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(1) Text with EEA relevance.
I

(Resolutions, recommendations and opinions)

RECOMMENDATIONS

EUROPEAN SYSTEMIC RISK BOARD

RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD
of 21 March 2019
amending Recommendation ESRB/2016/14 on closing real estate data gaps
(ESRB/2019/3)
(2019/C 271/01)

THE GENERAL BOARD OF THE EUROPEAN SYSTEMIC RISK BOARD,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macroprudential oversight of the financial system and establishing a European Systemic Risk Board (1), and in particular Article 3(2)(b), (d) and (f) and Articles 16 to 18 thereof,

Having regard to Decision ESRB/2011/1 of the European Systemic Risk Board of 20 January 2011 adopting the Rules of Procedure of the European Systemic Risk Board (2), and in particular Articles 18 to 20 thereof,

Whereas:

(1) The implementation of a framework for monitoring developments in the real estate sector for financial stability purposes requires the regular collection and distribution at Union level of comparable country data so that real estate-related risks across Member States can be more accurately assessed and the use of macroprudential policy instruments can be compared, with the aim of addressing real estate-related vulnerabilities.

(2) Recommendation ESRB/2016/14 of the European Systemic Risk Board (3) aimed to harmonise the definitions and indicators used for monitoring residential real estate (RRE) and commercial real estate (CRE) markets and address existing gaps in the availability and comparability of data on RRE and CRE markets in the Union.

(3) Regulation (EC) No 223/2009 of the European Parliament and of the Council (4) and Commission Decision 2012/504/EU (5) set out the legal framework for European statistics. In view of the experience of the Community statistical authority, which is the Commission (Eurostat), in providing high quality data for Europe with the aim of enabling and facilitating comparisons between countries, the Commission’s (Eurostat) contribution to the framework set out in Recommendation ESRB/2016/14 is deemed by the European Systemic Risk Board (ESRB) to be of particular importance in order to facilitate the collection by national macroprudential authorities of data on the indicators on the physical CRE market. The availability of such data would in turn expedite the implementation of a risk monitoring framework by national macroprudential authorities in order to effectively monitor the CRE market, and thereby facilitate the identification of risks to financial stability arising

(2) OJ C 58, 24.2.2011, p. 4.
from the physical CRE market. For this reason, it is therefore considered crucial to establish a common minimum framework for the collection of the database which is required by national macroprudential authorities in order to effectively monitor the physical CRE market. The need for such a harmonised framework becomes even more apparent when the significant volume of cross-border CRE financing is taken into account. In this respect, a new recommendation, designed to promote a common minimum framework for the development, production and dissemination of the relevant harmonised indicators, should be added to Recommendation ESRB/2016/14. 

In order to ensure the consistency and the quality of the relevant statistical data and to minimise the reporting burden, the Commission (Eurostat) should also develop and promote statistical standards, methods and procedures for the collection of the required statistical data.

(4) Under Article 2 of Council Regulation (EU) No 1096/2010 (1), the ECB is required to ensure the secretariat of the ESRB and thereby to provide analytical, statistical, logistical and administrative support to the ESRB. In addition, under Article 5.3 of the Statute of the European System of Central Banks and of the European Central Bank, the ECB is required to contribute to the harmonisation, where necessary, of the rules and practices governing the collection, compilation and distribution of statistics in the areas within its fields of competence. In this respect, it is important to ensure close cooperation and appropriate coordination between the European Statistical System (2) and the European System of Central Banks (ESCB). To that end, and in accordance with Article 6(3) of Regulation (EC) No 223/2009, the ongoing consultation activities and the cooperation between the Commission (Eurostat) and the ECB are deemed to be of particular importance for the purpose of developing the required statistical standards, methods and procedures.

(5) The statistical work most recently carried out by the ESCB Statistics Committee – assisted by its Real Estate Task Force – on the sources of data on indicators related to the financing of CRE and RRE has highlighted the need for amendments to certain definitions in order to facilitate the monitoring activities of the national macroprudential authorities. While it is acknowledged that Regulation (EU) 2016/867 of the European Central Bank (3), which introduced the AnaCredit project, cannot be relied on alone to fulfil the data needs of national macroprudential authorities, the definitions of commercial real estate and of residential real estate in Recommendation ESRB/2016/14 should nevertheless be amended in order to align them more closely with the broader definitions used in Regulation (EU) 2016/867 in order to facilitate the required financial stability analyses and allow for a full comparability across countries.

(6) However, amendments to definitions set out in Recommendation ESRB/2016/14 should not prevent national macroprudential authorities from making use of additional real estate indicators and breakdowns which, based on the definitions and metrics of those national macroprudential authorities, take into consideration the specificities of their national CRE and RRE markets and are relevant from the financial stability perspective. This would also ensure adherence by national macroprudential authorities to the principle of proportionality as provided for in Recommendation ESRB/2016/14.

(7) Recommendation ESRB/2016/14 requests addressees to report to the ESRB and the Council on the actions undertaken in response to that Recommendation, or to adequately justify any inaction, in compliance with the timelines set out in the Recommendation. In this respect, the addressees have made progress towards implementing Recommendation ESRB/2016/14 within the recommended timelines. However, the work of some national macroprudential authorities has been delayed by practical issues, such as the need to establish reporting structures, to identify data sources and to address issues related to the confidentiality of data.

(8) In order to ensure the implementation of Recommendation ESRB/2016/14, it is therefore necessary to extend certain deadlines set forth therein. Extending these deadlines will provide national macroprudential authorities with more time to sort out the abovementioned practical issues. The lack of commonly agreed working definitions is of particular concern as regards the relevant indicators on the physical CRE market, and, together with operational constraints on data availability, makes it difficult to accurately assess and compare risks across national markets. Therefore the deadlines for implementation of Recommendation ESRB/2016/14 in relation to those indicators for which national macroprudential authorities do not have the relevant information should be extended further, in order to allow sufficient time for the development of the necessary definitions and for data collection.


(2) The European Statistical System (ESS) is the partnership between the Community statistical authority, which is the Commission (Eurostat), and the national statistical institutes (NSIs) and other national authorities responsible in each Member State for the development, production and dissemination of European statistics.

The General Board does not consider that the extension of certain deadlines established in Recommendation ESRB/2016/14 will jeopardise the orderly functioning of the financial markets. Additionally, the General Board does not consider that such an extension would consequently lead to the possibility that addresssees might not implement Recommendation ESRB/2016/14.

The ESRB also acknowledges that further technical guidance and work on the target definitions and indicators may be required in order to accommodate the specificities of markets or market segments, as well as to ensure the statistical quality of the data. Further amendments to Recommendation ESRB/2016/14 may therefore also be necessary to address future developments regarding those target definitions and indicators.

Therefore, Recommendation ESRB/2016/14 should be amended accordingly,

HAS ADOPTED THIS RECOMMENDATION:

AMENDMENTS

Recommendation ESRB/2016/14 is amended as follows:

1. in Section 1, paragraph 1 of Recommendation C is replaced by the following:

‘1. National macroprudential authorities are recommended to implement a risk monitoring framework for their domestic CRE sector. For this purpose, the following set of indicators is recommended for effective monitoring of risks arising from the CRE market:

Indicators on the physical CRE market:

(a) price index;
(b) rental index;
(c) rental yield index;
(d) vacancy rates;
(e) construction starts;

Indicators on the financial system’s CRE credit exposures:

(f) CRE lending flows (including CRE property under development or construction);
(g) flows of non-performing CRE loans (including CRE property under development or construction);
(h) flows of loan loss provisions on CRE lending (including CRE property under development or construction);
(i) flows of loan loss provisions on lending for CRE property under development or construction (as part of CRE lending);
(j) CRE lending stocks (including CRE property under development or construction);
(k) stocks of non-performing CRE loans (including CRE property under development or construction);
(l) stocks of loan loss provisions on CRE lending (including CRE property under development or construction);
(m) stocks of lending for CRE property under development or construction (as part of CRE lending);
(n) stocks of non-performing loans for CRE property under development or construction (as part of CRE lending);
(o) stocks of loan loss provisions on lending for CRE property under development or construction (as part of CRE lending).

Indicators on CRE lending standards:

(p) weighted average of the LTV-O for the flows of CRE loans;
(q) weighted average of the current loan-to-value ratio (LTV-C) for the stocks of CRE loans;

(r) weighted average of the interest coverage ratio at origination (ICR-O) for the flows of CRE loans and weighted average of the current interest coverage ratio (ICR-C) for the stocks of CRE loans;

(s) weighted average of the debt service coverage ratio at origination (DSCR-O) for the flows of CRE loans and weighted average of the current debt service coverage ratio (DSCR-C) for the stocks of CRE loans.

The information on these indicators should relate to credit providers on a solo basis and should be sufficiently representative of the domestic CRE market.

2. in Section 1, paragraph 2 of Recommendation D is replaced by the following:

'2. National macroprudential authorities are recommended to monitor risks in relation to the different indicators on the basis of the following information as specified in Templates A, B and C of Annex III to this Recommendation:

(a) For the price index, rental index, rental yield index, vacancy rates and construction starts, national macroprudential authorities should consider a breakdown by:

— property type;

— property location.

(b) For flows and stocks of valuation adjustments on CRE investments, national macroprudential authorities should consider a breakdown by:

— property type;

— property location;

— investor type;

— investor nationality.

(c) For CRE lending flows and stocks and for each of the breakdowns of lending to CRE (including CRE property under development or construction) – i.e. lending for property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction; lending for rental housing; lending for income-producing real estate (other than rental housing); lending for CRE property under development; and lending for social housing – national macroprudential authorities should consider a further breakdown by:

— property type;

— property location;

— lender type;

— lender nationality.

(d) For flows and stocks of non-performing CRE loans and for each of the breakdowns of non-performing CRE loans (including CRE property under development or construction) – i.e. lending for property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction; lending for rental housing; lending for income-producing real estate (other than rental housing); lending for CRE property under development; and lending for social housing – national macroprudential authorities should consider a further breakdown by:

— property type;

— property location;

— lender type;

— lender nationality.
(e) For flows and stocks of loan loss provisions on CRE lending and for each of the breakdowns of loan loss provisions on CRE lending (including CRE property under development or construction) – i.e. lending for property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction; lending for rental housing; lending for income-producing real estate (other than rental housing); lending for CRE property under development; and lending for social housing – national macro-prudential authorities should consider a further breakdown by:

— property type;

— property location;

— lender type;

— lender nationality.

The breakdowns as referred to in points (a) to (e) above are to be considered as the recommended minimum. National macroprudential authorities may add additional breakdowns as they may deem necessary for financial stability purposes.

3. in Section 1, the following Recommendation is added:

`Recommendation F – Establishment of a common minimum framework for the physical commercial real estate market`

1. The Commission (Eurostat) is recommended to propose Union legislation establishing a common minimum framework for the development, production and dissemination of a database on indicators on the physical CRE market referred to in paragraphs (a) to (e) of sub-recommendation C(1).

2. The Commission (Eurostat) is also recommended to develop and promote statistical standards, sources, methods and procedures for developing the database on the indicators on the physical CRE market referred to in paragraphs (a) to (e) of sub-recommendation C(1), in particular to ensure the quality of this set of indicators and minimise the reporting burden.

4. Section 2(1)(1) is amended as follows:

(a) point (3) is replaced by the following:

“buy-to-let housing or property” means any RRE directly owned by a natural person primarily for letting to tenants;

(b) point (4) is replaced by the following:

“commercial real estate” (CRE) means any income-producing real estate, either existing or under development, including rental housing; or real estate used by the owners of the property for conducting their business, purpose or activity, either existing or under construction; that is not classified as RRE; and includes social housing.

If a property has a mixed CRE and RRE use, it should be considered as different properties (based for example on the surface areas dedicated to each use) whenever it is feasible to make such breakdown; otherwise, the property can be classified according to its dominant use;

(c) point (5) is replaced by the following:

“commercial real estate (CRE) loan” means a loan extended to a legal entity aimed at acquiring income-producing real estate (or set of properties defined as income-producing real estate), either existing or under development, or real estate used by the owners of the property for conducting their business, purpose or activity (or set of such properties), either existing or under construction, or secured by a commercial real estate property (or set of commercial real estate properties);

(d) the following point (16a) is inserted:

“income-producing property under development” means all property under construction and intended to provide, upon completion, an income to its owner in the form of rents or profits from its sale, but does not include buildings being demolished or sites being cleared for possible development in the future;
(e) point (32) is replaced by the following:

“owner occupied housing or property” means any residential real estate owned by a natural person for the purpose of providing shelter to its owner;:

(f) point (34) is deleted;

(g) the following point (36a) is inserted:

“rental housing” means any real estate which is owned by legal entities primarily for letting to tenants;

(h) point (38) is replaced by the following:

“residential real estate” (RRE) means any immovable property available for dwelling purposes, either existing or under construction, acquired, built or renovated by a natural person, including buy-to-let housing. If a property has a mixed use, it should be considered as different properties (based for example on the surface areas dedicated to each use) whenever it is feasible to make such breakdown; otherwise, the property can be classified according to its dominant use;

(i) point (39) is replaced by the following:

“residential real estate (RRE) loan” means a loan to a natural person secured by a residential real estate property, independent of the purpose of the loan;

5. Section 2(3) is replaced by the following:

3. Timeline for the follow-up

Addressees are requested to report to the ESRB and the Council on the actions taken in response to this Recommendation, or adequately justify any inaction, in compliance with the following timelines.

1. Recommendation A

(a) By 31 December 2019, national macroprudential authorities are requested to deliver to the ESRB and the Council an interim report on the information already available, or expected to be available, for the implementation of Recommendation A.

(b) By 31 December 2020, national macroprudential authorities are requested to deliver to the ESRB and the Council a final report on the implementation of Recommendation A.

2. Recommendation B

(a) By 31 December 2019, national macroprudential authorities are requested to deliver to the ESRB and the Council an interim report on the information already available, or expected to be available, for the implementation of Recommendation B.

(b) By 31 December 2020, national macroprudential authorities are requested to deliver to the ESRB and the Council a final report on the implementation of Recommendation B.

3. Recommendation C

(a) By 31 December 2019, national macroprudential authorities are requested to deliver to the ESRB and the Council an interim report on the information already available, or expected to be available, for the implementation of Recommendation C.

(b) By 31 December 2021, national macroprudential authorities are requested to deliver to the ESRB and the Council a final report on the implementation of Recommendation C.

(c) Where national macroprudential authorities do not have the relevant information in relation to those indicators referred to in points (a) to (e) of Recommendation C(1), those authorities are requested to deliver to the ESRB and the Council a final report on the implementation of Recommendation C in relation to those indicators at the latest by 31 December 2025.

4. Recommendation D

(a) By 31 December 2019, national macroprudential authorities are requested to deliver to the ESRB and the Council an interim report on the information already available, or expected to be available, for the implementation of Recommendation D.
(b) By 31 December 2021, national macroprudential authorities are requested to deliver to the ESRB and the Council a final report on the implementation of Recommendation D.

(c) Where national macroprudential authorities do not have the relevant information in relation to those indicators referred to in point (a) of Recommendation D(2) as specified in Template A of Annex III to this Recommendation, those authorities are requested to deliver to the ESRB and the Council a final report on the implementation of Recommendation D in relation to those indicators at the latest by 31 December 2025.

5. Recommendation E

(a) By 31 December 2017, the ESAs are requested to define a template for the publication of data on the exposures of the entities under the scope of their supervision to each of the national CRE markets in the Union.

(b) By 30 June 2018, the ESAs are requested to publish the data referred to in point (a) as at 31 December 2017.

(c) Starting on 31 March 2019, the ESAs are requested to publish on an annual frequency, the data referred to in point (a) as at 31 December of the preceding year.

6. Recommendation F

(a) By 31 December 2021, the Commission (Eurostat) is requested to deliver to the ESRB and the Council an interim report containing a first assessment of the implementation of Recommendation F.

(b) By 31 December 2023, the Commission (Eurostat) is requested to deliver to the ESRB and the Council a final report on the implementation of Recommendation F.

6. Annex I is replaced by Annex I to this Recommendation;

7. Annex II is replaced by Annex II to this Recommendation;

8. Annex III is replaced by Annex III to this Recommendation;

9. Annex IV is replaced by Annex IV to this Recommendation;

10. Annex V is replaced by Annex V to this Recommendation.

Done at Frankfurt am Main, 21 March 2019.

The Head of the ESRB Secretariat,

on behalf of the General Board of the ESRB

Francesco MAZZAFERRO
ANNEX I

Annex I to Recommendation ESRB/2016/14 is replaced by the following:

ANNEX I

COMPLIANCE CRITERIA FOR THE RECOMMENDATIONS

1. Recommendation A
National macroprudential authorities will be deemed to comply with Recommendations A(1) and A(2), where they:

a) assess whether the relevant indicators on lending standards for RRE loans are considered or implemented in the risk monitoring framework of the RRE sector in their jurisdiction;

b) assess progress on the use of the indicators specified in Recommendation A(1) for such monitoring;

c) assess the extent to which the information, already available or expected to be available in the future, on the relevant indicators is sufficiently representative of current lending standards in their RRE loan market;

d) assess whether buy-to-let housing represents a significant source of risks stemming from the domestic real estate sector or constitutes a significant share of the stock or flows of total RRE lending;

e) in cases where buy-to-let housing is considered a significant source of risks stemming from the domestic real estate sector or constitutes a significant share of the stock or flows of total RRE lending, assess progress on the use of the indicators for risk monitoring specified in Recommendation A(2).

National macroprudential authorities will be deemed to comply with Recommendations A(3) and A(4) where they:

a) ensure the adoption of the methods specified in Annex IV for the calculation of the indicators listed in Recommendations A(1) and A(2);

b) in cases where another method is used in addition to that specified in Annex IV for the calculation of the relevant indicators, report on the method’s technical features and its effectiveness in monitoring risks arising from the RRE sector;

c) ensure that the relevant indicators listed in Recommendations A(1) and A(2) are used to monitor risks in the RRE sector at least annually.

2. Recommendation B
National macroprudential authorities will be deemed to comply with Recommendations B(1) and B(2), where they:

a) assess progress on the monitoring of the univariate distribution and the selected joint distributions of the relevant indicators as specified in Template A of Annex II;

b) assess progress on the use of the information specified in Recommendation B(2) and in Template A of Annex II as a guidance to monitor the relevant risks.

In cases where buy-to-let housing is considered a significant source of risks stemming from the domestic real estate sector or constitutes a significant share of the stock or flows of total RRE lending, national macroprudential authorities will be deemed to comply with Recommendation B(3) where they:

a) assess progress on the separate monitoring of the relevant indicators for buy-to-let housing and owner occupied properties;

b) assess progress on the monitoring of the relevant data broken down by the dimensions as specified in Templates A and B of Annex II.
3. **Recommendation C**

National macroprudential authorities will be deemed to comply with Recommendations C(1) and C(2) where they:

a) assess whether the relevant indicators for domestic CRE exposures are considered or implemented in the risk monitoring framework for the CRE sector in their jurisdiction;

b) ensure inclusion in the risk monitoring framework of the indicators on the physical CRE market, the indicators on financial system credit exposures and the indicators on lending standards;

c) assess whether investments represent a significant source of financing for the domestic CRE sector;

d) in cases where investments are considered a significant source of financing for the domestic CRE sector, assess progress on the use of the additional indicators for risk monitoring specified in Recommendation C(2);

e) assess progress on the use of the indicators specified, at a minimum, in Recommendation C(1) and, where applicable, in Recommendation C(2);

f) assess whether the information on these indicators (already available or expected to be available) is sufficiently representative of the domestic CRE market.

National macroprudential authorities will be deemed to comply with Recommendations C(3) and C(4) where they:

a) ensure the adoption of the methods for the calculation of the indicators listed in Recommendation C(1) and Recommendation C(2) as specified in Annex V and, where appropriate for CRE, in Annex IV;

b) in cases where another method is used in addition to that specified in Annex IV and Annex V for the calculation of the relevant indicators, report on the method's technical features and its effectiveness in monitoring risks arising from the CRE sector;

c) ensure that the indicators listed in Recommendation C(1) are used to monitor developments in the CRE sector at least quarterly for indicators on the physical CRE market, lending flows (including flows of non-performing loans and loan loss provisions) and the corresponding lending standards, and at least annually for stocks of loans (including stocks of non-performing loans and loan loss provisions) and the corresponding lending standards;

d) in cases where investments are considered a significant source of financing for the domestic CRE sector, ensure that the indicators listed in Recommendation C(2) are used to monitor developments in the CRE sector at least quarterly for investment flows (including valuation adjustments on investments) and at least annually for stocks of investments (including valuation adjustments on investments).

4. **Recommendation D**

National macroprudential authorities will be deemed to comply with Recommendation D where they:

a) assess progress in monitoring the relevant indicators as specified in Templates A, B and C of Annex III;

b) assess progress on the use of the relevant information as specified in Recommendation D(2) and indicated in Templates A, B and C of Annex III as a guidance to monitor the relevant risks;

c) in cases where investments are considered a significant source of financing for the domestic CRE sector, assess progress on the use of the relevant information as specified in Recommendation D(3) and indicated in Template B of Annex III as a guidance to monitor relevant risks;

d) in cases where additional indicators are used to monitor developments in the CRE sector, report on the additional information used for monitoring risks.
5. **Recommendation E**

The ESAs will be deemed to comply with Recommendation E where they:

a) define a template for the publication of data on the exposures of the entities under the scope of their supervision to each national CRE market in the Union;

b) publish at least annually aggregated data collected under existing reporting requirements on the exposures of the entities under the scope of their supervision to each national CRE market in the Union.

6. **Recommendation F**

The Commission (Eurostat) will be deemed to comply with Recommendation F where:

a) based on the suitability of the definitions and breakdowns for the relevant indicators on the physical CRE market which are currently used within Member States, it proposes Union legislation establishing a common minimum framework for the development, production and dissemination of a database on the relevant indicators with the aim of harmonising such indicators;

b) it ensures the alignment of the proposed legislation with the indicators and their definitions, as used for supervisory or financial stability purposes, so as to avoid an unjustified increase in the burden on reporting entities;

c) it ensures the quality of the relevant indicators on the physical CRE market by developing statistical standards, sources, methods and procedures for developing the database on the relevant indicators;

d) it ensures that the implementation of the developed statistical standards, sources, methods and procedures relating to the database on the relevant indicators on the physical CRE market does not lead to an unjustified increase in the burden on reporting entities;

e) it promotes the implementation of the statistical standards, sources, methods and procedures developed for the production of the database on relevant indicators on the physical CRE market.
ANNEX II

Annex II to Recommendation ESRB/2016/14 is replaced by the following:

'ANNEX II

INDICATIVE TEMPLATES FOR INDICATORS ON THE RESIDENTIAL REAL ESTATE SECTOR

1. Template A: indicators and related breakdowns for RRE loans

Templates for residential real estate

<table>
<thead>
<tr>
<th>FLOWS</th>
<th>Loan-service-to-income at origination (LSTI-O)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview of RRE loan portfolio</td>
<td></td>
</tr>
<tr>
<td>Loans disbursed</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w buy-to-let</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w owner-occupied</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w first-time buyers</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w loans in foreign currency</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w fully amortising</td>
<td>ncu, #</td>
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<tr>
<td>o/w partially amortising</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w non-amortising (*)</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

FLOWS = new production of RRE loans within the reporting period, as considered by the lender. National macro-prudential authorities which are able to distinguish between truly new RRE loans and renegotiated loans are provided the option to identify renegotiated loans as a separate breakdown.

