Credit institutions: solvency ratio (amend. Directive 89/647/EEC)

1996/0003(COD) - 09/03/1998 - Council position

The Common position follows the objectives and spirit of the Commission proposal. The amendments introduced by the Council primarily aim at increasing the level of security by introducing rigorous assessment and re-evaluation criteria for commercial mortgages in order to allow them to be weighted at 50%. Specifically, the Council defines the way in which property should be valued to enable this weighting to be applied on an amount calculated according to two alternative methods: (a) according to the first method the 50% weighting applies to 50% of the market value of the property, calculated by two independent valuers before the loan is made, and the market value of the property must be based on the lower of the two valuations; for loans over ECU 1 million the property must be revalued at least once a year by one valuer, for smaller loans at least every three years; b) according to the second method the 50% weighting applies to either 50% of the market value of the property or 60% of the mortgage lending value, whichever is lower. The common position extends the transitional period to 31 December 2006 (the Commission proposed 1 January 2001) and brings this period into line with property leasing transactions.