and the related transaction documents and shall fully and timely cure all defaults by the issuer (other than its conservatorship or receivership) under

1	the applicable covered bond program, in each
2	case, until the earlier of—
3	(i) the transfer of the applicable cov-
4	ered bond program to another eligible
5	issuer as provided in subparagraph (A); or
6	(ii) the delivery to the Secretary, the
7	applicable covered bond regulator, the ap-
8	plicable indenture trustee, and the applica-
9	ble covered bondholders of a written notice
10	from the Corporation as conservator or re-
11	ceiver electing to cease further perform-
12	ance under the applicable covered bond
13	program.
14	(C) Assumption by Transferee.—If the
15	Corporation as conservator or receiver transfers
16	a covered bond program to another eligible
17	issuer within the 1-year period as provided in
18	subparagraph (A), the transferee shall take
19	ownership of the applicable cover pool and shall
20	become fully liable on all covered bonds and re-
21	lated obligations of the issuer that are secured
22	by a perfected security interest in or other per-
23	fected lien on the cover pool.
24	(2) OTHER CIRCUMSTANCES.—An estate shall
25	be immediately and automatically created by oper-

1	ation of law and shall exist and be administered sep-
2	arate and apart from an issuer of covered bonds and
3	any conservatorship, receivership, liquidating agency,
4	or estate in bankruptcy for the issuer or any other
5	assets of the issuer, if—
6	(A) a conservator, receiver, liquidating
7	agent, or trustee in bankruptcy, other than the
8	Corporation, is appointed for the issuer before
9	an uncured default results in the creation of an
10	estate under subsection (b); or
11	(B) in the case of the appointment of the
12	Corporation as conservator or receiver as de-
13	scribed in paragraph (1)(A), the Corporation as
14	conservator or receiver—
15	(i) does not complete the transfer of
16	the applicable covered bond program to an-
17	other eligible issuer within the 1-year pe-
18	riod as provided in paragraph (1)(A);
19	(ii) delivers to the Secretary, the ap-
20	plicable covered bond regulator, the appli-
21	cable indenture trustee, and the applicable
22	covered bondholders a written notice elect-
23	ing to cease further performance under the
24	applicable covered bond program; or

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(iii) fails to fully and timely satisfy all monetary and nonmonetary obligations of the issuer under the covered bonds and the related transaction documents or to fully and timely cure all defaults by the issuer (other than its conservatorship or receivership) under the applicable covered bond program.

A separate estate shall be created for each affected covered bond program.

(3) Assets and liabilities of estate.—Any estate created under paragraph (2) shall be comprised of the (including cover pool collateralization in the cover pool) that secures the covered bonds. The cover pool shall be immediately and automatically released to and held by the estate free and clear of any right, title, interest, or claim of the issuer or any conservator, receiver, liquidating agent, or trustee in bankruptcy for the issuer or any other assets of the issuer. The estate shall be fully liable on the covered bonds and all other covered bonds and related obligations of the issuer (including obligations under related derivative transactions) that are secured by a perfected security interest in or other perfected lien on the cover pool when the

estate is created. The estate shall not be liable on any obligation of the issuer that is not secured by a perfected security interest in or other perfected lien on the cover pool when the estate is created. No conservator, receiver, liquidating agent, or trustee in bankruptcy for the issuer may charge or assess the estate for any claim of the conservator, receiver, liquidating agent, or trustee in bankruptcy or the conservatorship, receivership, liquidating agency, or estate in bankruptcy and may not obtain or perfect a security interest in or other lien on the cover pool to secure such a claim.

(4) Contingent claim.—Any contingent claim against an issuer for a deficiency with respect to a covered bond or related obligation for which an estate has become liable under paragraph (3) shall be allowed as a provable claim in the conservatorship, receivership, liquidating agency, or bankruptcy case for the issuer. The contingent claim shall be estimated by the conservator, receiver, liquidating agent, or bankruptcy court for purposes of allowing the claim as a provable claim if awaiting the fixing of the contingent claim would unduly delay the resolution of the conservatorship, receivership, liquidating agency, or bankruptcy case.

