

## **Order on a ship finance institute<sup>1</sup>**

Pursuant to section 5(1) and (2) and section 14(2) of the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*), cf. consolidated act no. 851 of 25 June 2014, the following is laid down:

### **Part 1**

#### *Scope and definitions, etc.*

**Section 1.** This order shall apply to a ship finance institute covered by the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*).

*Subsection 2.* Any references in this order to provisions in the financial business act (*lov om finansiel virksomhed*) or to regulations issued in pursuance hereof that apply *mutatis mutandis* to a ship finance institute shall only mean general regulations on financial businesses and special regulations on banks in the financial business act (*lov om finansiel virksomhed*) unless otherwise provided. For the purpose of this order, banks and financial businesses, respectively, in the financial business act (*lov om finansiel virksomhed*) or regulations issued in pursuance hereof shall thus be read as a ship finance institute covered by the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*).

*Subsection 3.* Any references in this order stating that the provisions 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 or legal acts adopted in pursuance hereof shall apply *mutatis mutandis* to a ship finance institute shall mean the general regulations on institutions and special regulations on credit institutions unless otherwise provided. For the purpose of this order, credit institutions and institutions 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 or legal acts adopted in pursuance hereof shall thus be read as a ship finance institute covered by the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*).

*Subsection 4.* Where legal acts adopted by the European Commission in pursuance of directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms apply *mutatis mutandis*, they shall mean the general regulations on institutions and special regulations on credit institutions. Thus, for the purposes of these legal acts, credit institutions and institutions, respectively, shall be read as a ship finance institute covered by the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*).

*Subsection 5.* For the purposes of this order, mortgage bonds in the financial business act (*lov om finansiel virksomhed*) and in orders issued in pursuance hereof shall be read as deposit bonds or ship mortgage bonds issued by ship finance institute. However, this shall not apply to mortgage bonds as mentioned in section 153 of the financial business act (*lov om finansiel virksomhed*).

**Section 2.** Part 2 of the financial business act (*lov om finansiel virksomhed*) concerning definitions shall apply *mutatis mutandis* to this order.

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<sup>1</sup> This order contains provisions implementing parts of European Parliament and Council regulation (EU) no. 575/2013 of 26 June 2013, Official Journal 2013, no. L 176, p. 1 (CRR).

*Subsection 2.* Articles 4 and 5 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 concerning definitions shall apply *mutatis mutandis* to this order.

**Section 3.** A ship finance institute may, on a temporary basis, carry out other activities with the objective of covering or settling prior commitments. The ship finance institute shall notify the Financial Supervisory Authority to this effect.

**Section 4.** A ship finance institute wishing to set up a branch or a subsidiary in a country other than Denmark shall obtain authorisation from the Financial Supervisory Authority to do so. The Financial Supervisory Authority shall only grant such authorisation if it assesses that there is no reason to doubt that the administrative structure and financial position of the ship finance institute provide a sufficient basis for the proposed establishment.

## Part 2

### *Good practice, ownership and management as well as disclosure of confidential information, etc.*

**Section 5.** Sections 43-48 of the financial business act (*lov om finansiel virksomhed*) concerning good practice, price information and contractual conditions shall apply *mutatis mutandis* to a ship finance institute.

**Section 6.** Part 7 of the financial business act (*lov om finansiel virksomhed*) concerning ownership shall apply *mutatis mutandis* to a ship finance institute.

**Section 7.** Sections 64-80c of the financial business act (*lov om finansiel virksomhed*) concerning management and organisation of the undertaking shall apply *mutatis mutandis* to a ship finance institute.

**Section 8.** Part 9 of the financial business act (*lov om finansiel virksomhed*) concerning disclosure of confidential information shall apply *mutatis mutandis* to a ship finance institute.

**Section 9.** Part 8 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 concerning the institutions' reporting obligation shall apply *mutatis mutandis* to a ship finance institute.

## Part 3

### *Ship mortgage bonds – collateral, valuation and term*

**Section 10.** This part shall apply when a ship finance institute finances loans to ships through the issue of ship mortgage bonds.

**Section 11.** A ship finance institute shall grant loans only against collateral.

*Subsection 2.* A ship finance institute shall determine the value of the vessel(s) for the purpose of deciding the amount of collateral required.

