

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act¹⁾

This is an Act to consolidate the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, cf. Consolidating Act no. 1188 of 19 September 2018 as amended by section 1 of Act no. 1166 of 8 June 2021.

Part 1

Scope and definitions

1. This Act shall apply to mortgage-credit bonds, covered mortgage-credit bonds, covered bonds and other financial instruments issued by mortgage-credit institutions and to mortgage-credit loans provided on the basis thereof. Furthermore, the Act shall apply to the issue of mortgage-credit bonds in Denmark by foreign credit institutions and to mortgage-credit loans provided on the basis thereof.

(2) For activities of foreign credit institutions, cf. subsection (1)(2) hereof, only sections 2-19 and sections 34-43 below shall apply. For foreign credit institutions in a group with Danish mortgage-credit institutions, sections 20 and 21(5) below shall, however, also apply.

1 a. For the purposes of this Act, the following definitions shall apply:

- 1) Match funding A system that ensures the cash flows between liabilities and assets falling due are matched by ensuring in contractual terms and conditions that
 - a) payments from borrowers and counterparties of derivative contracts fall due before payments are made to investors in mortgage-credit bonds, covered mortgage-credit bonds and covered bonds and to the counterparties of derivative contracts,
 - b) that the amounts received are at least equal in value to the payments to be made to investors in mortgage-credit bonds, covered mortgage-credit bonds and covered bonds and to counterparties of derivative contracts, and
 - c) that the amounts received from borrowers and counterparties of derivative contracts are included in the series with a serial reserve fund or the group of series with a joint serial reserve fund until the payments become due to the investors in mortgage-credit bonds, covered mortgage-credit bonds and covered bonds and counterparties of derivative contracts;
- 2) Net liquidity outflow: All payment outflows falling due on one day, including principal and interest payments and payments under derivative contracts linked to the issuing of mortgage-credit bonds, covered mortgage-credit bonds and covered bonds, net of all payment inflows falling due on the same day for claims related to the cover assets.

Part 2

Mortgage-credit loans

Security for mortgage-credit loans

2. Mortgage-credit loans shall be granted against registered mortgages in real property according to the rules in this part of this Act. Loans without mortgage in real property may be granted to public authorities or with a primary guarantee from a public authority, as mentioned in section 129 (1)(1)(a)-(b) in Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

(2) Mortgage-credit loans shall not be granted against collateral in the form of owner's mortgages or letters of indemnity. However, where chattels are also mortgaged as collateral for mortgage-credit loans, letters of indemnity may be used for the chattel mortgage.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(3) Loans granted against registered mortgage on real property, cf. subsection (1)(1), where the mortgage deed has been filed for registration, shall be treated as mortgage-credit loans if the necessary collateral has been provided for the final registration of the mortgage deed and the institution provides the final registered mortgage deed without undue delay. This shall only apply for loans which have been granted on the basis of covered mortgage-credit bonds.

Terms and repayment profiles

3. The maximum term of the loan shall be 30 years, cf., however, subsection (2). When stipulating the term and repayment profile of the loan, the expected decrease in the value of the mortgage and the lending limits applying to the mortgage shall be taken into consideration, cf. section 5 below.

(2) The maximum term shall be 40 years for loans for non-profit rental housing, youth housing, and private housing co-operatives where loans are granted on the basis of a pledge of public subsidies or support under the Danish Non-Profit Rental Housing and Subsidised Private Cooperative Housing, etc., Act.

4. Loans granted to year-round owner-occupied housing and recreational dwellings shall not be granted, notwithstanding the collateral provided, so that the loan is amortised slower than for a 30-year loan repaid in instalments of a fixed percentage share of the principal over the term of the loan (annuity loan), cf. however subsection (2) hereof.

(2) The requirement in subsection (1) hereof, may, within the term of the loan, be derogated from for a period of up to 10 years, observing section 3(1)(2) above.

(3) For loans covered by section 7(1), the institution may grant a grace period if a grace period has begun on the repaid loan. The period referred to in subsection (2) includes both the already passed grace period on the repaid loan and the grace period on the new loan.

(4) For loans covered by section 7(2), the benefitting institution may grant a grace period if a grace period has begun at the ceding institution. The period referred to in subsection (2) includes both the already passed grace period at the ceding institution and the new grace period at the acquiring institution.

(5) For loans covered by section 7(2) or section 152g(3) of the Danish Financial Business Act, the ceding institution is obliged to provide the benefitting institution with information on whether the loan to be repaid is included in a register at the ceding bank and information on the grace period already passed for the loan in question, if the customer has consented thereto.

Lending limits etc.

5. Within a lending limit of 80 percent of the value of the property, loans may be granted for the following categories of property:

- 1) Owner-occupied all-year residences,
- 2) Private co-operative housing,
- 3) Private residential property for letting, including assisted living facilities.
- 4) Non-profit rental housing,
- 5) Youth housing,
- 6) Housing for the elderly etc., and
- 7) Properties for social, cultural, and educational purposes.

(2) Within a lending limit of 75 percent of the value of the property, loans may be granted for recreational dwellings, cf., however, subsection (4)(1).

(3) Within a lending limit of 70 percent of the value of the property, loans may be granted for agricultural holdings and forestry property, nursery gardens etc.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(4) Within a lending limit of 60 percent of the value of the property, loans may be granted for the following categories of property:

- 1) Recreational dwellings,
- 2) Office properties and retailing properties,
- 3) Industrial properties and craftsman's properties,
- 4) Collective energy-supply plants.
- 5) Premises arranged for the purpose of routing data traffic in electronic communications networks.

(5) Within a lending limit of 40 percent of the value of the property, loans may be granted for other properties, including unbuilt-on sites

6. If the maturity on a mortgage-credit loan is longer than the maturity on the underlying mortgage-credit bonds, covered mortgage-credit bonds or covered bonds, and if the bonds have a fixed interest rate and a maturity of up to and including 12 months on refinancing of the loan, the mortgage-credit institution may only initiate sale of bonds, which, on refinancing, are to replace expiring bonds, if the mortgage-credit institution has a justified expectation that the sale can be carried out without the effective interest rate becoming 5 percentage points higher than the effective interest rate determined in connection with the most recent refinancing. This shall not apply, however, if the mortgage-credit institution carries out a sale of a small volume of bonds for the purpose of clarifying whether the effective interest rate becomes 5 percentage points higher than the effective interest rate determined in connection with the most recent refinancing. If a sale cannot be initiated, cf. the 1st clause, and if the expiring bonds mature, the term to maturity on such bonds shall be prolonged by 12 months. On expiry of the bonds after the 12 months' prolongation, new bonds shall be issued to replace such bonds. On this issue, the 1st and 2nd clause shall not apply.

(2) If the term to maturity on a mortgage-credit loan is longer than the term to maturity on the underlying mortgage-credit bonds, covered mortgage-credit bonds or covered bonds, and if the bonds have a fixed interest rate and a term to maturity from 12 up to and including 24 months on refinancing of the loan, the mortgage-credit institution may only initiate sale of bonds, which, on refinancing, are to replace expiring bonds, if the mortgage-credit institution has a justified expectation that the sale can be carried out without the effective interest rate becoming 5 percentage points higher than the effective interest rate on a corresponding bond with the same remaining term from 11 up to and including 14 months earlier. This shall not apply, however, if the mortgage-credit institution carries out a sale of a small volume of bonds for the purpose of clarifying whether the effective interest rate becomes 5 percentage points higher than the effective interest rate on a corresponding bond with the same remaining term from 11 up to and including 14 months earlier. If a sale cannot be initiated, cf. the 1st clause, and if the expiring bonds mature, the term to maturity on such bonds shall be prolonged by 12 months. On expiry of the bonds after the 12 months' prolongation, new bonds shall be issued to replace such bonds. On this issue, the 1st and 2nd clause shall not apply.

(3) If the term to maturity on a mortgage-credit loan is longer than the term to maturity on the underlying mortgage-credit bonds, covered mortgage-credit bonds or covered bonds, and if the underlying bonds are subject to a variable interest rate and have a remaining term of up to and including 24 months the first time that they are used to finance a mortgage-credit loan, the interest rate may not, on fixing interest, be more than 5 percentage points higher than the most recently fixed interest rate, and shall remain unchanged for 12 months or up until the next refinancing, if such is carried out within 12 months, unless a lower interest rate is fixed within the 12 months or before the next refinancing.