STOCKS = Data for the stocks of RRE loans at reporting date (e.g. end of year)

ncu = amount in national currency

# = number of contracts

y = year(s)

Avg = average of the relevant ratio

o/w = of which

UNIVARIATE DISTRIBUTION

Overview of RRE loan portfolio

<table>
<thead>
<tr>
<th>Loans disbursed</th>
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<tbody>
<tr>
<td>o/w buy-to-let</td>
<td>ncu, #</td>
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<td>o/w owner-occupied</td>
<td>ncu, #</td>
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<td>o/w loans in foreign currency</td>
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<td>o/w fully amortising</td>
<td>ncu, #</td>
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<tr>
<td>o/w partially amortising</td>
<td>ncu, #</td>
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<td>o/w non-amortising (*)</td>
<td>ncu, #</td>
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<tr>
<th>WEIGHTED AVERAGE</th>
<th>FLOWS</th>
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<tbody>
<tr>
<td>o/w buy-to-let</td>
<td>Avg (in %)</td>
</tr>
<tr>
<td>o/w owner-occupied</td>
<td>Avg (in %)</td>
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<tr>
<td>o/w first-time buyers</td>
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<tr>
<td>o/w loans in foreign currency</td>
<td>Avg (in %)</td>
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<tr>
<td>o/w fully amortising</td>
<td>Avg (in %)</td>
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<tr>
<td>o/w partly amortising</td>
<td>Avg (in %)</td>
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<tr>
<td>o/w non-amortising (*)</td>
<td>Avg (in %)</td>
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### Overview of RRE loan portfolio

<table>
<thead>
<tr>
<th>Description</th>
<th>FLOWS</th>
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<tbody>
<tr>
<td>o/w property in individual territories (***)</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w ≤ 1y initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w [1y; 5y] initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w [5y; 10y] initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w &gt; 10y initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w renegotiated (optional)</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

### Loan-service-to-income at origination (LSTI-O)

<table>
<thead>
<tr>
<th>Description</th>
<th>FLOWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>o/w property in individual territories (***)</td>
<td>Avg (in %)</td>
</tr>
<tr>
<td>o/w ≤ 1y initial interest rate fixation period</td>
<td>Avg (in %)</td>
</tr>
<tr>
<td>o/w [1y; 5y] initial interest rate fixation period</td>
<td>Avg (in %)</td>
</tr>
<tr>
<td>o/w [5y; 10y] initial interest rate fixation period</td>
<td>Avg (in %)</td>
</tr>
<tr>
<td>o/w &gt; 10y initial interest rate fixation period</td>
<td>Avg (in %)</td>
</tr>
</tbody>
</table>

### DISTRIBUTION

<table>
<thead>
<tr>
<th>Description</th>
<th>FLOWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤10 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[10 %; 20 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[20 %; 30 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[30 %; 40 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[40 %; 50 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[50 %; 60 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 60 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>Not available</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>
### Loan-to-value at origination (LTV-O)

<table>
<thead>
<tr>
<th>o/w non-amortising (*)</th>
<th><strong>FLOWS</strong></th>
<th>Avg (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>o/w property in individual territories (**)</td>
<td><strong>FLOWS</strong></td>
<td>Avg (in %)</td>
</tr>
</tbody>
</table>

**DISTRIBUTION**

| ≤ 50 % | ncu, # |
| [50 % ; 60 %] | ncu, # |
| [60 % ; 70 %] | ncu, # |
| [70 % ; 80 %] | ncu, # |
| [80 % ; 90 %] | ncu, # |
| [90 % ; 100 %] | ncu, # |
| [100 % ; 110 %] | ncu, # |
| > 110 % | ncu, # |
| Not available | ncu, # |

### Debt-service-to-income at origination (DSTI-O)

**OPTIONAL**

<table>
<thead>
<tr>
<th><strong>FLOWS</strong></th>
<th>Avg (in %)</th>
</tr>
</thead>
</table>

**WEIGHTED AVERAGE**

| DISTRIBUTION | ncu, # |
|≤10 % | ncu, # |
|[10 % ; 20 %] | ncu, # |
|[20 % ; 30 %] | ncu, # |
|[30 % ; 40 %] | ncu, # |
|[40 % ; 50 %] | ncu, # |
|[50 % ; 60 %] | ncu, # |
| > 60 % | ncu, # |
| Not available | ncu, # |

### Current loan-to-value (LTV-C)

**STOCKS**

<table>
<thead>
<tr>
<th>WEIGHTED AVERAGE</th>
<th>Avg (in %)</th>
</tr>
</thead>
</table>

**DISTRIBUTION**

| ≤ 50 % | ncu, # |
| [50 % ; 60 %] | ncu, # |

### Loan-to-income at origination (LTI-O)

**FLOWS**

<table>
<thead>
<tr>
<th>WEIGHTED AVERAGE</th>
<th>Avg (in %)</th>
</tr>
</thead>
</table>

**DISTRIBUTION**

| ≤3 | ncu, # |
| [3 ; 3,5] | ncu, # |
### Current loan-to-value (LTV-C)

<table>
<thead>
<tr>
<th>Range</th>
<th>Stocks</th>
<th>Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>[60 % : 70 %]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[70 % : 80 %]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[80 % : 90 %]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[90 % : 100 %]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[100 % : 110 %]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 110 %</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>Not available</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

### Maturities at origination

<table>
<thead>
<tr>
<th>Range</th>
<th>Stocks</th>
<th>Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 5y</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[5y : 10y]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[10y : 15y]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[15y : 20y]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[20y : 25y]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[25y : 30y]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[30y : 35y]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 35y</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>Not available</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

### Loan-to-income at origination (LTI-O)

<table>
<thead>
<tr>
<th>Range</th>
<th>Stocks</th>
<th>Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>[3,5 : 4]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[4 : 4,5]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[4,5 : 5]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[5 : 5,5]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[5,5 : 6]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 6</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>Not available</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

### Debt-to-income at origination (DTI-O)

<table>
<thead>
<tr>
<th>Range</th>
<th>Stocks</th>
<th>Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 3</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[3 : 3,5]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[3,5 : 4]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[4 : 4,5]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[4,5 : 5]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[5 : 5,5]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[5,5 : 6]</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 7</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>Not available</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>
### JOINT DISTRIBUTION

<table>
<thead>
<tr>
<th>FLOWS</th>
<th>Loan-service-to-income at origination (LSTI-O)</th>
<th>FLOWS</th>
<th>Loan-service-to-income at origination (LSTI-O)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>≤ 30 %</td>
<td>[30 % ; 50 %]</td>
<td>&gt; 50 %</td>
</tr>
<tr>
<td>LTV-O ≤ 80 %</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>Maturity at origination</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤ 20y</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[20y ; 25y]</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 25y</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>LTV-O [80 % -90 %]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturity at origination</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤ 20y</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[20y ; 25y]</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 25y</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>LTV-O [90 % -110 %]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturity at origination</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤ 20y</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[20y ; 25y]</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 25y</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FLOWS</th>
<th>Debt-to-income at origination (DTI-O)</th>
<th>FLOWS</th>
<th>Debt-to-income at origination (DTI-O)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTV-O ≤ 80 %</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>LTV-O [80 % ; 90 %]</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>LTV-O [90 % ; 110 %]</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
<tr>
<td>LTV-O &gt;110 %</td>
<td>ncu, #</td>
<td>ncu, #</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>
**FLOWS**

<table>
<thead>
<tr>
<th>Loan-service-to-income at origination (LSTI-O)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTV-O &gt;110 %</td>
</tr>
<tr>
<td>Maturity at origination</td>
</tr>
<tr>
<td>≤ 20y</td>
</tr>
<tr>
<td>[20y : 25y]</td>
</tr>
<tr>
<td>&gt; 25y</td>
</tr>
</tbody>
</table>

(*) Where relevant, non-amortising loans for which redemption vehicles exist should be identified separately.

(**) RRE loans provided within the domestic financial system of any Member State may be collateralised by RRE property located in foreign territories. A row should be added for every such foreign territory which is deemed important for financial stability purposes.

2. **Template B: indicators and related breakdowns for buy-to-let and owner occupied RRE loans**

Additional templates for countries with a significant buy-to-let risk or market

<table>
<thead>
<tr>
<th>Overview of buy-to-let loans</th>
<th>FLOWS</th>
<th>Interest coverage ratio at origination (ICR-O)</th>
<th>FLOWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans disbursed</td>
<td>ncu, #</td>
<td>WEIGHTED AVERAGE</td>
<td>Avg</td>
</tr>
<tr>
<td>o/w first-time buyers</td>
<td>ncu, #</td>
<td>DISTRIBUTION</td>
<td></td>
</tr>
<tr>
<td>o/w loans in foreign currency</td>
<td>ncu, #</td>
<td>≤ 100 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w fully amortising</td>
<td>ncu, #</td>
<td>[100 % : 125 %]</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>
### Overview of buy-to-let loans

<table>
<thead>
<tr>
<th>FLOWS</th>
<th>ncu, #</th>
</tr>
</thead>
<tbody>
<tr>
<td>o/w partially amortising</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w non-amortising (*)</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w property in individual territories (**)</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w ≤ 1y initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w ≥ 1y; 5y] initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w ≥ 5y; 10y] initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w &gt; 10y initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

### Interest coverage ratio at origination (ICR-O)

<table>
<thead>
<tr>
<th>FLOWS</th>
<th>ncu, #</th>
</tr>
</thead>
<tbody>
<tr>
<td>125 % ; 150 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>150 % ; 175 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>175 % ; 200 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 200 %</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

### Loan-to-value at origination (LTV-O)

<table>
<thead>
<tr>
<th>WEIGHTED AVERAGE</th>
<th>Avg (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DISTRIBUTION</td>
<td>ncu, #</td>
</tr>
<tr>
<td>≤ 50 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>50 % ; 60 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>60 % ; 70 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>70 % ; 80 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>80 % ; 90 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>90 % ; 100 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>100 % ; 110 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 110 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>Not available</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

### Loan-to-rent ratio at origination (LTR-O)

<table>
<thead>
<tr>
<th>FLOWS</th>
<th>Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>DISTRIBUTION</td>
<td>ncu, #</td>
</tr>
<tr>
<td>≤ 5</td>
<td>ncu, #</td>
</tr>
<tr>
<td>5 ; 10]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>10 ; 15]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>15 ; 20</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 20</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>
## Overview of owner occupied loans

<table>
<thead>
<tr>
<th>Loans disbursed</th>
<th>ncu, #</th>
</tr>
</thead>
<tbody>
<tr>
<td>o/w first-time buyers</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w loans in foreign currency</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w fully amortising</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w partially amortising</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w non-amortising (*)</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w property in individual territories (**)</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w ≤ 1y initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w ] 1y; 5y] initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w ] 5y; 10y] initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w &gt; 10y initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

## Loan-service-to-income at origination (LSTI-O)

<table>
<thead>
<tr>
<th>o/w first-time buyers</th>
<th>ncu, #</th>
</tr>
</thead>
<tbody>
<tr>
<td>o/w loans in foreign currency</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w fully amortising</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w partly amortising</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w non-amortising (*)</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w property in individual territories (**)</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w ≤ 1y initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w ] 1y; 5y] initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w ] 5y; 10y] initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
<tr>
<td>o/w &gt; 10y initial interest rate fixation period</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

## Current loan-to-value (LTV-C)

<p>| ≤10 % | ncu, # |
| [10 % ; 20 %] | ncu, # |
| [20 % ; 30 %] | ncu, # |</p>
<table>
<thead>
<tr>
<th>Current loan-to-value (LTV-C)</th>
<th>FLOWS</th>
<th>Loan-service-to-income at origination (LTI-O)</th>
<th>FLOWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>o/w loans in foreign currency</td>
<td>Avg (in %)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/w fully amortising</td>
<td>Avg (in %)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/w partially amortising</td>
<td>Avg (in %)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/w non-amortising (*)</td>
<td>Avg (in %)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/w property in individual territories (**)</td>
<td>ncu, #</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DISTRIBUTION**

| ≤ 50 % | ncu, # |
| [50 % ; 60 %] | ncu, # |
| [60 % ; 70 %] | ncu, # |
| [70 % ; 80 %] | ncu, # |
| [80 % ; 90 %] | ncu, # |
| [90 % ; 100 %] | ncu, # |
| [100 % ; 110 %] | ncu, # |
| > 110 % | ncu, # |
| Not available | ncu, # |

**WEIGHTED AVERAGE**

<table>
<thead>
<tr>
<th>Loan-to-income at origination (LTI-O)</th>
<th>FLOWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>[30 % ; 40 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[40 % ; 50 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[50 % ; 60 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 60 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>Not available</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

**DISTRIBUTION**

| ≤ 3 | ncu, # |
| [3 ; 3,5] | ncu, # |
| [3,5 ; 4] | ncu, # |
| [4 ; 4,5] | ncu, # |
| [4,5 ; 5] | ncu, # |
| [5 ; 5,5] | ncu, # |
| [5,5 ; 6] | ncu, # |
| > 6 | ncu, # |
| Not available | ncu, # |
### Current loan-to-value (LTV-C)

<table>
<thead>
<tr>
<th>DISTRIBUTION</th>
<th>STOCKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 50 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[50 % ; 60 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[60 % ; 70 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[70 % ; 80 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[80 % ; 90 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[90 % ; 100 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[100 % ; 110 %]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 110 %</td>
<td>ncu, #</td>
</tr>
<tr>
<td>Not available</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

### Maturities at origination in years

<table>
<thead>
<tr>
<th>DISTRIBUTION</th>
<th>FLOWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 5y</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[5y ; 10y]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[10y ; 15y]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[15y ; 20y]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[20y ; 25y]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[25y ; 30y]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>[30y ; 35y]</td>
<td>ncu, #</td>
</tr>
<tr>
<td>&gt; 35y</td>
<td>ncu, #</td>
</tr>
<tr>
<td>Not available</td>
<td>ncu, #</td>
</tr>
</tbody>
</table>

(*) Where relevant, non-amortising loans for which redemption vehicles exist should be identified separately.

(**) RRE loans provided within the domestic financial system of any Member State may be collateralised by RRE property located in foreign territories. A row should be added for every such foreign territory which is deemed important for financial stability purposes.
ANNEX III

Annex III to Recommendation ESRB/2016/14 is replaced by the following:

ANNEX III

INDICATIVE TEMPLATES FOR INDICATORS ON THE COMMERCIAL REAL ESTATE SECTOR

1. Template A: indicators on the physical market

Physical market indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Frequency</th>
<th>Property type (1)</th>
<th>Property location (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRE price index</td>
<td>Quarterly</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>Rental index</td>
<td>Quarterly</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>Rental yield index</td>
<td>Quarterly</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>Vacancy rates</td>
<td>Quarterly</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Construction starts</td>
<td>Quarterly</td>
<td>#</td>
<td>#</td>
</tr>
</tbody>
</table>

(1) Property type is broken down into office, retail, industrial, residential and other (all domestic market).
(2) Property location is broken down into domestic prime and domestic non-prime.
I = Index
R = Ratio
# = Square metres

2. Template B: indicators on the financial system's exposures

Exposures indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Frequency</th>
<th>Property type (1)</th>
<th>Property location (2)</th>
<th>Investor type (3) (4)</th>
<th>Lender type (4)</th>
<th>Investor (5) / lender nationality (5)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flows (6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in CRE (6)</td>
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<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>— of which direct CRE holdings</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>Indicator</td>
<td>Frequency</td>
<td>Property type (^1)</td>
<td>Property location (^2)</td>
<td>Investor type (^3)</td>
<td>Lender type (^4)</td>
<td>Investor (^5) / lender nationality (^6)</td>
<td>Total</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>-----------</td>
<td>---------------------</td>
<td>-------------------------</td>
<td>---------------------</td>
<td>-------------------</td>
<td>-------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>— of which indirect CRE holdings</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>Valuation adjustments on CRE investments</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>Lending to CRE (incl. CRE property under development or construction)</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>— of which loans for acquiring property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>— of which loans for acquiring rental housing</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>— of which loans for acquiring income-producing real estate (other than rental housing)</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>— of which loans for acquiring CRE property under development</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>— of which loans for acquiring property held for social housing</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>Non-performing CRE loans (incl. CRE property under development or construction)</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>— of which loans for acquiring property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>Indicator</td>
<td>Frequency</td>
<td>Property type ((^1))</td>
<td>Property location ((^2))</td>
<td>Investor type ((^3))</td>
<td>Lender type ((^4))</td>
<td>Investor ((^5)) / lender nationality ((^6))</td>
<td>Total</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-----------</td>
<td>------------------------</td>
<td>----------------------------</td>
<td>------------------------</td>
<td>----------------------</td>
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<tr>
<td>— of which loans for acquiring rental housing</td>
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<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
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<tr>
<td>— of which loans for acquiring income-producing real estate (other than rental housing)</td>
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<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
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<tr>
<td>— of which loans for acquiring CRE property under development</td>
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<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
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<tr>
<td>— of which loans for acquiring property held for social housing</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>Loan loss provisions on CRE lending (incl. CRE property under development or construction)</td>
<td>Quarterly</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
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<tr>
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<td>nc</td>
<td>nc</td>
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<td>— of which loans for acquiring rental housing</td>
<td>Quarterly</td>
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<td>nc</td>
<td>nc</td>
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<tr>
<td>— of which loans for acquiring income-producing real estate (other than rental housing)</td>
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<td>— of which loans for acquiring CRE property under development</td>
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<td>nc</td>
<td>nc</td>
<td>nc</td>
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<tr>
<td>— of which loans for acquiring property held for social housing</td>
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<td>nc</td>
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<td>Frequency</td>
<td>Property type (1)</td>
<td>Property location (2)</td>
<td>Investor type (3) (4)</td>
<td>Lender type (5)</td>
<td>Investor (6) / lender nationality (7)</td>
<td>Total</td>
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<td>Stocks (8)</td>
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<td>— of which direct CRE holdings</td>
<td>Annually</td>
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<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
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<tr>
<td>— of which indirect CRE holdings</td>
<td>Annually</td>
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<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
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</tr>
<tr>
<td>Valuation adjustments on CRE investments</td>
<td>Annually</td>
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<td>nc</td>
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</tr>
<tr>
<td>Lending to CRE (incl. CRE property under development or construction)</td>
<td>Annually</td>
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<td>nc</td>
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<tr>
<td>— of which loans for acquiring property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction</td>
<td>Annually</td>
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<td>nc</td>
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<td>nc</td>
</tr>
<tr>
<td>— of which loans for acquiring rental housing</td>
<td>Annually</td>
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<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
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<tr>
<td>— of which loans for acquiring income-producing real estate (other than rental housing)</td>
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<td>nc</td>
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<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>— of which loans for acquiring property held for social housing</td>
<td>Annually</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
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<td>nc</td>
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</tr>
<tr>
<td>Indicator</td>
<td>Frequency</td>
<td>Property type (')</td>
<td>Property location (')</td>
<td>Investor type (') (')</td>
<td>Lender type (')</td>
<td>Investor (') / lender nationality (')</td>
<td>Total</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>-----------</td>
<td>-------------------</td>
<td>-----------------------</td>
<td>-----------------------</td>
<td>-----------------</td>
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<td>Annually</td>
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<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>— of which non-performing CRE loans</td>
<td>Annually</td>
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<td>nc</td>
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<td>nc</td>
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</tr>
<tr>
<td>— of which loans for acquiring property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction</td>
<td>Annually</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>— of which loans for acquiring rental housing</td>
<td>Annually</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
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<td>nc</td>
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<tr>
<td>— of which loans for acquiring income-producing real estate (other than rental housing)</td>
<td>Annually</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
</tr>
<tr>
<td>— of which loans for acquiring property held for social housing</td>
<td>Annually</td>
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<td>nc</td>
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<td>nc</td>
<td>nc</td>
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</tr>
<tr>
<td>Lending to CRE property under development (as part of CRE lending)</td>
<td>Annually</td>
<td>nc</td>
<td>nc</td>
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</tr>
<tr>
<td>— of which non-performing loans</td>
<td>Annually</td>
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<td>nc</td>
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<td>Indicator</td>
<td>Frequency</td>
<td>Breakdown</td>
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<td></td>
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</tr>
<tr>
<td>Loan loss provisions on lending to CRE property under development</td>
<td>Annually</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td>nc</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Property type is broken down into office, retail, industrial, residential and other, where relevant for the indicator.
(2) Property location is broken down into domestic prime, domestic non-prime, and foreign.
(3) Investor type is broken down into banks, insurance companies, pension funds, investment funds, property companies and others.
(4) Lender type is broken down into banks, insurance companies, pension funds, investment funds, property companies and others.
(5) Nationality is broken down into domestic, European Economic Area and rest of the world.
(6) Flows are on a gross basis for investments, lending and non-performing loans (only new loans/investments are covered without taking into account repayments or reductions on existing amounts).
(7) Flows are on a net basis for valuation adjustments on investments and loan loss provisions.
(8) Stocks data for the stock of CRE investments, valuation adjustments on CRE investments, CRE (non-performing) loans and loan loss provisions on CRE lending at reporting date.

