

MICHEL BARNIER

Membre de la Commission européenne

Brussels, 13. 02. 2014
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Dear Ms Kjer Hansen,
Dear Ms Gaardsted,

Thank you for your letter of 20 January expressing surprise and disappointment at the majority recommendation of the Board of Supervisors of the European Banking Authority (EBA) that all covered bonds not be considered as assets of extremely high liquidity and credit quality (ie 'level 1'), but only of high liquidity and credit quality (i.e. 'level 2'), despite the conclusions of EBA's own technical report which showed that some covered bonds, including some Danish covered bonds, could be considered as level 1 assets.

The Commission fully appreciates the crucial importance of the covered bond market for Denmark. The Commission also recognises the long tradition and solidity of Danish covered bonds and their good liquidity characteristics, even in times of acute stress, as has been demonstrated by EBA's own technical report.

The Commission is required by 30 June 2014 to adopt a delegated act specifying in detail the general liquidity coverage requirements including the legal definition of assets of high and of extremely high liquidity and credit quality.

Allow me to stress that when adopting that delegated act, in accordance with Article 460(2) of the Capital Requirements Regulation (CRR), the Commission will take into account not only the reports submitted by the EBA and the international standards but also the specificities particular to the EU. The Commission will also give due attention to the results of EBA's technical report and to the fact that in Recital 100 of the CRR the EU co-legislators have expressed the expectation that some covered bonds could be recognised as being of extremely high liquidity and credit quality and not just of high liquidity and credit quality.

I can assure you that, my officials in the Internal Market Directorate General are currently working very closely together with colleagues from the Danish authorities on this important issue in order to find a satisfactory technical solution in the coming months.

Ms Eva KJER HANSEN
Chair of the European Affairs Committee

Ms Karin GAARDSTED
Chair of the Business and Growth Committee

Parliament of Denmark
Christiansborg
DK-1240 Copenhagen K
DENMARK

Nevertheless, I can understand that this remains an issue of major concern to the Danish Parliament and that you wish to explain at a political level more fully why the Danish Parliament is worried about the severe consequences for the Danish financial sector were the Commission to follow the recommendation of EBA.

Given that this is a rather technical subject, I would suggest you to meet with Paulina Dejmek-Hack, who is my Deputy Head of Cabinet. I have asked her to contact Mr Iben Tybaerg Schacke, Clerk to the European Affairs Committee of the Danish Parliament, to find a mutually convenient date for such a meeting as rapidly as possible.

Yours sincerely, 



Michel BARNIER