(4) For bonds covered by subsection (3), the mortgage-credit institution may only initiate sales of bonds, which, on refinancing, are to replace the expiring bonds, if the mortgage-credit institution has a legitimate expectation that the sale can be carried out without the interest rate becoming 5 percentage points higher

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

than the most recently fixed interest rate. This shall not apply, however, if the mortgage-credit institution carries out a sale of a small volume of bonds for the purpose of clarifying whether the interest rate becomes 5 percentage points higher than the most recently fixed interest rate. If a sale cannot be initiated, cf. the 1st clause, and if the expiring bonds mature, the term to maturity on such bonds shall be prolonged by 12 months. On expiry of the bonds after the 12 months' prolongation, new bonds shall be issued to replace such bonds. On this issue, the 1st and 2nd clause shall not apply.

(5) If the term to maturity on a mortgage-credit loan is longer than the term to maturity on the underlying mortgage-credit bonds, covered mortgage-credit bonds or covered bonds, bonds which, on expiry, are to be replaced by new bonds in order to refinance the loan shall have their term to maturity prolonged for the bonds concerned by 12 months at a time if there are no buyers for all the required new bonds, until refinancing can be carried out where there are buyers for all the new bonds required. On expiry of the bonds concerned after the 12 months' prolongation, new bonds shall be issued to replace such bonds. On this issue, subsections (1), (2) and (4) shall not apply.

(6) Notwithstanding subsection (5), when there is inadequate refinancing of loans where the underlying bonds have a term to maturity of more than 12 months on refinancing of the loan, refinancing of the loan with bonds with a shorter term to maturity may be attempted prior to prolongation pursuant to subsection (5).

(7) The interest rate on fixed-interest rate bonds with a term to maturity of up to and including 12 months on refinancing of the loan and which are prolonged pursuant to subsection (1) or (5) shall be fixed at the effective interest rate determined in connection with the most recent refinancing plus 5 percentage points. The interest rate shall be fixed the first time that the term to maturity on the bonds is prolonged. On further prolongations of the term to maturity pursuant to subsection (5), the interest rate fixed in the 1st clause shall continue to apply.

(8) The interest rate on fixed-interest rate bonds with a term to maturity in the interval from 12 up to and including 24 months on refinancing of the loan and which are prolonged pursuant to subsection (2) or (5) shall be fixed at the effective interest rate on a corresponding bond with the same remaining term 11-14 months earlier plus 5 percentage points. The interest rate on fixed-interest rate bonds with a term to maturity of more than 24 months on refinancing of the loan and which are prolonged pursuant to subsection (5) shall be fixed at the effective interest rate on a bond with 11-14 months' remaining term fixed 11-14 months earlier plus 5 percentage points. The interest rate shall be fixed the first time that the term to maturity on the bonds is prolonged. On further prolongations of the term to maturity pursuant to subsection (5), the interest rate fixed pursuant to the 1st or 2nd clauses shall continue to apply.

(9) The interest rate on bonds subject to floating interest rates and prolonged pursuant to subsection (4) or (5) shall be fixed at the most recently fixed interest rate plus 5 percentage points. The interest rate fixed pursuant to the 1st clause shall remain unchanged for the duration of the 12 months. The interest rate shall be fixed the first time that the term to maturity on the bonds is prolonged. On further prolongations of the term to maturity pursuant to subsection (5), the interest rate fixed pursuant to the 1st clause shall continue to apply.

(10) If the term to maturity on a mortgage-credit loan is longer than the term to maturity on the underlying mortgage-credit bonds, covered mortgage-credit bonds or covered bonds, and the underlying bonds are subject to variable or fixed interest rates, the interest rate payable by the borrower in situations where the term to maturity on bonds is prolonged pursuant to subsections (1), (2), (4) and (5) shall be based on the interest rate fixed pursuant to subsections (7)-(9).

(11) Prolongation pursuant to subsections (1), (2), (4) and (5) shall not exempt borrowers from the mortgage-credit institution from the right to repay a loan in full or in part on the basis of issuing of mortgage-credit bonds, covered mortgage-credit bonds or covered bonds.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(12) Subsections (1)-(5) shall not extend to mortgage-credit loans granted against collateral in real property situated outside Denmark.

(13) The Minister for Business shall lay down more detailed regulations regarding bonds covered by subsections (1)-(4) and section 32 and regarding the organisation of bond sales and exemptions in connection with these.

7. Notwithstanding section 5 above, loans exceeding the lending limit may be granted to repay mortgage-credit loans in own credit institutions as well as to repay prior debts. Loans pursuant to the 1st clause hereof shall be measured with cash proceeds corresponding to no more than the repayment amount plus costs in relation with the repayment and granting of the loans.

(2) Notwithstanding section 5 above, loans exceeding the lending limit, when the loan

- 1) is covered by sections 33a or 33b and is used to repay a mortgage-credit loan granted by another mortgage-credit institution or to repay a loan included in a register in a bank with authorisation to issue covered bonds, or
- 2) is covered by the rules in sections 16b -16g of the Danish Financial Business Act and is used to repay a mortgage-credit loan granted by a mortgage-credit institution or to repay a loan that is included in a register in a bank with permission to issue covered bonds, and where the loan is transferred to the benefitting mortgage-credit institution no later than 6 months after payment.

(3) Loans covered by subsection (2) hereof shall be measured with cash proceeds corresponding to no more than the repayment amount plus costs in relation with the repayment and granting of the loan.

(4) Loans may only be granted in accordance with subsections (1) and (2) hereof, provided the mortgage collateral is not hereby substantially impaired.

(5) Subsection (1) shall apply correspondingly on repayment of mortgage-credit loans in another institution, provided valuation for use in measurement of the original loan is performed on the basis of approved acquisition sums pursuant to the Non-Profit Rental Housing and Subsidised Private Cooperative Housing, etc. Act, the Act on residential housing or the Act on dwellings for elderly people and disabled people.

(6) For loans granted to repay loans in certain social (non-profit) housing estates, cf. the Act on the refinancing etc. of certain social (non-profit) housing estates, outstanding payable instalments plus accumulated interest hereon may be included in the basis for measuring the loan.

Disbursement against guarantee etc

8. If the requirements for disbursement of the loan are otherwise met, loans may be granted even though the mortgage deed is encumbered with endorsements barring registration as requested, provided there is security that these endorsements will be withdrawn.

(2) If the requirements for disbursement of the loan have otherwise been met, loans may be granted without a registered mortgage deed, provided there is security that a registered mortgage will be provided.

(3) If the requirements for disbursement of the loan have otherwise been met, loans may be granted even though the borrower does not have registered title to the property, provided there is security that the borrower will ultimately receive title to the property.

(4) If the requirements for disbursement of the loan have otherwise been met, loans may be granted without the document mentioned in section 11(3) below, provided there is security that said document will be provided.

(5) Loans may be granted for home building and rebuilding and extension etc. on the basis of the expected value of the property (pre-financing loans), provided there is security that the loan will be repaid in part or in full, if at the end of the time limit for completion of the building the loan could not have been granted at the amount agreed.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(6) To the extent that a loan is granted on the basis of covered mortgage-credit bonds and covered bonds, disbursement of the loan may be made before final registration, cf. subsections (1)-(5), if collateral is provided in accordance with section 129(1)(a)-(c) and subsection 1a of the Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firm. If collateral is provided in the form of a guarantee from a bank, the guarantee will be subject to the 15 percent limit or 10 percent limit following from section 152c(1), section 129(1)(a)-(c) and subsection 1a of the Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firm, unless the guarantee is provided in connection with loans where the mortgage deed has been filed for registration and the necessary collateral has been provided for the final registration of the mortgage deed and the institution provides the final registered mortgage deed without undue delay. However, the guarantee shall be subject to the 15 percent limit or 10 percent limit, cf. section 129(1)(c) and subsection 1a of the Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firm, if it is provided pursuant to subsections 3-4 or 5.

(7) The Danish FSA may lay down regulations regarding the granting of loans etc. in pursuance of subsections (1)-(6).

