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EXECUTIVE ORDER No. 805 of 30 May 2022 (in force)

Executive Order on a Ship Finance Institute

Ministry: The Ministry of Industry, Business and Financial Affairs

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Executive Order on a Ship Finance Institute¹⁾

Pursuant to section 5 and section 14(2) of the Act on a Ship Finance Institute, cf. Consolidation Act No. 646 of 18 May 2022, the following is laid down by authority:

Part 1

Scope and definitions etc.

1.-(1) This Executive Order shall apply to a ship finance institute comprised by the Act on a Ship Finance Institute.

(2) Any reference in this Executive Order to provisions in the Financial Business Act or rules issued in pursuance thereof which apply *mutatis mutandis* to a ship finance institute shall, unless otherwise provided, only refer to general rules regarding financial businesses and special rules regarding banks in the Financial Business Act. For the purpose of this Executive Order, banks and financial businesses, respectively, in the Financial Business Act or rules issued in pursuance thereof shall thus for the purpose of this Executive Order mean a ship finance institute comprised by the Act on a Ship Finance Institute.

(3) Any reference in this Executive Order to provisions of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms or legislative instruments adopted in pursuance thereof applying *mutatis mutandis* to a ship finance institute shall mean the general rules for institutes and special rules for credit institutions, unless otherwise provided. Credit institutions or institutes, respectively, in Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms or legislative instruments adopted in pursuance thereof shall thus for the purpose of this Executive Order mean a ship finance institute comprised by the Act on a Ship Finance Institute.

(4) Legislative instruments adopted by the European Commission in pursuance of Directive 2013/36/EU of 26 June 2013 of the European Parliament and of the Council on access to the activity of credit institutions applying *mutatis mutandis* shall mean the general rules for institutions and special rules for credit institutions. Credit institutions or institutions, respectively, in these legislative instruments shall thus mean a ship finance institute comprised by the Act on a Ship Finance Institute.

(5) For the purpose of this Executive Order, mortgage bonds in the Financial Business Act and in executive orders issued in pursuance thereof shall mean debenture bonds or ship mortgage bonds issued by a ship finance institute.

(6) The provisions of the Executive Order on Valuation of Mortgage and Loans in Vessels Provided as Collateral against Issuance of Covered Bonds and Ship Mortgage Bonds shall apply *mutatis mutandis* to a ship finance institute.

2.-(1) Part 2 of the Financial Business Act on definitions shall apply *mutatis mutandis* to this Executive Order.

(2) Articles 4 and 5 of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms on definitions shall apply *mutatis mutandis* to this Executive Order.

3. A ship finance institute may, on a temporary basis, carry out other activities with the object of covering or settling prior exposures. The ship finance institute shall notify the Danish Financial Supervisory Authority to such effect.

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 Danish Financial Supervisory Authority to do so. The Danish Financial Supervisory Authority will not grant such authorisation if it believes there is reason to doubt that the ship finance institute's administrative structure and financial position provide a sufficient basis for the proposed establishment.

Part 2

Good practice, ownership and management and disclosure of confidential information etc.

5. Sections 43-48 of the Financial Business Act concerning good practice, price information and contractual conditions shall apply *mutatis mutandis* to a ship finance institute.

6. Part 7 of the Financial Business Act concerning ownership shall apply *mutatis mutandis* to a ship finance institute.

7. Sections 64-80c of Part 8 of the Financial Business Act concerning management and organisation of the undertaking shall apply *mutatis mutandis* to a ship finance institute.

8. Part 9 of the Financial Business Act concerning disclosure of confidential information shall apply *mutatis mutandis* to a ship finance institute.

9. Part Eight of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms on disclosure by institutions shall apply *mutatis mutandis* to a ship finance institute.

Part 3

Ship mortgage bonds – collateral and term

10. This part applies when a ship finance institute finances loans to a vessel through the issue of ship mortgage bonds.

11.-(1) A ship finance institute may only finance lending by issuance of ship mortgage bonds against registered mortgage in the financed vessel within 70 per cent of the collateral value of the vessel, see, however, sections 12-13.