*Subsection 3.* The valuation for collateral purposes shall be effected on the basis of an appraisal made or approved by the ship finance institute.

*Subsection 4.* The board of directors shall define guidelines for the valuation, including for the inspection of mortgaged vessels and for the use of independent valuations. These guidelines shall be posted on a ship finance institute's website and stated in the management report.

*Subsection 5.* The valuation for collateral purposes shall not exceed the amount which an expert purchaser with knowledge of the special price and market conditions for the relevant vessel type would expect to be willing to pay for the vessel. Circumstances warranting a particularly high price shall not be taken into account. When determining the collateral value, the institute shall take into account any risk of changes in market and structural conditions.

*Subsection 6.* The value of the vessel for collateral purposes shall be determined no earlier than at the time the institute provides a loan offer and no later than at the time the institute institutes the loan.

**Section 12.** A ship finance institute shall grant loans only against registered mortgage in the financed vessel within 70 per cent of the collateral value of the vessel, cf., however, sections 13-15.

*Subsection 2.* The mortgage pursuant to subsection 1 hereof may be waived against

- 1) other collateral of particularly high quality, cf. section 16, or
- 2) additional capital reserved for that purpose when calculating the institute's solvency, cf. section 23(7).

*Subsection 3.* Moreover, a ship finance institute may grant loans against registered mortgage within 70 per cent of the collateral value of vessels other than the vessel(s) financed.

*Subsection 4.* A ship finance institute shall take adequate measures to ensure that loans meet the institute's objects clause throughout the term of the loan, cf. section 1a of the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*).

*Subsection 5.* Subsection 2(i) and subsection (4) hereof shall be deemed to be met if a central bank which has been given credit quality step 2 or higher in accordance with article 114, paragraph 2, 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 is substituted as borrower throughout the term of the loan.

**Section 13.** Lending in excess of 70 per cent but within 100 per cent of the collateral value of the financed vessel(s) shall only (for this part of the loan) be granted against

- 1) other collateral of particularly high quality, cf. section 16, or
- 2) additional capital reserved for that purpose when calculating the institute's solvency, cf. section 23(7).

*Subsection 2.* Subsection 1 hereof shall apply *mutatis mutandis* to loans granted against registered mortgage in vessels other than the financed vessel(s) in excess of 70 per cent but within 100 per cent of the collateral value of the mortgaged vessel(s).

**Section 14.** Notwithstanding the provisions of sections 12-13, a ship finance institute may grant loans against registered mortgage in the financed vessel within 80 per cent of the contract price amount approved by the Danish Business Authority without other collateral of a particularly high quality or additional capital being reserved by the institute, if

- 1) the loan has been granted in accordance with the conditions laid down in “Agreement between the Danish State represented by the Minister for Economic and Business Affairs and Danish ship Finance” (*“Aftale mellem den danske stat v/økonomi- og erhvervsministeren og Danmarks Skibskreditfond”*) dated 13 June 2003, and
- 2) the borrower’s creditworthiness is deemed to be particularly high, cf. section 26(4).

**Section 15.** Notwithstanding the provisions of sections 12-14, a ship finance institute may grant building loans to be used in financing newbuilding or conversion of vessels. Such loans may be granted without a ship mortgage against

- 1) provision of collateral of particularly high quality, cf. section 16,
- 2) additional capital reserved for that purpose when calculating the institute’s solvency, cf. section 23(7), or
- 3) provision of collateral as set out in subsections 2 and 3 hereof, which entails the solvency treatment set out in section 24(3).

*Subsection 2.* Loans covered by subsection 1(iii) hereof are subject to provisions concerning assignment and subrogation being inserted in the building contract following careful examination and conservative assessment of the contract in each individual case and subject to assignment of the collateral provided for payments under the building contract, cf. subsection 3 hereof. Collateral as set out in (i) shall remain in force until the vessel has been completed, delivered and fully approved, however, not later than until the building loan been repaid.

*Subsection 3.* In connection with loans covered by subsection 1(iii) hereof, payments under the building contract shall be secured by

- 1) collateral of particularly high quality granted by the borrower, cf. section 16, or
- 2) collateral covered by article 129, paragraph 1 (a)-(c), and article 129, paragraph 1, the last section 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.