1	(5) Residual interest.—
2	(A) Issuance of residual interest.—
3	Upon the creation of an estate under paragraph
4	(2), and regardless of whether any contingent
5	claim described in paragraph (4) becomes fixed
6	or is estimated, a residual interest in the estate
7	shall be immediately and automatically issued
8	by operation of law to the conservator, receiver
9	liquidating agent, or trustee in bankruptcy for
10	the issuer.
11	(B) Nature of residual interest.—
12	The residual interest under subparagraph (A)
13	shall—
14	(i) be an exempted security as de-
15	scribed in section 5;
16	(ii) represent the right to any surplus
17	from the cover pool after the covered bonds
18	and all other liabilities of the estate have
19	been fully and irrevocably paid; and
20	(iii) be evidenced by a certificate exe-
21	cuted by the trustee of the estate.
22	(6) Obligations of issuer.—
23	(A) In general.—After the creation of an
24	estate under paragraph (2), the issuer and its

1 conservator, receiver, liquidating agent, or 2 trustee in bankruptcy shall—

- (i) transfer to or at the direction of the trustee for the estate all property of the estate that is in the possession or under the control of the issuer or its conservator, receiver, liquidating agent, or trustee in bankruptcy, including all tangible or electronic books, records, files, and other documents or materials relating to the assets and liabilities of the estate; and
- (ii) at the election of the trustee or a servicer or administrator for the estate, continue servicing the applicable cover pool for 120 days after the creation of the estate in return for a fair-market-value fee, as determined by the trustee in consultation with the applicable covered bond regulator, that shall be payable from the estate as an administrative expense.
- (B) Obligations absolute.—Neither the issuer, whether acting as debtor in possession or in any other capacity, nor any conservator, receiver, liquidating agent, or trustee in bankruptcy for the issuer or any other assets of

1	the issuer may disaffirm, repudiate, or reject
2	the obligation to turn over property or to con-
3	tinue servicing the cover pool as provided in
4	subparagraph (A).
5	(d) Administration and Resolution of Es-
6	TATES.—
7	(1) Trustee, servicer, and adminis-
8	TRATOR.—
9	(A) In general.—Upon the creation of
10	any estate under subsection $(b)(1)$ or $(c)(2)$ , the
11	applicable covered bond regulator shall—
12	(i) appoint the trustee for the estate;
13	(ii) appoint 1 or more servicers or ad-
14	ministrators for the cover pool held by the
15	estate; and
16	(iii) give the Secretary, the applicable
17	indenture trustee, the applicable covered
18	bondholders, and the owner of the residual
19	interest written notice of the creation of
20	the estate.
21	(B) Terms and conditions of appoint-
22	MENT.—All terms and conditions of any ap-
23	pointment under paragraph (1), including the
24	terms and conditions relating to compensation,
25	shall conform to the requirements of this Act

and the oversight program and otherwise shall be determined by the applicable covered bond regulator.

ered bond regulator may require the trustee or any servicer or administrator for an estate to post in favor of the United States, for the benefit of the estate, a bond that is conditioned on the faithful performance of the duties of the trustee or the servicer or administrator. The covered bond regulator shall determine the amount of any bond required under this subparagraph and the sufficiency of the surety on the bond. A proceeding on a bond required under this subparagraph may not be commenced after two years after the date on which the trustee or the servicer or administrator was discharged.