(2) The mortgage may be temporarily waived for a period of up to one year against the borrower providing other collateral of particularly high quality, see section 14. The period of one year may be extended in special cases.

(3) A ship finance institute may also provide loans against registered mortgage up to 70 per cent of the value assigned for use in providing the collateral in vessels other than the vessel(s) financed.

(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, see section 1a of the Act on a Ship Finance Institute.

12.-(1) A ship finance institute may only grant loans in excess of 70 per cent but within 100 per cent of the value of the financed vessel(s) determined for collateral purposes against the provision of other collateral for this part of the loan, see section 14(1)(i)-(v), and against additional straining of the institute's solvency, see section 20(4).

(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).

13.-(1) Notwithstanding the provisions of sections 11-12, 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 the provision of collateral as set out in subsections (2) and (3). The solvency treatment thereof is described in section 21(3). If a ship finance institute is to grant building loans, it may only do so subject to a requirement that it will also finance the vessel on completion.

(2) Loans comprised by subsection (1) 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, see subsection (3) hereof. Collateral as set forth in the first sentence shall remain in force until the vessel has been completed, delivered and duly approved and until the building loan has been repaid.

(3) In connection with loans comprised by subsection (1) hereof, payments under the building contract shall be secured by the provision by the borrower of collateral of particularly high quality, see section 14, or the provision of collateral comprised by Article 129(1)(a)-(c) and Article 129(1a) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

14.-(1) Collateral of particularly good quality may only include the following:

- (i) Deposits with or guarantees issued by central banks assigned credit quality step 2 or better, see Article 114(2) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.
- (ii) Guarantees issued by central governments assigned credit quality step 2 or better, see Article 114(2) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.
- (iii) Guarantees issued by regional governments or local authorities assigned credit quality step 2 or better, see Article 114(2) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, which comply with Article 115(2) or (4) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.
- (iv) Bonds and debt instruments issued or guaranteed by central banks assigned credit quality step 2 or better, see Article 114(2) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms within 90 per cent of the officially quoted securities price.
- (v) Bonds and debt instruments within 90 per cent of the officially quoted securities price issued or guaranteed by regional governments or local authorities assigned credit quality step 2 or better, see Article 114(2) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, which comply with Article 115(2) or (4) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.
- (vi) 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 may not be used.
- (vii) Debenture 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.
- (viii) Guarantee issued by or deposits made with credit institutions qualifying for credit quality step 2 or better, see Article 129(1)(a)-(c) and Article 129(1a), last paragraph, of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, following careful examination and conservative assessment in each individual case.

(ix) 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, see Article 4(1)(98) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council 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 may not be used.

(2) The collateral set out in subsection (1)(ix) hereof may not in aggregate for the institute exceed an amount equivalent to 25 per cent of own funds, see Article 72 of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, cf. section 22(1).

15.-(1) The terms of loans granted by a ship finance institute may not exceed 15 years from the date of disbursement of the loan. The term of a loan shall be determined with consideration to the average life of the vessel type and the specific vessel's age and condition, etc.

(2) The terms of building loans may not exceed four years from the date of the first disbursement.

(3) The amount of the loan shall be determined with regard to the security considerations deemed to be necessary under the circumstances, including an assessment of the expected impairment of the mortgaged assets.

Part 4

Covered bonds – collateral

16.-(1) A ship finance institute may finance loans through the issue of covered bonds against collateral in the asset types specified in Article 129(1)(a)-(c) and (g) and Article 129(2) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms by issuing covered bonds, cf. section 2 d(1), first sentence, of the Act on a Ship Finance Institute. Such financing must respect the exposure limits of section 129(1a). Section 11(2) and (4) shall apply *mutatis mutandis*.

(2) A ship finance institute may not use covered bonds to grant building loans to be used in financing newbuilding or conversion of vessels.

17.-(1) A ship finance institute granting loans financed through the issue of covered bonds against the provision of collateral which are in excess of 60 per cent, but within 100 per cent, of the value of the financed vessel(s) determined for collateral purposes, may only do so against the ship finance institute for this part of the loan providing collateral in the types of assets specified in Article 129(1)(a)-(c) and (g) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, cf. section 2 d(1), first sentence, of the Act on a Ship Finance Institute. Such financing must respect the exposure limits of section 129(1a).

