

## **Finans|Bergen Partner: Nordea Investment Management AB**

### **1.**

#### **Exploring the effects in the Norwegian bond market with rise of Tier3/Senior NonPreferred (SNP) Bonds.**

- It is expected that banks will issue SNP bonds worth about NOK 120-200bn over the next years, giving such bonds a “markets share” in Norway of between 7 to 9%. This number is still uncertain. At the same time it is likely that there will be less senior (bank) bonds being issued in the future. What will be the effect on Senior bank and Tier 2 bank bonds as well as for bonds from power producing companies?
- This can also be looked upon how it might change the funding structure of banks going forward. What will be most cost efficient structure/split between covered bonds, senior bonds, T3, T2, Coco's and equity?

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### **2.**

- Norges Bank introduced a new quota system for the management of bank reserves in 2011. At the same time the quota for senior bank bonds the banks could use as collateral for F-loans was set to zero. The purpose was that the banks would distribute the liquidity among themselves. The quota for collateral was set to zero as one worried that a new financial crisis would lead to a liquidity crisis if the banks to a high degree owned each other's bonds

- <https://www.norges-bank.no/en/news-events/news-publications/Circulars/2019/2-quotas/>
- The ECB also introduced quotas for the management of bank reserves, but with other criteria than Norges Bank.
- What is the effect of the Norwegian quota system on
  - The total quota?
  - Distribution of liquidity among banks?
  - Market interest rates on substitutes for the key policy interest rate at the quota reserve (i.e. interest rates on government notes)?
- It is also interesting to discuss if these effects also can be expected for European banks.

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### 3.

- The Norwegian bond market for credit bonds is generally seen as being less liquid than other European bond markets. Is this actually the case? And if so, why?
- This topic can be split into looking at high yield and investment grade, due to those two markets segments being very different in nature.

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