3. Template C: indicators on lending standards

### Lending standards indicators (1)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Frequency</th>
<th>Weighted average of ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Flows (1)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Loan-to-value at origination (LTV-O)</td>
<td>Quarterly</td>
<td>R</td>
</tr>
<tr>
<td>— loans for acquiring property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction</td>
<td>Quarterly</td>
<td>R</td>
</tr>
<tr>
<td>— loans for acquiring rental housing</td>
<td>Quarterly</td>
<td>R</td>
</tr>
<tr>
<td>— loans for acquiring income-producing real estate (other than rental housing)</td>
<td>Quarterly</td>
<td>R</td>
</tr>
<tr>
<td>— loans for acquiring CRE property under development</td>
<td>Quarterly</td>
<td>R</td>
</tr>
<tr>
<td>— loans for acquiring property held for social housing</td>
<td>Quarterly</td>
<td>R</td>
</tr>
<tr>
<td>Indicator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td></td>
<td></td>
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<tr>
<td>Interest coverage ratio at origination (ICR-O)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— loans for acquiring property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— loans for acquiring rental housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— loans for acquiring income-producing real estate (other than rental housing)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— loans for acquiring CRE property under development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— loans for acquiring property held for social housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service coverage ratio at origination (DSCR-O)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— loans for acquiring property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— loans for acquiring rental housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— loans for acquiring income-producing real estate (other than rental housing)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— loans for acquiring CRE property under development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— loans for acquiring property held for social housing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Weighted average of ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly</td>
<td>R</td>
</tr>
<tr>
<td>Indicator</td>
<td>Frequency</td>
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<td>---------------------------------------------------------------------------</td>
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</tr>
<tr>
<td><strong>Current loan-to-value (LTV-C)</strong></td>
<td>Annual</td>
</tr>
<tr>
<td>— loans for acquiring property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction</td>
<td>Annual</td>
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<tr>
<td>— loans for acquiring rental housing</td>
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<tr>
<td>— loans for acquiring income-producing real estate (other than rental housing)</td>
<td>Annual</td>
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<tr>
<td>— loans for acquiring CRE property under development</td>
<td>Annual</td>
</tr>
<tr>
<td>— loans for acquiring property held for social housing</td>
<td>Annual</td>
</tr>
</tbody>
</table>

<p>| Current interest coverage ratio (ICR-C)                                   | Annual    | R                         |
| — loans for acquiring property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction | Annual    | R                         |
| — loans for acquiring rental housing                                      | Annual    | R                         |
| — loans for acquiring income-producing real estate (other than rental housing) | Annual    | R                         |
| — loans for acquiring CRE property under development                      | Annual    | R                         |
| — loans for acquiring property held for social housing                    | Annual    | R                         |</p>
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Frequency</th>
<th>Weighted average of ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current debt service coverage ratio (DSCR-C)</td>
<td>Annual</td>
<td>R</td>
</tr>
<tr>
<td>— loans for acquiring property held by owners for the purpose of conducting their business, purpose or activity, either existing or under construction</td>
<td>Annual</td>
<td>R</td>
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<tr>
<td>— loans for acquiring rental housing</td>
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<td>R</td>
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<tr>
<td>— loans for acquiring income-producing real estate (other than rental housing)</td>
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<tr>
<td>— loans for acquiring CRE property under development</td>
<td>Annual</td>
<td>R</td>
</tr>
<tr>
<td>— loans for acquiring property held for social housing</td>
<td>Annual</td>
<td>R</td>
</tr>
</tbody>
</table>

(1) Excludes property under development, which can be monitored using the loan-to-cost (LTC) ratio.
(2) Flows data for the new production of CRE loans over the reporting period.
(3) Stocks data for the stock of CRE loans at reporting date.
R = Ratio'.


ANNEX IV

Annex IV to Recommendation ESRB/2016/14 is replaced by the following:

GUIDANCE ON THE METHODS FOR MEASURING AND CALCULATING THE INDICATORS

This Annex provides high-level guidance on the methods for calculating the indicators used in the Templates of Annex II and, where applicable, also Annex III. Its purpose is not to provide detailed technical instructions for completing the Templates covering all possible cases. Moreover, the guidance should be interpreted as covering target definitions and target methods, and in some cases divergences might be justified to accommodate for the specificities of markets or market segments.

1. The loan-to-value ratio at origination (LTV-O)

1. LTV-O is defined as:

\[ \text{LTV-O} = \frac{L}{V} \]

2. For the purpose of the calculation, ‘L’:

(a) Includes all loans or loan tranches secured by the borrower on the immovable property at the moment of origination (irrespective of the purpose of the loan), following an aggregation of loans ‘by borrower’ and ‘by collateral’.

(b) Is measured based on disbursed amounts and therefore does not include any undrawn amounts on credit lines. In the case of property still being constructed, ‘L’ is the sum of all loan tranches disbursed up to the reporting date, and LTV-O is computed on the date of disbursement of any new loan tranche ('). Alternatively, if the aforementioned calculation method is not available or does not correspond to the prevailing market practice, LTV-O can also be calculated on the basis of the total loan amount granted and the expected value upon completion of the RRE that is being constructed.

(c) Does not include loans that are not secured by the property, unless the reporting credit provider considers unsecured loans part of the housing loan financing transaction, combining both secured and unsecured loans. In that case, unsecured loans should also be included in ‘L’.

(d) Is not adjusted for the presence of other credit risk mitigants.

(e) Does not include costs and fees related to the RRE loan,

(f) Does not include loan subsidies.

3. For the purpose of the calculation, ‘V’:

(a) Is computed on the basis of the property’s value at origination, measured as the lower of:

1. the transaction value, e.g. as registered in a notarial deed, and

2. the value as assessed by an independent external or internal appraiser.

If only one value is available, this value should be used.

(*) In the case of property still being constructed, the LTV-O at a given point n can be calculated as:

\[ \text{LTV-O}_n = \frac{\sum_{i=1}^{n} \frac{L_i}{V_0 + \sum_{j=1}^{n} \Delta V_{i-1}}} \]

Where \( i = 1, \ldots, n \) refers to the loan tranches disbursed up to time \( n \), \( V_0 \) is the initial value of the real estate collateral (e.g. land) and \( \Delta V_{i-1} \) represents the change in the property’s value that occurred during the periods up to the disbursement of the \( n \)-th loan tranche.
(b) Does not take into account the value of planned renovation or construction works.

(c) In the case of property still being constructed, 'V' accounts for the total value of the property up to the reporting date (accounting for the increase in value due to the progress of the construction works). 'V' is assessed upon disbursement of any new loan tranche, allowing for the computation of an updated LTV-O.

(d) Is not adjusted for the presence of other credit risk mitigants.

(e) Does not include costs and fees related to the RRE loan.

(f) Is not computed as the 'long-term value'. Whereas the use of the long-term value could be justified by the procyclicality of 'V', LTV-O aims at capturing credit standards at origination. Therefore, if, at the moment a RRE loan is granted and the LTV-O is registered, the 'V' did not represent the value of the asset at origination as reported in the lender's records, it would not adequately capture the lender's actual credit policy concerning LTV-O.

4. In addition to calculating the LTV-O in accordance with the method described in paragraphs 2 and 3 above, national macroprudential authorities may also, if they consider it necessary in order to accommodate the specificities of their markets, also calculate the LTV-O by deducting from the definition of 'V' in paragraph 3, the total amount of all outstanding RRE loans, disbursed or not, that are secured by 'senior liens' on the property, instead of including these loans in the calculation of 'L' as described in paragraph 2.

5. Where the loan markets for buy-to-let and owner occupied properties are monitored separately, the definition of LTV-O applies, subject to the following exceptions:

(a) for buy-to-let loans:
   — 'L' includes only loans or loan tranches, secured by the borrower on the immovable property at the moment of origination, related to the buy-to-let loan.
   — 'V' includes only the value at origination of the buy-to-let property.

(b) for owner occupied loans:
   — 'L' includes only loans or loan tranches, secured by the borrower on the immovable property at the moment of origination, related to the owner occupied loan.
   — 'V' includes only the value at origination of the owner occupied property.

6. National macroprudential authorities should be attentive to the fact that LTV ratios are procyclical in nature and should therefore consider such ratios with care in any risk monitoring framework. They could also investigate the use of additional metrics such as the loan-to-long-term-value, where the value is adjusted according to the long-term development of a market price index.

2. **The current loan-to-value ratio (LTV-C)**

1. LTV-C is defined as:

\[
\text{LTV-C} = \frac{LC}{VC}
\]

2. For the purpose of the calculation, 'LC':

(a) Is measured as the outstanding balance of the loan(s) - defined as 'L' in Section 1(2) - at the reporting date, taking into account capital reimbursements, loan restructurings, new capital disbursements, incurred interest, and, in the case of loans in foreign currencies, changes in the exchange rate.

(b) Is adjusted to take account of the savings accumulated in an investment vehicle intended to reimburse the loan principal. The accumulated savings may be deducted from 'LC' only where the following conditions are satisfied:

1) the accumulated savings are unconditionally pledged to the creditor with the express purpose of reimbursing the loan principal at the contractually anticipated dates; and
2) an appropriate haircut, determined by the national macroprudential authority, is applied to reflect market and/or third-party risks associated with the underlying investments.

3. For the purpose of the calculation, 'VC':

(a) Reflects the changes in the value of 'V', as defined in Section 1(3), since the most recent valuation of the property. The current value of the property should be assessed by an independent external or internal appraiser. If such assessment is not available, the current value of the property can be estimated using a granular real estate value index (e.g. based on transaction data). If such a real estate value index is also not available, a granular real estate price index can be used after application of a suitably chosen mark-down to account for the depreciation of the property. Any real estate value or price index should be sufficiently differentiated according to the geographical location of the property and the property type.

(b) Is adjusted for changes in the prior liens on the property.

(c) Is computed annually.

4. Where the RRE loan markets for buy-to-let and owner occupied properties are monitored separately, the definition of LTV-C applies, subject to the following exceptions:

(a) for buy-to-let loans:
   — 'LC' includes only loans or loan tranches, secured by the borrower on the immovable property at the moment of origination, related to the buy-to-let loan.
   — 'VC' refers to the current value of the buy-to-let property.

(b) for owner occupied loans:
   — 'LC' includes only loans or loan tranches, secured by the borrower on the immovable property at the moment of origination, related to the owner occupied loan.
   — 'VC' includes only the current value of the owner occupied property.

3. **The loan-to-income ratio at origination (LTI-O)**

1. LTI-O is defined as:

\[ \text{LTI-O} = \frac{L}{T} \]

2. For the purpose of the calculation, 'L' has the same meaning as in Section 1(2).

3. For the purpose of the calculation, 'T' is the borrower's total annual disposable income as registered by the credit provider at the moment of the RRE loan origination.

4. In determining a borrower’s ‘disposable income’, addressees are encouraged to comply with definition (1) to the greatest extent possible and with definition (2) as a minimum:

Definition (1): ‘disposable income’ = employee income + self-employment income (e.g. profits) + income from public pensions + income from private and occupational pensions + income from unemployment benefits + income from social transfers other than unemployment benefits + regular private transfers (such as alimonies) + gross rental income from real estate property + income from financial investments + income from private business or partnership + regular income from other sources + loan subsidies – taxes – health care/social security/medical insurance premiums + tax rebates.

For the purpose of this definition:

(a) ‘gross rental income from real estate property’ includes both rental income from owned property on which no RRE loan is currently outstanding and buy-to-let property. The rental income should be determined from the information that is available to banks or otherwise imputed. If precise information is not available, a best estimate of rental income should be provided by the reporting institution, and the methodology used to obtain it should be described;
(b) ‘taxes’ should include, in order of importance, payroll taxes, tax credits, pension or insurance premiums, if charged on gross income, specific taxes, e.g. property taxes, and other non-consumption taxes;

c) ‘health care/social security/medical insurance premiums’ should include the fixed and compulsory expenditures that in some countries are made after taxes;

d) ‘tax rebates’ should include restitutions from the tax authority that are linked to the RRE loan interest deduction;

e) ‘loan subsidies’ should include all public sector interventions aimed at easing the borrower’s debt servicing burden (e.g. subsidised interest rates, repayment subsidies).

Definition (2): ‘disposable income’ = employee income + self-employment income (e.g. profits) – taxes.

5. Where the RRE loan markets for buy-to-let and owner occupied properties are monitored separately, the definition of LTI-O applies, subject to the following exceptions:

(a) for buy-to-let loans:
— ‘L’ includes only loans or loan tranches, secured by the borrower on the immovable property at the moment of origination, related to the buy-to-let loan.

(b) for owner occupied loans:
— ‘L’ includes only loans or loan tranches, secured by the borrower on the immovable property at the moment of origination, related to the owner occupied property.

— Where a borrower has both owner occupied loans and buy-to-let loans, only buy-to-let rental income net of the debt servicing costs on the buy-to-let loans can be used to support the payment of owner occupied loans. In this case, the first-best definition of ‘disposable income’ is:

‘disposable income’ = employee income + self-employment income (e.g. profits) + income from public pensions + income from private and occupational pensions + income from unemployment benefits + income from social transfers other than unemployment benefits + regular private transfers, e.g. alimony) + (gross rental income from real estate property – debt servicing costs on rental property) + income from financial investments + income from private business or partnership + regular income from other sources + loan subsidies – taxes – health care/social security/medical insurance premiums + tax rebates.

4. The debt-to-income ratio at origination (DTI-O)

1. DTI-O is defined as:

\[
DTIO = \frac{D}{T}
\]

2. For the purpose of the calculation, ‘D’ includes the total debt of the borrower, whether or not it is secured by real estate, including all outstanding financial loans, i.e. granted by the RRE loan provider and by other lenders, at the moment of the RRE loan origination.

3. For the purpose of the calculation, ‘I’ has the same meaning as in Section 3(4).

5. The loan service-to-income ratio at origination (LSTI-O)

1. LSTI-O is defined as:

\[
LSTIO = \frac{LS}{T}
\]

2. For the purpose of the calculation, ‘LS’ is the annual debt servicing costs of the RRE loan, defined as ‘L’ in Section 1(2) at the moment of loan origination.
3. For the purposes of the calculation, 'I' has the same meaning as in Section 3(4).

4. Where the RRE loan markets for buy-to-let and owner occupied properties are monitored separately, the definition of LSTI-O applies subject to the following exceptions:
   
   (a) for buy-to-let loans:
   
   — 'LS' is the annual debt servicing costs related to the buy-to-let loan, at the moment of loan origination.
   
   (b) for owner occupied loans:
   
   — 'LS' is the annual debt servicing costs related to the owner occupied loan, at the moment of loan origination.
   
   — The relevant first-best definition of 'disposable income' is:
   
   'disposable income' = employee income + self-employment income, e.g. profits + income from public pensions + income from private and occupational pensions + income from unemployment benefits + income from social transfers other than unemployment benefits + regular private transfers, e.g. alimonies + (gross rental income from real estate property – debt servicing costs on rental property + income from financial investments) + income from private business or partnership + regular income from other sources + loan subsidies – taxes – health care/social security/medical insurance premiums + tax rebates.

6. **The debt service-to-income ratio at origination (DSTI-O)**

   1. DSTI-O is defined as:

   \[
   DSTI_O = \frac{DS}{I}
   \]

   2. For the purpose of the calculation, 'DS' is the annual debt servicing costs of the total debt of the borrower, defined as 'D' in Section 4(2) at the moment of loan origination.

   3. For the purposes of the calculation, 'I' has the same meaning as in Section 3(4).

   4. DSTI-O should be considered as an optional indicator as not in all jurisdictions lenders may have access to the necessary information to calculate its numerator. However, in jurisdictions where lenders do have access to such information (e.g. through credit registers or tax records), macroprudential authorities are strongly encouraged to include also this indicator in their risk monitoring framework.

7. **The interest coverage ratio (ICR)**

   1. ICR is defined as:

   \[
   ICR = \frac{\text{Gross annual rental income}}{\text{Annual interest costs}}
   \]

   2. For the purposes of the calculation:

   (a) 'gross annual rental income' is the annual rental income accruing from buy-to-let housing, gross of any operational expenses to maintain the property's value and of taxes;

   (b) 'annual interest costs' are the annual interest costs associated with the buy-to-let housing.

   3. The ratio can refer to its value at loan origination (ICR-O) or its current value (ICR-C).

8. **The loan-to-rent ratio at origination (LTR-O)**

   1. LTR-O is defined as:

   \[
   LTR_O = \frac{\text{Buy-to-let loan}}{\text{Net annual rental income or Gross annual rental income}}
   \]

   2. For the purpose of the calculation:

   (a) 'buy-to-let loan' has the same meaning of 'L' in Section 1(2), but it is limited to RRE loans financing the buy-to-let property;
(b) 'net annual rental income' is the annual rental income accruing from the buy-to-let property net of any operational expenses to maintain the property's value but gross of any taxes;

(c) 'gross annual rental income' is the annual income accruing from renting out the buy-to-let property to tenants, gross of any operational expenses to maintain the property's value and of taxes.

The net annual rental income should be used for the calculation of the LTR-O. If this information is not available, gross annual rental income may be used as an alternative.'
ANNEX V

Annex V to Recommendation ESRB/2016/14 is replaced by the following:

ANNEX V

GUIDANCE ON DEFINITIONS AND INDICATORS

This Annex provides guidance on specific issues related to the definition of indicators and in particular on Annex III. Its purpose is not to provide detailed technical instructions for completing the Templates of Annex III covering all possible cases. Moreover, the guidance should be interpreted as covering target definitions and target methods, and in some cases divergences might be justified to accommodate for the specificities of markets or market segments.

1. Definitions of commercial real estate

There is currently no Union-wide definition of CRE that is sufficiently precise for macroprudential purposes.

(a) Regulation (EU) No 575/2013 defines RRE in Article 4(1)(75) but does not provide a precise definition of CRE, other than describing it as ‘offices or other commercial premises’ in Article 126. This Regulation also requires that the property value should not depend on the credit quality of the borrower or the performance of the underlying project as regards CRE.

(b) EBA provided a useful additional criterion: the dominant purposes of the property ‘should be linked to an economic activity’ (1). While useful, this criterion is still not precise enough for macroprudential purposes.

(c) Regulation (EU) 2016/867 of the European Central Bank (ECB/2016/13) (2) is another possible source for the definition of CRE. While the premise on which this Recommendation was originally issued justified the adoption of more detailed definitions for financial stability purposes, recent developments in statistics have highlighted the need to align more closely the definition of CRE with that in Regulation (EU) 2016/867, in order to facilitate the monitoring activities and financial analyses of national macroprudential authorities and to allow for complete comparability between countries.

(d) The G20 Data Gaps initiative (3) is a set of 20 recommendations on the enhancement of economics and financial statistics that was launched in order to improve the availability and comparability of economic and financial data following the financial crisis of 2007-08. Recommendations II.17 and II.18 of the Second Phase of the G20 Data Gaps Initiative (DGI-2) (4) highlight the requirement to improve the availability of both residential and commercial real estate statistics. Following up on this initiative, in 2017, the Commission (Eurostat) published a report on ‘Commercial property price indicators: sources, methods and issues’ (5), which provides input on the source data and methodologies in relation to commercial property price indices, with the aim of better informing compilers and users of alternative data sources, measurement methods, and the issues at stake.

(e) The Basel Committee on Banking Supervision’s consultation document on revisions to the standardised approach for credit risk (6) also defines CRE as the opposite of RRE. An RRE exposure is defined as an exposure secured by an immovable property that has the nature of a dwelling and satisfies all applicable laws and regulations enabling the property to be occupied for housing purposes, i.e. residential property. A CRE exposure is then defined as an exposure secured by any immovable property that is not a residential property.

In view of the limitations of the definitions set out above, this Recommendation provides a working definition of CRE specifically for macroprudential purposes. It defines CRE as any income-producing real estate, either existing or under development, including rental housing; or real estate used by the owners of the property for conducting their business, purpose or activity, either existing or under construction; that is not classified as RRE; and includes social housing.

Whether property under development should be considered as CRE can be debated. In this respect national practices vary. However, the experience of a number of Member States during the recent financial crisis has demonstrated how important it is for financial stability purposes to monitor investments in, and the financing of, this economic activity.

Income-producing real estate is defined as all immovable properties with income generated by their rents or profits from their sale. Therefore, buy-to-let housing and rental housing are both sub-categories of income-producing real estate.

Buy-to-let housing refers to any real estate directly owned by natural persons, with the primary aim of being let to tenants. Buy-to-let housing is a border area between RRE and CRE. However, since this activity is typically undertaken by part-time, non-professional landlords with a small property portfolio this can be interpreted for financial stability purposes as belonging more to the RRE sector rather than to the CRE sector. For this reason buy-to-let housing is classified as RRE and is therefore automatically excluded from the definition of CRE, even though it is still considered to be income-producing real estate. Nevertheless, because of its distinct risk characteristics, national macroprudential authorities are recommended to monitor developments in this sub-market under a separate breakdown, should this activity represent a significant source of risks or a significant share of the stock or flows of total RRE lending. For this reason, a breakdown of RRE loans has also been included to distinguish between buy-to-let loans and owner occupied loans. Buy-to-let housing which is under construction is also deemed to be RRE. Similarly, dwellings which are being constructed with the aim of being used for dwelling purposes by the owners are also deemed to be RRE property.

Rental housing refers to real estate which is owned by legal entities (such as professional investors) with the aim of being let to tenants. Such properties are also deemed to be income-producing real estate and as such are classified as CRE. In addition, rental housing which is under construction is also classified as CRE, and in particular as income-producing real estate under development. Separate monitoring of the financing of rental housing may also be relevant for financial stability purposes. For this reason, separate breakdowns have been included for these types of loans.

Income-producing real estate other than buy-to-let housing and rental housing is also included in the definition of CRE, whether existing or under construction. Examples of such other types of income-producing real estate include rented office buildings and rented business premises. When under construction, such types of income-producing real estate are considered to be income-producing real estate under development, which is classified as CRE.

Real estate used by the owners of the property for conducting their business, purpose or activity includes business premises, as well as real estate of a more sui generis nature, such as churches, universities, museums, etc. Whether real estate used by the owners of the property for conducting their business, purpose or activity should be classified as CRE or as another type of real estate can be debated. In this respect, national practices vary, since the risks associated with such real estate may, in some Member States, be considered to be different from the risks associated with CRE. Nevertheless, while acknowledging that the risks may vary across Member States, it is also important to monitor such risks for financial stability purposes. For this reason, real estate used by the owners of the property for conducting their business, purpose or activity has been included in the definition of CRE. In addition, to cater for the specificities of the financing of the different real estate markets across Member States, separate breakdowns are also included in order to monitor risks connected to these types of financing separately. Real estate used by the owners of the property for conducting their business, purpose or activity should also be considered as CRE both during the construction phase and upon completion.

Social housing is a complex segment of the real estate market, as it may take different forms across and within Member States. Given that social housing is not usually built, acquired or renovated by natural persons, it is not classified as RRE, but as CRE. However, in some countries, in view of financial stability considerations, it is important to monitor the risks stemming from this type of property under a separate breakdown. For this reason, separate breakdowns have been added for these types of loans. In addition, social housing which is owned directly by the State is deemed to be
owned for the purpose of conducting the government’s purpose and is therefore also classified as CRE. Social housing which is still under construction is also classified as CRE, as it is considered as income-producing real estate under development.

Any other properties under construction should be considered as either RRE or CRE in accordance with the general definitions in points (4) and (38), respectively, of section 2(1)(1).

2. Data sources on commercial real estate

2.1. Indicators on the physical CRE market

CRE indicators on the physical market can be obtained through:

(a) public sources, e.g. national statistical agencies or land registers; or

(b) private sector data providers that cover a substantial part of the CRE market.

The ESRB Report on commercial real estate and financial stability in the EU provides an overview of available price indices and possible data sources (7).

2.2. Indicators on the financial system’s CRE exposure

The exposures of market participants, at least those of the financial sector, can be collected from supervisory reporting. Some data are already collected by the ECB and EIOPA at national level. However, these are not very detailed. New supervisory reporting templates for banks, i.e. Financial Reporting (FINREP) and Common Reporting (COREP), for insurers under Directive 2009/138/EC of the European Parliament and of the Council (8) and for investment funds under Directive 2011/61/EU of the European Parliament and of the Council (9) can provide more granular insight into financial institutions’ exposures to CRE.

The classifications provided in the statistical classification of economic activities in the European Community (NACE rev 2.0) can be useful to proxy financial institutions’ exposures to CRE, as they are widely agreed upon by the Union institutions and used in regulatory reporting templates for banks and insurance undertakings. Two sections appear to be relevant in that respect:

(a) Section F: construction, excluding civil engineering; and

(b) Section L: real estate activities, excluding real estate agencies.