**Section 16.** Collateral of particularly good quality shall include only the following:

- 1) Deposits in or guarantees by central banks with credit quality step 2 or higher, cf. article 114, paragraph 2, 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.
- 2) Guarantees from governments with credit quality step 2 or higher, cf. article 114, paragraph 2, 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.
- 3) Guarantees from regional or local authorities with credit quality step 2 or higher, cf. article 114, paragraph 2, 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, which meet article 115, paragraph 2 or paragraph 4, 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.
- 4) Bonds and instruments of debt issued or guaranteed by governments with credit quality step 2 or higher, cf. article 114, paragraph 2, 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, within 90 per cent of the officially quoted securities price.

- 5) Bonds and instruments of debt, within 90 per cent of the officially quoted securities price, issued or guaranteed by regional or local authorities with credit quality step 2 or higher, cf. article 114, paragraph 2, 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, which meet article 115, paragraph 2 or paragraph 4, 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.
- 6) Covered bonds, mortgage-covered bonds, mortgage bonds and other bonds offering similar collateral issued by a credit institution having obtained permission in a country in the European Union or a country with which the Community has made an agreement for the financial sector within 90 per cent of the officially quoted securities price. Securities ranking junior to other receivables shall not be used.
- 7) Deposit bonds, ship mortgage bonds or covered bonds issued by a ship finance institute or by a credit institution which is a ship finance institute's parent company or subsidiary.
- 8) Guarantees issued by or deposits made with a credit institution qualifying for credit quality step 2 or higher, cf. article 129, paragraph 1(a)-(c), and article 129, paragraph 1, the last section, 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, following careful examination and conservative assessment in each individual case.
- 9) Similar collateral with corresponding particularly high liquidity and corresponding particularly low counterparty risk. This category includes guarantees issued by or deposits made with credit institutions having obtained permission in the USA which have been given the best or second best rating by an ECAI, cf. article 4, paragraph 1, no. 98 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. The category also includes particularly liquid bonds issued by such institutions and listed on a stock exchange or authorised marketplace, approved by a competent authority, within 90 per cent of the officially quoted securities price. Deposits and securities ranking junior to other receivables shall not be used.

*Subsection 2.* Collateral as set out in subsection 1(ix) hereof shall not, in aggregate for the institute, exceed an amount equivalent to 25 per cent of the capital base, cf. article 72 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, cf. section 24(1).

**Section 17.** The terms of loans granted by a ship finance institute shall not exceed 15 years from the date of disbursement of the loan and, in case of building loans, four years from the date of the first disbursement. The term of a loan shall be determined with due consideration to the average life of the vessel type and the specific vessel's age and condition, etc.

#### Part 4

##### *Covered bonds – collateral, valuation and term*

**Section 18.** This part shall apply in situations where a ship finance institute grants loans as collateral against issuance of covered bonds.

**Section 19.** A ship finance institute may fund loans through the issue of covered bonds against collateral in the asset types specified in article 129, paragraph 1(a)-(c) and (g) and paragraph 2 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, cf. section 2d(1), the first sentence, of the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*).

**Section 20.** Lending in excess of 60 per cent but within 100 per cent of the value of the funded vessel(s) assigned for use in granting the collateral shall only (for this part of the loan) be granted against collateral in the types of assets specified in section 2d(1) of the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*). The ship finance institute shall include the part of the loan granted between 60 and 70 per cent in the determination of the institute's solvency need. For the part of the loan exceeding 70 per cent, the institute shall exercise additional straining of the institute's solvency, cf. section 23(7). The second and third sentences shall, however, not apply if the loan has been granted in accordance with the conditions laid down in "Agreement between the Danish State represented by the Minister for Economic and Business Affairs and Danish Ship Finance" ("*Aftale mellem den danske stat v/økonomi- og erhvervsministeren og Danmarks Skibskreditfond*") dated 13 June 2003.

## Part 5

### *Fleet mortgage*

**Section 21.** Fleet mortgage exists if a borrower provides collateral against a loan in the form of a registered mortgage in more than one vessel, or if several borrowers provide collateral against one or more loans in the form of a registered mortgage in more than one vessel. Fleet mortgages include types of assets other than registered ship mortgage that the borrower is capable of providing as collateral against the loan.

