Realkreditrådet
ASSOCIATION OF
DANISH MORTGAGE BANKS

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To: EBA
by e-mail : CP50@eba.europa.eu

Answer submitted by:
Realkreditrådet (Association of Danish Mortgage Banks)

Subject: EBA CP 50

Response to EBA Consultation Paper on Draft Implementing Technical Standards on Supervisory reporting requirements for institutions

Introduction

The Association of Danish Mortgage Banks welcomes the opportunity to comment on the consultation on Draft Implementing Technical Standards on Supervisory reporting requirements for institutions.

While being supportive of the intention to harmonise reporting requirements for financial institutions in Europe, we would like to stress that uniform reporting requirements should not come at the cost of excessive growth in the reporting scope, nor through insensitivity towards the complex diversity of business models in the European financial sector. Otherwise the creation of common European supervisory reporting requirements could lead to highly burdensome and ineffective reporting requirements for parts of the European financial sector.

In concert, the increased control- and supervisory obligations, being imposed on national authorities and the EBA due to an increase in the reporting requirements, could lead to an inoptimal allocation of resources.

General comments

The COREP and FINREP reporting setup increases the current scope of reporting. Therefore the COREP reporting should be transnational and fully harmonised, leaving national discretions to a minimum. Additionally, the proposed introduction of reporting by geographical areas should not be implemented.

It is our belief that an implementation period of at least 12 months is necessary for the industry to implement a reporting structure facilitating COREP reporting in compliance with the reporting requirements outlined.

Supplementary to our introductory comments, we find that the FINREP reporting scope should be closely related to the scope, format and information required according to the IFRS standards.

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Special implications for mortgage banks

Reporting frequency (Question 15)
It should be noted that increasing the frequency of capital adequacy reporting from quarterly to monthly would involve considerable implementation and ongoing costs for covered bonds issuers, for whom monthly capital adequacy reporting is currently not standard.

The Danish mortgage banks support quarterly reporting.

As a number of mortgage banks are subject to the Basel 1 floor requirement, it is very important to change the inclusion of the floor requirement in the forms so that it corresponds to the draft CRR presented by the Presidency at the beginning of March 2012.

Introduction of breakdown by economic sector by using NACE codes (Question 36)

Mortgage banks do not break down lending by economic sector, the reason being that the central element is the security underlying the loan. For Danish mortgage banks, a breakdown by NACE codes would involve additional costs. This should be avoided.

Reporting on losses stemming from lending collateralised by immovable property (Chapter 4)

We see a number of significant challenges in the new requirement set out in Article 96 of the draft CRR regarding reporting on losses stemming from lending collateralised by immovable property within specified LTV ranges. A solution should be found for how to handle the practical challenges related to the reporting of loss data. Otherwise, we are sceptical about how to ensure a level playing field for the mortgage banks.

Overall loss data will be taken into account by the supervisory authorities when considering whether to increase the risk weighting of lending collateralised by immovable property. The proposal also provides for the reporting of loss data on LTV levels exceeding 80% and 50% for residential and commercial properties, respectively. This is inconsistent with the proposal that only the weighting of loans within the 80%/50% LTV limits may be reduced.

A precise definition of losses is required at European level. We would prefer a reference to the recognised losses.

Furthermore, it should be noted that the valuation of the properties for which losses have been incurred may be based on very different circumstances, for example

- the transaction price at a forced sale,
- a transaction between related parties,
- an open market transaction.

We are concerned that LTVs may not be applicable in practice in relation to losses as they may have been determined in many different ways.

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We would be pleased to elaborate on our comments, if so requested.

Yours sincerely

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Jan Knøsgaard
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