(D) Powers and duties of trustee.—
The trustee for an estate is the representative of the estate and, subject to the provisions of this Act, has capacity to sue and be sued. The trustee shall—

1	(i) administer the estate in compliance
2	with this Act, the oversight program, and
3	the related transaction documents;
4	(ii) be accountable for all property of
5	the estate that is received by the trustee;
6	(iii) make a final report and file a
7	final account of the administration of the
8	estate with the applicable covered bond
9	regulator; and
10	(iv) after the estate has been fully ad-
11	ministered, close the estate.
12	(E) Powers and duties of servicer or
13	ADMINISTRATOR.—Any servicer or adminis-
14	trator for an estate—
15	(i) shall—
16	(I) collect, realize on (by liquida-
17	tion or other means), and otherwise
18	manage the cover pool held by the es-
19	tate in compliance with this Act, the
20	oversight program, and the related
21	transaction documents and in a man-
22	ner consistent with maximizing the
23	value and the proceeds of the cover
24	pool;

(II) deposit or invest all proceed	ds
and funds received in compliance wit	th
this Act, the oversight program, an	nd
the related transaction documents an	nd
in a manner consistent with max	xi-
mizing the net return to the estate	te,
taking into account the safety of the	he
deposit or investment; and	
(III) apply, or direct the truste	ee
for the estate to apply, all proceed	ds
and funds received and the net return	rn
on any deposit or investment to make	ke
distributions in compliance with para	a-
graphs (3) and (4);	
(ii) may borrow funds or otherwise of	b-
tain credit, for the benefit of the estate, i	in
compliance with paragraph (2) on a se	se-
cured or unsecured basis and on a priorit	y,
pari passu, or subordinated basis;	
(iii) shall, at the times and in the	he
manner required by the applicable covered	ed
bond regulator, submit to the covered bon	nd
regulator, the Secretary, the applicable in	n-
denture trustee, the applicable covere	ed
bondholders, the owner of the residual in	n-

terest, and any other person designated by
the covered bond regulator, reports that
describe the activities of the servicer or administrator on behalf of the estate, the
performance of the cover pool held by the
estate, and distributions made by the estate; and

- (iv) shall assist the trustee in preparing the final report and the final account of the administration of the estate.
- (F) SUPERVISION OF TRUSTEE, SERVICER, AND ADMINISTRATOR.—The applicable covered bond regulator shall supervise the trustee and any servicer or administrator for an estate. The covered bond regulator shall require that all reports submitted under subparagraph (E)(iii) do not contain any untrue statement of a material fact and do not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.
- (G) REMOVAL AND REPLACEMENT OF TRUSTEE, SERVICER, AND ADMINISTRATOR.—If the covered bond regulator determines that it is in the best interests of an estate, the covered

bond regulator may remove or replace the trustee or any servicer or administrator for the estate. The removal of the trustee or any servicer or administrator does not abate any pending action or proceeding involving the estate, and any successor or other trustee, servicer, or administrator shall be substituted as a party in the action or proceeding.

- (H) Professionals.—The trustee or any servicer or administrator for an estate may employ 1 or more attorneys, accountants, appraisers, auctioneers, or other professional persons to represent or assist the trustee or the servicer or administrator in carrying out its duties. The employment of any professional person and all terms and conditions of employment, including the terms and conditions relating to compensation, shall conform to the requirements of this Act and the oversight program and otherwise shall be subject to the approval of the applicable covered bond regulator.
- (I) Approved fees and expenses.—Unless otherwise provided in the applicable terms and conditions of appointment or employment, all approved fees and expenses of the trustee,

any servicer or administrator, or any professional person employed by the trustee or any servicer or administrator shall be payable from the estate as administrative expenses.

- (J) ACTIONS BY OR ON BEHALF OF ESTATE.—The trustee or any servicer or administrator for an estate may commence or continue judicial, administrative, or other actions, in the name of the estate or in its own name on behalf of the estate, for the purpose of collecting, realizing on, or otherwise managing the cover pool held by the estate or exercising its other powers or duties on behalf of the estate.
- (K) Actions against estate.—No court may issue an attachment or execution on any property of an estate. Except at the request of the applicable covered bond regulator or as otherwise provided in this subparagraph or subparagraph (J), no court may take any action to restrain or affect the resolution of an estate under this Act. No person (including the applicable indenture trustee and any applicable covered bondholder) may commence or continue any judicial, administrative, or other action against the estate, the trustee, or any servicer

