

APPENDIX: REPORTING OF CONTRACTS OF SURETYSHIP/SURETIES TO THE CREDIT REGISTER

Danmarks Nationalbank – Danish Financial Supervisory Authority

CC:

Case no.: 165916
Document no.: 1784901

27 September 2018

Contracts of suretyship are a form of guarantee, and they come in various forms, types, scopes, etc. In general, it applies that if an institution has received a contract of suretyship from a counterparty as protection for an instrument reported to the credit register, selected characteristics of the contract of suretyship are to be reported to the credit register. In addition, the instrument for which the contract of suretyship is provided, the surety provider and, as already mentioned, selected characteristics of the surety are reported.

This data is reported in the three protection received datasets (datasets 7, 8 and 11) and in dataset 1 on counterparty reference data. The characteristic feature of contracts of suretyship is that there are no underlying assets; consequently, the reporting is to be in accordance with Case 5, cf. the decision-making tree in Chart 4 in the Reporting Guidelines. Below, it is specified how contracts of suretyship are to be reported in the three datasets, using the following examples:

1. Reporting of characteristics of contracts of suretyship in dataset 7. Protection received dataset
2. Reporting of contracts of suretyship in dataset 8. Instrument-protection received dataset
3. Reporting of the surety provider, the surety, in dataset 11. Counterparty-protection received dataset
4. Reporting of data on the surety provider, including instances with multiple sureties, in dataset 11. Counterparty-protection received dataset
5. Reporting of selected characteristics of the surety in dataset 1. Counterparty reference dataset

6. Reporting of contract of suretyship

1. Dataset 7. Protection received dataset

In reports to the credit register, contracts of suretyship are to be reported in attribute 4.7.2 Type of protection as "Financial guarantees other than credit derivatives". For these purposes, no distinction is made between types of contracts of suretyship; in the institutions, a distinction may otherwise be made between the following types: ordinary contracts of suretyship, contracts of suretyship with the surety assuming primary liability (the typical form of a contract of suretyship) and indemnity contracts of suretyship.

Table 1 shows an example of reporting of a contract of suretyship in dataset 7. Protection received dataset. Not all attributes are to be reported for this type of protection, given that some of the attributes are to be reported only for real estate collateral, cf. the decision-making tree in Chart 4 of the Reporting Guidelines.

Example: Reporting of contracts of suretyship in dataset 7. Protection received dataset		Table 1
Attribute		Value
4.7.1 Protection identifier		Contract of suretyship 1
4.7.2 Type of protection	Financial guarantees other than credit derivatives	
4.7.3 Protection value		5,000,000
4.7.4 Type of protection value		Notional amount
4.7.5 Date of protection value		20161201
4.7.6 Protection valuation approach	Any other type of valuation that is not included in the previous categories.	
4.7.7 Real estate collateral location		"Not required"
4.7.8 Maturity date of the protection		20251231
4.7.9 Original protection value		5,000,000
4.7.10 Date of original protection value		20161201
4.7.11 Type of property		"Not required"
4.7.12 Asset identifier		"Not required"
4.7.13 Danish BFE number [Awaiting]		"Not required"
4.7.14 Real estate collateral location: Country		"Not required"
4.7.15 Real estate collateral location: Postal code		"Not required"
4.7.16 Real estate collateral location: City/town/village		"Not required"
4.7.17 Expected liquidation value of the real estate		"Not required"
4.7.18 Expected liquidation value of the		"Not required"

agreement	
4.7.19 Registered protection identifier	"Not required"
4.7.20 Property identifier	"Not required"

2. Dataset 8. Instrument-protection received dataset

Dataset 8 contains the link between the contract of suretyship and the instrument(s) for which the contract of suretyship is provided, cf. Table 2. In this example, the contract of suretyship is provided for a loan and there are no third party priority claims against the protection. The allocated value of the contract of surety is reported in attribute 4.8.1 Protection allocated value. In the example, this value is lower than the notional amount reported in attribute 4.7.3 Protection value, given that the institution assesses that it assigns a lower value to the contract of suretyship due to several factors. Consequently, the institutions are to apply an assessment when allocating a value to the contract of suretyship in attribute 4.8.1 Protection allocated value.

In attribute 4.8.3 General protection indicator, it is specified whether a contract of suretyship includes "all accounts receivable", equivalent to "Yes", or is an "account-specific contract of suretyship", equivalent to "No".

If the contract of suretyship is used to secure multiple instruments, the reporter is to allocate a value of the contract of suretyship to each instrument, cf. the Reporting Guidelines and Appendix on Protection Allocation. The sum of allocations to each instrument should correspond to the value representing the institution's own assessment of the contract of suretyship.