(2) The ship finance institute shall consider the part of the loan granted between 60 and 70 per cent when assessing 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, see section 20(4).

Part 5

Fleet mortgage

18.-(1) 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 comprise types of assets other than registered ship mortgages that the borrower may provide as collateral against the loan.

(2) A ship finance institute may make a book distribution of a fleet mortgage between several capital centres, see section 44, provided that the following has been agreed in the loan agreements:

- (i) cross-liability, meaning that all borrowers are liable for all loans comprised by the fleet mortgage,
- (ii) cross-default, meaning that all loans comprised by the fleet mortgage fall due if one of the loans defaults,
- (iii) cross-mortgage, meaning that all vessels comprised by the fleet mortgage are provided as collateral against all loans comprised by the fleet mortgage, and
- (iv) the borrower undertakes not to provide collateral against other loans in the vessel(s) comprised by the fleet mortgage (negative pledge clause).

19. In the calculation of whether the lending limits, see section 11(1) and section 5 of the Executive Order on Valuation of Mortgage and Loans in Vessels Provided as Collateral against Issuance of Covered Bonds, have been observed at the time of granting or extending a loan secured by fleet mortgage, the ship finance institute may, subject to compliance with section 18(2)(i)-(iv), prepare such calculation by comparing the aggregate value of all vessels comprised by the relevant fleet mortgage with the aggregate value of all loans against which the fleet mortgage has been provided as collateral. The calculation may only include registered mortgages, see section 2 d(1), second sentence, of the Act on a Ship Finance Institute.

Part 6

Capitalisation and solvency

20.-(1) The own funds of a ship finance institute shall comply with the requirements of Article 92 of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms. The own funds requirement of Article 92(1)(c) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms shall be satisfied both in the individual capital centres and in the institute in general.

(2) Section 124(1)-(5) and (7) of the Financial Business Act shall apply *mutatis mutandis* to a ship finance institute.

(3) The Danish Financial Supervisory Authority may make requirements as to which type of capital is to be used for compliance with the individual solvency requirement, see section 124(3) of the Financial Business Act.

(4) Where the institute's solvency is subjected to additional straining, the institute shall ensure that the loan will 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 impairment charge, the deduction stipulated in the first sentence hereof may be reduced by such difference.

(5) The solvency-related excess cover is the share of the tier 1 capital exceeding the own funds requirement, see subsection (1) hereof and section 124(3) of the Financial Business Act, less deduction, see subsection (4) hereof.

21.-(1) Sections 125 a-h, section 128(3) and (4) and sections 140-143 a of the Financial Business Act and Parts Two and Three of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms on own funds and capital requirements, respectively, shall apply *mutatis mutandis* to a ship finance institute.

(2) A capital centre may raise additional tier 1 capital and subordinated loan capital.

(3) Building loans comprised by section 13(1) shall be included in the calculation of own funds and risk-weighted exposures with a risk weighting of 200 per cent to the extent the ship finance institute's subsequent financing of the building loan is comprised by section 11(1) or (2). The sum of building loans pursuant to the first sentence may not exceed 125 per cent of the solvency-related excess cover, see section 20(5).

(4) The Minister for Industry, Business and Financial Affairs may grant exemption from the buffer in section 125 f of the Financial Business Act and define a new countercyclical buffer for a ship finance institute if this is deemed necessary out of consideration for the ship finance institute's special business model.

Part 7

Gearing

22. Part Seven of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms on leverage shall apply *mutatis mutandis* to a ship finance institute.

Part 8

Investment of funds, liquidity and group regulations etc.

23.-(1) The board of directors of a ship finance institute shall lay down risk diversification rules for the institute, including rules for the monitoring and control of the institute's large exposures.

(2) Articles 389-394 and Part Five of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council 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.

(3) If an exposure exceeds the limit set forth in Article 395(1) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, the institute shall immediately upon exceeding the limit inform the Danish Financial Supervisory Authority of the amount of the exposure.