1	or administrator or take any other act to affect
2	the estate, the trustee, or any servicer or ad
3	ministrator that is not expressly permitted by
4	this Act, the oversight program, and the related
5	transaction documents, except for a judicial or
6	administrative action to compel the release of
7	funds that—
8	(i) are available to the estate;
9	(ii) are permitted to be distributed
10	under this Act and the oversight program
11	and
12	(iii) are permitted and required to be
13	distributed under the related transaction
14	documents and any contracts executed by
15	or on behalf of the estate.
16	(L) Sovereign immunity.—Except in
17	connection with a guarantee provided under
18	paragraph (4) or any other contract executed
19	by the applicable covered bond regulator under
20	this section 4, the Secretary and the covered
21	bond regulator shall be entitled to sovereign im
22	munity in carrying out the provisions of this
23	Act.
24	(2) Borrowings and credit.—

1 (A) IN GENERAL.—Any servicer or admin-2 istrator for an estate created under subsection 3 (b)(1) or (c)(2) may borrow funds or otherwise 4 obtain credit, on behalf of and for the benefit 5 of the estate, from any person in compliance 6 with this paragraph (2) solely for the purpose 7 of providing liquidity in the case of timing 8 mismatches among the assets and the liabilities 9 of the estate. Except with respect to an under-10 writer, section 5 of the Securities Act of 1933, 11 the Trust Indenture Act of 1939, and any State 12 or local law requiring registration for an offer 13 or sale of a security or registration or licensing 14 of an issuer of, underwriter of, or broker or 15 dealer in a security does not apply to the offer 16 or sale under this paragraph (2) of a security 17 that is not an equity security.

- (B) CONDITIONS.—A servicer or administrator may borrow funds or otherwise obtain credit under subparagraph (A)—
  - (i) on terms affording the lender only claims or liens that are fully subordinated to the claims and interests of the applicable indenture trustee and the applicable covered bondholders and all other claims

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against and interests in the estate, except for the residual interest, if the servicer or administrator certifies to the applicable covered bond regulator that, in the business judgment of the servicer or adminis-trator, the borrowing or credit is in the best interests of the estate and is expected to maximize the value and the proceeds of the cover pool held by the estate; or 

(ii) on terms affording the lender claims or liens that have priority over or are pari passu with the claims or interests of the applicable indenture trustee or the applicable covered bondholders or other claims against or interests in the estate, if—

(I) the servicer or administrator certifies to the applicable covered bond regulator that, in the business judgment of the servicer or administrator, the borrowing or credit is in the best interests of the estate and is expected to maximize the value and the proceeds of the cover pool held by the estate; and

- 1 (II) the applicable covered bond 2 regulator authorizes the borrowing or 3 credit.
  - (C) LIMITED LIABILITY.—A servicer or administrator shall not be liable for any error in business judgment when borrowing funds or otherwise obtaining credit under this paragraph (2) unless the servicer or administrator acted in bad faith or in willful disregard of its duties.
  - (D) STUDY ON BORROWINGS AND CRED-IT.—The Comptroller General of the United States shall conduct a study on whether the Federal reserve banks should be authorized to lend funds or otherwise extend credit to an estate under this paragraph (2) and, if so, what conditions and limits should be established to mitigate any risk that the United States Government could absorb credit losses on the cover pool held by the estate. The Comptroller General shall submit a report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives on the results of the study not later than 6 months after the date of enactment of this Act.