(8) The Danish FSA may grant exemption from the requirement in subsection 6, 3rd clause that guarantees provided pursuant to subsection (3) be included in the 15 percent limit or 10 percent limit, cf. section 129(1)(c) and subsection 1a of the Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

9. With regard to the collateral basis of the liabilities of the mortgage-credit institution the following mortgages may be replaced by corresponding claims on the Danish Treasury: mortgages for loans in non-profit rental housing and private assisted living facilities financed by mortgage-credit loans with state grants which are refinanced pursuant to the Danish Restructuring of Loans, etc. on Non-profit Rental Housing Act, as well as mortgages which are taken over by the Agency for Governmental Management pursuant to the Countering of Lock-in Effects of Unconvertible Mortgage-credit Loans, etc. Act. Such a claim on the Danish Treasury may be repaid early in total or in part by submission from the Danish Treasury to the mortgage-credit institution of mortgage-credit bonds corresponding to the relevant mortgage-credit loans.

(2) Holders of rights over bonds where the collateral basis falls within the scope of and is amended by subsection (1) hereof may not submit claims for redemption of said bonds and shall not submit any other claims against the mortgage-credit institution in this respect.

Valuation of real property and measurement of mortgage loans

10. The mortgage-credit institution shall set an estimated value on the property to be used for the measurement of the loan.

(2) The value shall fall within the estimated amount for which the property could be sold for on the valuation date in an independent transaction between an interested buyer and an interested seller under normal market conditions, each acting on an informed basis, prudently and without compulsion (market value). Conditions underlying a particularly high price shall not be taken into consideration during valuation.

(3) The mortgage-credit institution shall in its valuation consider any risk of changes in market conditions or structural conditions.

11. Loans may be granted against real property owned by the borrower. All title holders shall be registered as mortgagors on the mortgage deed, cf., however, subsections (2) and (3) hereof.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(2) The provision in subsection (1)(2) hereof may be derogated from, provided the loan is granted in accordance with special legislation within agriculture.

(3) Loans may be granted on the basis of an undivided share in real property, provided registered documentation of a registered exclusive right of use attached to said undivided share exists. All title holders of the undivided share shall be registered as debtors on the mortgage deed.

(4) In addition to land and buildings, fixtures and fittings, cf. section 38 of the Danish Land Registration Act, as well as fixtures and fittings as specified in section 37(1) of the Danish Land Registration Act, which fall within the scope of a registered mortgage deed on the property, may be included in the basis for valuation of the property.

(5) The basis for valuation of the property may, notwithstanding subsection (4) hereof, include fixtures and fittings which do not fall within the scope of a registered mortgage on the property, cf. sections 37 and 38 of the Danish Land Registration Act, provided this is solely due to the fact that said fixtures and fittings are owned by a person or persons other than the owner of the property and provided a mortgage is established against said fixtures and fittings as collateral for the loan pursuant to section 47 or section 47b(2) of the Danish Land Registration Act.

(6) Index-linked loans for properties other than collective energy-supply plants may only be granted on the basis of the value of the land and buildings, and fixtures and fittings, cf. section 38 of the Danish Land Registration Act.

12. The Danish FSA shall lay down more detailed regulations on the valuation of properties.

(2) The Danish FSA may stipulate limitations on the right to include fixtures and fitting as mentioned in section 11(4) above.

(3) Danish FSA may stipulate rules concerning the right to derogate from section 10(2) and (3) above in cases where properties owned by a public authority are mortgaged and where loans are granted against full public guarantee.

13. Loans shall be measured in such a manner that the cash proceeds are within the lending limits specified for the relevant property category in sections 5-7 above.

(2) The Danish FSA shall lay down rules on loan measurement.

14. The Danish FSA shall lay down rules regarding which properties shall be classified within the individual property categories as well as rules regarding repayment of loans if a property is transferred to another property category.

(2) If a property comprises more than one property category, valuation and loan measurement shall be carried out separately for each property category, cf. however subsection (3) below.

(3) If a property category comprises at least 80 percent of the total gross floor area of the property, the entire property may be mortgaged in accordance with the rules pertaining to the relevant property category.

Raising loan funds

15. Mortgage-credit institutions may take up loans to meet their obligation to provide supplementary collateral, cf. section 33d (1) or increase the over-collateralisation in a series or groups of series with a serial reserve fund.

(2) The loan agreement shall state to which a series or group of series with a serial reserve fund the loan funds raised under subsection (1) are attributable.

(3) Loan funds taken up pursuant to subsection (1) shall be placed in the asset types mentioned in Article 129(1)(1)(a)-(f) and (3) of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. From the time the loan is raised, assets shall be placed in a separate account, in a separate custody account or be labelled in

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

some other way to indicate that they stem from the relevant loan. If the assets are used as supplementary collateral or over-collateralisation, they shall be part of the relevant series or group of series with a serial reserve fund.

15 a. If bonds are prolonged or changed when, in connection with refinancing, it is ascertained that there are not buyers for all the new bonds necessary, cf. section 6, the term to maturity for loans taken up as extra collateral pursuant to section 15 which mature ordinarily in the prolongation period, and which are linked to the bonds which are prolonged or changed, shall be prolonged or changed corresponding to the term to maturity on the relevant prolonged or changed bonds.

(2) If the institution takes up or has taken up new loans in full or in part to replace the loans mentioned in subsection (1), the loans mentioned in subsection (1) may, however, be repaid at ordinary maturity in full or in part.

Mortgage-credit loans outside Denmark

16. The Danish FSA may allow deviations in the operation of the provisions of this Act with regard to lending on the Faeroe Islands and Greenland to the extent that such deviations are necessitated by the specific conditions prevailing on the Faeroe Islands and in Greenland..

17. For loans provided outside Denmark, the Faeroe Islands, and Greenland, section 4 shall not apply.

(2) The Danish FSA may allow exemptions from the provisions of section 2(2), 1st clause above in connection with loans provided outside Denmark, the Faeroe Islands and Greenland. The Danish FSA may in special cases grant exemptions from the provisions on maximum terms of loans in section 3 above.

(3) The Danish FSA may stipulate lower lending limits than are mentioned in section 5 above in connection with a mortgage-credit institution's lending activities outside Denmark, the Faeroe Islands and Greenland.

(4) Mortgage-credit institutions may provide loans outside Denmark, the Faeroe Islands, and Greenland exceeding the lending limits where a public authority, a credit institution, or an insurance company assumes primary liability. If the guarantee has been assumed by a credit institution or an insurance company, the loan may, however, only be granted on the basis of the issuing of financial instruments other than mortgage-credit bonds.

Part 3

Issuing of mortgage-credit bonds

Exclusive rights

18. Mortgage-credit institutions authorised to conduct mortgage-credit business in Denmark shall hold exclusive rights to issue mortgage-credit bonds in Denmark.

(2) Notwithstanding subsection (1) hereof, a foreign credit institution may issue mortgage-credit bonds in Denmark, if the institution is authorised under the Danish Financial Business Act to conduct credit-institution activities in Denmark and is compliant with the following conditions:

- 1) The majority of the activities carried out by the institution shall be lending against mortgages against real property on the basis of the issue of bonds or other financial instruments. If the mortgage-credit institution is in the same group as a Danish mortgage-credit institution, the institution's activities shall comply with the rules in the Danish Financial Business Act applying to Danish mortgage-credit institutions' activities.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

- 2) Lending and bond issuing carried out by the institution shall be regulated by a balance principle. If the mortgage-credit institution is in the same group as a Danish mortgage-credit institution, the institution shall moreover comply with the provisions laid down in sections 20 and 21 below.
- 3) Mortgage-credit bonds issued by the institution in Denmark shall, under the legislation of the home country of said institution, confer upon the holder the same legal rights as those laid down for holders of mortgage-credit bonds under section 27 below.

18 a. All payment obligations regarding mortgage-credit bonds shall be covered by payment demands relating to the covering assets of the individual series with a serial reserve fund or the group of series with a joint serial reserve fund. The calculation of the payment obligations related to the issued mortgage-credit bonds shall include payment obligations in the form of principal and interest, payment obligations under financial instruments used to hedge risks between the covering assets and the issued mortgage-credit bonds, and the expected maintenance and servicing costs related to the liquidation of the individual series with a serial reserve fund or the group of series with a joint serial reserve fund. The calculation of payment demands relating to the covering assets shall include payment demands in the form of principal, interest and contributions on loans, payment demands with regard to financial instruments used to hedge risks between the covering assets and issued mortgage-credit bonds, and payment demands with regard to other assets used as collateral for mortgage-credit bonds.