*Subsection 2.* It is possible to make a book distribution of a fleet mortgage between several capital centres, cf. section 43, provided that the following has been agreed in the loan agreements:

- 1) Cross-liability, meaning that all borrowers are liable for all loans comprised by the fleet mortgage,
- 2) Cross-default, meaning that all loans covered by the fleet mortgage fall due if one of the loans defaults,
- 3) Cross-mortgage, meaning that all vessels covered by the fleet mortgage are provided as collateral against all loans covered by the fleet mortgage, and
- 4) The borrower shall undertake not to provide collateral against other loans in the vessel(s) covered by the fleet mortgage (negative pledge cause).

**Section 22.** To calculate whether the lending limits, cf. section 10(1) and section 3 of the order on valuation of mortgage and loans in vessels provided as collateral against issuance of covered bonds, cf. section 18(2), have been observed at the time of granting or extending a loan secured through fleet mortgage, the ship finance institute may, subject to compliance with section 21(2)(i)-(iv), prepare such calculation by comparing the aggregate value of all vessels covered by the relevant fleet mortgage with the aggregate value of all loans against which the fleet mortgage has been provided as collateral. The calculation shall only include mortgages registered, cf. section 2d(1)(ii), in the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*).

Part 6  
*Capital structure and solvency*

**Section 23.** The capital base of a ship finance institute shall meet the requirements of article 92 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. As regards the institute, the capital base requirement stipulated in article 92, paragraph 1(c), 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 shall be met both in each individual capital centre and in the institute as such.

*Subsection 2.* The board of directors and management board of a ship finance institute shall ensure that the institute has a sufficient capital base and has at its disposal internal procedures for risk assessment and risk management in order to assess and maintain, on an ongoing basis, a capital base of a size, type and distribution suitable for covering the risks of the institute. These procedures shall be subject to regular internal control to ensure that they remain sufficient and are reasonable compared to the nature, extent and complexity of the activities of the business.

*Subsection 3.* The board of directors and management board of a ship finance institute shall, on the basis of the assessment made under subsection 2, calculate the individual solvency need of the institute. The solvency need shall be calculated as the sufficient capital base in percentage terms of the total risk exposure. The solvency need shall not be lower than the capital base requirement pursuant to article 92, paragraph 1(c), and the minimum capital requirement of article 93 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.

*Subsection 4.* The Financial Supervisory Authority may individually determine a higher capital base requirement in the form of an appendix to the capital base requirement stipulated in article 92, paragraph 1(c) 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. This individual solvency requirement shall be an expression of the Financial Supervisory Authority's assessment of the institute's sufficient capital base in percentage terms of the total risk exposure. In addition, the Financial Supervisory Authority may make requirements related to the type of capital that may be used to meet the individual solvency requirement.

*Subsection 5.* The Financial Supervisory Authority may order a ship finance institute to make depreciations on assets, etc. for use when calculating the capital base.

*Subsection 6.* Section 124(4) and (7) of the financial business act (*lov om finansiel virksomhed*) shall apply *mutatis mutandis* to a ship finance institute.

*Subsection 7.* Where the institute's solvency is subjected to additional straining, the loan shall be deducted from the Tier 1 capital of the capital centres or the institute in general when calculating solvency. If the remaining debt on the loan less the realisable value of collateral provided is less than the additional straining plus the write-down, the deduction stipulated in the first sentence hereof may be reduced by such difference.

*Subsection 8.* The solvency-related excess cover is the share of the Tier 1 capital exceeding the capital base requirement, cf. subsections 1 and 4 hereof, less deduction, cf. subsection 7 hereof.

**Section 24.** Section 125(a)-(h), section 128(3) and (4) and sections 140-143 of the financial business act (*lov om finansiel virksomhed*) and parts 2 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 concerning the capital base and capital requirements, respectively, shall apply *mutatis mutandis* to a ship finance institute.

*Subsection 2.* A capital centre may raise hybrid Tier 1 capital and subordinated loan capital.

