



**FINANCE
DENMARK**

To
European Banking Authority

Consultation on Regulatory Technical Standards on the allocation of off-balance sheet items and UCC considerations form

Memo

June 4, 2024
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Finance Denmark is a business association for banks, mortgage institutions, asset management, securities trading, and investment funds in Denmark. We appreciate the consultation on these regulatory technical standards on the allocation of OBS items and UCC considerations form. We have noticed that one of the topics raised by EBA in the Consultation Paper is the treatment of mortgage loan offers. We do not agree with EBA's understanding and our remarks on this topic follows below.

Treatment of mortgage loan offers

According to the Consultation Paper, as expressed in points 16 and 17, it is EBA's understanding that there should be an allocation in bucket 1 to contractual arrangements both accepted and not yet accepted by the client. With this statement all mortgage loan offers should be assigned to bucket 1 with a CCF of 100 percent.

From our point of view, EBA is going beyond its mandate by contradicting CRR3 that currently allocates mortgage loan offers to the bucket 3. According to the mandate in Art 111 (8) (a) EBA shall specify criteria to assign off balance sheet items to buckets with the exception of items already included in Annex 1 in CRR3.

The rules in CRR3 on the treatment of mortgage loan offers are fully clear. According to CRR3 mortgage loans offers (both accepted and not yet accepted by the client (CRR article 111(4)) should be treated as "Commitments" according to the definition in CRR article 5(10)¹. Commitments are clearly defined in the CRR3 and are already included in Annex 1 in CRR3 where they are assigned to bucket 3 (CCF of 40 percent) unless they qualify as UCCs and

¹ CRR text adopted by European Parliament – P9_TA(2024)0363

thereby assigned to bucket 5, or represent specific commitments specified in bucket 1, 2 and 4.

Furthermore, a 100 percent CCF as stated by EBA means that every mortgage loan offer made by a bank will be accepted by every client. As a result, all banks contacted by the client, who wants to compare different loan offers, would consume capital for a single mortgage. This illustrates that a 100 percent CCF is disproportionate and does not reflect the actual risk of banks.

As stated above in our view, the rules in CRR3 are clear on the treatment of mortgage loan offers and any further regulation from EBA regarding mortgage loan offers goes well beyond the mandate provided to EBA regarding off balance sheet exposures.

Kind regards,

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