(2) The nominal value of the total principal of the covering assets shall correspond to or exceed the total principal of the issued mortgage-credit bonds of the individual series with a serial reserve fund or the group of series with a joint serial reserve fund, cf., however, subsection (3).

(3) If there is a close connection between payments from the borrowers and payments to the bond investors, there may be a deviation from the requirement in subsection (2) that the cover is calculated on the basis of the nominal value, so that future interest income on covering assets less future interest expenses on the corresponding mortgage-credit bonds can be taken into account in order to offset any deficiencies in the cover of the primary payment obligation relating to the mortgage-credit bonds.

(4) Financial instruments used to hedge risks between the covering assets and the issued mortgage-credit bonds shall be measured using the same method as the covering assets and the issued mortgage-credit bonds whose risks they hedge.

Issue of bonds and the balance principle

19. Mortgage-credit bonds issued before 1 July 2007 shall be negotiable mass debt instruments admitted to trading on regulated markets in countries within European Union or countries with which the European Union has entered into an agreement for the financial area, or corresponding markets in other countries.

20. Funds raised by the issue of mortgage-credit bonds or covered mortgage-credit bonds or other securities may solely be used for lending against mortgages on real property or for lending to public authorities or against primary guarantee from a public authority, cf., however, subsections (2) and (3). Supplementary collateral for covered mortgage-credit bonds may, however, be provided in accordance with section 33d (1).

(2) The Danish FSA may lay down rules that funds may, to a limited extent, be used for purposes other than lending against mortgages on real property.

(3) The Danish FSA may in group circumstances permit the issuing of mortgage-credit bonds and other financial instruments in a mortgage-credit institution for the purpose of financing mortgage loans in another

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

mortgage-credit institution. Authorisation pursuant to the 1st clause may only cover two mortgage credit institutions.

(4) The authorisation pursuant to subsection 1 shall be subject to compliance with at least the the following conditions:

- 1) The mortgage-credit institution issuing mortgage-credit bonds, covered bonds or covered mortgage-credit bonds on the basis of mortgage-credit bonds, covered bonds or covered mortgage-credit bonds issued by another affiliated mortgage-credit institution intends to sell these bonds to buyers that are not affiliated to the mortgage-credit institution.
- 2) Mortgage-credit bonds, covered bonds or covered mortgage-credit bonds issued by a mortgage-credit institution for the purpose of an affiliated mortgage-credit institution's issuance of mortgage-credit bonds, covered bonds or covered mortgage-credit bonds on the market shall be transferred for ownership.
- 3) Mortgage-credit bonds, covered bonds or covered mortgage-credit bonds issued for the purpose of an affiliated mortgage-credit institution's issuance of mortgage-credit bonds, covered bonds or covered mortgage-credit bonds on the market shall be entered on the balance sheet of the mortgage-credit institution issuing mortgage-credit bonds, covered bonds or covered mortgage-credit bonds on the market.
- 4) Mortgage-credit bonds, covered bonds or covered mortgage-credit bonds included as covering assets, and the mortgage-credit bonds, covered bonds or covered mortgage-credit bonds offered on the market shall, at the time of issue, qualify for credit quality step 1. The Danish FSA may allow mortgage-credit bonds, covered bonds or covered mortgage-credit bonds to continue to be included in intra-group joint funding, regardless of whether the bonds only qualify for credit quality step 2 at a later date after issue.

21. The series with a serial reserve fund or the group of series with a joint serial reserve fund shall at all times have a liquidity buffer composed of liquid assets available to cover net liquidity outflows in connection with the series with a serial reserve fund or the group of series with a joint serial reserve fund covering the total maximum outgoing net liquidity outflows for the next 180 days.

(2) Liquid assets within the meaning of subsection 1 shall include assets that qualify as Level 1, Level 2A or Level 2B assets under Commission Delegated Regulation (EU) No 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions, which are valued in accordance with that delegated regulation and which are not issued by the credit institution issuing the mortgage-credit bonds, covered mortgage-credit bonds and covered bonds itself or by its parent undertaking, unless the latter is a public sector entity that is not a credit institution, its subsidiary or another subsidiary of its parent undertaking,

(3) For mortgage-credit bonds, covered mortgage-credit bonds and covered bonds that are covered by match funding as defined in section 1a (1), the requirement in subsection (1) shall not apply.

(4) For bonds covered by the rules in section 6, the calculation of the liquidity buffer requirement may be based on the final maturity date of the bonds concerned.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(5) The Danish FSA shall lay down more detailed regulations on the mitigation of risk in the connection with the issuing of mortgage-credit bonds, covered mortgage-credit bonds, covered bonds and other financial instruments, including interest-rate risks, foreign-exchange risks and option risks, and on the compliance with the requirement for a liquidity buffer.

Part 4

Liability, charges, etc.

22. Granting of mortgage-credit loans and the issue of mortgage-credit bonds and other financial instruments for the purpose of financing hereof may be carried out in series. Mortgage-credit bonds and other securities may not be issued as part of the same series.

(2) The conditions for a series may stipulate that the holders of mortgage-credit bonds or other financial instruments may only submit their claims against that/those series which is/are jointly and severally liable with said series, cf. section 24(4) below.

23. Borrowers shall be liable for the loan personally and with the mortgaged property towards the series or the mortgage-credit institution in general.

(2) Borrowers shall not be liable for any other liabilities which the mortgage-credit institution may have incurred.

24. The conditions for a series may stipulate that borrowers shall, in addition to the loan, be jointly and severally liable for an amount corresponding to a specific part of the principal of the mortgage deed less a proportionate share of the funds within the serial reserve fund. Borrowers shall not incur personal liability for said amount.

(2) A series or groups of series with a serial reserve fund may obtain hybrid core capital and subordinate loan capital. The joint and several liability pursuant to subsection (1) hereof shall not be applied against borrowers to cover claims from contributors of hybrid core capital and subordinate loan capital. The 1st clause hereof shall not apply to series with repayment obligations opened before 1 January 1973.

(3) A series or groups of series with a serial reserve fund shall not be liable for any other liabilities which the mortgage-credit institution may have incurred.

(4) The conditions of a series may stipulate that said series shall be liable for the liabilities of other series. Such conditions shall only be stipulated if said other series include corresponding provisions. Series which are mutually liable under the first clause hereof may only consist of mortgage-credit bonds, cf. the section 22(1), 2nd clause above.

25. For series where borrowers incur joint and several liability, or where a stipulation has been made pursuant to section 22(2) above, the mortgage-credit institution shall establish a serial reserve fund. For other series or groups of series the mortgage-credit institution may choose to establish a serial reserve fund.

(2) The articles of association or the terms of the loan may stipulate that the borrowers shall, upon complete repayment of the loan, be entitled to receive disbursement of a share of the serial reserve fund.

(3) The sources of income of the series shall consist of interest, etc., on mortgage deeds, deposits, capital contributions, administrative charges, and similar sources of income as well as returns on the assets and off-balance-sheet items of the series. The costs of the series shall be interest, etc., on bonds and other financial instruments, disbursements of serial-reserve fund shares, administration costs and similar, losses and provisions for costs in relation to raising and paying interest on hybrid core capital and subordinate loan capital, for likely losses on the assets of the series and items which have not been entered into the balance sheet, as well as its share of the taxes of the mortgage-credit institution.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

26. The funds of the serial reserve fund shall remain separate from the other funds of the mortgage-credit institution.

(2) Funds shall be transferred to a series or groups of series with a serial reserve fund from the mortgage-credit institution, if this is necessary in order to meet the solvency requirement of the series or group of series, unless such a transferal means that the mortgage-credit institution will no longer be able to meet its own solvency requirement.

(3) The mortgage-credit institution may stipulate provisions in the articles of association or the terms of the loan that funds shall be transferred from a series or groups of series with a serial reserve fund to the mortgage-credit institution, if the serial reserve fund is or becomes larger than required.

(4) Financial instruments may only be included as assets or liabilities in a series or groups of series with a serial reserve fund, if they are used to hedge risks between assets on the one hand and the issued mortgage-credit bonds, covered mortgage-credit bonds and covered bonds on the other hand, if the agreement on the financial instrument stipulates that financial reconstruction, bankruptcy or non-compliance with the obligation to provide supplementary collateral pursuant to section 33d (1) by the mortgage-credit institution does not constitute grounds for breach.