*Subsection 3.* Building loans comprised by section 15(1)(iii) shall be included in the calculation of the capital base and the risk-weighted items, cf. subsection 1, with a weighting of 2.0 to the extent the ship finance institute's subsequent financing of the building loan is comprised by section 12(1) and (2) or section 14. The sum of the building loans pursuant to the first sentence shall not exceed 125 per cent of the solvency-related excess cover, cf. section 23(8).

*Subsection 4.* The Minister of Business and Growth may, upon application, grant exemptions from the buffer rate stipulated in section 125 f of the financial business act (*lov om finansiel virksomhed*) and determine a new contra-cyclic buffer rate for a ship finance institute if it is required in consideration of the special business model of the ship finance institute.

## Part 7 Gearing

**Section 25.** Part 7 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 gearing shall apply *mutatis mutandis* to a ship finance institute.

## Part 8 *Investment of funds, liquidity and group regulations, etc.*

**Section 26.** The board of directors of a ship finance institute shall lay down risk diversification rules for the institute, including rules on the monitoring and control of the institute's large exposures.

*Subsection 2.* Articles 389-394 as well as part 5 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 large exposures and exposures to transferred credit risk, respectively, shall apply *mutatis mutandis* to a ship finance institute.

*Subsection 3.* If an exposure exceeds the limit stipulated in article 395, paragraph 1, 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, the institute shall immediately inform the Financial Supervisory Authority about the size of the exposure.

*Subsection 4.* The board of directors shall lay down rules for assessing whether the quality of the borrower's creditworthiness is particularly good.

**Section 27.** Sections 146 and 147a of the financial business act (*lov om finansiel virksomhed*) as well as part 6 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 concerning liquidity shall apply *mutatis mutandis* to a ship finance institute.

*Subsection 2.* Section 153 of the financial business act (*lov om finansiel virksomhed*) shall apply *mutatis mutandis* to a ship finance institute covered by this order. In addition to the assets listed in section



153(1)(i)-(iv), a ship finance institute may, for the purpose of meeting the provision of section 153(1), invest funds in the below assets:

- 1) Unsubordinated deposits made with credit institutions having obtained permission in a country in the European Union or in a country with which the Community has made an agreement for the financial sector.
- 2) Unsubordinated deposits made with credit institutions having obtained permission in the USA which have been given the best or second best rating by an ECAI, cf. article 4, paragraph 1, item 98, 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.
- 3) Unsubordinated, particularly liquid bonds issued by credit institutions as defined in (i) and (ii) hereof and listed on a regulated market approved by a competent authority.

*Subsection 3.* The assets set out in subsection 2(ii) and (iii) hereof shall in aggregate for a ship finance institute not exceed 25 per cent of the funds to be invested in assets in accordance with section 153(1) of the financial business act (*lov om finansiel virksomhed*).

**Section 28.** Loans granted by a ship finance institute shall be based on issuance of bonds, loans granted out of the ship finance institute's capital base, cf. however section 27, and loans raised in the money and capital markets.

**Section 29.** Articles 6-24 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 and part 12 of the financial business act (*lov om finansiel virksomhed*) concerning group regulations, consolidation, etc. shall apply *mutatis mutandis* to a ship finance institute.

## Part 9

### *Financial statements and auditing*

**Section 30.** Part 13 of the financial business act (*lov om finansiel virksomhed*) on annual reports, auditing and distribution of the profit for the year shall apply *mutatis mutandis* to a ship finance institute.

## Part 10

### *Financial statements for capital centres*

**Section 31.** A ship finance institute shall prepare separate capital centre financial statements, cf. section 2e of the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*).

*Subsection 2.* The capital centre financial statements shall comprise income statements, balance sheets and notes.

*Subsection 3.* Aggregate notes of the capital centre financial statements may, unless otherwise determined, be prepared for all capital centre financial statements.

**Section 32.** The income statement and balance sheet shall include items that shall be individualised and allocated directly to the individual capital centre and items allocating specific shares to the capital centre, cf. section 33.

**Section 33.** Where a specific share is allocated to a capital centre, an allocation key based on the total amount of the loan(s) raised (raising of bonds, etc.) shall be applied by the ship finance institute, cf. however, subsection 3.