The main drawback of using NACE classifications is that they target economic sectors and not loans. For instance, a loan extended to a property company to buy a car fleet will be reported under Section L, even if it is not a CRE loan.

2.3. Use of private sector data

Where national macroprudential authorities use data from a private sector data provider in order to compile the CRE indicators, they are expected to identify the differences in scope and definitions compared to those requested in this Recommendation. They should also be able to provide details on the underlying methodology used by the provider and the sample coverage. Data from a private sector provider should be representative of the overall market and the relevant breakdowns set out in Recommendation D:

(a) property type;

(b) property location;

(c) investor type and nationality;

(d) lender type and nationality.

(7) ESRB, Report on Commercial Real Estate and Financial Stability in the EU, December 2015, in particular Annex II, Section 2.2.


3. Relevant breakdowns of the indicators

With respect to the relevant breakdowns set out in Recommendation D, national macroprudential authorities should be able to provide an assessment of the relevance of such breakdowns for their CRE market when they use them for monitoring purposes, taking also into account the principle of proportionality.

‘Property type’ refers to the primary use of a commercial property. For CRE indicators, this breakdown should include the following categories:

(a) residential, e.g. multi-household premises;
(b) retail, e.g. hotels, restaurants, shopping malls;
(c) offices, e.g. a property primarily used as professional or business offices;
(d) industrial, e.g. property used for the purposes of production, distribution and logistics;
(e) other types of commercial property.

If a property has a mixed use, it should be considered as different properties (based for example on the surface areas dedicated to each use) whenever it is feasible to make such breakdown; otherwise, the property can be classified according to its dominant use.

‘Property location’ refers to the geographical breakdown (e.g. by regions) or to real estate sub-markets, which shall also include prime and non-prime locations. A prime location is generally considered the best location in a particular market, which is also reflected in the rental yield (typically the lowest in the market). For office buildings this could be a central location in a major city. For retail buildings this may refer to a city centre with many pedestrians or a centrally-placed shopping centre. For logistics buildings this may refer to a location where the necessary infrastructure and services are in place, which has excellent access to transport networks.

‘Property territory’ refers to the territory where the property that serves as collateral for a loan provided within the domestic financial system of any Member State is located. This breakdown should include the following sub-categories:

(a) domestic territory;
(b) foreign territory broken down into individual countries which the national macroprudential authorities of the Member State deem important for financial stability purposes.

‘Investor type’ refers to broad investor categories, such as:

(a) banks;
(b) insurance companies;
(c) pension funds;
(d) investment funds;
(e) property companies;
(f) others.

It is probable that only data on the recorded borrower or investor will be available. However, national macroprudential authorities should be aware that the recorded borrower or investor can be different from the ultimate borrower or investor, which is where the final risk lies. Hence, authorities are encouraged to monitor also information on the ultimate borrower or investor whenever possible, e.g. through information gathered from market participants, in order to have a better understanding of the behaviour of market participants and risks.

‘Lender type’ refers to broad lender categories, such as:

(a) banks, including ‘bad banks’;
(b) insurance companies;
(c) pension funds.

National macroprudential authorities may need to adjust the list of investor and lender types in order to reflect the characteristics of the local CRE sector.
'Nationality' refers to the country of incorporation of the market participant. The nationality of investors and lenders should be broken down into at least the three following geographical categories:

(a) domestic;

(b) rest of the European Economic Area;

(c) rest of the world.

National macroprudential authorities should be aware that the recorded investor's or lender's nationality can be different from the nationality of the ultimate investor or lender where the final risk lies. Hence, authorities are encouraged to also monitor information on the ultimate lender's or investor's nationality, e.g. through information gathered from market participants.

The breakdowns set out in Recommendation D(2) are to be considered as the recommended minimum. However, national macroprudential authorities are not prevented from making use of any additional breakdowns which, based on their own definitions and metrics, and taking into consideration the specificities of their national CRE markets, they may deem necessary for financial stability purposes. With respect to these additional breakdowns, national macroprudential authorities may choose to monitor and categorise these market segments as they deem appropriate for their national CRE markets. Moreover, where certain sub-categories of CRE or RRE are not deemed to be of relevance for financial stability purposes, national macroprudential authorities may choose not to monitor the risks stemming from such types of property and/or from their financing. In such cases, inaction by national macroprudential authorities will be deemed to be justified provided that sufficient explanations are provided.

4. **Methods for calculating the physical market indicators**

CRE price refers to a constant quality *numéraire*, i.e. the market value of property stripped of quality changes such as depreciation (and obsolescence) or appreciation (e.g. renovation) by means of quality adjustment.

Guidance from work initiated by Eurostat advises that pricing data should be collected from actual transactions. Where these are not available and/or fully representative they may be approximated by appraisal or valuation data as long as these data reflect the current market price, and not any sustainable price measurement approach.

5. **Assessment of financial system exposures to commercial real estate**

The financial system's exposure to CRE consists of both lending, often by banks and sometimes also insurance companies, and investments, often made by insurance companies, pension funds and investment funds. Investments can refer to both direct CRE holdings, e.g. possessing legal title to a CRE property, and indirect CRE holdings, e.g. through securities and investment funds. In case a lender or investor uses a special purpose vehicle (SPV) as a dedicated CRE financing technique, such lending or investments should be considered as direct CRE lending or holdings ('look-through' approach).

When assessing these exposures for the system, as a whole, national macroprudential authorities should be aware of the risk of double-counting. Investors can invest both directly and indirectly in CRE. For example, pension funds and insurance companies often invest indirectly in CRE.

It may also be more difficult to capture exposures of foreign market participants, which may make up a significant part of the market (*). Since these market participants are important to the functioning of the CRE market, monitoring of their activities is advisable.

Since losses from CRE activities are often concentrated in CRE lending by banks, national macroprudential authorities are encouraged to pay particular attention to this activity in their monitoring.

6. **Methods for calculating LTV**

Annex IV sets out the methods for calculating LTV-O and LTV-C. However, there are a number of specificities to take into account when these ratios are calculated for CRE.

(*) ESRB, ‘Report on Commercial Real Estate and Financial Stability in the EU’, December 2015, in particular Section 2.3 and Box 1.
In the case of a syndicated loan, the LTV-O should be calculated as the initial amount of all loans granted to the borrower relative to the value of the property at origination. Where several properties are concerned, the LTV-O should be calculated as the ratio of the initial loan(s) amount to the total value of the properties concerned.

As the number of properties is much smaller and properties are more heterogeneous in the CRE sector than in the RRE sector, it is more appropriate to calculate the LTV-C on the basis of a value assessment of the individual properties rather than using a value or price index.

Finally, national macroprudential authorities need to monitor the distribution of LTV with a particular focus on the riskiest loans, i.e. those with the highest LTV, as losses often result from such tail risk.

7. Methods for calculating the interest coverage ratio (ICR) and debt service coverage ratio (DSCR)

The interest coverage ratio (ICR) and the debt service coverage ratio (DSCR) refer to rental income generated by an income-producing property or set of properties, or to cashflow generated by the conduct of the business, purpose or activity of the owners of a property or set of properties, net of taxes and operating expenses that the borrower must incur in order to maintain the property’s value and – in the case of cashflow – adjusted for other costs and benefits directly connected with the use of the property.

ICR is defined as:

$$ICR = \frac{\text{Net annual rental income}}{\text{Annual interest costs}}$$

For the purposes of calculating ICR:

(a) ‘net annual income’ includes the annual rental income accruing from renting property to tenants or the annual cashflow generated by the conduct of the business, purpose or activity of the owners of the property, net of taxes and any operational expenses to maintain the property’s value and – in the case of cashflow – adjusted for other costs and benefits directly connected with the use of the property.

(b) ‘annual interest costs’ are annual interest costs associated with the loan secured by the CRE property or set of properties.

The ICR’s purpose is to measure the extent to which the income generated by a property is sufficient to pay for the interest expenses incurred by a borrower to purchase that property. ICR should therefore be analysed at property level.

DSCR is defined as:

$$DSCR = \frac{\text{Net annual rental income}}{\text{Annual debt service}}$$

For the purpose of calculating DSCR:

(a) ‘net annual income’ is the annual rental income accruing from renting property to tenants or the annual cashflow generated by the conduct of the business, purpose or activity of the owners of the property, net of any taxes and operational expenses to maintain the property’s value and – in the case of cashflow – adjusted for other costs and benefits directly connected with the use of the property.

(b) ‘annual debt service’ is the annual debt service associated with the loan secured by the CRE property or set of properties.

The DSCR’s purpose is to assess the weight of the overall debt burden that a property generates for a borrower. Hence, the denominator includes not only interest expenses, but also loan amortisation, i.e. principal repayments. The main issue for such an indicator is whether it should be calculated at property level or at borrower level. CRE financing is typically provided on a non-recourse basis, i.e. the lender is only entitled to repayment from the income of the property and not from the borrower’s other income or assets. Therefore it is more realistic and appropriate to calculate the DSCR at property level. Furthermore, focusing on a borrower’s overall income would raise important consolidation issues which would make it more difficult to define a metric that is comparable across Member States.
8. **Additional indicators relevant for income-producing property under development**

For income-producing property under development, instead of the LTV at origination, national macroprudential authorities may instead monitor the loan-to-cost ratio (LTC). The LTC represents the initial amount of all loans granted in relation to the costs associated with the construction of the property until completion.

In addition, national macroprudential authorities should focus their monitoring on the riskiest developments, e.g. those that experience very low pre-let or pre-sale ratios. For any building still being constructed, the pre-let ratio equals the surface area that has already been let by the property developer at the time the loan is issued relative to the total surface area that will be available once the property has been completed; similarly, the pre-sale ratio equals the surface area that has already been sold by the property developer at the time the loan is issued relative to the total surface area that will be available once the property has been completed.

9. **Annual publication of commercial real estate exposures by the ESAs**

Drawing on information available from regulatory reporting templates, the ESAs are recommended to disclose at least annually aggregated information on the exposures to the different national CRE markets in the Union for the entities within the scope of their supervision and on solo basis. Such public disclosure is expected to enhance the knowledge of national macroprudential authorities on the activity of entities from other Member States on their domestic CRE market. In case there are any concerns about the scope or quality of the published data, such publication should be accompanied with the appropriate comments.

As a general rule, the ESAs should make it possible for any national macroprudential authority in the Union to assess the exposures of all Union financial institutions to its national market. This implies that data collected for all financial institutions in the Union should be aggregated at country level.

In disclosing such aggregated information, the ESAs should make use of information in regulatory reporting templates that provide a geographical breakdown of credit exposures and/or (direct and indirect) investments. When reporting templates provide a breakdown by NACE codes (\(^1\)), CRE could be referred to as both the ‘F’ and ‘L’ Sections, although strictly speaking some sub-categories would need to be excluded following the CRE definition adopted in this Recommendation.

II

(Information)

INFORMATION FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

EUROPEAN COMMISSION

COMMUNICATION FROM THE COMMISSION
Guidance on the participation of third-country bidders and goods in the EU procurement market
(2019/C 271/02)

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GLOSSARY OF ACRONYMS

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<td>CJEU</td>
<td>Court of Justice of the European Union</td>
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<td>EEA</td>
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<td>EMAS</td>
<td>Eco-Management and Audit Scheme</td>
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<td>FTA</td>
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<td>GPA</td>
<td>Government Procurement Agreement of the World Trade Organization</td>
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<td>ILO</td>
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<td>IPI</td>
<td>International Procurement Instrument</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>R &amp; D</td>
<td>Research and Development</td>
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<td>TFEU</td>
<td>Treaty on the Functioning of the European Union</td>
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Why this guidance?

In March 2019, the European Commission and the High Representative for the Union for Foreign Affairs and Security Policy adopted a Joint Communication to the European Parliament, the European Council and the Council setting out an ‘EU — China strategic outlook’ (1) (Communication), calling for ‘a proactive approach to strengthening the EU’s competitiveness and ensuring a level playing field’.

The EU should continue to seek more balanced and reciprocal conditions in its economic relationships. Public procurement, representing a share of about 14% of the EU Gross Domestic Product, is an important element in this regard.

The establishment of a single market for public procurement is one of the key achievements of the internal market. EU-wide publication of tenders ensures transparency and creates opportunities for companies across the Union. Better implementation of the rules in the case of foreign bidders aims at ensuring the highest quality standards at all stages of the process, value-for-money, sustainability of projects, and a level playing field between EU and non-EU companies participating in tender procedures.

The Commission has, therefore, committed to ‘publish guidance on the legal framework on the participation of foreign bidders and goods in the EU market taking into account EU and international rules on procurement, including on abnormally low tenders, as well as respect of security, labour and environmental standards’ (Action 7).

The European Council supported the Commission’s approach and called for action by the Union to ‘safeguard its interests in the light of unfair practices of third countries making full use of trade defence instruments and our public procurement rules, as well as ensuring effective reciprocity for public procurement with third countries.’ It also stressed ‘fair competition should be ensured within the Single Market and globally both to protect consumers and to foster economic growth and competitiveness, in line with the long-term strategic interests of the Union’ (2).

Moreover, the Commission has also committed, together with Member States, to conduct, before the end of 2019, an overview of the implementation of the current framework to identify shortcomings. Any gaps identified in this exercise will be thoroughly assessed, especially through the lens of potential gaps hindering a level playing field between EU and non-EU companies participating in tender procedures.

(1) JOIN (2019)5.
(2) European Council meeting of 21 and 22 March 2019, EUCO 1/19.
Third country bidders, goods and services are not always bound by the same, or equivalent, environmental, social or labour standards as those applicable to EU economic operators. Similarly, third country bidders are not necessarily subject to strict State aid rules similar to those applicable in the EU. This may put EU bidders, goods and services at a disadvantage. There is a need to apply the EU public procurement rules so as to ensure that the same, or equivalent, standards and requirements apply to EU and third country bidders.

Addressing distortions in European procurement markets created by third country subsidies, or other forms of state-backed financing, is likely to require a multi-prong intervention. Application of provisions related to abnormally low tenders is key in this context but may not be sufficient and further analysis may be needed.

The Communication also recalls the Commission’s commitment to ensure reciprocity in access to foreign procurement markets. Over the years, the EU has opened up to a large degree its public procurement markets to third countries, but EU companies often encounter difficulties in gaining access to procurement opportunities in some foreign markets. In 2016, the Commission issued a revised proposal for an international procurement instrument (IPI) (1) that, if adopted, will open doors to our companies and allow them to compete on an equal footing with non-EU companies.

By committing to the actions in the Communication, the Commission has confirmed the importance it attaches to fostering fair competition and the level playing field in the internal market in the area of public procurement.

In line with the objectives of the ‘EU — China strategic outlook’, this guidance aims to offer assistance to public buyers by improving understanding of certain practical aspects of the public procurement procedures laid down in the relevant EU legislation when dealing with third country participation in tenders. It also aims to promote the principle that not only price, but also high European standards in the area of, in particular labour, the environment and security, are taken into account in public procurement procedures. It thereby helps to ensure that there is a level playing field with EU bidders, goods and services. This guidance builds on the Communication ‘Making Public Procurement work in and for Europe’ (2), which established a broad partnership with Member States with the objective of enhancing the effectiveness of public procurement. Knowing and using the opportunities provided by the existing legal framework will help strengthen the Single Market and contribute to a level playing field in the EU procurement market.

Legal framework

The public procurement framework is set out in a number of instruments. According to the Treaty on the Functioning of the European Union (TFEU) (3), public procurement in the EU is subject to the basic principles of transparency, equal treatment and non-discrimination. The public procurement directives set out minimum harmonised public procurement rules. These rules govern the way public authorities and certain public utility operators purchase goods, works and services. These rules are transposed into national legislation and apply to tenders whose monetary value exceeds a certain amount. The procedural rules apply to each individual procurement regardless of the origin of a bidder.

In the international context, the treaties concluded by the EU define who has secured access to the EU procurement market. The main relevant treaty is the Agreement on Government Procurement (GPA) (4), opening up the EU procurement market to the other parties to the agreement. In addition, several of the EU’s Free Trade Agreements (FTA) contain chapters on procurement. This guidance does not replace the relevant public procurement legislation and it should not be understood as an instruction manual on ‘how to comply with the requirements set out in the legislation’. Only the Court of Justice of the European Union is competent to provide a definitive and binding interpretation of EU law (5). The guidance is without prejudice to the international obligations of the EU in respect of its trading partners.

(1) Amended proposal for a Regulation of the European Parliament and the Council on the access of third country goods and services to the Union’s internal market in public procurement and procedures supporting negotiations on access of Union goods and services to the public procurement markets of third countries, COM (2016) 34 final.

(2) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions ‘Making Public Procurement work in and for Europe’, COM (2017) 572 final.


(4) https://www.wto.org/english/tratop_e/gproc_e/gp_gpa_e.htm

(5) The document is not legally binding. While the document occasionally paraphrases the provisions of EU legislation, it is not meant to add to or diminish the rights and obligations set out in that legislation. Insofar as the document could be understood as interpreting EU legislation, it warrants stressing that only the Court of Justice of the European Union is competent to give a legally binding interpretation of EU law. The examples referred to in this document have not been verified for compliance with EU law.
1. Access of third country bidders and goods to the EU public procurement market

**Article 25 of Directive 2014/24/EU**

In so far as they are covered by Annexes 1, 2, 4 and 5 (*) and the General Notes to the European Union’s Appendix I to the GPA and by the other international agreements by which the Union is bound, contracting authorities shall accord to the works, supplies, services and economic operators of the signatories to those agreements treatment no less favourable than the treatment accorded to the works, supplies, services and economic operators of the Union.

The EU actively pursues the opening of procurement opportunities for European companies by advocating reciprocal opening of the procurement markets of third countries. In international negotiations, the EU has supported a wider uptake of quality criteria including environmental, social, labour and innovation aspects and an ambitious opening of international procurement markets.

The EU has committed itself under several international agreements (such as the Agreement on Government Procurement and bilateral Free Trade Agreements with Procurement Chapters), to grant access to its public procurement market for certain works, supplies, services and economic operators of several third countries.

Accordingly, the public procurement directives provide, for public buyers in the EU, to accord to the works, supplies, services and economic operators of the signatories to those agreements treatment that is no less favourable than the treatment accorded to the works, supplies, services and economic operators of the EU, in so far as these are covered by these agreements (†).

Beyond that obligation, economic operators from third countries, which do not have any agreement providing for the opening of the EU procurement market or whose goods, services and works are not covered by such an agreement, do not have secured access to procurement procedures in the EU and may be excluded.

1.1. International Procurement Agreements and International Procurement Instrument

**Agreement on Government Procurement (GPA)**

The Agreement on Government Procurement concluded in the World Trade Organisation (WTO) framework allows operators from the 19 other participating WTO partners to bid for certain public contracts in the EU, and EU companies to bid for contracts of 19 other WTO partners.

**Bilateral Free Trade Agreements**

The EU has concluded free-trade agreements (FTAs) with countries across the world, which give companies of the parties better access to each others’ public procurement markets.

This is the case, for example, with the recent trade agreements with Canada and Japan.

If public buyers receive a tender from a non-EU economic operator, they should verify whether the tender is covered by the international procurement agreements signed by the EU, such as the GPA or FTAs, to determine whether the bidder has secured access to this procurement.

At present, 20 parties are part of the GPA: the EU with regard to its 28 Member States; Armenia; Australia; Canada; Chinese Taipei; Hong Kong (China); Iceland; Israel; Japan; Liechtenstein; Montenegro; Moldova; Norway; New Zealand; South Korea; Singapore; Switzerland; Ukraine; United States; and the Netherlands (with respect to Aruba).

(*) Under the current text of the GPA, the relevant Annexes mentioned in Article 25 now correspond to 1, 2, 4, 5, 6 and 7.

The GPA and government procurement chapters of the FTAs do not automatically apply to all government procurement of the parties. The GPA and FTAs consist of two parts:

(a) a legal text with rules on principles and procedures; and

(b) the coverage schedules of each party.

Coverage schedules determine which public entities have to comply with the agreed rules and to which extent their procurement of goods and services is open to participation of economic operators (and their goods and services) of the other GPA parties or FTA partners.

Only procurements exceeding the specified threshold values indicated in each party’s coverage schedules, are covered.

The EU's market coverage schedules are specified in its Annexes to Appendix I of the GPA and in the relevant Annexes to the respective FTAs. By checking these sources, a public buyer can determine whether a bidder (or its goods and services) has secured access to its procurement.

The EU promotes, through its FTAs, the use of environmental, social, and labour-related considerations, provided that they are applied in a non-discriminatory way. Those agreements contribute to the further opening of the EU’s and third countries' procurement markets.

In the case of Free Trade Agreements (FTAs), contracting authorities have to follow a similar verification process with regard to the coverage of the planned procurement. The EU has included rules about public procurement and market access commitments in many of its FTAs. The FTAs are, in most cases, based on the GPA structure.

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**The International Procurement Instrument**

The Commission has proposed the International Procurement Instrument (IPI) (10) to foster reciprocity and provide leverage in order to negotiate with third countries the opening of their procurement markets for EU business. There is a clear need to have such leverage to counter discriminatory measures and outright market closures.

This is why, on 21 March 2019, the European Council called in its conclusions ‘(…) for resuming discussions on the EU’s international Procurement Instrument’ (11).

1.2. Sector and project specific rules and agreements

**Inter-governmental agreements**

International agreements with third countries may contain specific procurement rules provided that they comply with the Treaty principles of transparency, equal treatment and non-discrimination.

**Utilities sector**

In the utilities sector, public buyers can reject tenders for supply contracts if more than 50 % of the products come from certain third countries.

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(10) Amended proposal for a Regulation of the European Parliament and of the Council on the access of third country goods and services to the Union’s internal market in public procurement and procedures supporting negotiations on access of Union goods and services to the public procurement markets of third countries, COM(2016) 34 fin.

Defence and security
For defence and security procurements, Member States remain free to decide whether to allow public buyers to admit foreign bidders.

1.2.1. Procurement organised under intergovernmental agreements
In specific cases, and for concrete projects, Member States might plan to award contracts based on international agreements with third countries, which have different procurement regimes compared to the European framework.

Tender procedures under such agreements are exempted from EU public procurement legislation under the conditions laid down in the Directives and as long as the specific procurement rules of the international agreement comply fully with the EU Treaty, especially with the principles of transparency, equal treatment and non-discrimination. Such agreements must be notified to the Commission.

The procurements organised pursuant to such international agreements must comply with the principles of the EU Treaty, including appropriate and open publication, giving all companies, irrespective of their place of establishment or country of origin, the possibility to participate. A direct award, which by its very nature does not ensure transparency and competition, is incompatible with these fundamental principles.

In the external context, no international agreement concluded between a Member State and one or more third countries can constitute a basis to award contracts directly to third countries or their economic operators. This would be incompatible with the exclusive competence of the EU with regard to the common commercial policy and the basic principles of the EU Treaties regarding public procurement. Favourable financing conditions for the project can also not constitute the basis for a direct award.

1.2.2. Measures in the utilities sector

Article 85 of Directive 2014/25/EU — Tenders comprising products originating in third countries

1. This Article shall apply to tenders covering products originating in third countries with which the Union has not concluded, whether multilaterally or bilaterally, an agreement ensuring comparable and effective access for Union undertakings to the markets of those third countries. It shall be without prejudice to the obligations of the Union or its Member States in respect of third countries.