(5) The Danish FSA shall lay down more detailed rules regarding series.

27. If a mortgage-credit institution is declared bankrupt, the funds of the series, less costs for the processing of the insolvent estate, including costs for the liquidator, staff, etc., shall be used to satisfy claims from holders of mortgage-credit bonds, covered mortgage-credit bonds, covered bonds and other financial instruments of the relevant series or groups of series with a serial reserve fund, as well as claims for interest accrued on said claims from the time of the declaration of bankruptcy. The claims specified in section 25(2) above shall be satisfied subsequently. After this, debt raised by the mortgage-credit institution to provide supplementary collateral, cf. section 33e, shall be covered. Any surplus funds shall be included in the assets available for distribution, cf. section 32 of the Danish Bankruptcy Act.

(2) If a mortgage-credit institution is declared bankrupt, the funds of the institution, less costs for the processing of the insolvent estate etc., including costs for liquidator, staff, etc., shall be used to satisfy claims from holders of mortgage-credit bonds and other financial instruments, which are not issued in series with a serial reserve fund as well as claims for interest accrued from the time of the declaration of bankruptcy. However, funds which are disbursed pursuant to the first clause of this subsection shall constitute no more than mortgages corresponding to the mortgage-credit bonds and other financial instruments, plus an amount corresponding to eight percent of the risk-weighted value of said mortgages. Any surplus funds shall be included in the assets available for distribution, cf. section 32 of the Danish Bankruptcy Act.

(3) If a mortgage-credit institution is declared bankrupt, counterparties to the financial instruments secured to hedge risks in a series or group of series of mortgage-credit bonds, covered mortgage-credit bonds or covered bonds, cf. section 26(4), shall be equated, in terms of bankruptcy, with holders of mortgage-credit bonds, covered mortgage-credit bonds or covered bonds in the relevant series or group of series, cf. subsection (1)(1), and sections 31 and 32.

27 a. Holders of bonds which have lost the designation covered mortgage-credit bonds or covered bonds, cf. section 33d(2), and counterparties to the financial instruments shall retain the bankruptcy law ranking afforded holders of covered mortgage-credit bonds, covered bonds and financial counterparties. Debt raised by the mortgage-credit institution pursuant to section 15(1), shall be covered correspondingly.

(2) The regulations in sections 27b and 28-33 shall apply correspondingly to bonds which have lost the designation covered mortgage-credit bonds or covered bonds as well as financial instruments linked hereto.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

27 b. Proceeds from loans taken out by mortgage-credit institutions pursuant to section 15(1) and which are not included in a series or group of series, shall, in the event of bankruptcy of the mortgage-credit institution, serve to cover the holders of the mortgage-credit bond, the covered bonds or covered mortgage-credit bonds and counterparties to the financial instruments in the series or group of series for which the loan was taken. Any surplus funds shall be paid to the lender.

28. The issue of a bankruptcy order against a mortgage-credit institution may not be submitted as cause for premature repayment of payment liabilities by holders of mortgage-credit bonds, covered mortgage-credit bonds, covered bonds and other financial instruments or by the lenders pursuant to section 15(1), and it shall not deprive the mortgage-credit institution's borrowers of the right to repay mortgage-credit loans or loans granted on the basis of issuing covered mortgage-credit bonds or covered bonds in part or in full in accordance with the terms of repayment pertaining to the relevant loans.

(2) If a mortgage-credit institution does not fulfil the obligation to provide supplementary collateral pursuant to section 33d(1), this may not be used by the holders of covered mortgage-credit bonds or covered bonds or by the lenders pursuant to section 15(1) as a reason for premature payment of payment liabilities.

29. The bankruptcy estate may not disburse payments to satisfy claims submitted by holders of mortgage-credit bonds, covered mortgage-credit bonds, covered bonds and other financial instruments at an earlier time than the time when the mortgage-credit institution was entitled to make payment.

(2) The bankruptcy estate may not terminate loan agreements which are secured by registered mortgages in real property to a greater extent than the mortgage-credit institution was entitled to terminate such agreements.

(3) The bankruptcy estate may only change contributions and similar, if the change is based on changes in market conditions and a need for further funds for management of the estate has also been ascertained. Changes shall be notified in writing no later than three months before they are to take effect.

30. Set-off from a claimant as specified in section 42 of the Danish Bankruptcy Act may not be carried out to satisfy a claim payable to the mortgage-credit institution.

31. The assets available for distribution shall be used to satisfy claims pursuant to the rules in Part 10 of the Danish Bankruptcy Act. However, claims submitted by holders of mortgage-credit bonds, covered mortgage-credit bonds, covered bonds, refinancing bonds and other financial instruments, as well as claims submitted for interest accrued on said claims from the time of the pronouncement of bankruptcy, shall be satisfied *pari passu* after fulfilling the requirements specified in section 96 of the Bankruptcy Act, but before the claims specified in section 97 of the Bankruptcy Act.

32. In case of financial reconstruction of payments the mortgage-credit institution shall, as far as possible, continue to fulfil its financial obligations in accordance with claims from holders of mortgage-credit bonds, covered mortgage-credit bonds, covered bonds and other financial instruments on the due date for payment, unless the reconstructor decides otherwise. With the consent of the reconstructor, mortgage-credit institutions may enter into agreements on financial instruments, raise loans to finance the payments mentioned in the 1st clause and provide collateral for such loans in assets except for mortgages belonging to the series or group of series with a serial reserve fund for which the payment takes place. To cover repayment of bonds which mature, the reconstructor may also issue refinancing bonds in the series concerned.

(2) In case of bankruptcy, the liquidator shall continue or resume as far as possible the fulfilment of the mortgage-credit institution's obligations in the form of payments of interest and instalments for holders of mortgage-credit bonds, covered mortgage-credit bonds, covered bonds and other financial instruments. To the extent funds are inadequate, interest shall be paid before drawing is carried out. The liquidator may enter into agreements on financial instruments, raise loans to finance the payments mentioned in the 1st

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

clause and provide collateral for such loans in assets except for mortgages belonging to the series or group of series with a serial reserve fund for which the payment takes place. To cover repayment of bonds which mature, the liquidator may also issue refinancing bonds to replace bonds in the series concerned which mature.

(3) Refinancing bonds shall have equivalent collateral as the mortgage-credit bonds, covered bonds, covered mortgage-credit bonds or any refinancing bonds which the refinancing bonds replace, cf. sections 27, 27a and 27b.

(4) The reconstructor or the liquidator may not issue refinancing bonds if, after the issue, sufficient funds are not expected to finance claims from creditors mentioned in section 27(1)(1), as well as claims from counterparties to financial instruments, cf. section 27(3), in the series or the groups with the serial reserve fund.

(5) If the reconstructor or the liquidator raises loans, except for refinancing bonds for use in meeting payment obligations with regard to claims from holders of mortgage-credit bonds, covered mortgage-credit bonds and covered bonds or refinancing bonds issued in a series or groups of series with a serial reserve fund, the reconstructor or liquidator may, as basis for raising the loans, notwithstanding subsections (1) and (2), provide collateral in the first-coming mortgage-payment from the borrowers on the mortgages.

(6) If the reconstructor or liquidator is not permitted to issue refinancing bonds, cf. subsection (4), or if there are not sufficient buyers for all the necessary new bonds, the term to maturity on the bonds concerned shall be prolonged by one year at a time. The reconstructor or liquidator shall set the interest rate on the prolonged bonds at a variable referenced interest rate plus up to 5 percentage points.

(7) If bonds are prolonged, when, in connection with refinancing, it is ascertained that there are not sufficient buyers for all the necessary new bonds, cf. subsection (6), the term to maturity for loans taken up as extra collateral pursuant to section 15 which mature ordinarily in the prolongation period, and which are linked to the bonds which are prolonged, shall be prolonged corresponding to the term to maturity on the relevant prolonged bonds.

32 a. Funds shall not be transferred between series with a serial reserve fund and the mortgage-credit institution subsequent to application for suspension of payments or declaration of bankruptcy.