Example: Reporting of contracts of suretyship in dataset 8. Instrument-protection received dataset

Table 2

Attribute	Value
4.2.1 Contract identifier	Contract 1
4.2.2 Instrument identifier	Instrument 1
4.7.1 Protection identifier	Contract of suretyship 1
4.8.1 Protection allocated value	4,000,000
4.8.2 Third party priority claims against the protection	0
4.8.3 General protection indicator	No

3. Dataset 11. Counterparty-protection received dataset

Dataset 11 contains the link between the contract of suretyship and the counterparty providing the contract of suretyship, cf. Table 3.

Example: Reporting of one surety provider in dataset 11. Counterparty-protection received dataset		Table 3
Attribute	Value	
4.11.1 Protection provider identifier	XXXXXXXX	
4.7.1 Protection identifier	Contract of suretyship 1	

There are several types of sureties, for instance secondary sureties, counter sureties, etc. In the credit register, the type of surety is not reported.

4. Dataset 11. Counterparty-protection received dataset

In the credit register, counterparty data is to be reported on sureties in dataset 1. Counterparty reference dataset. This dataset contains data on whether, for instance, the surety is a natural person or a legal entity, cf. the Reporting Guidelines.

If the contract of suretyship is provided by multiple counterparties, dataset 11 will contain one row for each of the sureties. If, for instance, a contract of suretyship is provided by two sureties, dataset 11 will contain two rows, cf. Table 4. Similarly, counterparty reference data is also to be reported in dataset 1. Counterparty reference data for both sureties. Given that the sureties may be liable for different parts of the contract of suretyship, the contract of suretyship is to be reported at surety level, i.e. one row for each surety in dataset 7. Protection received dataset. This is illustrated in Table 4 where the contract of suretyship has two different identifiers, cf. also Box 45 in the Reporting Guidelines.

Example: Reporting of two surety providers in dataset 11. Counterparty-protection received dataset			Table 4
Attribute	Value	Value	
4.11.1 Protection provider identifier	XXXXXXXX	ZZZZZZZZ	
4.7.2 Protection identifier	Contract of suretyship 1a	Contract of suretyship 1b	

5. Dataset 1. Counterparty reference dataset

Dataset 1 contains information on the characteristics of the surety, cf. Table 5. Here, it will be reported, for instance, whether the surety is a natural person or not. If the surety is not a natural person, information on the debt-to-income ratio and income is not to be reported. Attribute 4.1.1 Counterparty identifier will equal the identifier reported for the surety in attribute 4.11.1 Protection provider identifier, cf. Table 3.

Example: Reporting of a surety provider in dataset 1. Counterparty-protection received dataset

Table 5

Attribute	Value
4.1.1 Counterparty identifier	XXXXXXXX
4.1.2 Legal Entity Identifier (LEI)	NA
4.1.3 National identifier	XXXXXXXX
4.1.4 Type of identifier	CVR number
4.1.5 Description of other type of identifier	NA
4.1.6 Name	"Not required"
4.1.7 Country	DK
4.1.8 Sector	Private non-financial corporations
4.1.9 BSI industry	Hotels and restaurants
4.1.10 FSA industry	Hotels
4.1.11 Group	"Not required"
4.1.12 Debt-to-income ratio	"Not required"
4.1.13 Reference year for debt-to-income ratio	"Not required"
4.1.14 Disposable income	"Not required"
4.1.15 Reference year for disposable income	"Not required"
4.1.16 Accounting standard	"Not required"

Example of reporting of contract of suretyship

Assume a contract of suretyship has been made between a reporting agent, a guarantor and a debtor with the following distinctions:

- Agreement of maximum 6 mio. kr.
- The guarantor is liable for maximum 50 per cent of the sum of the outstanding nominal amount of debtor's instruments
- Currently one instrument is comprised of the contract of suretyship with an outstanding nominal amount of 200.000 kr.
- A common maximum without a limit yet

The contract above is to be reported to the credit register with the following selected attributes:

- 4.7.3 Protection value: 6 mio. kr. (as this is the maximum amount the guarantor is protecting)
- 4.8.1 Protection allocated value: max 100.000 kr., as this is equal to half of the outstanding nominal amount of the instrument, or lower if the reporting agent assesses a lower value of the contract of suretyship.

If the contract of suretyship later on comprises more instruments, an allocated value of the protection should be reported for each of the comprised instruments with a max of 6 mio. kr.