*Subsection 2.* The total amount of the loan(s) raised shall be the average of opening and closing figures of debt raised pursuant to the lending operations.

*Subsection 3.* Allocation keys other than the size of the debt may be applied by the ship finance institute subject to approval by the Financial Supervisory Authority. If other allocation keys are applied, this shall be stated in a note.

**Section 34.** The income statement shall contain the following items:

- 1) Net interest income.
- 2) Net fees and commissions received.
- 3) Net interest and fee income.
- 4) Market value adjustments and dividends from investments.
- 5) Staff costs and administrative expenses, etc.
- 6) Losses and write-downs on debtors.
- 7) Profit before tax.
- 8) Tax.
- 9) Profit/loss for the year.

*Subsection 2.* If the individual capital centre has subordinated debt or senior debt, the interest related thereto shall be individualised and directly allocated to the relevant capital centre.

**Section 35.** The item net interest income, cf. section 34(1)(i), shall include the following:

- 1) Interest on balances with credit institutions.
- 2) Interest on loans.
- 3) Revaluation (indexation) of loans.
- 4) Interest on bonds.
- 5) Other interest income.
- 6) Interest on balances due to credit institutions.
- 7) Interest on issued bonds.
- 8) Revaluation (indexation) of issued bonds.
- 9) Other interest expenses.
- 10) Derivative financial instruments, including interest rate and foreign exchange contracts.
- 11) Total net interest income.

*Subsection 2.* The sum of the above items shall be distributed on the individual capital centres, cf. the method mentioned in section 33.

*Subsection 3.* The individual items, cf. subsection 1, shall be stated in a note.

**Section 36.** The item market value adjustments and dividends from investments, cf. section 34(1)(iv), shall include the following:

- 1) Value adjustment of bonds, shares, etc., currency translation and financial instruments.
- 2) Dividends from investments.
- 3) Market value adjustments and total dividends from investments.

**Section 37.** The item staff costs and administrative expenses, etc., cf. section 34(1)(v), shall include the following:

- 1) Staff costs and administrative expenses.
- 2) Other ordinary income.
- 3) Depreciation of property, plant and equipment.
- 4) Total staff costs and administrative expenses, etc.

*Subsection 2.* The sum of the above items shall be distributed on the individual capital centres, cf. section 33.

*Subsection 3.* The individual items, cf. subsection 1, shall be stated in a note.

**Section 38.** The item losses and write-downs on debtors, cf. section 34(1)(vi), shall include all losses and write-downs on loans in the relevant capital centre. Individualised losses and changes to individual write-downs shall be allocated directly to the relevant capital centre.

*Subsection 2.* Changes to other write-downs, including collective write-downs, shall be distributed on the individual capital centres, cf. the method mentioned in section 33.

**Section 39.** The item tax, cf. section 34(1)(viii), shall include the total amount of tax on the profit for the year, deferred tax and subsequent adjustment of tax charges for previous years. The individual elements shall be stated in a note.

*Subsection 2.* The tax owed by the individual capital centre shall be calculated on the basis of the individual capital centre's contribution to the net profit for the year, using the current tax rate, adjusted for non-taxable income.

### *The balance sheet*

**Section 40.** The balance sheet shall contain:

- 1) Assets:
  - a) Loans.
  - b) Write-downs of loans.
  - c) Other assets.
  - d) Total assets.
- 2) Liabilities:
  - a) Issued bonds.
  - b) Other liabilities.
  - c) Equity.
  - d) Total liabilities.

## *Assets*

**Section 41.** The item loans, cf. section 40(i)(a), shall include loans against ship mortgages provided on the basis of the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*).

*Subsection 2.* The outstanding debt stated in subsection 1 shall be individualised and allocated directly to the individual capital centre.

*Subsection 3.* The individual write-downs on loans and past due loans shall be individualised and directly allocated to the relevant capital centre.

*Subsection 4.* Collective write-downs on loans shall be distributed on the individual capital centres.

*Subsection 5.* Loans raised with a view to meeting the supplementary collateral requirement shall be allocated to the capital centre to which the loans belong.

*Subsection 6.* Accrued interest on loans shall be individualised and allocated directly to the individual capital centre.