24.-(1) Sections 146 and 147 a of the Financial Business Act and Part Six of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms on liquidity shall apply *mutatis mutandis* to a ship finance institute.

(2) Section 153 of the Financial Business Act shall apply *mutatis mutandis* to a ship finance institute comprised by this Executive Order.

25. Loans granted by a ship finance institute shall be based on the issue of bonds, loans granted out of the ship finance institute's own funds and loans raised in the money and capital markets.

26. Articles 6-24 of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and Part 12 of the Financial Business Act on group regulations, consolidation, etc. shall apply *mutatis mutandis* to a ship finance institute.

Part 9

Vessels registered outside the European Union

27.-(1) The Danish Financial Supervisory Authority may permit a ship finance institute to grant loans secured by mortgage in vessels registered outside the European Union if sections 28-30 have been met.

(2) Permission under subsection (1) hereof may not lead to impaired protection of the bond holders.

28. A ship finance institute shall ensure that the loan

(i) constitutes a legally valid claim for payment which, according to its wording, may be enforced if the debtor is in default, whereby the claim for payment falls due for payment immediately or at a later point,

(ii) has a principal (including interest) which can be determined at any time, and

(iii) is secured by a registered mortgage in a vessel in compliance with section 29.

29. A ship finance institute shall ensure that a registered mortgage in a vessel on which the loan is secured

- (i) constitutes a legally valid mortgage which can be realised by enforcement of the law, and
- (ii) enables the ship finance institute to collect the value of the claim for payment by enforcement of the mortgage without undue delay.

30. A ship finance institute shall ensure

- (i) that the market value of the vessel is adequately monitored, and
- (ii) that the vessel is adequately insured against damage.

Part 10

Financial statements and auditing

31. Part 13 of the Financial Business Act on annual report, audit and appropriation of profit for the year shall apply *mutatis mutandis* to a ship finance institute.

Part 11

Financial statements for capital centres

32.-(1) A ship finance institute shall prepare separate capital centre financial statements, see section 2 e of the Act on a Ship Finance Institute.

(2) The capital centre financial statements shall comprise income statements, balance sheets and notes.

(3) Aggregate notes of the capital centre financial statements may, unless otherwise stipulated, be prepared for all capital centre financial statements.

33. The income statement and balance sheet shall include items that are to be individualised and allocated directly to the individual capital centre and items allocating specific shares to the capital centre, see section 34.

34.-(1) Where a specific share is allocated to a capital centre, the ship finance institute shall apply an allocation key based on the total amount of the loan(s) raised (raising of bonds, etc.), see, however, subsection (3) hereof.

(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.

(3) Subject to permission being granted by the Danish Financial Supervisory Authority, the ship finance institute may apply allocation keys other than the amount of the debt. If other allocation keys are applied, this should be stated in a note.

35.-(1) The income statement shall contain the following items:

- (i) Net interest income
- (ii) Net fees and commissions received
- (iii) Net interest and fee income
- (iv) Market value adjustments and dividends from investments
- (v) Staff costs and administrative expenses, etc.
- (vi) Losses and impairment charges on receivables
- (vii) Profit before tax
- (viii) Tax
- (ix) Profit/loss for the year

(2) 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.

36.-(1) The item net interest income, see section 35(1)(i), shall include:

- (i) Interest on balances with credit institutions
 - (ii) Interest on loans
 - (iii) Revaluation (indexation) of loans
 - (iv) Interest on bonds
 - (v) Other interest income
 - (vi) Interest on balances due to credit institutions
 - (vii) Interest on issued bonds
 - (viii) Revaluation (indexation) of issued bonds
 - (ix) Other interest payable
 - (x) Derivative financial instruments, including interest rate and foreign exchange contracts
 - (xi) Total net interest income
- (2) The sum of the above items shall be distributed on the individual capital centres, see the method in section 35.
- (3) The individual items specified in subsection (1) hereof shall be stated in a note.

