Additional comments to (EBA/CP/2021/36, CSRBB)

Proportionality
The EU framework for management of interest rate risk in the banking book has become very comprehensive and complex. Despite the legal basis for the documents being only two articles in the CRD (art 84 (5) and (6) and art 98 (5a)), the guidelines EBA are currently consulting consist of 176 pages combined. In addition to this comes EBAs SREP guidelines whose new version has just been released by the EBA (on March 18th 2022 with very limited time to assess the reciprocal implications of these documents) as well as guidelines and supervisory expectations from National Competent Authorities (NCAs). In contrast, the Basel standard on which the framework is based is far less comprehensive and easier to understand. Also, the EU framework applies to all banks whereas the Basel standards initially were developed for large internationally active institutions.

There is a general focus on ensuring proportionality in the prudential regulation in the EU. Although we acknowledge the need for sufficiently prudent management of interest rate risk amongst all EU/EEA banks we believe the current framework is too complex and challenging to implement. There is a general possibility for institutions, after a thorough and well documented assessment, to exclude certain risks if they can justify that those risks are not material. However, we believe there is a risk that supervisory practice will not be harmonized across the different jurisdictions. Hence, we believe that the guidelines and technical standards should provide more guidance on the application of the proportionality principle. This application should take into consideration the peculiarities of the national banking models and the interest risk inherent in national markets.

General comment
Regarding art. 4 (l) – we do not understand why the currency aggregation for ERM II currencies is non-symmetrical. It has been a longstanding practise for the Danish Banking Industry to use EUR products to hedge DKK denominated risks. The previous EVE SOT currency aggregation of a symmetrical 80% level was already effectively penalising prudent hedging practises and it is unclear why it is necessary to amend this technique further and make Danish Banks primary currency aggregation within the SOT calculations non-symmetrical. This change has not been flagged to Industry Groups and we cannot support it.