2. Any tender submitted for the award of a supply contract may be rejected where the proportion of the products originating in third countries, as determined in accordance with Regulation (EU) No 952/2013 of the European Parliament and of the Council, exceeds 50% of the total value of the products constituting the tender. For the purposes of this Article, software used in telecommunications network equipment shall be regarded as products.

3. Subject to the second subparagraph of this paragraph, where two or more tenders are equivalent in the light of the contract award criteria defined in Article 82, preference shall be given to those tenders which may not be rejected pursuant to paragraph 2 of this Article. The prices of those tenders shall be considered equivalent for the purposes of this Article, if the price difference does not exceed 3%. However, a tender shall not be preferred to another pursuant to the first subparagraph where its acceptance would oblige the contracting entity to acquire equipment having technical characteristics different from those of existing equipment, resulting in incompatibility, technical difficulties in operation and maintenance, or disproportionate costs.

4. For the purposes of this Article, those third countries to which the benefit of this Directive has been extended by a Council Decision in accordance with paragraph 1 shall not be taken into account for determining the proportion, referred to in paragraph 2, of products originating in third countries.

Article 43 of Directive 2014/25/EU does not grant secured access to the EU procurement market to all third country operators. In addition, it provides for a specific regime for tenders comprising products originating in third countries. This is set out in Article 85 of Directive 2014/25/EU.
Public buyers operating in the water, energy, transport and postal services sectors may reject tenders for supply contracts, if the proportion of the products originating in a third country exceeds 50% of the total value of the products constituting the tender.

This regime applies only to products originating in third countries that are not covered by an agreement ensuring comparable and effective access for EU undertakings to the markets of these third countries.

If, instead of rejecting such a tender, a public buyer allows its participation in the procurement process, the public buyer is required to give preference to equivalent tenders with less than 50% of the products originating in third countries (\(^{(2)}\)). The public buyer is not required to give such preference, if that would oblige the contracting entity to acquire equipment having technical characteristics different from those of existing equipment, resulting in incompatibility, technical difficulties in operation and maintenance, or disproportionate costs.

Recently, a public buyer used the flexibility contained in Article 85 of the Utilities Directive to require from the bidder declarations on the origin of their products. As more than 50% of the products originated from third countries covered by the provision, it rejected the respective tender.

1.2.3. Purchases in the fields of defence and security

Recital (18) of Directive 2009/81/EU:

Contracts relating to arms, munitions and war material awarded by contracting authorities/entities operating in the field of defence are excluded from the scope of the Government Procurement Agreement (GPA) concluded at the World Trade Organization. The other contracts covered by this Directive are also exempted from the application of the GPA by virtue of Article XXIII (\(^{(13)}\)) thereof. [...] This exclusion means also that in the specific context of defence and security markets, Member States retain the power to decide whether or not their contracting authority/entity may allow economic operators from third countries to participate in contract award procedures. They should take that decision on grounds of value for money, recognising the need for a globally competitive European Defence Technological and Industrial Base, the importance of open and fair markets and the obtaining of mutual benefits. Member States should press for increasingly open markets. Their partners should also demonstrate openness, on the basis of internationally-agreed rules, in particular as concerns open and fair competition.

Purchases of goods and services in the defence and security sectors are often of a sensitive nature. Specific requirements for such purchases are laid down in Directive 2009/81/EC (\(^{(14)}\)) in the context of Member States’ need to ensure security of supply as well as the protection of classified information.

For purchases made under the defence and security procurement directive, it is up to each Member State to define in its national rules (\(^{(15)}\)) on whether or not their public buyers may allow economic operators from third countries to participate in contract award procedures (\(^{(16)}\)). If public buyers decide not to allow economic operators or goods from third countries, they may already indicate such a general restriction in the contract notice and the tender documents. Alternatively, they may opt to reject these offers individually in the award decision. In the latter case, public buyers should indicate in the tender documents that they reserve the right to reject offers on defence and security grounds.

\(^{(12)}\) Combined reading of Article 85(1) with Article 85(2) of Directive 2014/25/EU.

\(^{(13)}\) Under the current text of the GPA, the relevant provisions are no longer included in Article XXIII but in Article III.


\(^{(15)}\) Member States should take that decision on grounds of value for money, recognising the need for globally competitive European Defence Technological and Industrial Base, the importance of open and fair markets and the goal to obtain mutual benefits. That decision could also be selective, i.e. allowing only economic operators from all or some GPA countries, but not from other third countries (non-EEA countries which are not members of GPA and with which the EU has no bilateral agreements on opening of public procurement markets).

\(^{(16)}\) Cf. second paragraph of Recital 18 of Directive 2009/81/EC.
In order to protect their specific security interests, public buyers can also take other measures:

— They may require bidders to provide national security clearances and to accept foreign security clearances only if they are recognised as equivalent, based on the level of intelligence cooperation between the countries concerned.

— They may require certificates from foreign bidders ensuring that the transport of equipment will be allowed, including additional delivery in crisis situations.

— They may also require bidders to make commitments regarding access to and the confidentiality of classified information.

— They may require providers and solutions to be compliant with additional requirements stemming from specific security legislations. For example in the field of cybersecurity, the Network Information Security Directive (17) contains measures ensuring a high common level of security of network and information systems across the Union.

Public buyers may request from contractors that they open their supply chain to competitive tendering. This can allow new players to join the supply chain (18).

For certain exceptional purchases in the field of defence and security, national security interests are at stake. Some contracts necessitate such extremely demanding requirements in terms of security of supply, or are so confidential and important for national sovereignty that the specific provisions of Directive 2009/81/EC might not be sufficient to safeguard a Member State’s essential security interests.

For such purchases, Article 346 TFEU provides for a derogation allowing Member States to award contracts without applying the rules of the Directive (19). Member States have to assess, on a case-by-case basis, whether this exclusion can be applied, identifying the essential security interests at stake and evaluating the necessity of the specific measure, taking into account the principle of proportionality and the need for strict interpretation of such derogation (20).

1.3. In practical terms

<table>
<thead>
<tr>
<th>International procurement agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td>—Public buyers should check whether a third country bidder is covered by the GPA or a bilateral agreement. If they are not covered, they do not have secured access to procurement procedures in the EU.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Procurements under intergovernmental agreements</th>
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<tbody>
<tr>
<td>—The procurements have to respect the Treaty principles of transparency, equal treatment, and non-discrimination.</td>
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<tr>
<td>—Contracts may not be directly awarded under such agreements.</td>
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<tr>
<th>Procurements under the utilities directive</th>
</tr>
</thead>
<tbody>
<tr>
<td>—Public buyers should check whether more than 50 % of products offered in a supply contract originate from third countries.</td>
</tr>
<tr>
<td>—If these third countries are not covered by the GPA or a bilateral agreement, the tender may be rejected.</td>
</tr>
</tbody>
</table>


(18) Article 21 of Directive 2009/81/EC.

(19) The definition of their essential security interests is the sole responsibility of Member States, as stated in Recital 16 of the Directive (see also judgement of 30 September 2003 in Case T-26/01).

(20) See CJEU judgment of 13 December 2007 in Case C-337/06 Bayerischer Rundfunk, paragraph 64.
Defence and security procurements

— These procurements are not included in the GPA or in existing bilateral agreements.

— Public buyers do not have to give access to third country operators.

2. Abnormally low tenders

Article 69 of Directive 2014/24/EU

1. Contracting authorities shall require economic operators to explain the price or costs proposed in the tender where tenders appear to be abnormally low in relation to the works, supplies or services.

2. The explanations referred to in paragraph 1 may in particular relate to:

(a) the economics of the manufacturing process, of the services provided or of the construction method;

(b) the technical solutions chosen or any exceptionally favourable conditions available to the tenderer for the supply of the products or services or for the execution of the work;

(c) the originality of the work, supplies or services proposed by the tenderer;

(d) compliance with obligations referred to in Article 18(2);

(e) compliance with obligations referred to in Article 71;

(f) the possibility of the tenderer obtaining State aid.

3. The contracting authority shall assess the information provided by consulting the tenderer. It may only reject the tender where the evidence supplied does not satisfactorily account for the low level of price or costs proposed, taking into account the elements referred to in paragraph 2. Contracting authorities shall reject the tender, where they have established that the tender is abnormally low because it does not comply with applicable obligations referred to in Article 18(2).

For public buyers, identifying, investigating, and rejecting abnormally low tenders is a means of ensuring a level playing field.

While formulating their tender specifications, public buyers should pay due attention to the expected price or costs of the goods or services. The public buyer's estimate will have to take into account all the criteria established in the tender documents, including contract execution requirements, selection and award criteria.

A thorough calculation before the launch of the procurement procedure will avoid difficulties at a later stage. Information in the tender documents on the order of magnitude, also in monetary terms, that the public buyer expects can give a good indication to bidders on the level of quality expected and will avoid receiving unsuitable offers.

After reception of the offers, the public buyer will have to evaluate whether the tenders appear reasonably calculated. For example, the price or costs offered in a tender may deviate from the price or costs offered by other bidders or from the public buyer's own estimate, while not presenting any particularities as compared to other offers, which clearly justify the difference. Public buyers may doubt whether the offer is economically sustainable and can be performed in accordance with the tender requirements and the applicable legal obligations, or whether the offer is abnormally low.

Know the price

— Market knowledge is key

— Be aware of the price of previous procurements

— Consult with specialists and other procurers
2.1. Identifying abnormally low tenders

The directives do not provide a definition of what constitutes an abnormally low tender, nor a specific method to calculate an anomaly threshold. Some Member States have established voluntary or compulsory methods. Member States are free to set up national rules or methods to be used for identifying tenders that are suspected of being abnormally low, provided that these rules are objective and non-discriminatory (21). They may apply arithmetical methods, based on an assessment of the deviation of a tender from the average price of all tenders (22), or from the public buyer’s own estimated value of the procurement. A valid method can also be to refer to the difference between the lowest and second lowest tenders. Such rules may include specific percentage thresholds to be applied for the identification of abnormally low tenders. In case national law has not set up a method, public buyers themselves can establish transparent and non-discriminatory methods.

Offers may appear to be abnormally low in relation to any of the relevant parameters and award criteria. This may be the case, for example, if the relationship between the quality offered and the price is suspicious.

Where a public buyer receives an offer that it suspects to be abnormally low, it is under a legal obligation to request an explanation of the price offered from the economic operator concerned (23). The public buyer may not reject an offer without having given the economic operator the opportunity to explain and justify the price. This also applies to arithmetical methods used to identify suspicious tenders. Such methods do not allow for immediate rejection without investigation.

Identifying abnormally low tenders

LOOK AT ALL THE PARAMETERS OF THE OFFER

— Does the offer appear reasonably calculated?
— Can the bidder do what he proposes for the price he proposes?
— Is there a method in my country that helps in the identification, assessment, and evaluation?

Not convinced that the offer is sound?

2.2. Investigating abnormally low tenders

As a general rule, public buyers should ask the economic operator to demonstrate the soundness of the technical, economic or legal assumptions or practices underlying the tender. In order to be able to assess the explanations provided by the bidder, public buyers should ask all the details, which they consider appropriate (24). In particular, the case-law requires public buyers to ask in writing for details of the elements in the tender suspected of anomaly, which gave rise to doubts on the part of the public buyer in the particular case (25). They should especially pay attention to the capacity of the bidder to fulfill all the requirements of the tender documents, including socially responsible and green public procurement requirements, at the price offered.

In principle, public buyers can request information on all issues they consider relevant for the assessment of the level of the price, or cost, proposed. According to the Directive, those issues may include aspects of the economics of the manufacturing process, including the basis for the offered cost over the whole life-cycle, the technical solutions or the originality of the tender (26). The list of such aspects is not exhaustive.

Public buyers are also encouraged (27) to inquire whether the tender complies with applicable obligations in the fields of environmental, social and labour law established by Union law, national law, collective agreements, or by the international environmental, social and labour law provisions listed in Annex X (28). Those obligations apply directly irrespective of their inclusion in the tender documents.

(22) Such a ‘relative’ comparison (including all submitted bids) may be preferable in cases where the number of bids received is sufficient, because such a comparison is likely to reflect market conditions best.
(23) CJEU, Joined Cases C-285/99 and C-286/99, point 43 and 73.
(26) Article 69(2) of Directive 2014/24/EU.
(27) Articles 69(2)(d) and 69(3).
(28) Article 18(2) of Directive 2014/24/EU.
The explanations required from the bidder may also relate to potentially unfair trade practices, such as the existence of foreign subsidies or dumping distorting the internal market. When inquiring about unfair trade practices, public buyers should pay special attention to bids offering goods or services from third countries whose prices and costs may be distorted by state-backed financing. The existence of financial support from a foreign state could form part of the global assessment of the viability of the offer.

The bidder will have to provide all the evidence necessary to provide a sufficient explanation. This may include detailed information accompanied by appropriate documentation on the production process, facilities, social conditions, certificates, environmental standards etc. The reasons provided by the bidder to justify the viability of the offer must comply with the terms of the initial tender (29). In this regard, public buyers should not limit themselves to requesting solemn declarations from the bidder that he intends to comply with those obligations.

In the investigation process, the public buyer may ask additional questions, especially to assess whether the information provided is authentic. The bidder may also be asked to provide further details on questions and aspects, which the public buyer has not identified in its initial request but which have emerged as a result of the assessment of the information provided.

Investigating abnormally low tenders
REQUEST INFORMATION FROM THE BIDDER

Examples:

— How did the bidder calculate the prices and costs overall?
— How did the bidder arrive at a specific price for a specific item?
— Does the price allow fulfilling all the legal and contractual requirements?
— Does the price allow fulfilling all required labour and environmental standards?
— How is the tender financed? Is the calculation sound?
— Do not hesitate to ask for any information you believe relevant.
— Ask for concrete proof.

Not convinced by the explanation of the bidder?

2.3. Rejecting abnormally low tenders

The public buyer may reject an offer, without having to prove it, when, despite the evidence collected, it is not convinced that the bidder will be able to execute the contract at the price, or cost, offered and in accordance with the tender documents and all applicable legal obligations.

The decision can be based on one element, or on a combination of factors, including compliance with labour and environmental standards and whether State aid has been granted or not, leading to the final appreciation of the public buyer.

Pursuant to Article 69(3) of Directive 2014/24/EU, public buyers are obliged to reject a tender in cases where they establish that the abnormally low price, or costs, offered results from the bidder’s non-compliance with mandatory Union or national law, collective agreements or international provisions in the fields of social, labour or environmental labour law (Article 18(2) of Directive 2014/24/EU in combination with Annex X to the Directive — see already above under Section 2).

(29) CFI, Case T-422/11, Computer Resources International, point 87.
### Rejecting abnormally low tenders

**YOU HAVE TO BE CONVINCED**

- The bidder has to prove the soundness of his offer.

- Has the bidder done that for all the aspects you requested?

- Do you consider the bidder can fulfil ALL CONTRACTUAL requirements for the price proposed?

- If you still have reasonable doubts you can reject the offer

- If you have established that the offer is abnormally low because it does not comply with the legal obligations under Article 18(2) of Directive 2014/24/EC it has to be rejected

2.4. In practical terms

### Abnormally low tenders

- Public buyers have to check whether a tender is financially sound, or whether it is abnormally low.

- Public buyers have to inquire with the tenderer. They may ask all questions they consider relevant.

- If they are not convinced of the financial viability of the tender, they may reject it.

#### 3. Quality standards — A strategic approach to public procurement

The Commission has recognised the importance of public procurement as a powerful tool for spending public money in an efficient, sustainable and strategic manner. In its communication ‘Making Public Procurement work in and for Europe’ (30) it has stressed that the use of high quality standards is crucial for central and local government to respond to societal, environmental, and economic challenges. By stressing the relevance of strategic procurement, the Commission aims to raise the awareness in the Member States of the importance of strategic procurement, both internally in the Union and when dealing with tenders from third country operators.

Strategic procurement allows for a more responsible and strategic way of spending public money, supports investment within the EU, and can help levelling the playing field by ensuring that all bidders have to follow the same standards, regardless of their origin.

The opportunities that strategic procurement offers are currently not sufficiently used. More than half of procurement procedures still use the lowest price as the only award criterion, despite the public procurement directives leaving public buyers entirely free to opt for purchases based on cost-effectiveness and quality-based criteria instead.

Using quality considerations in public procurements allows public buyers to procure more sustainable and innovative products and services. Quality considerations can also guarantee compliance with high environmental, social and labour standards, for both EU and third country operators and goods.

Third country bidders, goods and services are not always subject to the same high standards as their EU counterparts. However, the current EU procurement framework provides rules that can and should be used in order to hold third country bidders, goods and services to the same high standards as EU bidders. A strategic approach to public procurement leads to changes in the behaviour of the market, public stakeholders and society as a whole.

Clear quality standards should allow the widest possible range of bidders to participate on an equal footing. All bidders and goods should be held to the same quality standards, criteria and requirements, regardless of their place of origin. Clearly defined quality standards help public buyers create the right conditions for all bidders to compete openly and on an equal footing.

Socially Responsible Public Procurement, Green Public Procurement (GPP) and Innovation Procurement help public buyers to mainstream sustainability and innovation into their public tenders.

Socially Responsible Public Procurement aims to have a social impact on communities by introducing social considerations in public procurement procedures. It can support sustainable development, contribute to governmental efforts to achieve international sustainability goals (30), promote ethical markets and supply chains, and promote positive social outcomes at national and local level. The Commission will publish a comprehensive guide on introducing social considerations in public procurement in 2020 and will disseminate a collection of good practices on Socially Responsible Public Procurement.

Green Public Procurement allows public buyers to integrate environmental requirements into all stages of their procurement process. GPP encourages the purchase of goods, services and works with a reduced environmental impact throughout their life cycle. It thus supports the development of green technologies and products. By using GPP, public buyers can contribute to environmental policy goals relating to climate change, efficient resource use, sustainable consumption and the circular economy. GPP also encourages taking into account the full life-cycle costs of a contract and not just the purchase price.

According to the Clean Vehicles Directive, Member States must meet minimum targets for the procurement of clean vehicles, with the objective of promoting and stimulating the market for clean and energy-efficient vehicles. The directive requires Member States to ensure that, when procuring certain road transport vehicles, public buyers take into account lifetime energy and environmental impacts, including energy consumption and emissions of CO\textsubscript{2} and of certain pollutants (31).

The Commission currently offers sets of GPP criteria for 19 product groups (32), which can be directly included in the tender documents. Furthermore, the Commission has developed a Handbook (33) on GPP, and a GPP Training Toolkit (34) for public purchasers that is designed for training courses and workshops. The Commission is organising GPP training programmes for public buyers in the EU, and is developing a series of sector-specific life-cycle costs calculation tools, and has created a database of good practice experiences for GPP (35).

Innovation Procurement may refer to either the procurement of innovation processes (the procurement of research and development) or the procurement of innovation outcomes (the procurement of innovative solutions). By designing their procurement procedures so as to encourage innovation, public buyers increase the chances of receiving more state-of-the-art, better adapted or more versatile solutions, which are also often cheaper, more environmentally friendly or more socially responsible. In 2018, the Commission published a Guidance on innovation procurement addressed to public buyers (36).

(30) For instance, the UN Sustainable Development Goals (SDGs), and particularly SDG target 12.7 (Promote public procurement practices that are sustainable, in accordance with national policies and priorities). The March 2019 Resolution of the UN Environmental Assembly invites all Member States to work towards achieving sustainable consumption and production, to develop sustainable public procurement policies and update their public procurement legal frameworks in accordance with their commitment to achieving SDG target 12.7; see resolution: http://wedocs.unep.org/bitstream/handle/20.500.11822/28517/English.pdf?sequence=3&isAllowed=y


(32) http://ec.europa.eu/environment/gpp/eu_gpp_criteria_en.htm

In the international context especially relevant are the following product groups: GPP Computers and monitors (2016), Road Transport (2019), Electrical and Electronic Equipment used in Healthcare Sector (2014). For each criterion, the set of EU GPP criteria specifies whether it should be used as a selection criterion, a technical specification, an award criterion or a contract performance clause. The GPP criteria are based on data from an evidence base, on existing ecolabel criteria and on information collected from stakeholders of industry, civil society and Member States. The evidence base uses available scientific information and data, adopts a life-cycle approach and engages stakeholders who meet to discuss issues and develop consensus.


(34) http://ec.europa.eu/environment/gpp/toolkit_en.htm

(35) http://ec.europa.eu/environment/gpp/case_group_en.htm

SOCIALLY RESPONSIBLE PUBLIC PROCUREMENT

Swedish county councils — Due diligence in the supply chain for surgical instruments

The NGO Swedwatch reported the existence of child labour, hazardous working environments and violations of international labour obligations in the production of surgical instruments in third countries. On this basis, the Swedish county councils decided to introduce specific performance conditions in their contracts. These require that any supplier agrees to implement due diligence in their supply chain and to work towards compliance with international social and labour obligations. By using questionnaires, audits and by building a close relationship with the supplier, the county councils ensure the successful follow-up of the conditions. This also contributes to a level playing field between EU and third country operators.

GREEN PUBLIC PROCUREMENT

City of Hamburg — Quality recycled road asphalt

The City of Hamburg, aiming to recycle 100 % of the original construction materials when refurbishing and resurfacing roads, allowed a group of private companies, which had developed a recycling technology, to test their product on public roads. Checks confirmed the quality of the technologies and the City proceeded to launch a restricted tender procedure. Tendering companies were required to follow certain steps in the production and provision of the recycled asphalt. Hamburg saved 30 % compared with the costs of conventional road resurfacing and the execution was faster. Green asphalt has the same properties and durability as conventional asphalt.

INNOVATION PROCUREMENT

Strategic cooperation on procurement across the EU for more energy-efficient computing

High Performance Computing (HPC) is of strategic importance for Europe in a number of areas within the public sector, including cybersecurity, energy, climate change and health. It makes it possible to develop, test and implement particularly complex applications. In 2014, leading supercomputing centres from Germany, France, Italy, UK and Finland joined forces in the PRACE3IP pre-commercial procurement to procure together the research and development of more energy efficient supercomputers. The use of place of performance conditions ensured that suppliers performed their entire range of research and development in Europe. Since 2017, the supercomputing centres have started public procurements of innovative solutions on the basis of the previous research.

Setting quality objectives, with a view to achieving high social, environmental and state-of-the-art technological quality standards is crucial to maximise the impact of the procurement process. The strategic decisions made by public buyers at the beginning of the process feed into the subsequent steps, all of which must fit the public buyer’s broader purchasing strategy.

Public buyers have at their disposal a full range of tools to include social, innovation and environmental considerations in public contracts. They can use diverse solutions to find the best combination of technical specifications, selection criteria, award criteria, and performance clauses.

