

Stockholm August 9 2013

European Banking Authority
London
Sent by email to: EBA-CP-2013-07@eba.europa.eu

Swedish Export Credit Corporation's response to the EBA "Consultation Paper on the determination of the overall exposure to a client or a group of connected clients in respect of transactions with underlying assets under Article 379 of the proposed Capital Requirement Regulation"

Swedish Export Credit Corporation (SEK) is a public company, wholly owned by the Kingdom of Sweden. SEK's mission is to secure access to financial solutions on a commercial basis to the Swedish export industry. SEK provides, inter alia, financing to buyers of Swedish goods and services by granting export credits and also by directly lending to Swedish exporters. SEK also, on behalf of the Swedish government, administers the state-supported export credit system as a public policy role.

SEK appreciates this opportunity to comment on the EBA "*Consultation Paper on the determination of the overall exposure to a client or a group of connected clients in respect of transactions with underlying assets under Article 379 of the proposed Capital Requirement Regulation*".

The aim of a large exposure standard is to ensure that each financial institution can absorb losses from the sudden failure of a single counterparty or group of connected counterparties without itself failing. Connected counterparties shall have a mutual relationship or dependency that imply that they are all likely to fail simultaneously, they pose a "single risk". SEK believes that EBA, in the consultation paper, goes beyond the aim of the large exposure standard. It is important to find an appropriate balance between the effort and costs involved in identifying underlying exposures in securitisations and the financial stability benefits.



Granularity test

SEK believes that there should be an appropriate balance between requiring banks to exert considerable effort into identifying exposures in very granular securitisations and the financial stability benefits of accurately capturing all single-name concentration risks in the securitisation transaction. SEK fully supports the Basel Committee's suggestion of a granularity test presented in the consultative document "*Supervisory framework for measuring and controlling large exposures*"; i.e. a transaction may be considered sufficiently granular, provided that its largest underlying exposure does not exceed 1% of the total value of the transaction, which is the threshold applied to each individual underlying asset.

SEK believes that instead of identifying and seeking to evaluate the risks of the underlying obligors in a highly granular securitisation it is justified to evaluate the nature of the risks in the structure of the individual transaction, ie the exposure will be assigned to the transaction. This since the interconnection between the underlying exposures in a highly granular securitisation transaction can be assumed to be weak. This view is supported by the Basel Committee in the consultative document "*Supervisory framework for measuring and controlling large exposures*".

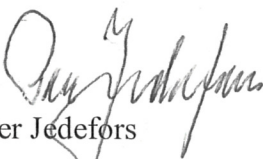
More than one hypothetical unknown client

EBA has drawn the conclusion that as a general rule all unknown exposures stemming from all transactions should be considered as a single risk and should be considered as one hypothetical unknown client. SEK believes that this conclusion is unrealistic. The interconnection between different types of underlying obligors, such as corporates and retail, in different jurisdictions are in our opinion rather weak. SEK therefore believes that it is reasonable to allow assigning underlying exposures in securitisation transactions to more than one and the same hypothetical unknown client. As acknowledged by the Basel Committee in the consultative document "*Supervisory framework for measuring and controlling large exposures*" the assumption of one hypothetical unknown client is in many cases unrealistic.

We thank you for your consideration of our comments.

Sincerely yours,

SWEDISH EXPORT CREDIT CORPORATION



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