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1	(3) DISTRIBUTIONS BY ESTATE.—All payments
2	or other distributions by an estate shall be made at
3	the times, in the amounts, and in the manner set
4	forth in the covered bonds, the related transaction
5	documents, and any contracts executed by or on be-
6	half of the estate in compliance with this Act and
7	the oversight program. To the extent that the rel-
8	ative priority of the liabilities of the estate are not
9	specified in or otherwise ascertainable from their
10	terms, distributions shall be made on each distribu-
11	tion date under the covered bonds, the related trans-
12	action documents, or any contracts executed by or
13	on behalf of the estate—
14	(A) first, to pay accrued and unpaid super-
15	priority claims under paragraph (2)(B)(ii);
16	(B) second, to pay accrued and unpaid ad-
17	ministrative expense claims under paragraph
18	(1)(I), paragraph $(2)(B)(ii)$ , section $4(b)(5)(A)$ ,
19	or section $4(c)(6)(A)$ ;
20	(C) third, to pay—
21	(i) accrued and unpaid claims under
22	the covered bonds and the related trans-
23	action documents according to their terms;
24	and

1	(ii) accrued and unpaid pari passu
2	claims under paragraph (2)(B)(ii); and
3	(D) fourth, to pay accrued and unpaid
4	subordinated claims under paragraph (2)(B)(i).
5	(4) Distributions on residual interest.—
6	After all other claims against and interests in an es-
7	tate have been fully and irrevocably paid or
8	defeased, the trustee shall or shall cause a servicer
9	or administrator to distribute the remainder of the
10	estate to or at the direction of the owner of the re-
11	sidual interest. No interim distribution on the resid-
12	ual interest may be made before that time, unless
13	the applicable covered bond regulator—
14	(A) approves the distribution after deter-
15	mining that all other claims against and inter-
16	ests in the estate will be fully, timely, and irrev-
17	ocably paid according to their terms; and
18	(B) provides an indemnity, for the benefit
19	of the estate, assuring that all other claims
20	against and interests in the estate will be fully,
21	timely, and irrevocably paid according to their
22	terms.
23	(5) Closing of estate.—After an estate has
24	been fully administered, the trustee shall close the
25	estate and, except as otherwise directed by the appli-

cable covered bond regulator, shall destroy all
records of the estate.

(6) No loss to taxpayers.—Taxpayers shall bear no losses from the resolution of an estate under this Act. To the extent that the Secretary and the Corporation jointly determine that the Deposit Insurance Fund incurred actual losses that are higher because the covered bond program of an insured depository institution was subject to resolution under this Act rather than as part of the receivership of the institution under the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.), the Corporation may exercise the powers available under section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)) to recover an amount equal to those losses after consulting with the Secretary.

## 17 SEC. 5. SECURITIES LAW PROVISIONS.

- 18 (a) Securities Laws Treatment of Covered 19 Bonds.—
- 20 (1) Treatment of Certain banks and Other entities.—
- 22 (A) SECURITIES LAWS COVERAGE.—A cov-23 ered bond described in subparagraph (C) is and 24 shall be treated as a security issued or guaran-25 teed by a bank under section 3(a)(2) of the Se-

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1	curities Act of 1933 (15 U.S.C. 77c(a)(2)), sec
2	tion 3(c)(3) of the Investment Company Act of
3	1940 (15 U.S.C. 80a-3(e)(3)), and section
4	304(a)(4)(A) of the Trust Indenture Act or
5	1939 (15 U.S.C. 77ddd(a)(4)(A)), as applica-
6	ble.
7	(B) SECURITIES EXCHANGE ACT OF 1934
8	EXEMPTION.—No covered bond described in
9	subparagraph (C) shall be treated as an asset
10	backed security, as that term is defined in sec-
11	tion 3 of the Securities Exchange Act of 1934
12	(15 U.S.C. 78c), or a structured finance prod-
13	uct, as that term is defined in section 939F or
14	the Dodd-Frank Wall Street Reform and Con-
15	sumer Protection Act (15 U.S.C. 780–9).
16	(C) APPLICABILITY.—A covered bond de
17	scribed in this subparagraph is a covered bond
18	that is—
19	(i) issued or guaranteed by a bank; or
20	(ii) issued by an eligible issuer de
21	scribed in section 2(9)(F) and sponsored
22	solely by 1 or more banks for the sole pur-
23	pose of issuing covered bonds.
24	(D) REGULATIONS.—Each covered bond