3.1. Investment planning

— Identify needs and potential solutions

— Open, transparent market engagement

— Cost-benefit analysis and risk assessment

— Building capacities and resources
Before deciding on a procurement, public buyers should conduct a rigorous cost-benefit analysis and ensure the necessary capacities and resources to manage the procurement. Early market engagement is essential to identify potential solutions that the market can offer, as well as to inform potential bidders about the design of the procurement process and contracts. Such consultations can be an opportunity to bridge the distance between the needs of public buyers and the solutions that can be offered by potential suppliers, including smaller providers or social enterprises. The dialogue with potential suppliers may reveal that there are environmentally friendly or readily applicable innovative options. Furthermore, it can help public buyers to verify the feasibility of certain technical and procedural solutions, and the availability on the market of goods, works and services with their desired characteristics. Public buyers may conduct preliminary market engagement, as long as it does not distort competition, is open, transparent, non-discriminatory and all interested operators are treated equally (38).

It is also advisable to consult other public buyers to learn about similar projects and purchases.

Early in the process, public buyers should identify potential risks in the supply chain, including ethical issues in the production process. The risks may vary significantly depending on the geographical location of suppliers, especially in the main exporting countries. They can be related to various elements such as:

— the sector and category of purchase and, consequently, the type of production process involved (e.g. construction works may entail specific health and safety risks; textile production may involve breach of labour rules, exposure of workers to hazardous substances, etc.),

— the geographical location of the production process (workers’ conditions may vary significantly in the main exporting countries on the market),

— the complexity of the supply chain (the more complex and geographically fragmented the supply chain, and the less transparent, the more likely malpractice and human rights violations become),

— respect for privacy, data protection, confidentiality, intellectual property rights (including copyright law) and open access obligations.

Choosing the right procedure is key to the success of the procurement. Public buyers should consider carefully all procedural options of the legal framework.

For example, innovation processes are most frequently procured by means of research and development (R & D) services. R & D services may be procured separately or together with commercial volumes of the final solution implemented in practice.

The EU excluded from the scope of the directives public procurement of R & D services in which the public buyer does not reserve all the benefits resulting from the R & D exclusively for its own use (39). The EU’s international commitments at bilateral or multilateral level generally do not cover these services. Where R & D services are procured separately and the ownership of intellectual property rights resulting from the R & D is left with suppliers — as is the case in pre-commercial procurements — economic operators from third countries do not have secured access. They can be subject to place of performance conditions.

Where innovation outcomes are procured, public buyers need to ensure that their purchasing procedures are designed in such a way that both innovative and traditional solutions can compete on equal terms. Making optimal use of functional and performance based specifications and allowing suppliers to submit variant offers can help achieve this.

Good practice
— Know and consult the market
— Engage openly and transparently
— Ensure support of political decision-makers
— Cooperate with other public buyers
— Choose an appropriate procurement procedure

3.2. Defining quality criteria in the procurement procedure
— Clearly define quality criteria in the tender documents
— Set quality standards by means of exclusion, selection and award criteria
— Set strict requirements to verify compliance with quality criteria (using standards and labels)
— Implement quality requirements in contract performance clauses

It is important to bear in mind that technical specifications, requirements and criteria in the selection and award phase, as well as contract performance clauses must always be linked to the subject matter of the contract.

The technical specifications should clearly define the subject of the contract, taking into account all quality requirements identified in the planning process. Technical specifications can include the specific process of production or provision of the requested works, supplies or services at any stage of their life cycle (\(^\circ\)). A forward-thinking design of technical specifications already takes into account the means of proof required.

Public buyers may require, for instance, that the goods purchased are made from a specific material or contain a certain percentage of recycled or reused materials. Requirements regarding the restriction of hazardous substances in the product can also be included. Under EU law, public buyers have a specific obligation to take into account minimum accessibility requirements in the technical specifications for the products, services and built environment they procure and which are meant for use by natural persons (\(^\circ\)).

**Article 18 of Directive 2014/24/EU**

[... (2) Member States shall take appropriate measures to ensure that in the performance of public contracts economic operators comply with applicable obligations in the fields of environmental, social and labour law established by Union law, national law, collective agreements or by the international environmental, social and labour law provisions listed in Annex X.

**Article 57 of Directive 2014/24/EU**

[... (4) Contracting authorities may exclude or may be required by Member States to exclude from participation in a procurement procedure any economic operator in any of the following situations: (a) where the contracting authority can demonstrate by any appropriate means a violation of applicable obligations referred to in Article 18(2).
Exclusion criteria ensure that the public buyer can rely on trustworthy operators. The directives list the exclusion grounds. Corruption, fraud, money laundering, child labour or trafficking, criminal and terrorist offences or a binding decision certifying failure to pay taxes or social contributions must lead to an exclusion from the procedure (42).

In other cases, public buyers may choose or be required by their Member State to exclude a bidder in a situation, which jeopardises their trustworthiness (43). This is the case, for instance, for violations of the social, labour, and environmental obligations referred to in Article 18(2) of Directive 2014/24/EU. The directive lists the compulsory international environmental and labour standards to be observed, in particular those enshrined in the ‘Core’ ILO Conventions (44).

In case the public buyer has doubts as to the validity or authenticity of a required document related to the verification of exclusion grounds, it can ask for additional explanations. It should require documentation from third countries in an official language of the European Union, with a certified translation. It may require other means of authentication.

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<tr>
<th>Ensuring the respect for environmental, social and labour law obligations</th>
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<tr>
<td>— Exclusion of bidders for prior violation — voluntary or obligatory</td>
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<tr>
<td>— Obligation to reject bidders if a violation leads to an abnormally low tender</td>
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<tr>
<td>— Obligation to ensure compliance in the contract execution, including by subcontractors</td>
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<tr>
<th>Setting and enforcing high social, environmental and labour standards</th>
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<tr>
<td>— Defining selection criteria</td>
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<tr>
<td>— Defining contract execution requirements (e.g. prohibiting the use of certain chemicals)</td>
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<tr>
<td>— Defining adequate reporting and monitoring mechanisms</td>
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<tr>
<td>— Setting penalties or other consequences of violation</td>
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<tr>
<td>— Extending obligations to subcontractors and suppliers</td>
</tr>
<tr>
<td>— Cooperation to build sustainable and responsible supply chains and labour obligations should be required and thoroughly checked throughout the supply chain, including at the level of subcontractors</td>
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Setting the appropriate selection criteria is essential to ensure that bidders have the capacity to execute the contract. In restricted and negotiated procedures, and in competitive dialogues, they are used to shortlist the candidates invited to tender. The directives (45) include an exhaustive list of categories of criteria that may be required, relating to the financial capacity of the bidder, as well as their professional suitability, technical ability, and experience.

Selection criteria may include specific training or skills of the team performing the contract (e.g. in handling hazardous material or in installing complex technology), professional qualifications or the availability of necessary equipment. Public buyers may also require proof of the bidders’ experience in carrying out similar or related projects. Selection criteria, which need to be closely and specifically tailored to the characteristics necessary to deliver the contract, can be very effective in safeguarding the interest of the public buyer as long as they are non-discriminatory.

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(42) Article 57(1) and (2) of Directive 2014/24/EU. See also Art. 80(1) of Directive 2014/25/EU.
(43) Article 57(4) of Directive 2014/24/EU exhaustive list of categories.
(44) ILO Convention (No 87) on Freedom of Association and the Protection of the Right to Organise; (No 98) on the Right to Organise and Collective Bargaining; (No 29) on Forced Labour; (No 105) on the Abolition of Forced Labour; (No 138) on Minimum Age; (No 111) on Discrimination (Employment and Occupation); (No 100) on Equal Remuneration; (No 182) on Worst Forms of Child Labour).
(45) Article 58 of Directive 2014/24/EU. See also Art. 80(2) of Directive 2014/25/EU.
More than half of procurement procedures still use the lowest price as the only award criterion. Qualitative criteria are still underused although the public procurement directives give public buyers great flexibility to purchase based on cost-effectiveness and quality criteria. Public buyers can and are encouraged to take account of the best price-quality ratio when evaluating the most economically advantageous tender (MEAT).

If public buyers choose to use the best price-quality ratio instead of the lowest price or cost, the evaluation of the offer takes into account different criteria, including social and environmental considerations, quality and price or cost.

For instance, public buyers may give preference to bidders that:

— offer better working conditions in the execution of the contract,

— favour the integration of disabled and disadvantaged workers,

— make smart use of innovations to offer higher quality or lower cost solutions, and

— offer sustainably produced goods.

This is irrespective of the existence of legal obligations to offer such working conditions or fulfil sustainability criteria.

A life-cycle costing also allows for the assessment of the environmental impact of products. Awards that are based on a price-only criterion do not allow public buyers to take into account the long-term costs and benefits of projects, thus leading to lower value-for-money. Calculating the full life-cycle costs of the procurement is particularly important for long-term infrastructure projects, which tend to have high capital and operating costs. In this sense, already in 2013 (46), the Commission recommended Member States to use the Product Environmental Footprint method or the Organisation Environmental Footprint method in measuring the life cycle. Life-cycle costing may include, for instance, the extraction and refinement of raw materials, the manufacture and other stages of production through to the use and disposal phase.

Public buyers should choose award criteria that best enable them to obtain works, supplies and services suited to their needs (47). A smart setting of award criteria, rewarding both quality and price, represents important potential for public buyers to stimulate competition between bidders and to get the best value for money, while pursing strategic policy objectives.

The use of standards, labels or certifications in public procurement is a practical and reliable way for public buyers to verify the compliance of bidders with particular sectoral or quality requirements. Standards or labels used in procurement procedures usually refer to quality assurance, environmental certification, eco-labels, environmental management systems and fair trade products. Labels and label requirements can be used to set minimum standards of quality in the technical specifications, or to reward more ambitious offers through award criteria. Candidates who meet the label requirements but have not obtained the label must have the possibility to prove compliance through alternative means.

Public buyers should only refer to standards drawn up by independent bodies, preferably at EU or international level, such as the EU Ecolabel (48), the Eco-Management and Audit Scheme (EMAS), Product Environmental Footprint/Organisation Environmental Footprint or certifications at the EU level, such as the CE Marking, or from the International Organisation for Standardisation (ISO). The use of European standards, labels or certifications ensures compliance of solutions with European legislation on safety, public health protection, environment, etc. Where public buyers require national or regional certification, they are required to accept equivalent certifications from other EU Member States, or other evidence proving that the requirement is met. Clear and unequivocal requirements on how to provide evidence about equivalence on quality, safety and public health protection standards can effectively contribute to guaranteeing high environmental and other standards.

(48) www.ecolabel.eu
Often an effective and appropriate way to promote high quality standards will be to include respective **contract performance clauses**. They may refer to qualitative aspects of the performance of the contract, including economic, social, environmental, employment or innovative features. Contract performance clauses have to be linked to the subject matter of the contract and cannot require general company policies.

Contractors can be required to ensure that all the goods offered, irrespective of their origin, fulfil a high level of quality, social and environmental standards, standards that have to be clearly defined in the tender documents.

For instance, the contractor may be required to:

— hire workers from certain disadvantaged backgrounds,

— provide the staff with professional or safety training related to the specific performance of the contract,

— report on emissions or on measures to identify and prevent human rights breaches,

— adopt specific measures for the disposal of waste.

Specific performance clauses in the contract may be used to require operators to comply with a code of conduct that requires them to disclose information concerning their suppliers and their compliance with labour conditions, as well as to identify, prevent and mitigate the risk of human rights violations, in line with the United Nations Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct. Public buyers can also require that bidders comply in the execution of the contract with core international fundamental labour standards, irrespective of legal obligations in the country of the bidder or the place of production. Where breaches have been detected, contractors may be required to take enforcement actions and sanction the supplier up to the point of suspension of the supply operations.

Contractors may be expressly required to comply with environmental and social standards that are not legal obligations imposed by EU or domestic law. Equally, foreign contractors may be required to comply with the legal obligations incumbent on an EU economic operator in the execution of the contract, whether or not they are subject to the same legal obligations. Such requirements may also be applied to the production of goods that are subject to the contract.

Failure to meet these conditions in the offer leads to rejection of the tender. Such requirements help to level the playing field, which might be unequal due to different legal requirements in the countries of origin of the bidder or the services or goods they propose.

### Good practice

— Use the full range of tools — exclusion, selection, award, contract execution

— Tailor your criteria to each specific procurement

— Ensure that all bidders and suppliers are obliged to fulfil the same requirements

### 3.3. Monitoring contract execution

— Enforce quality standards at performance level

— Reporting requirements

— Clearly defined sanctions

The use of quality criteria in public procurement is only effective when the public buyer ensures a high level of expertise in the preparation of tenders and the selection procedure, and when it monitors the execution of the contract continuously and effectively, and ensures that, in the performance of the contract, the contractor remains compliant with the tender requirements.
Contract monitoring can take various forms and can demand varying degrees of engagement on the part of the public buyer. The contract conditions may be accompanied by requirements to:

— report periodically information on certain aspects of the execution,
— fill in questionnaires concerning compliance with the contract clauses,
— provide written evidence of compliance, or
— allow on-site audits or inspections.

Applicable environmental, social and labour obligations should always be thoroughly checked, including at the level of subcontractors, and where appropriate, throughout the supply chain. Including sanctions and systems for gradual enforcement of the conditions also provides public buyers with leverage over the contractor during the contract execution phase to ensure compliance with the terms of the contract.

Foreseeing methods of engagement with the contractor, e.g. by requiring explanations, providing deadlines to remedy the situation or issuing warning notices, greatly increases the bargaining power of the public buyer.

Realistic contract conditions and monitoring methods increase the chances of proper execution of the contract and ensures that the level playing field created at the time of launching the procurement is maintained throughout the contract execution.

**Good practice**

— Only monitoring ensures compliance of contractors with YOUR requirements
— Develop effective and simple monitoring mechanisms
— Exploit the full range of modern communication tools for monitoring at a distance
— Team up with NGOs or specialised bodies for independent contract monitoring.

### 3.4. In practical terms

**Achieving high quality standards and a level playing field**

— Public buyers are encouraged to use procurement as a strategic tool to foster societal goals such as social, green and innovation objectives.

— Public buyers should ensure in the design of their procurements that EU and third country bidders are held to the same standards, thereby helping to ensure a level playing field.

— When defining their tender requirements, they should use technical specifications, exclusion, selection, and award criteria to set high quality standards for all bidders, regardless of their origin.

— They should use contract performance clauses to ensure that the quality standards are effectively implemented by all operators in the performance of the contract, irrespective of the place of production.

— They should introduce and implement effective monitoring mechanisms to ensure that the standards are met.

— A number of Commission guidelines support public buyers in integrating quality requirements.

### 4. Practical assistance by the European Commission

The European Commission provides practical assistance to public buyers and Member States in several forms (*). This is part of the partnership created under the Communication of the Commission ‘Making Public Procurement work in and for Europe’. In this way, the Commission fosters the exchange of information, knowledge and experience. This Communication has been the basis of a broad policy dialogue, as well as cooperation and collaboration with national and local authorities, EU institutions, and other stakeholders, moderated by the Commission.

For individual large infrastructure projects, the Commission offers assistance through the helpdesk and notification mechanism in the context of the ‘ex-ante assessment of the procurement aspects for large infrastructure projects’ (\(^50\)). In such projects, public buyers incur a higher risk of major infrastructure projects not being completed in time or made available as planned, of cost increases for various reasons during the implementation phase, or of risks shifting to public buyers. Public funds might be spent in a way that does not always ensure the highest possible added value for citizens and the society. Therefore, public buyers are encouraged to take advantage of all the available assistance.

An overview of the different mechanisms providing clarification and assistance can be found below (\(^51\)).

### Overview of practical assistance
- The helpdesk and notification process for large infrastructure projects,
- Networks of stakeholders, including workshops, especially on green and social procurement, and professionalisation,
- Regular high level conferences on various thematic issues, including award criteria, strategic procurement, transparency, professionalisation, and large infrastructure, improving access to procurement, digital transformation, and new projects and challenges,
- E-competence centre ‘support tools for public buyers’,
- Issuing guidance, including on innovation procurement, green public procurement, social procurement, defence procurement, and for practitioners dealing with European funds.

### 5. In a nutshell

#### The legal framework and its opportunities

The current EU legislative framework on public procurement includes directives regulating public contracts, utilities, concessions, and defence and security procurement as well as access to review procedures. The rules set forth in these legal instruments offer public buyers across the EU great flexibility to purchase goods, services and works:

- They offer the possibility to use quality criteria, and to award contracts based on the Best Price-Quality Ratio and life-cycle costing.
- They allow them to choose the most appropriate and effective procurement procedure.
- They also allow them to choose which quality requirements to introduce in the tender documents.
- They offer them mechanisms to ensure compliance with environmental, social and labour obligations.
- They offer them great freedom in preparing the tender process by engaging with the market and relevant stakeholders.
- They equip them with instruments to deal with bids, which are abnormally low in price.

\(^50\) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions ‘Helping investment through a voluntary ex-ante assessment of the procurement aspects for large infrastructure projects’ COM(2017)573.

\(^51\) All relevant references and links are contained in Section 5 ‘In a nutshell’.
— They determine which third country bidders enjoy secured access to the EU procurement market.

Overall, the directives offer public buyers ample flexibility to tailor their procurements to their needs.

Questions and Answers

— May a public buyer require compliance with labour, social and environmental standards that go beyond the legal requirements at the place of execution of the contract?

Yes, a public buyer may set any such requirements as long as they are non-discriminatory have a link with the subject matter of the contract, and are compatible with Union law.

— Is it not unfair to require from bidders that they comply with labour, social and environmental standards that go far beyond their legal obligations?

No, legal obligations can be very different according to the place of establishment of the bidder or the place of production of goods. To require only compliance with local law can distort competition. Tailored requirements that apply to all bidders and goods help create a level playing field.

— How should a public buyer prepare for a tender in which it is planning to use quality criteria?

Public buyers should start with an assessment of their own needs and the potential solutions. They may consult market operators and any other stakeholders. Any useful tool may be used as long as the public buyer is transparent and treats all potential bidders equally.

— Does setting numerous quality criteria and applying them to all bidders creates only administrative burden?

Setting quality requirements allows the buyer to invest in more sustainable, socially responsible and innovative products and services and to ensure fair competition for the benefit of citizens. It is up to each public buyer to decide what is the most effective way of spending the public money to achieve the desired result. This flexibility comes together with certain obligations, like ensuring adequate monitoring.

— How can quality and sustainability criteria be integrated in the tender documents?

Public buyers have great flexibility. They can integrate such considerations in the selection criteria, the technical specifications, the award criteria and contract performance clauses, as long as they are related to the object of the contract. They have to be clearly defined, objective and must not discriminate among potential bidders, so as to create a level playing field in which bidders can compete based on the same high qualitative standards.

— Can the violation of environmental, social and labour obligations lead to the exclusion of a bidder?

Yes, public buyers have the possibility to exclude a bidder who fails to comply with the applicable environmental, social and labour obligations.
— Is it possible for a public buyer to verify compliance with legal and tailor-made conditions for bidders and goods?

A public buyer has numerous possibilities to verify such conditions. They may, for example, request reports from the bidder, or from independent quality-control bodies or Non-Governmental Organisations.

— Have all economic operators from around the world a right of access to EU procurement markets?

No, only operators covered by multilateral and bilateral trade agreements have secured access to EU procurement markets.

— What should a public buyer do if it suspects the price offered by a third country bidder is too low? Is it possible to enquire further?

Yes, it is not only possible, but it is advisable to enquire further so that the public buyer can ensure the reliability of the bid and a level playing field between all participants to the tender.

— What kind of information may be asked to check whether the offer is abnormally low?

Any information that can help the public buyer to assess the viability of the offer.

— When should a tender be rejected as abnormally low?

A tender may be rejected when the public buyer is not convinced of the explanation of the bidder.

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Commission support tools and guidance on public procurement


— E-competence centre ‘support tools for public buyers’:


— EU GPP Criteria: http://ec.europa.eu/environment/gpp/eu_gpp_criteria_en.htm
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<td>Innovation Procurement Toolkit, European Assistance For Innovation Procurement:</td>
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<td>European network of competence centres on innovation procurement:</td>
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IV
(Notices)

NOTICES FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

EUROPEAN COMMISSION

Euro exchange rates (1)
12 August 2019
(2019/C 271/03)

1 euro =

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<td>KRW South Korean won</td>
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<td>CHF Swiss franc</td>
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<td>ZAR South African rand</td>
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<td>CNY Chinese yuan renminbi</td>
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<td>BGN Bulgarian lev</td>
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<td>MXN Mexican peso</td>
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(1) Source: reference exchange rate published by the ECB.
COMMISSION IMPLEMENTING DECISION
of 8 August 2019

on the publication in the Official Journal of the European Union of the application for registration of a name referred to in Article 49 of Regulation (EU) No 1151/2012 of the European Parliament and of the Council

‘Αρσενικό Νάξου’ (Arseniko Naxou) (PDO)
(2019/C 271/04)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1151/2012 of the European Parliament and of the Council on quality schemes for agricultural products and foodstuffs (1), and in particular Article 50(2)(a) thereof,

Whereas:

(1) Greece has sent to the Commission an application for protection of the name ‘Αρσενικό Νάξου’ (Arseniko Naxou) in accordance with Article 49(4) of Regulation (EU) No 1151/2012.

(2) In accordance with Article 50 of Regulation (EU) No 1151/2012 the Commission has examined that application and concluded that it fulfils the conditions laid down in that Regulation.

(3) In order to allow for the submission of notices of opposition in accordance with Article 51 of Regulation (EU) No 1151/2012, the single document and the reference to the publication of the product specification referred to in Article 50(2)(a) of that Regulation for the name ‘Αρσενικό Νάξου’ (Arseniko Naxou) should be published in the Official Journal of the European Union,

HAS DECIDED AS FOLLOWS:

Sole Article

The single document and the reference to the publication of the product specification referred to in Article 50(2)(a) of Regulation (EU) No 1151/2012 for the name ‘Αρσενικό Νάξου’ (Arseniko Naxou) (PDO) are contained in the Annex to this Decision.

In accordance with Article 51 of Regulation (EU) No 1151/2012, the publication of this Decision shall confer the right to oppose to the registration of the name referred to in the first paragraph of this Article within three months from the date of publication of this Decision in the Official Journal of the European Union.

Done at Brussels, 8 August 2019.

For the Commission

Phil HOGAN
Member of the Commission

ANNEX

SINGLE DOCUMENT

‘ΑΡΣΕΝΙΚΟ ΝΑΞΟΥ’ (ARSENIKO NAXOU)

EU No: PDO-GR-02323 – 6.11.2017

PDO (X) PGI ( )

1. Name(s)

‘Αρσενικό Νάξου’ (Arseniko Naxou)

2. Member State or Third Country

Greece

3. Description of the agricultural product or foodstuff

3.1. Type of product

Class 1.3 Cheeses

3.2. Description of product to which the name in 1 applies

‘Arseniko Naxou’ is a table, mature, hard cheese traditionally produced from non-pasteurised sheep’s and goats’ milk.

It is sold in whole wheels and has the following physical characteristics: its cylindrical shape, weighing from 1 to 4 kilograms, and its whitish to yellowish colour with a hard but relatively thin rind.

The minimum fat content in dry weight must be 43 % and the minimum protein content 27 %, while the moisture content must not exceed 38 % and the amount of salt must not exceed 3,5 %.