37. The item market value adjustments and dividends from investments, see section 35(1)(iv), shall include:

- (i) Value adjustment of bonds, shares, etc., currency translation and financial instruments
- (ii) Dividends from investments
- (iii) Market value adjustments and total dividends from investments

38.-(1) The item staff costs and administrative expenses, etc., see section 35(1)(v), shall include:

- (i) Staff costs and administrative expenses
 - (ii) Other ordinary income
 - (iii) Depreciation of property, plant and equipment
 - (iv) Total staff costs and administrative expenses, etc.
- (2) The sum of the above items shall be distributed on the individual capital centres, see the method in section 35. (3) The individual items specified in subsection (1) hereof shall be stated in a note.

39.-(1) Losses and impairment charges on receivables, see section 35(1)(vi), shall include all losses and impairment charges on loans in the relevant capital centre. Individualised losses and changes to individual impairment charges shall be allocated directly to the relevant capital centre.

(2) Changes to other impairment charges, including collective impairment charges, shall be distributed on the individual capital centres, see the method in section 34.

40.-(1) The item tax, see section 35(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.

(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.

41. The balance sheet shall contain:

- (i) Assets:
 - (a) Loans
 - (b) Loan impairment charges
 - (c) Other assets
 - (d) Total assets

- (ii) Equity and liabilities:
 - (a) Issued bonds
 - (b) Other liabilities
 - (c) Equity
 - (d) Total liabilities

Assets

42.-(1) The item loans, see section 41(i)(a), includes loans against ship mortgages provided on the basis of the Act on a Ship Finance Institute.

(2) The outstanding debt recognised, see subsection (1) hereof, shall be individualised and allocated directly to the individual capital centre.

(3) The individual loan impairment charges and past due loans shall be individualised and directly allocated to the relevant capital centre.

(4) Collective loan impairment charges shall be distributed on the individual capital centres.

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

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

(7) If the sum of the capital centre's individualised liabilities, see section 41(ii)(d), exceeds the sum of the capital centre's individualised assets, see section 41(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 constitute the capital centre's partial balance sheet.

Liabilities

43.-(1) Issued bonds, see section 41(ii)(a), shall be individualised and allocated directly to the individual centres.

(2) Coupon due shall be individualised and allocated directly to the relevant capital centres.

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

(4) If the sum of the capital centre's individualised assets, see section 41(i)(d) exceeds the sum of the capital centre's individualised liabilities, see section 41(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 constitute the capital centre's partial balance sheet.

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

(6) Equity shall be individualised and allocated directly to the individual capital centres in connection with the calculation of own funds.

Fleet mortgage

44.-(1) In relation to fleet mortgage, see section 18, the ship finance institute shall distribute the value of the fleet mortgage between the capital centres and the ship finance institute in general. The ship finance institute may make a book distribution, if the distribution is unambiguous.

(2) If a ship finance institute, a borrower or several borrowers have provided supplementary collateral, see section 2 of the Act on a Ship Finance Institute, the institute may also 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.

45.-(1) If a ship finance institute makes a distribution of the fleet mortgage and the value of the supplementary collateral, the 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.

(2) The management board of a ship finance institute shall define business procedures setting out among other things:

- (i) how the list should be structured,
- (ii) who has day-to-day responsibility for the list,
- (iii) who is responsible for maintaining the list,
- (iv) who is responsible for checking the list,
- (v) how the list should be updated on a daily basis,
- (vi) 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,
- (vii) control procedures, including current control of the distribution, see section 44(1),
- (viii) adequate measures securing that the rules governing assets provided as collateral against ship mortgage bonds and covered bonds, respectively, are observed, and
- (ix) a description and explanation of the allocation keys applied, see section 44(1).

Reporting and publication

46.-(1) The approved financial statements of the capital centres shall be filed with the Danish Financial Supervisory Authority together with the approved annual report not later than eight days after approval of the annual report.

(2) Preliminary financial statements of the capital centres shall be filed with the Danish Financial Supervisory Authority not later than 15 February or on the next working day.

(3) Summary financial statements of the capital centres shall be included in a ship finance institute's annual report. The complete financial statements for the individual capital centres shall be available on request to a ship finance institute.