*Subsection 7.* If the sum of the capital centre's individualised liabilities, cf. section 40(ii)(d), exceeds the sum of the capital centre's individualised assets, cf. section 40(i)(d), the non-individualised assets shall be residually allocated to the capital centre to the extent that the sum of the capital centre's assets is identical with the sum of the capital centre's liabilities and constitutes the capital centre's partial balance sheet.

## *Liabilities*

**Section 42.** Issued bonds, etc. shall be individualised and allocated directly to the individual capital centres.

*Subsection 2.* Coupon due shall be individualised and allocated directly to the relevant capital centre.

*Subsection 3.* If the individual capital centre has subordinated debt or senior debt, the interest related thereto shall be individualised and allocated directly to the relevant capital centre.

*Subsection 4.* If the sum of the capital centre's individualised assets, cf. section 40(i)(d), exceeds the sum of the capital centre's individualised liabilities, cf. section 40(ii)(d), the non-individualised liabilities shall be residually allocated to the capital centre to the extent that the sum of the capital centre's assets is identical with the sum of the capital centre's liabilities and constitutes the capital centre's partial balance sheet.

*Subsection 5.* Subordinated debt and senior debt shall be individualised and allocated directly to the individual capital centre.

*Subsection 6.* Equity shall be individualised and allocated directly to the individual capital centres in connection with the calculation of the capital base.

## *Fleet mortgage*

**Section 43.** In relation to fleet mortgage, cf. section 21, the value of the fleet mortgage shall be distributed between the capital centres and the ship finance institute in general. It is possible to make a book distribution if the distribution is unambiguous.

*Subsection 2.* If a ship finance institute, a borrower or several borrowers have provided supplementary collateral, cf. section 2 of the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*), it is also

possible to make a book distribution of the value of such supplementary collateral between the capital centres and the institute in general on condition that the supplementary collateral has been provided as collateral against all loans comprised by the relevant fleet mortgage.

**Section 44.** If a ship finance institute makes a distribution of the fleet mortgage and the value of the supplementary collateral, a ship finance institute shall prepare an electronic statement of each fleet mortgage and the supplementary collateral describing how the fleet mortgage and the value of the supplementary collateral has been distributed between each capital centre and the institute in general. The list shall be generated in such a way that it is possible at any time within 24 hours to issue a list showing the distribution of the fleet mortgage and the value of the supplementary collateral between each capital centre and the institute in general.

*Subsection 2.* The management board of a ship finance institute shall define business procedures setting out inter alia:

- 1) How the list shall be structured;
- 2) Who has got the day-to-day responsibility for the list;
- 3) Who is responsible for maintaining the list;
- 4) Who is responsible for checking the list;
- 5) How the list should be updated on a daily basis;
- 6) How to take into account any fluctuations of the value of the fleet mortgage to ensure that, at any time, such value corresponds to the value of the issued covered bonds to the extent that the fleet mortgage has been provided as collateral in relation thereto;
- 7) Control procedures, including current control of the distribution, cf. section 43(1);
- 8) Adequate measures securing that the rules governing assets provided as collateral against ship mortgage bonds and covered bonds, respectively, are observed; and
- 9) A description and explanation of the allocation keys applied, cf. section 43(1).

### *Reporting and publication*

**Section 45.** The approved financial statements for the capital centres shall be filed with the Financial Supervisory Authority together with the approved annual report not later than eight days after approval of the annual report.

*Subsection 2.* Preliminary financial statements for the capital centres shall be filed with the Financial Supervisory Authority not later than 15 February or on the next working day.

*Subsection 3.* Summaries of the financial statements for the capital centres shall be included in a ship finance institute's financial report. The complete financial statements for the individual capital centres shall be available on request to a ship finance institute.

*Subsection 4.* In connection with the release of a ship finance institute's annual report, a note containing the information set out in subsection 5 shall be included.

*Subsection 5.* The note on capital centre financial statements, cf. subsection 4, shall contain information on the inflow and outflow of funds (net), including consolidation transfers made during the reporting to or from the individual capital centres forming part of a ship finance institute. Moreover, it shall be stated that complete financial statements for the individual capital centres can be obtained on request to a ship finance institute.