The product’s organoleptic characteristics which distinguish it from other hard cheeses are the intense spicy, pleasant and bittersweet taste, its buttery and soft texture and its rich aroma. The product becomes spicier and more aromatic as it matures.

Due to the use of non-pasteurised milk, ‘Arseniko Naxou’ should be left to mature for at least three months before it is released for consumption, so as to ensure that the product is free from any undesirable micro-organisms. The cheese is produced from December to May.

3.3. Feed (for products of animal origin only) and raw materials (for processed products only)

The sheep and goats of the mountainous and semi-mountainous areas of Naxos are local breeds and their crosses that have adapted to the conditions that prevail in this area and traditionally reared in extensive units. From December to around May, the period of increased milk production during which ‘Arseniko Naxou’ is produced, the animals are fed on local vegetation from the area, the growth of which is boosted by the winter and spring rainfall (thyme, broom, rock-rose, spiny broom, lentisc, Kermes Oak, etc.). In adverse weather conditions, the animals are given dried fodder produced within the geographical area (barley, oats, vetches, clover). From June to September, the period of reduced milk production during which the cheese is not produced, the animals graze and are fed on additional fodder produced on the same holding as well as fodder produced outside the geographical area (starchy cereal grains, bran, hay). From October to November, as a result of low natural vegetation and the animals’ increased needs, their diet is supplemented by the use of dried fodder produced on the same holding and fodder sourced outside the geographical area. The average proportion of supplementary fodder produced outside the geographical area does not exceed 40 % of the dried matter on an annual basis.

The main raw materials for producing ‘Arseniko Naxou’ are: milk, rennet, salt and oil.

3.4. Specific steps in production that must take place in the defined geographical area

The production and processing of the milk, and the production and maturation of the final product, are carried out in the defined geographical area.
3.5. Specific rules concerning slicing, grating, packaging, etc. of the product to which the registered name refers

The product must be packaged within the defined geographical area so as to ensure: (a) the quality of the product during its preservation and transport against natural factors (humidity, light, temperature, dust, fumes) and biological factors (bacteria, fungi, viruses), (b) the traceability of the product and (c) the required checks monitoring the quantities produced/packaged/sold and that the permitted raw materials and production methods are complied with.

The producer must package the product in food wrapping paper or other packaging material suitable for food.

3.6. Specific rules concerning labelling of the product to which the registered name refers

A label must be placed on the whole wheel indicating the following:

— the name ‘Arseniko Naxou’, followed by the words ‘Protected Designation of Origin’ or the acronym PDO;

— ‘made with raw milk’;

— the name and address of the production and/or packaging enterprise;

— the date of production.

4. Concise definition of the geographical area

The area where the cheese is produced and matured comprises the entire administrative territory of the following communities: Apeiranthos, Damarionas, Danakos, Keramoti, Koronida, Koronos, Kinidaros, Mesi, Moni, Filoti and Chalkeio of the Municipality of Naxos and the Small Cyclades.

5. Link with the geographical area

5.1. Specificity of the geographical area

Territory:

The area in which the cheese is produced is situated in the mountainous and semi-mountainous part of the island at its northern and eastern edge. The area is characterised by its gradients, the presence of terraces and large areas of pasture.

Climate:

The climate of Naxos is classified as a mild form of the ‘Mediterranean island’ climate: mild, with humidity and strong winds. In the island’s mountainous areas, temperatures are about 5°C lower, the average annual relative humidity reaches 85% and the amount of rainfall is 770 mm. Heavy snowfall can sometimes occur.

Vegetation:

The specific temperature, humidity and rainfall conditions permit the growth of typical mountain species of vegetation which are the main source of food for the sheep and goats.

Olives and vines are cultivated extensively in the defined area. The rocky sides of the mountains are covered with low phrygana and medium or high scrub vegetation. The scrub vegetation mainly consists of spiny broom (Calicotome villosa), lentisc (Pistacia lentiscus), Kermes Oak (Quercus coccifera), Cretan maple (Acer sempervirens), Holly Oak (Quercus ilex) and Oriental Plane (Platanus orientalis), which are a valuable source of food mainly for goats. The area’s pastures have an abundance of native plant species such as the herbaceous plants Allium luteolum, Alyssum foliaceum, Campanula calaminthifolia, Centaurea oliverana, Cerastium runemarkii, Corydalis integra, Erysimum hayekii, Erysimum naxense, Galanthus ikariae, Galium conforme, Scutellaria virgaurea, Symphytum davisi and Verbascum adelae, which are suitable for animal grazing.
Livestock:
The sheep and goats are perfectly adapted to the area's local conditions. They are small and have low milk production. The traditional practice of free grazing (extensive rearing method) allows the animals to exploit the area's pastures and the local vegetation.

Human factors:
' Arséniko Naxou' has played a very important part in the life and diet of the inhabitants since ancient times. Farmers/cheesemakers still insist on producing the cheese in the traditional way. The cheesemakers' know-how during the different stages of producing the cheese is an important specific feature and key factor in the subsequent quality of the product. The cheesemakers' ability to identify the perfect time during the milk curdling at which the curd is ready to separate is a key element. Cutting the curd with a suitable tool so that it acquires a milky texture, slowly stirring the mixture so that the curd separates from the whey, and compressing the curd by hand into the moulds to remove the fluids and form the final shape attest to the fact that the production process is carried out manually. During maturation, experienced cheesemakers can identify the perfect moment to: (a) select the cheese wheels that have been produced correctly and discarding the unsuitable ones, (b) turn over the wheels and (c) coat the cheese with olive oil or olive oil dregs, thus contributing decisively to the quality of the cheese.

5.2. Specificity of the product
'Arseniko Naxou'

— has an intense, spicy, pleasant, bittersweet taste and a rich aroma.

Its organoleptic characteristics are due to the use of endemic plant species to feed the animals, giving the milk and 'Arseniko Naxou' its intense, pleasant taste and rich aroma. The distinctiveness of the production technology, with the use of non-pasteurised milk, preserves the characteristics of the milk produced in the area and the presence of indigenous lactic bacteria which play a vital role in contributing to the cheese's spicy and bittersweet taste.

It has a buttery, smooth texture owing to the high percentage of fat. In cheese-making, 'Arseniko Naxou' is the first cheese to be produced from fresh, whole milk and it contains more fat.

— It is characterised by the shape of the cheese wheels from the mould. It has a hard and thin rind due to the lengthy maturation period. Kneading the curd in the moulds and coating the product with salt and oil also contribute to the formation of the rind.

— It has a greater fat content in dry weight (43 %) and protein content (27 %) compared to other cheeses of the same type.

— It has a particular name ‘arseniko’ [masculine] given to it by the area's shepherds/cheesemakers themselves, to show that it is the 'strongest' cheese in fat and proteins, the most long-lasting and the hardest. These are characteristics associated with masculine qualities.

5.3. Causal link between the geographical area and the quality or characteristics of the product (for PDO) or a specific quality, the reputation or other characteristic of the product (for PGI)
' Arséniko Naxou' is the result of the combination of the area's soil and climate conditions, the extensive rearing system and the traditional method of production.

The area's geohistory, geomorphology, topography and variety of rocks contributed to its rich vegetation which is the main source of food for the sheep and goats from which the cheese is produced. Thanks to free grazing on mountainous and semi-mountainous pastures, the local breeds of sheep and goats are abstemious, strong and fully adapted to the particular geographical environment.
The area's climatic conditions favour:

(a) the presence and growth of a large number of aromatic plants including creeping and herbaceous plants, shrubs and trees, which belong to the *Labiatae, Umbelliferae, Compositae,* etc. families. These are consumed by the sheep and goats during grazing, giving the milk and the cheese produced its aroma and taste;

(b) the long-term presence of the sheep and goats in the area's natural pastures and better use of the endemic plant species; and

(c) the maturation of ‘Arseniko Naxou’. The area’s temperature and humidity conditions, where the temperature does not drop below 10 °C and the humidity level ranges from 70 % to 90 %, contribute to the natural maturation of the product in the storage areas and the production of the cheese with its characteristic structure and texture. The stable temperature and humidity levels, which do not change significantly, result in the gradual maturation of the product, thus contributing to the qualitative and quantitative changes which take place during maturation and which form the cheese’s characteristic structure.

The specific nature of the rearing system (free grazing), which has traditionally been practised by the area's farmers/cheesemakers, results in the exploitation of the area's pastures and thus of the local vegetation, which contributes to the product's organoleptic characteristics.

The production technique for ‘Arseniko Naxou’ supports its specific nature as regards the use of non-pasteurised milk which allows for the presence of indigenous microflora from the holding pens and the cheesemaking site. This plays a crucial role in forming the cheese's taste. As it matures, its aromas and taste become more intense. The positive correlation between the spicy taste, the rich aroma and the characteristic texture and the age of the cheese is attributable to the extensive proteolysis and lipolysis caused by the area's lactic bacteria during maturation.

The skills of the area's cheesemakers, who intervene manually during the curdling, shaping and maturation of the product, are crucial in forming the product's physico-chemical and organoleptic characteristics.

The production process is closely linked to the cheesemakers' knowledge, as they know how long it takes to make the cheese, taking into account the area's climatic conditions and the composition of the vegetation and to their manual intervention during the maturation process, so that the cheese is produced on a small scale.

References to ‘Arseniko Naxou' have been made in the press, on the internet and on the television. It is described as a cheesemaking tradition of Naxos and as one of the best-known cheeses of the island, with a specific, unique, sharp, pleasant taste, which over time becomes more spicy and aromatic, qualifying it as a top-quality cheese and a source of inspiration. The product's reputation has gone beyond the boundaries of the production area and is now also appreciated by consumers in other areas.

The name ‘Arseniko Naxou' has been established as demonstrated by the historical references, publications in print and online, and by invoices for the purchase and sale of this product.

**Reference to publication of the specification**

(the second subparagraph of Article 6(1) of this Regulation)

PROCEDURES RELATING TO THE IMPLEMENTATION OF COMPETITION POLICY

EUROPEAN COMMISSION

Prior notification of a concentration
(Case M.9354 — AXA/NN Group/JV)
Candidate case for simplified procedure
(Text with EEA relevance)
(2019/C 271/05)

1. On 5 August 2019, the Commission received notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (1).

This notification concerns the following undertakings:

— Lindisfarne S.L. (Spain), ESI One S.à.r.l. (France), Alterimmo Europe S.à.r.l. (France), all ultimately controlled by AXA S.A (‘AXA’, France),
— REI Spain B.V. (The Netherlands), belonging to the NN Group (The Netherlands).

AXA and the NN Group indirectly acquire within the meaning of Article 3(1)(b) and 3(4) of the Merger Regulation joint control of a newly created joint venture.

The concentration is accomplished by way of purchase of shares in a newly created company constituting a joint venture.

2. The business activities of the undertakings concerned are:

— for AXA: a global insurance group also active in investment management. Lindisfarne S.L., ESI One S.à.r.l., Alterimmo Europe S.à.r.l. are active in real estate management in Spain and in Europe,
— for NN Group: a global financial institution offering investment and insurance services. REI Spain B.V. is active in acquiring, holding and managing real estate assets in Europe,
— for the JV: will be active on the market for rental of residential space in Spain.

3. On preliminary examination, the Commission finds that the notified transaction could fall within the scope of the Merger Regulation. However, the final decision on this point is reserved.

Pursuant to the Commission Notice on a simplified procedure for treatment of certain concentrations under the Council Regulation (EC) No 139/2004 (2) it should be noted that this case is a candidate for treatment under the procedure set out in the Notice.

4. The Commission invites interested third parties to submit their possible observations on the proposed operation to the Commission.

Observations must reach the Commission not later than 10 days following the date of this publication. The following reference should always be specified:

M.9354 — AXA/NN Group/JV

Observations can be sent to the Commission by email, by fax, or by post. Please use the contact details below:

Email: COMP-MERGER-REGISTRY@ec.europa.eu
Fax +32 22964301
Postal address:
European Commission
Directorate-General for Competition
Merger Registry
1049 Bruxelles/Brussel
BELGIQUE/BELGIE
EUROPEAN COMMISSION

Publication of an application for approval of an amendment, which is not minor, to a product specification pursuant to Article 50(2)(a) of Regulation (EU) No 1151/2012 of the European Parliament and of the Council on quality schemes for agricultural products and foodstuffs

(2019/C 271/06)

This publication confers the right to oppose the amendment application pursuant to Article 51 of Regulation (EU) No 1151/2012 of the European Parliament and of the Council (1) within three months from the date of this publication.

APPLICATION FOR APPROVAL OF AN AMENDMENT TO THE PRODUCT SPECIFICATION OF PROTECTED DESIGNATIONS OF ORIGIN/PROTECTED GEOGRAPHICAL INDICATIONS WHICH IS NOT MINOR

Application for approval of an amendment in accordance with the first subparagraph of Article 53(2) of Regulation (EU) No 1151/2012.

‘RISO DEL DELTA DEL PO’

EU No: PGI-IT-0712-AM01 – 21.6.2017

PDO ( ) PGI (X)

1. Applicant group and legitimate interest

Consorzio di Tutela del Riso del Delta del Po IGP
Via J.F. Kennedy, 134
45019 Taglio di Po (Ro)
ITALIA
Tel. +39 05321716402
Email: info@consorziorisodeltapoigp.it

The Consorzio di Tutela del Riso del Delta del Po IGP is entitled to submit an amendment application pursuant to Article 13(1) of Ministry of Agricultural, Food and Forestry Policy Decree No 12511 of 14 October 2013.

2. Member State or Third Country

Italy

3. Heading in the product specification affected by the amendment(s)

— ☑ Name of product
— ☑ Description of product
— ☑ Geographical area
— ☑ Proof of origin
— ☑ Method of production
— ☑ Link
— ☑ Labelling
— ☑ Other [Packaging, product logo, updated legal references]

4. Type of amendment(s)

— ☑ Amendment to product specification of a registered PDO or PGI not to be qualified as minor in accordance with the third subparagraph of Article 53(2) of Regulation (EU) No 1151/2012

5. **Amendment(s)**

**Description of product**

— The following sentence in Article 1 of the product specification:

> 'The protected geographical indication “Riso del Delta del Po” is reserved for rice which fulfils the conditions and requirements laid down in this product specification.'

is amended as follows:

> The protected geographical indication “Riso del Delta del Po” is reserved for rice which fulfils the conditions and requirements laid down in this product specification.'

The term [translator's note: in Italian] ‘frutti di riso’ has been replaced by ‘riso’.

This amendment allows identification of the indication ‘Riso del Delta del Po PGI’ with rice in its various forms ready to be offered for sale to the consumer, i.e. after the grain has been subjected to industrial processes and treatments permitted by current legislation and in line with the requirements laid down in the product specification.

— The following sentence in Article 2 of the specification and point 3.2 of the single document:

> 'The indication “Riso del Delta del Po” refers exclusively to Japonica Superfino grade rice of the Carnaroli, Volano, Baldo and Arborio varieties.'

has been amended as follows:

> 'The indication “Riso del Delta del Po” refers exclusively to Japonica Superfino grade rice of the Carnaroli, Volano, Baldo, Arborio, Cammeo, Karnak, Telemaco, Caravaggio and Keope varieties.'

We request the inclusion of new varieties of rice, specifically: Cammeo, Karnak, Telemaco, Caravaggio and Keope.

The need to introduce, alongside those originally envisaged, substitute varieties of small size arises from the fact that the traditional varieties were created many years ago (the oldest, Arborio and Carnaroli, in the late 1940s) and have agronomic characteristics (in particular high susceptibility to fungal diseases and lodging) which makes them difficult to cultivate without repeated treatments with plant protection products, to the detriment of the wholesomeness of the finished product and the sustainability of cultivation.

In turn, the newly created varieties have a greater resistance to and tolerance of fungal diseases and lodging, and thus allow for a healthy and homogeneous product with similar organoleptic qualities to the existing ones.

— The sentence:

> ‘Riso del Delta del Po grains are large, translucent and compact, with a high protein content, and can be white or whole-grain.’

has been amended as follows:

> ‘Riso del Delta del Po grains are large, translucent/pearly and compact, with a high protein content, and can be subjected to industrial processes and treatments permitted by current legislation.’

The word ‘translucent’ refers to all varieties listed in the specification and is therefore imprecise. Of the current varieties only Baldo has a translucent grain, while the Arborio, Carnaroli and Volano varieties have a pearly grain. We therefore propose updating the term ‘translucent’ to ‘translucent/pearly’.

The definitions ‘white or whole-grain’ have been deleted and replaced by the wording ‘subjected to industrial processes and treatments permitted by current legislation’ in order to take account of the rapid pace of industrial processing according to changing consumer preferences.
The following paragraph:

“Riso del Delta del Po” - PGI, when released for consumption, must have the following characteristics relating to the grain:

<table>
<thead>
<tr>
<th>Variety</th>
<th>Cooked rice glutinosity g/cm</th>
<th>Protein (%) (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baldo</td>
<td>&gt; 4,5</td>
<td>&gt; 6,60</td>
</tr>
<tr>
<td>Carnaroli</td>
<td>&gt; 1,5</td>
<td>&gt; 6,60</td>
</tr>
<tr>
<td>Volano</td>
<td>&gt; 3,0</td>
<td>&gt; 6,60</td>
</tr>
<tr>
<td>Arborio</td>
<td>&gt; 3,5</td>
<td>&gt; 6,60</td>
</tr>
</tbody>
</table>

(*) dry matter values

is amended as follows:

“Riso del Delta del Po” - PGI must have the following characteristics relating to the grain:

<table>
<thead>
<tr>
<th>Variety</th>
<th>Consistency kg/cm²</th>
<th>Protein % of dry matter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arborio, Volano, Telemaco</td>
<td>0,65</td>
<td>6,60</td>
</tr>
<tr>
<td>Baldo, Cammeo</td>
<td>0,60</td>
<td>6,60</td>
</tr>
<tr>
<td>Carnaroli, Karnak, Caravaggio, Keope</td>
<td>0,85</td>
<td>6,60</td>
</tr>
</tbody>
</table>

These features must be determined prior to industrial processing, in dry paddy fields representative of the entire quantity of fields in the holding.

The parameter of glutinosity has been replaced by that of consistency. Both parameters are inversely correlated and indicative of the food quality of the product after cooking. More specifically, the more glutinous the rice is, the less consistent and vice versa. There is no validated method of analysis for glutinosity in that, up to now, the UNI and the ISO have been unable to define a reliable and reproducible method, unlike the parameter of consistency, for which such an internationally-recognised method is available (standard UNI EN ISO 11747:2012).

The values proposed for the parameter of consistency are those of the National Rice Board, based on the outcome of several analyses carried out by its product laboratory.

It was therefore deemed appropriate to indicate that the consistency and the protein content must be tested on the rice prior to processing.

Proof of origin

Article 4 of the product specification

This article has been redrafted in its entirety by moving the historical information on rice cultivation in the geographical area, consisting of the first five paragraphs of Article 4, to the relevant article on the link between the area and the product. Article 4 is reworded as follows:

‘The origin of the product is also proven by the entries of the producers, processors and packagers in the appropriate registers held and updated by the control body referred to in Article 7 of this specification.’

Method of production

Article 5 of the product specification

This article has been rewritten to take into account both changes in processing and production techniques and practical results achieved since the entry into force of the specification.
Tillage

— The following sentence:

‘Ploughing to a depth of 25-30 cm must take place, followed by at least one harrowing; afterwards the soil must be levelled to allow optimum water management.’

has been amended as follows:

‘Ploughing to a depth of 25-30 cm must take place, followed by at least one harrowing; however, other tillage techniques which ensure an adequate seed bed preparation are also permitted.’

Traditional tillage operations (ploughing, harrowing) may now be replaced by alternative operations (clearing, scarification) which achieve the same purpose in a less energy-intensive way and with greater respect for the environment. In particular, other more modern techniques of soil treatment, today seen as more environmentally sustainable, have been added to ploughing.

Soil analysis

— The sentence:

‘Holdings producing Riso del Delta del Po must carry out soil analyses at least every 5 years on the following characteristics: structure, pH, organic matter, active limestone, assimilable phosphorous, exchangeable potassium, total nitrogen, C/N ratio, exchangeable calcium, magnesium and sodium, as well as the Mg/K ratio, in order to draw up and keep in a holding a correct fertiliser plan drawn up by an agricultural expert.’

has been amended as follows:

‘Holdings producing Riso del Delta del Po must carry out soil analyses at least every 5 years on the following characteristics: structure, pH, organic matter, active limestone, assimilable phosphorous, exchangeable potassium, total nitrogen, C/N ratio, exchangeable calcium, magnesium and sodium, as well as the Mg/K ratio, in order to draw up and keep in a holding a correct fertiliser plan according to actual needs.’

The obligation to have the fertiliser plan prepared by an ‘agricultural expert’ has been deleted, as the plan may also be drawn up in the agricultural holdings given the skills gained through experience by a farmer who is not necessarily qualified as an agricultural expert.

— The following sentences are deleted:

‘The Carnaroli variety needs predominantly clayey soil and may be grown only in soil with a pH of more than 7.5. The other three varieties can be produced throughout the area defined in Article 3 of this specification.’

It is considered possible to delete the reference to soil pH (the parameter applying only to the Carnaroli variety) since it was noted that pH is highly variable in the cultivation area, also within individual holdings or indeed a single parcel, and has no impact on the quality of the quoted variety. In addition, the presence of water on the land from April to August serves as a buffer to the acid environment, raising the pH.

The amendment also applies to point 3.5 of the single document.

Fertilisers

— The maximum nitrogen (N) content in fertilisers has been increased from 130 kg/ha to 160 kg/ha.

The production area consists of peaty and clayey soils, and to obtain a homogeneous and consistent product for the market it is necessary to apply fertilisers differently depending on the soil. It was therefore thought appropriate to increase the maximum quantity of nitrogen in order to have a grain protein content which is equal to that on other soils.

Seeding

— The sentence:

‘The maximum useable quantity of seed per hectare is 240 kg. The rice can be sown by scattering in water or on dry tilled land which must then be immediately drenched.’
has been amended as follows:

‘The maximum useable quantity of seed per hectare is 300 kg. The rice can be sown by scattering or planting in water or on dry tilled land which must then be immediately drenched.’

The maximum quantity of seed has been increased, as in some areas 240 kg/ha sown in water is insufficient to ensure appropriate coverage of the ground. Too-thin planting does not allow the rice plant to defend itself against weeds, thus necessitating repeated weeding. Moreover, the option of dry sowing in order to limit the amount of water used has been added.

**Pest and weed control**

— The sentence:

‘Seed treatment is mandatory to combat typical rice cryptogams (fusariosis, elmintosporiosis and pyricularia (rice blast)).’

has been amended as follows:

‘Seed treatment is permitted to combat typical rice cryptogams (fusariosis, elmintosporiosis and pyricularia).’

In order to make rice growing less impacting on the environment, seed treatment is now optional, as it is not necessary for seed free from pathogens.

— The following sentence is deleted:

‘It is mandatory to drain the rice field and expose it to the sun in case of problems caused by rice phytophages (crustaceans, insects and worms).’

The obligation to drain the rice field has been removed in order to increase environmental sustainability and limit the amount of water used.