regulator for 1 or more banks shall adopt, as

1	part of the securities regulations of the covered
2	bond regulator, a separate scheme of registra-
3	tion, disclosure, and reporting obligations and
4	exemptions for offers or sales of covered bonds
5	described in subparagraph (C), which regula-
6	tions shall—
7	(i) provide for uniform and consistent
8	standards for such covered bond issuers,
9	with respect to any such covered bonds, to
10	the extent possible; and
11	(ii) be consistent with existing regula-
12	tions governing offers or sales of non-
13	convertible debt.
14	(2) Treatment of Certain associations
15	AND COOPERATIVE BANKS.—
16	(A) Securities laws coverage.—A cov-
17	ered bond described in subparagraph (C) is and
18	shall be treated as a security issued by an enti-
19	ty under section 3(a)(5)(A) of the Securities
20	Act of 1933 (15 U.S.C. 77c(a)(5)(A)), section
21	3(c)(3) of the Investment Company Act of 1940
22	(15 U.S.C. $80a-3(c)(3)$ ), and section
23	304(a)(4)(A) of the Trust Indenture Act of
24	1939 (15 U.S.C. $77ddd(a)(4)(A)$ ), as applica-
25	ble.

1	(B) SECURITIES EXCHANGE ACT OF 1934
2	EXEMPTION.—No covered bond described in
3	subparagraph (C) shall be treated as an asset-
4	backed security, as that term is defined in sec-
5	tion 3 of the Securities Exchange Act of 1934
6	(15 U.S.C. 78c), or a structured finance prod-
7	uct, as that term is defined in section 939F of
8	the Dodd-Frank Wall Street Reform and Con-
9	sumer Protection Act (15 U.S.C. 780–9).
10	(C) Applicability.—A covered bond de-
11	scribed in this subparagraph is a covered bond
12	that is—
13	(i) issued by an entity described in
13 14	(i) issued by an entity described in section 3(a)(5)(A) of the Securities Act of
14	section 3(a)(5)(A) of the Securities Act of
14 15	section 3(a)(5)(A) of the Securities Act of 1933 (15 U.S.C. 77c(a)(5)(A)); or
<ul><li>14</li><li>15</li><li>16</li></ul>	section 3(a)(5)(A) of the Securities Act of 1933 (15 U.S.C. 77c(a)(5)(A)); or (ii) issued by an eligible issuer de-
<ul><li>14</li><li>15</li><li>16</li><li>17</li></ul>	section 3(a)(5)(A) of the Securities Act of 1933 (15 U.S.C. 77c(a)(5)(A)); or (ii) issued by an eligible issuer de- scribed in section 2(9)(F) and sponsored
14 15 16 17 18	section 3(a)(5)(A) of the Securities Act of 1933 (15 U.S.C. 77c(a)(5)(A)); or (ii) issued by an eligible issuer de- scribed in section 2(9)(F) and sponsored solely by 1 or more such entities for the
14 15 16 17 18 19	section 3(a)(5)(A) of the Securities Act of 1933 (15 U.S.C. 77c(a)(5)(A)); or  (ii) issued by an eligible issuer described in section 2(9)(F) and sponsored solely by 1 or more such entities for the sole purpose of issuing covered bonds.
<ul><li>14</li><li>15</li><li>16</li><li>17</li><li>18</li><li>19</li><li>20</li></ul>	section 3(a)(5)(A) of the Securities Act of 1933 (15 U.S.C. 77c(a)(5)(A)); or  (ii) issued by an eligible issuer described in section 2(9)(F) and sponsored solely by 1 or more such entities for the sole purpose of issuing covered bonds.  (D) Regulations.—Each covered bond
<ul><li>14</li><li>15</li><li>16</li><li>17</li><li>18</li><li>19</li><li>20</li><li>21</li></ul>	section 3(a)(5)(A) of the Securities Act of 1933 (15 U.S.C. 77c(a)(5)(A)); or  (ii) issued by an eligible issuer described in section 2(9)(F) and sponsored solely by 1 or more such entities for the sole purpose of issuing covered bonds.  (D) Regulations.—Each covered bond regulator for 1 or more entities described in