33. The liquidator or mortgage-credit institution may, with the consent of the reconstructor, enter into an agreement on total transfer of a series or groups of series with a serial reserve fund to another mortgage-credit institution, which has been granted a license in a country within the European Union or a country with which the European Union has entered into an agreement for the financial area and which is licensed to issue mortgage-credit bonds, covered bonds or covered mortgage-credit bonds.

(2) Transfer of a series or groups of series with a serial reserve fund shall be authorised by the Minister for Industry, Business and Financial Affairs. An application for transfer shall be accompanied by the basis for agreement between the mortgage-credit institution which is in suspension of payments or under bankruptcy proceedings and the company wishing to acquire a series or the series with a serial reserve fund. In addition to the basis for agreement itself, the Minister of Industry, Business and Financial Affairs shall assess the company which is to take over a series or groups of series with a serial reserve fund, including particularly, whether the company complies with financial regulations.

(3) Unless the Minister for Industry, Business and Financial Affairs, on the existing basis, finds that a transfer should not be authorised, the Danish FSA shall make public in the Danish Official Gazette and in national daily newspapers a report regarding the planned transfer. The report shall include an appeal to the affected holders of bonds to notify the Danish FSA in writing if they have any objections to the transfer within a time limit stipulated by the Danish FSA which is no shorter than one month.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(4) After expiry of the time limit mentioned in subsection (3), the Minister for Industry, Business and Financial Affairs shall, under consideration of the objections made, decide whether the series or groups of series with a serial reserve fund may be transferred in accordance with the proposal.

(5) The transfer may not be submitted as cause for premature payment of payment liabilities by holders of bonds which have been issued by the ceding mortgage-credit institution. The transfer shall not deprive the borrowers transferred of the right to full or partial repayment of mortgage-credit loans in accordance with the special redemption terms applicable for the loan.

Part 4a

Covered mortgage-credit bonds and covered bonds

33 a. Mortgage-credit institutions may finance loans, cf. section 2(1) and (3) by issuing covered mortgage-credit bonds if the institution is authorised under section 16a(1) of the Financial Business Act.

(2) Granting loans financed by covered mortgage-credit bonds shall take place in separate series with a serial reserve fund.

(3) All payment obligations regarding covered mortgage-credit bonds shall be covered by claims for payments attached to the cover assets of the individual series with a serial reserve fund or the group of series with a joint serial reserve fund. The calculation of the payment obligations related to the issued covered mortgage-credit bonds shall include payment obligations in the form of principal and interest, payment obligations under financial instruments used to hedge risks between the cover assets and the issued covered mortgage-credit bonds, and the expected maintenance and servicing costs related to the liquidation of the individual series with a serial reserve fund or the group of series with a joint serial reserve fund. The calculation of claims for payment attached to the cover assets shall include claims for payment in the form of principal, interest and contributions on loans, claims for payment with regard to financial instruments used to hedge risks between the covered assets and issued covered mortgage-credit bonds, and claims for payment with regard to other assets used as collateral for covered mortgage-credit bonds.

(4) The nominal value of the total principal of the covering assets shall correspond to or exceed the total principal of the issued covered mortgage-credit bonds, cf., however, subsection (5). The nominal value of the total principal of the covering assets shall be overcollateralised by at least 2% of the outstanding covered mortgage-credit bonds.

(5) If there is a close connection between payments from the borrowers and payments to the bond investors, there may be a deviation from the requirement in subsection (4) that the cover is calculated on the basis of the nominal value, so that future interest income on covering assets less future interest expenses on the corresponding covered mortgage-credit bonds can be taken into account in order to offset any deficiencies in the cover of the primary payment obligation relating to the covered mortgage-credit bonds.

(6) Financial instruments used to hedge risks between the covering assets and the issued covered mortgage-credit bonds shall be measured using the same method as the covering assets and the issued covered mortgage-credit bonds whose risks they hedge.

33 b. Mortgage credit institutions may finance loans against collateral in the asset types listed in Article 129(1)(1)(a)-(f), and subsection (1a) of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, on issuance of covered bonds if the institution is licensed pursuant to section 16a(1) of the Financial Business Act.

(2) Granting loans financed by covered bonds shall take place in separate series with a serial reserve fund.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(3) All payment obligations regarding covered bonds shall be covered by claims for payment attached to the cover assets of the individual series with a serial reserve fund or the group of series with a joint serial reserve fund. The calculation of the payment obligations related to the issued covered bonds shall include payment obligations in the form of principal and interest, payment obligations under financial instruments used to hedge risks between the covering assets and the issued covered bonds, and the expected maintenance and servicing costs related to the liquidation of the individual series with a serial reserve fund or the group of series with a joint serial reserve fund. The calculation of claims for payment attached to the cover assets shall include payment rights in the form of principal, interest and contributions on loans, payment rights requirements with regard to financial instruments used to hedge risks between the covering assets and issued covered bonds, and claims for payment with regard to other assets used as collateral for covered bonds.

(4) The nominal value of the total principal of the covering assets shall correspond to or exceed the total principal of the issued covered bonds, cf., however, subsection (5). The nominal value of the total principal of the covering assets shall be overcollateralised by at least 2% of the outstanding covered bonds.

(5) If there is a close connection between payments from the borrowers and payments to the bond investors, there may be a deviation from the requirement in subsection (4) that the cover is calculated on the basis of the nominal value, so that future interest income on covering assets less future interest expenses on the corresponding covered bonds can be taken into account in order to offset any deficiencies in the cover of the primary payment obligation relating to the covered bonds.

(6) Financial instruments used to hedge risks between the covering assets and the issued covered bonds shall be measured using the same method as the covering assets and the issued covered bonds whose risks they hedge.

33 c. For loans financed by covered mortgage-credit bonds or covered bonds, the terms and repayment profiles laid down in sections 3 and 4, shall apply cf., however, subsection (2) hereof.

(2) Sections 3 and 4 shall not apply to loans financed by covered mortgage-credit bonds or covered bonds against collateral in properties covered by section 5(1), if the lending limit does not exceed 75%.

(3) Within a lending limit of 75% of the value of the property, loans may be granted for recreational dwellings that are not rented out commercially, financed with covered mortgage-credit bonds or covered bonds.

(4) Fixture and fittings covered by section 38 of the Land Registration Act may be included in the valuation of the real property.

(5) Devices and fittings installed in a commercial property for use in the operation of the property may be included in the valuation. For agricultural properties, the livestock belonging to the property may also be included in the valuation to the extent that the livestock are part of the continuous production. For loans in agricultural properties, the value of the livestock which is part of the continuous production may be included at no more than 30% of the value of the land and buildings.

(6) Fixture and fittings in the form of pipes, cables, antennas, etc., which connect two or more real properties and are a prerequisite for the operation of the properties, cf. Section 37a of the Land Registration Act, may be included in the valuation of the real properties.

(7) Loans against mortgages in real property granted on the basis of issuance of covered mortgage-credit bonds or covered bonds shall be secured on separate mortgage deeds and may not be granted with collateralisation in the form of owner's mortgages and letters of indemnity, cf. however, subsections (8) and (10). The mortgage deed shall state that it may be used as collateral for a loan financed by the issuance of covered mortgage-credit bonds or covered bonds.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(8) Mortgages in real property, which were registered in the Land Register before 1 July 2007 may be used as collateral for loans financed by the issue of covered mortgage-credit bonds or covered bonds. Notwithstanding the 1st clause, owner's mortgages and letters of indemnity may, however, not be used as collateral for loans financed by issue of covered mortgage-credit bonds.

(9) For loans financed by the issue of covered bonds, the requirement in section 11(1), 1st clause, that the borrower shall own the real property, and the requirement in section 23(1), that the borrower shall be personally liable for the loan, may be deviated/derogated from.

(10) The Danish FSA may grant exemptions from subsection (7) for loans which are granted for real property located outside Denmark, the Faeroe Islands and Greenland.

33 d. If the value of the assets mentioned in section 33a(3) and section 33b(3) no longer corresponds to no less than the value of the covered mortgage-credit bonds or covered bonds issued, or does not comply with the lending limits applicable on the date on which the loan was granted, the mortgage-credit institution shall immediately provide supplementary collateral to fulfil the requirement and notify the Danish FSA of this. Supplementary collateral shall be provided in the form of the asset types listed in Article 129(1)(1)(a)-(f) and subsection (3) of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. For loans issued in Denmark, the obligation to provide supplementary collateral, as well as the costs of this, may not be imposed on borrowers whose falling property prices have prompted the requirement for supplementary collateralisation.