(4) In connection with the publication of the annual report, the institute shall include a note on capital centre financial statements which shall contain information on the inflow and outflow of funds (net), including consolidation transfers made during the reporting period 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 12

Amalgamation, cessation and crisis management

47. Section 204(1) of the Financial Business Act on amalgamation shall apply *mutatis mutandis* to a ship finance institute.

48.-(1) Except for section 223, Part 15 of the Financial Business Act on cessation shall apply *mutatis mutandis* to a ship finance institute.

(2) Section 223 of the Financial Business Act on withdrawal of licences shall apply *mutatis mutandis* to a ship finance institute, if it is not financially feasible to carry on such business, see section 11(1) of the Act on a Ship Finance Institute.

49. Part 16 of the Financial Business Act on crisis management shall apply *mutatis mutandis* to a ship finance institute.

Part 13

Delegated acts and implementing acts

50.-(1) Legislative instruments adopted in pursuance of Article 456, Article 457, Article 459, first paragraph, (a) and (c), Article 460(1) and Article 461(2) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms shall apply *mutatis mutandis* to a ship finance institute.

(2) Legislative instruments relating to Article 392 of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms adopted in pursuance of Article 459, first paragraph, (b) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms shall apply *mutatis mutandis* to a ship finance institute.

(3) Legislative instruments adopted by the European Commission in pursuance of Directive 2013/36/EU of 26 June 2013 of the European Parliament and of the Council on access to the activity of credit institutions shall apply *mutatis mutandis* to a ship finance institute.

(4) The Danish Financial Supervisory Authority may grant full or partial exemption from rules on liquidity requirements issued in pursuance of Article 460(1) of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

Part 14

Penalty provisions

51.-(1) Violation of the provisions in section 3, second sentence, section 4, first sentence, section 11(1) and (4), section 12, section 13(2) and (3), sections 15-17, section 18(1), second sentence, and section 18(2), section 19, second sentence, section 20(1) and (4), section 21(1) and (3), section 22(1) and (4), sections 23-26, sections 28-30, section 32(1) and (2), section 33, section 34(1) and (3) and sections 35-49 is punishable by fine, unless a stricter penalty is prescribed by other legislation.

(2) A ship finance institute may be held liable in accordance with the provisions of Part 5 of the Criminal Code.

52.-(1) Violation of provisions of the Financial Business Act or Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, which according to this Executive Order apply *mutatis mutandis* to a ship finance institute, is punishable under the rules of section 373(1)-(3) of the Financial Business Act.

(2) Section 373(4) of the Financial Business Act on the determination of punishment for violation of rules issued in pursuance of provisions on the Financial Business Act and rules issued in pursuance of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms shall apply *mutatis mutandis* to a ship finance institute.

(3) Violation of provisions included in regulations of the European Union which are adopted by the European Commission in pursuance of Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council 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 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, which according to this Executive Order apply *mutatis mutandis* to a ship finance institute, is punishable under the rules issued by the Danish Financial Supervisory Authority in pursuance of section 373(10) of the Financial Business Act.

(4) Section 373(6)-(9), rules issued in pursuance of section 373 a(1) on violation of provisions of the Financial Business Act, which apply *mutatis mutandis* to a ship finance institute, and section 374 of the Financial Business Act shall apply *mutatis mutandis* to a ship finance institute and to the persons of the ship finance institute specified in such provisions.

Part 15

Commencement

53.-(1) This Executive Order enters into force on 8 July 2022.

(2) Executive Order No. 79 of 27 January 2015 on a ship finance institute is repealed.

Danish Financial Supervisory Authority, 30 May 2022

Jesper Berg

/ Kamilla Karen Hjørund

- (1) This Executive Order contains provisions implementing 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 of the European Union 2019, No L. 328, p. 29. This Executive Order contains certain provisions from Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council, Official Journal 2013 No. L 176, p. 1 (CRR). Pursuant to Article 288 of the Treaty on the Functioning of the European Union, a regulation is directly applicable in all member states. The reproduction of these provisions in this Executive Order is therefore solely intended for practical purposes and does not affect the direct application of the regulation in Denmark.