

## **MEMORANDUM**

### **The Danish Financial Supervisory Authority**

16 July 2018

File no. 6852-0016

KLM/MAB

## **Statement on inspection at Realkredit Danmark A/S (market risk and liquidity policy)**

### **Introduction**

In March 2018, the Danish Financial Supervisory Authority (the FSA) conducted an inspection of the market risk and liquidity areas at Realkredit Danmark A/S. The inspection included a review of the institution's market risk and liquidity policies as well as instructions, business procedures and reports in the areas. The FSA also reviewed the agreements governing the outsourced areas covered by the inspection.

### **Summary and risk assessment**

As regards the liquidity area, the FSA observed that Realkredit Danmark currently has a relatively low liquidity risk. In terms of liquidity management, Realkredit Danmark was ordered to ensure that liquidity stress tests were carried out more often than once a year.

As regards the market risk area, the risk is also relatively low, because Realkredit Danmark follows the specific balance principle. The interest rate risk represents the greatest risk.

Realkredit Danmark has entered into an agreement on securities portfolio management. Realkredit Danmark was ordered to ensure that the agreement on securities portfolio management contains clear instructions to the effect that transactions must be in accordance with the institution's policy or guidelines for investment of the securities portfolio applicable from time to time. Furthermore, the institution's internal business procedures for investment of the securities portfolio must clearly set out who at the institution is responsible for ensuring that transactions are in accordance with the policy or guidelines for investment of the securities portfolio applicable from time to time. The business procedures must also ensure the necessary controls in this respect.