— The sentence:

‘Weeds may be combated using authorised plant protection products and with the help of mowing of dikes to avoid excessive seeding, water regulation and targeted soil treatment prior to sowing.’

has been amended as follows:

‘Weeds may be combated using authorised plant protection products and with the help of mowing of dikes to avoid excessive seeding, water regulation and targeted soil treatment prior to sowing, as well as possible temporary draining in accordance with good treatment practices to eliminate phytophages.’

For greater clarity, it was seen as appropriate to refer both to phytophages and weeds in the section on pest management, as is already foreseen in the current wording. It was also thought appropriate to complement the specification, adding the option of temporary drainage. Experience gained with rice crops has shown that targeted draining of the rice paddies eliminates the problems with phytophages without additional treatment.

**Harvesting, drying, storing and processing**

— The following maximum unit production values for dry type paddy rice

**Carnaroli:** 6,0 tonnes/ha

**Volano:** 8,0 tonnes/ha

**Baldo:** 8,0 tonnes/ha

**Arborio:** 7,5 tonnes/ha
are amended as follows:

<table>
<thead>
<tr>
<th>Variety</th>
<th>Tonnes/ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arborio</td>
<td>7,5</td>
</tr>
<tr>
<td>Baldo</td>
<td>8,0</td>
</tr>
<tr>
<td>Cammeo</td>
<td>8,5</td>
</tr>
<tr>
<td>Carnaroli</td>
<td>6,5</td>
</tr>
<tr>
<td>Telemaco</td>
<td>8,5</td>
</tr>
<tr>
<td>Karnak</td>
<td>8,5</td>
</tr>
<tr>
<td>Volano</td>
<td>8,0</td>
</tr>
<tr>
<td>Caravaggio</td>
<td>8,5</td>
</tr>
<tr>
<td>Keope</td>
<td>8,5</td>
</tr>
</tbody>
</table>

The yields for the new varieties have been added and the maximum production of Carnaroli has increased slightly given the recent progress made.

— The sentence:

‘Processing must take place in plants and according to procedures that are such as to ensure that the Riso del Delta del Po retains its characteristics.’

has been amended as follows:

‘Processing from paddy rice to rice (dehulling and milling) must take place in plants within the PGI area and according to procedures that are such as to ensure that the “Riso del Delta del Po” retains the characteristics indicated in point 3.2. The special features of the area of production allow the characteristics of the product to be preserved during the dehulling and milling phases and limit cracking/breaking of the grain, which is necessary to obtain uniform cooking.’

Experience gained over the years has shown that the location of rice dehulling and milling influences the quality of the final product. During these phases one of the key factors in preserving the best product characteristics, ensuring minimal stress/fracture of the grain and thus in obtaining a uniform cooking is the special nature of the area of production.

The particularly favourable micro-climate, the temperatures and environmental characteristics of the production area, like the ‘Riso del Delta del Po’ PGI area, are characterised by a particular average relative air humidity of the air which is the optimum condition for achieving the quality requirements of ‘Riso del Delta del Po’.

For completeness’ sake we underline that the specificity of the production area of ‘Riso del Delta del Po’ is known to all operators in the sector and also supported in publications. In the PGI production areas, which are located on average 3 metres above sea level, the correct level of humidity exists naturally, a factor unique to this part of Italy.

The amendment also applies to point 3.6 of the single document.

— The following sentences have been deleted from point 3.6:

‘Drying must be carried out in dryers that leave no combustion residues or foreign odours on the glumellae. Indirect or direct fire dryers may be used if fuelled by methane or LPG.

The moisture content of the dried paddy rice may not exceed 14 %.’

This amendment is purely editorial, as the above sentences concern the method of production rather than specific rules concerning slicing, grating, packaging, etc. We point out that the amendment does not imply any change to the product specification, as the two provisions are unchanged in the relevant Article 5 ‘Method of production’ and remain in force.
Labelling and packaging

Article 8 of the product specification

— The following sentence:

'The rice must be put in boxes or bags suitable for food use, in volumes of 0,5 kg, 1 kg, 2 kg or 5 kg, and may be packed in vacuum or controlled atmosphere conditions.'

has been amended as follows:

'The rice must be put in boxes or bags suitable for food use, and may be packed in vacuum or controlled atmosphere conditions.'

The requirements regarding the weight and characteristics of packaging have been deleted to allow packagers greater flexibility in the choice of types of packaging.

— The information contained in the following paragraphs:

'The containers must bear the logo of the PGI measuring at least 40 mm × 30 mm and, in suitably large characters (min. height 5 mm), the term "Riso del Delta del Po" followed by "Indicazione Geografica Protetta" or the abbreviation "IGP".

The packaging must bear the name of the variety ("Arborio", "Carnaroli", "Volano" or "Baldo"), and possibly include the type “whole-grain rice”.

It must also bear the name/company name and address of the packager.

Text other than the words "Riso del Delta del Po — Indicazione Geografica Protetta" must appear in a font size no more than one third of that used for “Riso del Delta del Po”.

has been reworded as follows:

‘Apart from the legal preconditions containers must show the following:

1) the term “Riso del Delta del Po” followed by “Indicazione Geografica Protetta” (or the abbreviation “IGP”) in suitably large characters (minimum font 7 pt);

2) the logo of the PGI measuring at least 40 mm × 25 mm. Should the size of the logo be larger, the proportion must be kept; the packaging must be marked with the single variety as listed in Article 2, i.e. Carnaroli, Volano, Baldo, Arborio, Cammeo, Karnak, Telemaco, Caravaggio or Keope; the type of treatment provided for by current legislation may also be included;

3) the European Union PGI symbol.’

The indications regulating the minimum height of the wording ‘Riso del Delta del Po’ and those already required by legislation in force (name or company name and address of the packager) have been deleted. Moreover, it was thought appropriate not to prescribe specific rules for packaging and labelling, given that there are no traditional types of packaging for ‘Riso del Delta del Delta del Po PGI,’ and to insert the type of industrial treatment required by current legislation.

Product logo

To enable an exact reproduction of the product logo on the packaging, the references to the size of the logo (see point 2 of the previous amendment) and to the codes of the colours green ‘Pantone 557C’ and yellow ‘Pantone 117C’ have been clarified and corrected. The following paragraph has been added to the specification:

‘The exact colour codes can be seen below:

Pantone Solid Coated

cream: 1 205 C
green: 557 C
yellow: 117 C

Four-colour CMYK:

- **cream:** C 0 M 3 Y 43 K 0
- **green:** C 48 M 4 Y 35 K 10
- **yellow:** C 7 M 28 Y 100 K 12

The clarification of the Pantone colour and its code is necessary in technical terms so that the printers are able to exactly reproduce the logo.

**Legislative updates and inspection**

Article 7 of the product specification

References to the existing legislation have been updated and the name and address of the inspection body have been indicated.

**SINGLE DOCUMENT**

'RISO DEL DELTA DEL PO'

EU No: PGI-IT-0712-AM01 – 21.6.2017

PDO ( ) PGI ( X )

1. **Name**

'Riso del Delta del Po'

2. **Member State or Third Country**

Italy

3. **Description of the agricultural product or foodstuff**

3.1. **Type of product**

Class 1.6. Fruit, vegetables and cereals, fresh or processed

3.2. **Description of product to which the name in 1 applies**

The indication 'Riso del Delta del Po' refers exclusively to Japonica Superfino grade rice of the Carnaroli, Volano, Baldo, Arborio, Cammeo, Karnak, Telemaco, Caravaggio and Keope varieties.

'Riso del Delta del Po' grains are large, translucent/pearly and compact, with a high protein content, and can be subjected to industrial processes and treatments permitted by current legislation.

Its high absorption capacity, low loss of starch and good cooking firmness, together with organoleptic characteristics such as its particular aroma and flavour, mean that it is especially favoured for enhancing the best risotto dishes.

'Riso del Delta del Po' - PGI must have the following characteristics relating to the grain:

<table>
<thead>
<tr>
<th>Variety</th>
<th>Consistency kg/cm²</th>
<th>Protein % of dry matter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arborio, Volano, Telemaco</td>
<td>0.65</td>
<td>6.60</td>
</tr>
<tr>
<td>Baldo, Cammeo</td>
<td>0.60</td>
<td>6.60</td>
</tr>
<tr>
<td>Carnaroli, Karnak, Caravaggio, Keope</td>
<td>0.85</td>
<td>6.60</td>
</tr>
</tbody>
</table>
3.3. Feed (for products of animal origin only) and raw materials (for processed products only)

—

3.4. Specific steps in production that must take place in the identified geographical area

Because of the particular conditions that characterise the growing of the rice, the production phase must take place within the geographical area indicated at point 4.

The rice can be sown by scattering or planting in water or on dry tilled land which must then be immediately drenched.

Processing from paddy rice to rice (dehulling and milling) must take place in plants within the PGI area and according to procedures that are such as to ensure that the ‘Riso del Delta del Po’ retains the characteristics indicated in point 3.2. The special features of the area of production allow the characteristics of the product to be preserved during the dehulling and milling phases and limit cracking/breaking of the grain, which is necessary to obtain uniform cooking.

3.5. Specific rules concerning slicing, grating, packaging, etc. of the product the registered name refers to

The rice must be put in boxes or bags suitable for food use, and may be packed in vacuum or controlled atmosphere conditions.

The containers must be sealed so as to prevent the contents from being removed without breaking the packaging.

3.6. Specific rules concerning labelling of the product the registered name refers to

Apart from the legal preconditions containers must show the following:

1) the term ‘Riso del Delta del Po’ followed by ‘Indicazione Geografica Protetta’ (or the abbreviation ‘IGP’) in suitably large characters (minimum font 7 pt);

2) the logo of the PGI measuring at least 40 mm × 25 mm. Should the size of the logo be larger, the proportion must be kept; the packaging must be marked with the single variety, i.e. Carnaroli, Volano, Baldo, Arborio, Cammeo, Karnak, Telemaco, Caravaggio or Keope; the type of treatment provided for by current legislation may also be included;

3) the European Union PGI symbol.

The official ‘Riso del Delta del Po’ logo consists of a cream oval shape with a green border. On the upper half of the oval appear the words ‘RISO DEL DELTA DEL PO’ and on the lower half ‘INDICAZIONE GEOGRAFICA PROTETTA’, in both cases in capitals and in green.

The central part of the oval features, in a cream colour against a green background, images typical of the Po Delta (stylised reeds and birds) either side of a stylised yellow figure of a woman holding a sheaf of rice.

4. Concise definition of the geographical area

The typical area for growing Riso del Delta del Po extends over the easternmost cone of the Po valley in the Veneto and Emilia Romagna regions, on the land formed by residue and deposits from the River Po. The area is bordered to the east by the Adriatic Sea, to the north by the Adige River and to the south by the Ferrara-Porto Garibaldi Canal.
In Veneto, Riso del Delta del Po is grown in the province of Rovigo, in the municipalities of Ariano nel Polesine, Porto Viro, Taglio di Po, Porto Tolle, Corbola, Papozze, Rosolina and Loreo.

In Emilia Romagna, production takes place in the province of Ferrara, in the municipalities of Comacchio, Goro, Codigoro, Lagosanto, Massa Fiscaglia, Migliarino, Migliarino, Ostellato, Mesola, Jolanda di Savoia and Berra.

5. **Link with the geographical area**

   **Environmental factors**

   The characteristic soils, temperate climate and closeness to the sea are the main factors that influence and characterise the production of Riso del Delta del Po in this area. The land is ideally suited to growing the rice, which is the only form of cultivation possible in areas that are permanently semi-submerged.

   The alluvial soils of the Po Delta come from sediment left by the river at the end of its course and are especially fertile due to their high content of minerals, particularly potassium, which is such that there is no need to use potassium fertilisers.

   Also, the soils, though of varying consistency, are characterised by high salinity levels (EC of over 1 mS/cm), due to a very high water table.

   The specific coastal location of the area also provides a micro-climate that is particularly favourable to rice thanks to the constant breezes and consequent low levels of humidity, limited temperature ranges (lows hardly drop below 0 °C in the winter and highs in the summer have not exceeded 32 °C for 30 years) and annual rainfall of less than 700 mm, generally evenly distributed over the year. These specific climatic conditions serve to limit the spread of pathogenic fungi and thus also the need to use fungicides.

   **Historical and human factors**

   The first records of rice being grown in Polesine (the Rovigo area), in particular in the Po Delta region, date from a few decades after the spread of the activity in the Po Valley (1450): it was closely linked to the draining of the area as it accelerated the process whereby the salty land could then be used under crop rotation (as evidenced by a law of the Venetian Republic from 1594). The late 1700s saw a number of Venetian patricians starting to cultivate rice in the drained areas on a systematic basis.

   Riso del Delta del Po is now grown on about 9 000 hectares of rice fields. The influence of rice-growing can be seen in the local culture and in the social development of the area; the rice has for years been packaged and marketed by numerous firms under the name 'Riso del Delta del Po' and thanks to its particular organoleptic characteristics, which set it apart from other types of rice produced in Italy, it is recognised and highly regarded by consumers across the country. Lastly, its reputation is also linked with the traditional fairs and festivals that take place in the area each year, such as the famous Riso del Delta del Po festival in Jolanda di Savoia (Ferrara Province), and with the Porto Tolle Fair.

   The special characteristics of Riso del Delta del Po are related to its high protein content, the size of the grains, high absorption capacity, low rate of starch loss and superior quality, all of which give it a good cooking firmness.

   It also has a particular flavour and aroma which distinguish it from rice not grown in brackish water.

   The salt deposits on this area of drained land, coupled with the specific nature of the water used and the existence of a high table of saltwater, influence the character of the rice organoleptically and as a traded commodity — as a result, it is instantly recognisable and held in high esteem on the market.

   The alluvial soils, highly fertile because of the presence of minerals (particularly potassium), are conducive to a high protein content and enhanced cooking firmness.

   Also, the soils, though of varying consistency, are characterised by high salinity levels (EC of over 1 mS/cm) which gives the rice its special flavour and aroma.

   The constant sea-breeze radically reduces humidity levels in the micro-climate of the rice fields, thus also strongly diminishing the need for fungicides and helping to produce rice of a high quality.
Reference to publication of the product specification

(the second subparagraph of Article 6(1) of this Regulation)

The Ministry launched the national objection procedure with the publication of the proposal for amending the product specification for ‘Riso del Delta del Po’ PGI in Official Gazette of the Italian Republic No 100 of 2 May 2017.

The consolidated text of the product specification can be consulted on the following website:

http://www.politicheagricole.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/3335

or alternatively:

by going directly to the home page of the Ministry of Agricultural, Food and Forestry Policy (www.politicheagricole.it) and clicking on ‘Qualità’ (at the top right of the screen), then on ‘Prodotti DOP IGP STG’ (on the left-hand side of the screen) and finally on ‘Disciplinari di Produzione all'esame dell'UE’. 
Publication of an application for registration of a name pursuant to Article 50(2)(a) of Regulation (EU) No 1151/2012 of the European Parliament and of the Council on quality schemes for agricultural products and foodstuffs
(2019/C 271/07)

This publication confers the right to oppose the application pursuant to Article 51 of Regulation (EU) No 1151/2012 of the European Parliament and of the Council (1) within three months from the date of this publication.

SINGLE DOCUMENT
‘ΚΡΙΤΣΑ’ (KRITSA)
EU No: PGI-GR-02317 – 6.7.2017
PDO ( ) PGI ( X )

1. Name(s)
   ‘Κριτσά’ (Kritsa)

2. Member State or Third Country
   Greece

3. Description of the agricultural product or foodstuff
   3.1. Type of product
       Class 1.5. Oils and fats (butter, margarine, oil, etc.)

   3.2. Description of the product to which the name in (1) applies
       ‘Kritsa’ olive oil is produced solely from olives of the Koroneiki variety. It is green to golden-green in colour.

       Physico-chemical characteristics:
       — acidity (% by weight of oleic acid): ≤ 0,5
       — extinction coefficient K270: ≤ 0,15
       — extinction coefficient K232: ≤ 1,90
       — extinction coefficient variation Delta-K: ≤ 0

       Sensory evaluation:
       — fruitiness: ≥ 2,5
       — defect: 0,0

   3.3. Feed (for products of animal origin only) and raw materials (for processed products only)
       ‘Kritsa’ olive oil is produced from Koroneiki olives only.

   3.4. Specific steps in production that must take place in the defined geographical area
       Cultivation of the olives and all stages in the production of ‘Kritsa’ extra virgin olive oil must take place in the defined geographical area.

3.5. Specific rules concerning slicing, grating, packaging, etc. of the product to which the registered name refers

‘Kritsa’ olive oil is renowned both in Greece and internationally, and its reputation is due to its exceptional quality (low acidity, low extinction coefficients) and its fruity flavour. These characteristics are adversely affected by temperature, light and oxygen, to which the oil is more likely to be exposed when being transferred from a storage tank to a tanker lorry and vice versa, or between tanker lorries, or when inside a tanker lorry. In addition, high temperatures and the presence of oxygen cause rapid deterioration of the oil’s characteristic fruitiness. For these reasons ‘Kritsa’ olive oil should be stored in stainless steel tanks within the defined area, to ensure that the characteristics upon which its reputation is founded remain unimpaired. ‘Kritsa’ olive oil is also packaged within the defined area, and more specifically in the place where it is produced. This ensures that the oil’s quality characteristics are not affected or altered, facilitates checks and assures traceability.

3.6. Specific rules concerning labelling of the product to which the registered name refers

4. Concise definition of the geographical area

‘Kritsa’ olive oil is produced solely within the boundaries of the municipal district of Kritsá and the neighbouring communities of Mesa and Exo Lakkonia and Kroustas, in the municipality of Agios Nikolaos. In addition to the large village of Kritsá, the said municipal district includes the following settlements: Ammoudara, Vathy, Theologos, Katharó, Kalyvos, Mardati, Rousa Limni and Tapes.

5. Link with the geographical area

‘Kritsa’ is one of Crete’s most famous olive oils, which has also become well known outside Greece. Its reputation derives purely from its quality, organoleptic and chemical characteristics, which in turn are linked with the geographical area, but also with the human factor that contributes significantly to the quality of the oil produced.

This very extensive reputation is the basis for the application for registration of ‘Kritsa’ olive oil as a Protected Geographical Indication (PGI).

‘Kritsa’ olive oil is produced in a relatively small area, where soil and climatic conditions are roughly the same throughout, which means the final product has uniform characteristics. Moreover, Koroneiki is the only variety of olive grown in this area.

The area has a mild Mediterranean climate, with no major fluctuations in temperature. Sunshine is plentiful, owing to the exposure and configuration of the land, exceeding 2 900 hours a year. The olive groves are planted on dry, limestone soil with good water retention capacity. The soil’s clay content makes it suitable for non-irrigated olive groves. Furthermore, conditions are not especially favourable for olive fruit fly, so infestations are usually limited.

Most of the area’s olives are collectively milled, and milling takes place within 48 hours of harvesting, which minimises post-harvest deterioration. Thanks to the producers’ expertise, built up over many years, the fruit are harvested at just the right stage of ripeness, when they are turning colour from yellowish green to dark purple, a factor linked with the organoleptic characteristics of the oil produced.

Thus, both natural and human factors have helped determine the specific characteristics of ‘Kritsa’ olive oil, which are low acidity, not exceeding 0.5, low extinction coefficient values (K270: ≤ 0.15, K232: ≤ 1.90, Delta-K: ≤ 0) and fruitiness greater than 2.5.

The abundance of light, the dry limestone soil, and harvesting at the right time produce oil with many aromatic constituents, which give it its characteristic fruity flavour. The low extinction coefficient values (K270, K232 and Delta-K), are linked with altitude, but also with the fact the olives are milled directly after they are picked.

‘Kritsa’ olive oil has been extensively referred to in Norwegian, Slovenian and Japanese magazines, where particular emphasis has been given to its quality characteristics.

‘Kritsa’ olive oil also features on travel and agri-tourism websites, where visitors are advised not to leave the village of Kritsá without some of the local olive oil.
As well as on travel websites, ‘Kritsa’ olive oil is mentioned on the website of a well-known restaurant in Athens, which uses only this oil in its dishes. ‘Kritsa’ olive oil is also one of the basic ingredients used at the famous Valrhona patisserie school in France.

The product’s reputation and the link with the local people and the surrounding environment is evidenced by the fact that it features at local events, on local and national radio and television and in the press.

The link between ‘Kritsa’ olive oil and the local people and their history is explained by writer/journalist Tom Mueller in his book ‘Extra Virginity, the sublime and scandalous world of olive oil’ (2014).

‘Kritsa’ olive oil has also featured in the international press, specifically CNN and The Times, as mentioned in the Olive Oil Times online.

In addition, the product’s reputation and the fact that Kritsá was recognised as an important olive oil producing area is attested to in travel accounts from the 19th century.

Specifically, in Bulletin de la Société de Géographie (1835) M.A. Fabreguettes mentions ‘…Kritsá … a village rich in all manner of produce, olive oil, almonds, carob, cheese and so forth…’, and in Kritika iti Topografia kai Odoiporika tis Nisou Kritis (1894) N. Kalomenopoulos writes ‘…The fertile Kritsá valley, a small plain crossed by a small stream and densely planted with olive trees…’ and ‘The Lakkonia valley… is covered with olive and cherry trees …’.

Since 2006, ‘Kritsa’ olive oil has won a total of 24 awards – 16 in national competitions and eight in international competitions, notably in the medium and intensely fruity categories. The top achievement was the gold award in the medium fruity category in the international ‘Mario Solinas’ competition in 2008, organised by the International Olive Council. Other important achievements were winning 3rd prize at the same competition in 2006, gold awards at the Los Angeles Extra Virgin Olive Oil Competition (2010) and Great Taste, London (2012) and silver awards at Prodxexo, Moscow (2012), Olive Japan (2013) and Cat Cora’s Kitchen (2013). In Greece, the oil has won gold awards at the following competitions: Panhellenic Extra Virgin Olive Oil Producers’ Competition (2007), 1st Greek Extra Virgin Olive Oil Competition (2008) and Eleotechnia (2008 and 2011).

In addition to the above awards, more recently ‘Kritsa’ olive oil won the bronze award for extra virgin olive oil at the London International Quality Olive Oil Competition (2017). That year it also won bronze for taste in the medium fruity category at the 5th Greek extra virgin olive oil competition. Both these awards were reported in the Greek online press. In both 2016 and 2017 the Kritsá Agricultural Cooperative’s olive mill received two awards from the Association of Cretan olive-growing municipalities: the silver Minoan Olive in the ‘good olive oil marketing practices’ category and the gold Minoan Olive in the ‘good olive milling practices’ category.

Finally, the area’s historical link with olives and olive oil production is evidenced by the oil presses (at least two) in the area of the ancient city of Lato, whose ruins date back to the Dorian period (5th and 4th centuries B.C.). Inside the city, which is approximately three kilometres from the village of Kritsá, evidence of olive oil storage has been found. Old oil mills scattered across the wider region also attest to the strong link between olive growing and the daily lives of the local people, while travellers’ references abound, appearing in books from the 19th century onwards.

Publication reference of the specification
(the second subparagraph of Article 6(1) of this Regulation)
