



REALKREDITRÅDET

By e-mail

Committee of European Banking Supervisors
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Consultation paper on the application of the supervisory review process under pillar 2

CEBS published on 24 May 2004 a consultation paper on the application of the supervisory review process under pillar 2. Realkreditrådet (Association of Danish Mortgage Banks) would like to bring forward some comments to this paper.

General comments

Realkreditrådet much appreciate the initiative taken by CEBS concerning determination of further guidelines towards the implementation of pillar 2. Joint European guidelines, as well as openness about the used procedures, are important as they will contribute to safeguarding the level playing field among the European credit institutions.

Some specific comments to the consultation paper are stated below. However, in cooperation with their supervisory authorities, European credit institutions and their national and European associations are presently in a very intense period of commenting on the proposal for a capital requirement directive. We take for granted that there will be a chance to return to the dialogue with CEBS later on.

Specific comments

Realkreditrådet has noticed, that in high level principle X (c), it is stated that there is no one "correct" ICAAP-process.

We also welcome ICAAP high level principle VIII (g), according to which the aggregation of all risks may take into account risk correlations in a comprehensive manner.

The supervisory actions in SREP in high level principle VIII (d) states, in which situations a specific own funds requirement shall be imposed on institutions. Realkreditrådet find it highly important that the use of specific own funds requirements is not becoming a generally used measure by the supervisory authorities. Additional own funds should only be used when the use of other prudential actions are considered not to be sufficient.

With the new supervisory measures in the proposal for a capital requirement directive Realkreditrådet thinks that it should be mandatory that the supervisory authorities shall specify whether an extra own fund requirement or other sanctions are due to pillar 1 or 2. This is stated in SREP high-level principle IX (a). Realkreditrådet does, however, think that the information requirement is so important that it should be included in the proposal for capital requirement directive.

In annex B "Business risks and control factors" it is stated that the list is provisional and may need to be updated in order to match the final set of risks and controls factors in the capital requirement directive. Realkreditrådet find it important that the list is identical to the list of the proposed directive.

Realkreditrådet looks forward to the continued work in CEBS with the joint guidelines for the supervisory process.

Best regards,

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