

Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

**Consultative document on the supervisory framework
for measuring and controlling large exposures – re-
sponse from the Danish banking industry**

28 June 2013

The Danish Mortgage Banks' Federation, the Association of Danish Mortgage Banks and the Danish Bankers Association would like to thank for the opportunity to comment on the consultative document on the supervisory framework for measuring and controlling large exposures.

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While we fully support the comments made on the consultative document from the European Banking Federation we would like emphasize one concern we have regarding the consultative document which is of particular importance for the well-functioning of the Danish banking system.

The proposed new framework for large exposures does not provide for exemptions from the large exposure limit for exposures to institutions in general or for exposures to covered bonds in particular.

In Denmark covered bonds play a significant and often dominant role in the management of risk and liquidity in the financial sector. It will not be possible to replace the covered bonds by government or central bank instruments because the supply of such krone-denominated assets is too small. This can be illustrated by the fact that the Danish covered bond market is the second largest covered bond market in Europe, and the current outstanding amount of Danish covered bonds is four times larger than the size of the Danish government bond market. Covered bonds are therefore an integral part of the management of risk and liquidity in the financial sector.

However, the Danish covered bonds market is characterised by having only few issuers of bonds. The BCBS's proposal for not allowing any exemption from the 25 % limit for exposures to institutions in general or to covered bonds in particular, would have severe consequences for the liquidity and the well-functioning of the Danish financial market.

We therefore urge the BCBS to consider further the possibility for full or partial exemptions of certain exposures from the large exposure limits

where full or partial exemption can be justified by a proven extremely low default record and where the exposures in question play an essential role for the liquidity and the well-functioning of the financial market.

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Yours sincerely

Martin Kjeldsen-Kragh
Danish Mortgage Banks' Federation

Mette Saabye Pedersen
Association of Danish Mortgage Banks

Michael Friis
Danish Bankers Association