



## DANISH BANKERS ASSOCIATION

Secretariat of the Joint Forum  
Bank for International Settlements  
CH-4002 Basel  
Switzerland

### **Joint Forum consultative document on mortgage insurance - response from the Danish Bankers Association**

The Joint Forum has asked for comments by 30 April 2013 on the consultative document: "Mortgage insurance: market structure, underwriting cycle and policy implications".

Having read the consultation document on Mortgage insurance, it is our impression that the recommendations are directed at problems stemming from cross sector issues where mortgage insurers are insurance entities that are not subject to banking regulation. However, the text is somewhat unclear regarding the scope and does not exclude the possibility that the recommendation also apply for bank guarantees. Guarantees provided by banks regarding mortgage loans issued to their clients by specialised mortgage credit institutions is widely used in Denmark. Such guarantees can cover both temporary outstandings in the legal process of obtaining, conversion and renewal of mortgage loans as well as traditional guarantees regarding the revenue from the mortgage in case of default beyond a specified loan to value threshold, typically 60 %.

In general we find that the recommendations in the consultation document on mortgage insurance are sound and well founded. However, banks that are already subject to capital requirements and credit risk managements regulation and supervision - both in their capacity of originators of mortgage loans and as providers of bank guarantees - should not be subject to an additional regulation regarding guarantees for their clients' mortgage loans, notwithstanding that the recommendations closely reflect the regulation that already applies for banks. Double regulation is not only superfluous, but adds unnecessary complexity and administrative burdens.

We therefore recommend that it is specified more clearly that the recommendations are directed to address problems stemming from cross sector issues where mortgages are insured by entities that are not subject to banking regulation.

Yours faithfully

Michael Friis

30 April 2013

Finanssektorens Hus  
Amaliegade 7  
DK-1256 Copenhagen K

Phone +45 3370 1000  
Fax +45 3393 0260

mail@finansraadet.dk  
www.finansraadet.dk

File No 412/01  
Doc. No 501812-v1