regulator, a separate scheme of registration,

1	disclosure, and reporting obligations and ex-
2	emptions for offers or sales of covered bonds
3	described in subparagraph (C), which regula-
4	tions shall—
5	(i) provide for uniform and consistent
6	standards for such covered bond issuers,
7	with respect to any such covered bonds, to
8	the extent possible; and
9	(ii) shall be consistent with regula-
10	tions governing offers or sales of non-
11	convertible debt.
12	(3) Construction.—No provision of this Act,
13	including paragraph (1) or (2), may be construed or
14	applied in a manner that impairs or limits any other
15	exemption that is available under applicable securi-
16	ties laws.
17	(b) Exemptions for Estates.—Any estate that is
18	or may be created under section $4(b)(1)$ or $4(c)(2)$ shall
19	be exempt from all State and Federal securities laws, ex-
20	cept that such estate—
21	(1) shall be subject to all anti-fraud provisions
22	of such securities laws;
23	(2) shall be subject to the reporting require-
24	ments established by the applicable covered bond
25	regulator under section 4(d)(1)(E)(iii); and

1 (3) shall succeed to any requirement of the 2 issuer to file such periodic information, documents, 3 and reports in respect of the covered bonds, as specifield in section 13(a) of the Securities Exchange Act 5 of 1934 (15 U.S.C. 78m(a)) or rules established by 6 an appropriate Federal banking agency. 7 (c) Exemptions for Residual Interests.—Any 8 residual interest in an estate that is or may be created under section 4(b)(1) or 4(c)(2) shall be exempt from all 10 State and Federal securities laws. SEC. 6. MISCELLANEOUS PROVISIONS. 12 (a) Domestic Securities.—Section 106(a)(1) of 13 the Secondary Mortgage Market Enhancement Act of 14 1984 (15 U.S.C. 77r–1(a)(1)) is amended— (1) in subparagraph (C), by striking "or" at 15 16 the end; 17 (2) in subparagraph (D), by adding "or" at the 18 end; and 19 (3) by inserting after subparagraph (D) the fol-20 lowing: "(E) covered bonds (as defined in section 21 22 2 of the United States Covered Bond Act of 23 2011),". 24 (b) No Conflict.—The provisions of this Act shall apply, notwithstanding any provision of the Federal De-

- 1 posit Insurance Act (12 U.S.C. 1811 et seq.), title 11,
- 2 United States Code, title II of the Dodd-Frank Wall
- 3 Street Reform and Consumer Protection Act (12 U.S.C.
- 4 5381 et seq.), or any other provision of Federal law with
- 5 respect to conservatorship, receivership, liquidation, or
- 6 bankruptcy. No provision of the Federal Deposit Insur-
- 7 ance Act (12 U.S.C. 1811 et seq.), title 11, United States
- 8 Code, title II of the Dodd-Frank Wall Street Reform and
- 9 Consumer Protection Act (12 U.S.C. 5381 et seq.), or any
- 10 other provision of Federal law with respect to conservator-
- 11 ship, receivership, liquidation, or bankruptcy may be con-
- 12 strued or applied in a manner that defeats or interferes
- 13 with the purpose or operation of this Act.
- 14 (c) Annual Report to Congress.—The covered
- 15 bond regulators shall, annually—
- 16 (1) submit a joint report to the Congress de-
- scribing the current state of the covered bond mar-
- 18 ket in the United States; and
- 19 (2) testify on the current state of the covered
- bond market in the United States before the Com-
- 21 mittee on Financial Services of the House of Rep-
- resentatives and the Committee on Banking, Hous-
- ing, and Urban Affairs of the Senate.