Public consultation

Draft guideline on the exercise of options and discretions available in Union law by NCAs in relation to less significant institutions

Draft recommendation on common specifications for the exercise of some options and discretions available in Union law by NCAs in relation to less significant institutions

Template for comments

Contact details (will not be published)

Institution/Company

FinansDanmark

Contact person

Mr ☒   Ms ☐

First name

Jakob

Surname

Hvidberg Hansen

E-mail address

██████████

Telephone number

████████████

☐   Please tick here if you do not wish your personal data to be published.

Please make sure that each comment only deals with a single issue.

In each comment, please indicate:

- the document to which the comment refers (guideline and/or recommendation)

- the relevant article/chapter/paragraph, where appropriate

- whether your comment is a proposed amendment, clarification or deletion.

If you require more space for your comments, please copy page 2.

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Template for comments

Name of Institution/Company   FinansDanmark

Country   Denmark

Comments

Guideline	Recommendation	Issue	Article	Comment	Concise statement of why your comment should be taken on board
☒	☐	Exemption of covered bonds	Article 6	Amendment	In article 6 of the draft guidelines of the ECB on the exercise of options and discretions available in Union law by NCAs in relation to less significant institutions, a reduction of the exemption of covered bonds from the limits of large exposures,

					as defined in Article 400(2)(a) Regulation (EU) 575/2013 is proposed, with references to article 9 of Regulation (EU) 2016/445 adressing significant institutions directly supervised by ECB.

In non-eurozone jurisdictions with a large domestic and very liquid covered bonds market a full exemption is justified. In such markets HQLA level 1 covered bonds which are fullfilling all the requirements of article 10(1)(f) of Delegated Regulation (EU) 2015/61 (LCR) forms the basis for LCR compliance for the credit institutions. Hence, the possibility of a full exemption of covered bonds (100% of nominal value) from the limits of large exposures, should be maintained.

Any limitation of holding not self-issued covered bonds, i.e. by becomming a eurozone jurisdiction, would be disproportionate to the actual liquidity in those markets and if the market contains large issuers of covered bonds it will also be disproportionate to the financial stability. In the latter situation where the market is concentrated among few issuers, an idiosyncratic stressed liquidity situation for some credit institutions might become systemically destabilizing if other non-stressed credit institutions are not able to pick up the covered bonds from the stressed institutions due to limitations of the large exposures. |
| ☐ | ☒ | Waiver for credit quality step 2 exposure for covered bonds | Part 2, title 3, point 1 | Amendment | In Part two, title III, point 1. in the draft recommendation of the ECB, it is recommended that NCA's should coordinate with the ECB regarding the assessment of significant potential problems in the Member State, before deciding wether to partly waive the application of Article 129(1)(c) of Regulation (EU) No 575/2013 |

| | | and allow credit quality step 2 for up to 10 percent of the total exposure of the nominal amount of outstanding covered bonds of the issuing institution.

This recommendation is an unnecessary step-up in the prerequisites for NCA's to partly waive the application of Article 129(1)(c)of Regulation (EU) No 575/2013. |
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