

MEMORANDUM

15 September 2023
File no. 22-017465

Themed inspection of the alternative standardised approach (ASA) for market risk

During the period from December 2022 to September 2023, the Danish Financial Supervisory Authority (the Danish FSA) conducted an inspection of Danske Bank's implementation and use of the alternative standardised approach for market risk. The inspection formed part of a themed inspection across 18 selected financial and mortgage credit institutions.

The purpose of the themed inspection was to examine the institutions' implementation of the alternative standardised approach (ASA) for market risk for the calculation of capital requirements. The ASA is expected to become a capital requirement as from 2025, but a reporting requirement applies already at this point so the institutions to which it applies must calculate their market risk according to the ASA and report data to the Danish FSA. The inspection was conducted in the form of an off-site inspection, meaning that no physical visits were paid to the institutions.

The themed inspection included a qualitative and quantitative analysis of the selected institutions' implementation of the new approach (ASA). The quantitative analysis involved benchmarking the institutions' calculation of risk exposure amounts (REA) and underlying key indicators, such as delta risk, jump-to-default (JTD) etc., for selected instruments and – for some institutions – also portfolios. The qualitative analysis consisted of a questionnaire about the institutions' ASA implementation, the expected use of the calculation and the planned governance in relation to the calculation.

In some respects, the data reported by Danske Bank was in the outer percentile range of the data reported across institutions. This may be well-founded and caused by technical conditions in relation to the booking of trades in connection with the inspection. The bank should review its implementation of the approach to ensure that this is not due to errors in the implementation. The inspection did not give rise to any supervisory reactions.