



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

PUBLIC CONSULTATION

Draft ECB Regulation on the exercise of options and discretions available in Union law

Draft ECB Guide on options and discretions available in Union law

Template for comments

Institution/Company

The Association of Danish Mortgage Banks (Realkreditrådet)

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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 (Regulation and/or Guide)
- 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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Name of Institution/Company The Association of Danish Mortgage Banks (Realkreditrådet)

Country Denmark

Comments

Regulation	Guide	Issue	Article	Comment	Concise statement why your comment should be taken on board
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Exemption of covered bonds	9	Amendment	In Article 9(4) of the draft regulation of ECB on the exercise of options and discretions, the possibility of a fully exemption of covered bonds (100% of nominal value) from the limits of large exposures should be maintained. 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 fulfilling 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.



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

					<p>Any limitation of holding not self-issued covered bonds 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.</p>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Liquidity waivers	8	Clarification	<p>In Section II, Chapter 1, 4 of the draft ECB guide on options and discretions concerning article 8 of the CRR it, in general, does not seem justified to continue to require reporting on institution level if the group gets a license to only complying with the LCR on a consolidated or sub-consolidated basis. A continued reporting on institution basis is especially not justified for waivers applied at the national level and will be an extra administrative burden on institutions.</p>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Diversification of holdings of liquid assets	8	Amendment	<p>In Section II, Chapter 5, 6 of the draft ECB guide on options and discretions concerning article 8 of the CRR it is proposed to impose further restrictions on credit institutions holding more than 60 % of the total amount of liquid assets in covered bonds.</p> <p>Imposing restrictions and requirements for diversification of holdings of liquid assets should reflect the structure of HQLA markets in the specific jurisdictions and/or markets. Taken all of this into account, the LCR Regulation (Delegated Regulation 2015/61) allows for up to 70% covered bonds which are fulfilling</p>



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

					<p>all the requirements of article 10(1)(f) of Delegated Regulation (EU) 2015/61 (LCR) in the liquidity buffer, but despite this the ECB de facto lowers that to 60% when considering implementing a SREP decision on institutions with an aggregate amount of covered bonds exceeding 60% of the total HQLA.</p> <p>This would be disproportionate in currency areas with a limited amount of level 1 assets, different from covered bonds which are fulfilling all the requirements of article 10(1)(f) of Delegated Regulation (EU) 2015/61 (LCR) (primarily government bonds) which is the case in some jurisdictions, as well as a disturbance of the delicate balance, between HQLA assets, that the Commission drafted in the LCR regulation.</p>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Outflows with interdependent inflows	26	Clarification	<p>In section II, Chapter 5, 12 of the draft ECB guide on options and discretions concerning article 26 of Regulation 2015/61 (LCR), the decisive criteria to the ECB are outlined.</p> <p>We expect that the ECB will endorse business models / institutions already allowed by national authorities to calculate corresponding outflows net of interdependent inflows before the guidelines are entered into force.</p>
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