(2) If the mortgage-credit institution does not provide supplementary collateral pursuant to subsection (1)(1), all bonds issued in the relevant series with the serial reserve fund shall lose the designation covered mortgage-credit bonds or covered bonds. Bonds with the designation covered mortgage-credit bonds or covered bonds may be considered mortgage-credit bonds if, at the time of the loan offer, they meet the statutory requirements for mortgage-credit bonds

(3) The Danish FSA may grant exemption from subsection (2)(2), notwithstanding that the bonds do not comply with the statutory requirements for mortgage-credit bonds. Series with serial reserve funds which are transferred to the designation mortgage-credit bonds pursuant to the 1st clause shall be kept separately from other funds in the mortgage-credit institution. Supplementary collateral already provided, cf. subsection (1)(1) shall belong to the series with the serial reserve fund which has been reclassified under subsection (2).

(4) If the bonds subsequently again fulfil the requirements for covered mortgage-credit bonds or covered bonds, the Danish FSA may allow the bonds to again be designated covered mortgage-credit bonds or covered bonds.

(5) Collateral provided pursuant to subsection (1) may not be invalidated pursuant to sections 70 or 72 of the Bankruptcy Act. Invalidation may, however, take place if the collateralisation did not specifically appear as ordinary.

33 e. (Repealed)

33 f. The Danish FSA shall lay down more detailed regulations on

- 1) valuation of the covered mortgage-credit bonds or covered bonds and the regular calculation of the value of the assets in relation to the covered mortgage-credit bonds or covered bonds.
- 2) valuation of the assets used as collateral for issuing covered mortgage-credit bonds or covered bonds, and
- 3) notification of supplementary collateral for covered mortgage-credit bonds or covered bonds and compliance with the requirements for coverage and minimum excess coverage.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

Part 5

Supervision

34. The Danish FSA shall supervise compliance with the provisions of this Act and with rules laid down pursuant to this Act.

(2) The Danish FSAs Governing Board shall be involved in supervision of credit institutions within the competence area of board of directors as stipulated in the Danish Financial Business Act.

(3) The Danish FSA may order that matters which are contrary to the provisions laid down in this Act and rules issued pursuant to this Act shall be rectified. If a mortgage-credit loan is provided contrary to the provisions of this Act or rules issued pursuant to this Act, the Danish FSA may make requirements on the mortgage-credit institution as well as the borrower to reduce the mortgage-credit loan, so that the provisions mentioned above are complied with.

(4) The Danish FSA may in special cases apply third-party assistance.

35. The Danish FSA may obtain information on real property from other public authorities for the supervision of compliance with this Act.

36. The Danish FSA may lay down rules regarding reporting by mortgage-credit institutions of:

- 1) outstanding amounts, losses and write-downs on lending and properties taken over,
- 2) large exposures measured against the institution's balance-sheet and large write-downs measured against the sum of the institution's capital base (reporting to 0.1 percent), and
- 3) mortgage loan offers.

36 a. The Minister for Business and Growth may lay down regulations stipulating that communication to and from the Danish FSA and to and from the Minister for Business and Growth about circumstances covered by this Act or regulations issued in pursuance of this Act, shall be digital.

(2) The Minister for Business and Growth may lay down detailed rules on electronic communication, including the use of specific IT systems, special electronic formats and electronic signatures or the like.

(3) (Repealed)

36 b. A digital notification shall be considered to have arrived when it is available to the addressee.

36 c. Where this Act or regulations issued in pursuance of this Act require a document issued by other parties than the Danish FSA or the Minister for Business to be signed, such requirement may be satisfied by use of a technique which clearly identifies the person who has issued the document, cf. however, subsection (2). Such documents shall be equivalent to documents with a personal signature.

(2) The Minister for Business may lay down detailed rules for derogation from the signature requirement. In this connection, it may be decided that the personal signature requirement cannot be derogated from for specific types of documents.

36 d. The Danish FSA shall lay down more detailed regulations on the disclosure of information by mortgage credit institutions for investors to assess the characteristics and risks of the issued mortgage-credit bonds, covered mortgage-credit bonds and covered bonds.

37. Only mortgage-credit institutions against which a decision has been made by the Danish FSA shall be considered a party in relation to the Danish FSA, cf. however subsection (2) hereof.

(2) A member of the board of directors, an auditor, a managing director or other senior employees of a mortgage-credit institution shall be considered as parties if a decision by the Danish FSA pursuant to this Act and its rules is directed against the relevant party.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

Part 6

Appeals

38. Decisions made by the Danish FSA under this Act or rules issued pursuant to this Act may be brought before the Danish Company Appeals Board by the person against whom said decision is directed no later than four weeks after the person concerned has been notified about the decision.

(2) Orders issued by the Danish FSA on rectifications of loans granted contrary to the provisions of this Act or rules issued pursuant to this Act may be brought before the courts no later than four weeks after notification of such a decision was given to the entity concerned. Decisions which have been brought before the Danish Company Appeals Board may be brought before the courts no later than four weeks after the Danish Company Appeals Board has notified the entity concerned of the decision made by the Appeals Board.

Part 7

Penalties

39. Unless a more severe penalty is due under other legislation, non-compliance with the provisions of the following sections shall be subject to a fine or imprisonment of up to four months: section 2(1), sections 3-8, sections 10 and 11, section 13(1), section 14(2) and (3), section 17(3) and (4), sections 18-20, section 22(1)(2), section 25(1)(1), and section 26(1) and (2).

(2) Violation of section 2(2), 1st clause, section 26(4), section 33a (1) and (2), section 33b(1) and (2) and section 33c(1), (4) and (7) shall be punishable by a fine. Violation of the duty to notify in section 33d (1), 1st clause shall be subject to the same penalty.

(3) In regulations issued pursuant to this Act, fines may be stipulated for any violation of the provisions of said regulations.

(4) Limited companies etc. (legal persons) may be subject to criminal liability according to the rules in Part 5 of the Criminal Code.

(5) The limitation period for non-compliance with the provisions in this Act or regulations issued pursuant to this Act shall be five years.

40. If the board of directors or the board of management of a mortgage-credit institution fail to comply in due time with the duties and obligations imposed on them under this Act or under rules issued pursuant to this Act towards the Danish FSA, the Danish FSA may as a coercive measure impose daily or weekly fines on the persons concerned.

(2) The Danish FSA may as a coercive measure impose daily or weekly fines on the board of management or board of directors of a mortgage-credit institution, if said boards fail to comply with requirements issued by the Danish FSA to rectify loans granted contrary to the provisions of this Act or rules laid down pursuant to this Act.

Part 8

Entry into force and transitional provisions

41. This Act shall enter into force on 1 January 2004. Section 4, however, shall enter into force on 1 October 2003.

(2) Section 25 of the Danish Mortgage Credit Act shall be repealed on 1 October 2003, cf. Consolidating Act no. 57 of 20 January 2003. On 1 January 2004 the following sections or subsections of the Danish Mortgage Credit Act shall be repealed: section 1(4) and (5), section 3, section 24, sections 26-28, 40-45, 47-49, 52, 54-59, and 97, section 100(4), section 102(2), section 103, section 103a, and section 105.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(3) The provisions of the Danish Mortgage-Credit Institutions Act, cf. Consolidating Act no. 571 of 15 August 1989, and the Danish Index-linked Mortgage-Credit Loans Act, cf. Consolidating Act no. 572 of 15 August 1989, shall continue to apply to loans granted pursuant to these Acts. Section 1(5), and section 4(10)(2), and (12)(2), shall continue to apply to the preferential position for loans granted pursuant to the provisions of the Danish Index-linked Mortgage-Credit Loans Act.

(4) Provisions in the Danish Mortgage Credit Act concerning loan terms and preferential positions which have now been repealed shall continue to apply to loans granted pursuant to these provisions. The regulation of loans in section 23(3) of the Danish Mortgage Credit Act, as drafted in section 6(1) of Act no. 414 of 26 June 1998 amending the Danish Securities Trading etc. Act, and certain other Acts (the distribution of tasks/competencies between the Danish Securities Council and the Danish FSA, netting, currency spot transactions for investment purposes, amended investment regulation for children's savings accounts, and home savings accounts, bankruptcy proceedings etc.) shall, however, also apply to loans granted before the entry into force of said Act.

