DANISH BANKERS ASSOCIATION

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Exposure Draft 7 Financial Instruments: Disclosures

The Danish Bankers Association welcome the opportunity to comment on exposure draft 7 Financial Instruments: Disclosures.

The Danish Bankers Association will also take part in a response prepared by the European Banking Federation, but would in particular like to emphasize the following comments.

Question 1 - Disclosures relating to the significance of financial instruments to financial position and performance
We note that some have proposed reinstating the requirement to disclose the effective interest rates for financial liabilities. We believe, however, as the Board did, that the sensitivity analysis which ED7 proposes would provide more useful information. A sensitivity analysis would, moreover be less burdensome. Furthermore, where large financial institutions are concerned, information on the effective interest rates for financial liabilities would be overwhelming or, if aggregated, would not add value. It should also be noted that aggregated information might easily lead users to incorrect conclusions concerning the future debt burden or credit standing of the entity, and cannot be regarded as a substitute for forward looking information or an assessment provided by credit rating experts.

Question 4 – Capital Disclosures
We believe that the disclosures about externally imposed capital requirements and compliance with these requirements shall not be mandatory in the financial statement. The entity should be able to choose the location for these disclosures but it should be clearly indicated in the financial statement where the information could be found if not included in the financial statement. It should be possible for the entity to present all information about externally imposed capital requirements in one place for instance as supplementary information provided by management outside the financial statements but still as a part of the financial report.

By principle, requirements concerning disclosures on externally imposed capital requirements should be left to supervisory authorities and the framework already set up in Basel II, pillar 3. The disclosure of non-compliance with externally imposed capital requirements is beyond the scope of the disclosures in the proposed recast of the capital requirement directive in the European Union.

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There should also be no requirement to disclose quantitative information about management's internal capital targets. These are merely estimate figures and should not have to be reported externally. Against this background, and in the interests of avoiding misleading conclusions being drawn, we believe the requirement to disclose the over- or undershooting of internal capital targets and any ensuing consequences should also be dropped.

Question 6 - Location of disclosures of risks arising from financial instruments

We believe the inclusion of the disclosures in the financial statement should not be mandatory. The scope of the disclosures is relatively wide and management might consider some issues best addressed outside the financial statement.

Question 10 - Other Comments

The disclosure requirements on credit risk which ED 7, Paragraph 40, imposes should be dropped. A requirement to analyze by class of financial asset past due and impaired assets, in particular, would be unreasonably onerous. Such a requirement would be out of all proportion to the additional information it provided and should therefore be dropped.

Kind regards

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