## Part 11

### *Amalgamation, cessation and crisis management*

**Section 46.** Section 204(1) of the financial business act (*lov om finansiel virksomhed*) shall apply *mutatis mutandis* to a ship finance institute.

**Section 47.** Except for section 223, part 15 of the financial business act (*lov om finansiel virksomhed*) concerning cessation shall apply *mutatis mutandis* to a ship finance institute.

*Subsection 2.* Section 223 of the financial business act (*lov om finansiel virksomhed*) shall apply *mutatis mutandis* to a ship finance institute if it is not financially feasible to carry on such business, cf. section 11(1) of the act on a ship finance institute (*lov om et skibsfinansieringsinstitut*).

**Section 48.** Part 16 of the financial business act (*lov om finansiel virksomhed*) concerning crisis management shall apply *mutatis mutandis* to a ship finance institute.

## Part 12

### *Delegated and implementing acts*

**Section 49.** Acts adopted pursuant to article 456, article 457, article 459, the first paragraph, (a) and (c), article 460, paragraph 1, and article 461, paragraph 2, 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 shall apply *mutatis mutandis* to a ship finance institute.

*Subsection 2.* Acts on article 392 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 adopted in pursuance of article 459, the first paragraph, (b), 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 shall apply *mutatis mutandis* to a ship finance institute.

*Subsection 3.* Acts adopted by the European Commission pursuant to directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms shall apply *mutatis mutandis* to a ship finance institute.

*Subsection 4.* The Financial Supervisory Authority may grant a ship finance institute full or partial exemption from the provisions on liquidity requirements issued pursuant to article 460, paragraph 1, 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.

## Part 13

### *Penalty provisions*

**Section 50.** Violation of the provisions in section 3, second sentence, section 4, first sentence, section 11, section 12(1) and (4), sections 16, 17 and 20, section 21(2), section 22, second sentence, section 23(1)-(3) and (7), section 24(3), second sentence, section 26(1) and (3)-(4), section 28, section 31(1) and (2), sec-

tion 32, section 33(1) and (3), sections 34-42, section 43(1), first sentence, and sections 44-45 shall be punishable by fine, unless a stricter penalty is prescribed by other legislation.

*Subsection 2.* A ship finance institute may be held liable in accordance with the provisions of part 5 of the criminal code (*straffeloven*).

**Section 51.** Violation of provisions in the financial business act (*lov om finansiel virksomhed*) or 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, which pursuant to this order apply *mutatis mutandis* to a ship finance institute, shall be liable to punishment pursuant to the provisions of section 373(1)-(3) of the financial business act (*lov om finansiel virksomhed*).

*Subsection 2.* Violation of provisions issued pursuant to the financial business act (*lov om finansiel virksomhed*) and provisions issued pursuant to 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, which apply *mutatis mutandis* to a ship finance institute, shall be liable to punishment pursuant to the provisions of section 373(4) of the financial business act (*lov om finansiel virksomhed*).

*Subsection 3.* Violation of provisions contained in the regulations of the European Union, as adopted by the European Commission in pursuance of directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and 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, which pursuant to this order apply *mutatis mutandis* to a ship finance institute, shall be liable to punishment pursuant to provisions issued by the Financial Supervisory Authority pursuant to section 373(10) of the financial business act (*lov om finansiel virksomhed*).

*Subsection 4.* Section 373(6)-(9), regulations issued pursuant to section 373a(1) on violations of the provisions of the financial business act (*lov om finansiel virksomhed*) that apply *mutatis mutandis* to a ship finance institute, and section 374 of the financial business act (*lov om finansiel virksomhed*) shall apply *mutatis mutandis* to a ship finance institute and to the persons of a ship finance institute referred to in these provisions.

#### Part 14

##### *Transitional provisions, reports, reviews and amendments*

**Section 52.** Except for article 493, part 10 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 concerning transitional provisions, reports, reviews and amendments shall apply *mutatis mutandis* to a ship finance institute.

#### Part 15

##### *Entry into force*

**Section 53.** This order shall enter into force on 5 February 2015.

*Subsection 2.* At the same time, order no. 1513 of 15 December 2010 on a ship finance institute shall be repealed.

*Danish Financial Supervisory Authority, 27 January 2015*

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