(5) The rules previously applying in section 21, sections 23-24, section 28, and sections 30-32 of the Danish Mortgage Credit Act, cf. Consolidating Act no. 708 of 8 September 1997, as amended by section 6 of Act no. 414 of 26 June 1998 and by section 2 of Act no. 491 of 1 July 1998, shall continue to apply to buildings, to which a pledge of public subsidies or support have been notified before 1 January 1999 under the Danish Non-Profit Rental Housing and Subsidised Private Cooperative Housing, etc., Act, previous housing Acts, or the previous Danish Act on dwellings for elderly people and disabled people, provided the loans are granted on the basis of the notified pledge of subsidies.

(6) The rules previously applying in section 39(1)-(6) of the Danish Mortgage Credit Act, cf. Consolidating Act no. 708 of 8 September 1997, as amended by section 6 of Act no. 414 of 26 June 1998 and by section 2 of Act no. 491 of 1 July 1998, shall continue to apply, and the previously applying rules in section 21, sections 23 and 24, cf. Consolidating Act no. 708 of 8 September 1997, as amended by section 6 of Act no. 414 of 26 June 1998 and by section 2 of Act no. 491 of 1 July 1998, shall continue to apply as regards to the loan purposes dealt with in section 39(1)-(6) of this Act to which a pledge of subsidies or support was notified by the local council before 1 January 2002.

(7) Section 4a of the Danish Financial Institute for Agriculture etc. Act, cf. Consolidating Act no. 699 of 5 November 1987, as amended by Act no. 373 of 6 July 1988 and by Act no. 850 of 20 December 1989, shall continue to apply to loans granted by the Danish Agricultural Mortgage Bank in connection with refinancing of mortgage-credit loans etc. in agricultural properties.

(8) Sections 20a-20d of the Danish Mortgage-Credit Institutions Act, cf. Consolidating Act no. 571 of 15 August 1989, shall continue to apply.

(9) Executive Orders issued in pursuance of the provisions mentioned in subsection (2) hereof shall remain in force. However, Executive Order no. 646 of 27 August 1998 on bankruptcy proceedings etc. for mortgage-credit institutions shall be repealed.

42. (Repealed)

43. This Act shall not extend to the Faeroe Islands

Act no. 244 of 19 March 2014 (Regulation of refinancing risk for mortgage-credit bonds, covered mortgage-credit bonds and covered bonds, etc.) contains the following entry into force and transitional provision:

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

3

(1) This Act shall enter into force on 1 April 2014, cf. however, subsections (2) and (3).

(2) Section 1, no. 2 and section 2 shall enter into force on 1 January 2015.

(3) (Omitted)

(4) Section 1, no. 3, and section 2, no. 1 shall apply to loans taken up after entry into force of this Act.

(5) For existing loans, this Act shall not apply until the first coming refinancing after the entry into force of this Act.

(6) For bonds issued for financing of real property located outside Denmark, this Act shall apply only for bonds for financing of loans taken up after the entry into force of this Act.

Act no. 1490 of 23 December 2014 (Liability for actions in contravention of the rules on good business practice, consumer protection for guarantees, requirement for a basic course for board members, user protection when offering payment services and issuing electronic money, etc.) contains the following entry into force provision:

14

(1) This Act shall enter into force on 1 January 2015, cf. however subsections (2) and (3).

(2)-(10) (Omitted)

(11) For bonds issued for financing of real property located outside Denmark, section 11 of this Act shall apply only for bonds for financing of loans taken up after the entry into force of this Act.

Act no. 1563 of 15 December 2015 (Implementation of the UCITS V Directive, phasing in of a new liquidity coverage requirement for financial and mortgage-credit institutions and the Danish FSA's authority to collate and publish prices of home loans) contains the following entry into force provisions:

10

(1) This Act shall enter into force on 18 March 2016, cf. however subsections (2) and (4).

(2) Section 14(1), section 64(8), section 71(2) and(3), section 124, sections 126b–126g, section 174(1)(1), section 182(1) and (2), section 283, section 351(4), (5) and (7)–(9), section 352(2), section 354e(2), section 355(3), section 365(2), section 373(1)–(3), section 374(3), and sections 417a–417d of the Financial Business Act, as worded in section 1, nos. 6, 8–10, 18–20, 27, 29, 32–40 and 42–48 of this Act, and section 841 of the Securities Trading, etc. Act, as worded in section 3(1), and sections 4, 5, 7, 8 and 9, shall enter into force on 1 January 2016.

(3)-(4) (Omitted)

Act no. 387 of 26 April 2017 (Change of lending limit for recreational dwellings) contains the following entry into force and transitional provision:

3

(1) This Act shall enter into force on 1 May 2017.

(2) The bill may be ratified immediately after it has been passed.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(3) Section 1 shall apply to loans taken up after entry into force of this Act.

Act no. 667 of 8 June 2017 (Increased transparency and mobility in the mortgage market) contains the following entry into force provisions:

5

(1) This Act shall enter into force on 1 July 2017, cf. however, subsection (2).

(2)-(4) (Omitted)

(5) Section 3 shall apply to loans taken up for the purpose of repaying another mortgage-credit loan or a loan that is included in a register in another bank authorised to issue covered bonds when the new loan is taken up after entry into force of this Act.

Act no. 706 of 8 June 2018 (Strengthened efforts against money laundering, etc. in the financial sector, introduction of new forms of alternative investment funds, change to the threshold for prospectus requirements, etc.) contains the following entry into force and transitional provision:

24

(1) This Act shall enter into force on 1 July 2018, cf. however, subsections (2) and (3).

(2)-(6) (Omitted)

Act No. 1166 of 8 June 2021 (Implementation of directive on the issue of covered bonds and covered bond public supervision and determining overcollateralisation requirements etc. on the basis of the Capital Requirements Regulation (CRR))²⁾ contains the following entry into force provisions:

4

(1) This Act shall enter into force on 8 July 2021.

(2) The act shall have effect from 8 July 2022

(3) Sections 18a and 21 of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act as worded in section 1, nos. 9 and 13 of this Act, has no effect on mortgage-credit bonds issued before 8 July 2022. For such mortgage-credit bonds, the current rules shall apply.

(4) Sections 18a and 21 of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act as worded in section 1, nos. 9 and 13 of this Act, for mortgage-credit bonds in existing series with a serial reserve fund or the group of series with a joint serial reserve fund, issued from and including 8 July 2022, applies to the entire series with a serial reserve fund or the group of series with a joint serial reserve fund For mortgage-credit institutions, the institution is otherwise regarded as an independent series with the serial reserve fund.

(5) Section 21, section 33a(1)-(3), and section 33b(1) and (3)-(6) of the of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act as worded in section 1, nos, 13 and 15-19 of this Act has no effect on covered bonds and covered mortgage-credit bonds issued before 8 July 2022. For such covered bonds and covered mortgage-credit bonds, the current rules shall apply.

This text is to be regarded as an unofficial translation. Only the Danish document has legal validity.

(6) Section 21, section 33a(1)-(3), and section 33b(1) and (3)-(6) of the of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act as worded in section 1, nos, 13 and 15-19 of this Act, for covered mortgage-credit bonds and covered bonds issued by mortgage-credit institutions in existing series with a serial reserve fund or the group of series with a joint serial reserve fund, where the issue takes place from and including 8 July 2022, applies to the entire series with a serial reserve fund or the group of series with a joint serial reserve fund. For mortgage-credit institutions, the institution is otherwise regarded as an independent series with the serial reserve fund.

(7)-(12) (Omitted)

Ministry of Industry, Business and Financial Affairs, on March 11th 2022

Simon Kollerup

/ Jesper Berg

¹⁾ The Act contains provisions implementing parts of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast), Official Journal 2006 L 177, p. 1, and parts of Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU, Official Journal 2019 L 328, p. 29.

²⁾ The legislative amendments concern the *footnote* to the title of the Act, the heading of Part 1, section 1(2), section 1a, section 8(6)(1-3), section 8(8), section 10(4), section 18(2), no. 2, section 18a, section 20(3), section 20(3)(2), section 20(4), section 21(1-4), section 21(5), section 33a(3), section 33a(4-6), section 33b(1), section 33b(3), section 33b(4-6), section 33f(3) and section 36d.