

30 September 2014

**The Systemic Risk Council**  
www.risikoraad.dk  
mail@risikoraad.dk

## PRESS RELEASE

### MEETING OF THE SYSTEMIC RISK COUNCIL

**The Systemic Risk Council (the Council) has held its seventh meeting. The Council discussed current financial conditions, lending terms for households and other relevant issues. The Council adopted an observation about low interest rates and build-up of systemic risks. The Council also adopted a recommendation on restriction of deferred amortisation on mortgage lending.**

#### **Current financial conditions**

Financial conditions are assessed to be broadly unchanged since the Council's meeting in June. The Council finds that there are no signs of systemic risks building up at present. Credit growth is still very moderate, but lending by credit institutions is at a high level relative to GDP. In the 2nd quarter, the tendency for banks to ease credit standards for corporate customers continued. The banks are increasingly citing the competitive climate as the reason for the changes.

The banks' funding situation is good. The banks continue to have a large customer funding surplus and favourable access to market funding.

A prolonged period of continued low interest rates, especially combined with an economic upturn, will increase the risk of systemic risks building up over time. The Council adopted an observation, which is enclosed to this press release.

#### **Lending terms for households**

The Council adopted a recommendation to the government on restriction of deferred amortisation on mortgage lending. The recommendation is enclosed to this press release.

The Council had an initial discussion of borrowing limits for households on the basis of experience gained so far in other countries as well as of the government's proposal for a down payment requirement for home purchases. The Council finds that it is a good initiative. In the wake of the financial crisis, comparable countries have applied both income-related borrowing limits and limits on loans against the home as collateral, and in several cases a combination of the two. That may contribute to dampening the build-up of systemic financial risks. The specific design typically depends on country-specific circumstances. In order to ensure better data for, inter alia, housing loans relative to the value of the collateral, the Council supports the

establishment of a credit register in Denmark. The Council will return to the subject again.

**Other topics of relevance to the Council**

The Council also discussed the status of transposition of the Bank Recovery and Resolution Directive, BRRD, into Danish law, of the European definition of the Liquidity Coverage Ratio, LCR, and of the IMF's Financial Sector Assessment Programme, FSAP, for Denmark.

Enquiries can be directed to [mail@risikoraad.dk](mailto:mail@risikoraad.dk) or *Julie Holm Simonsen*, press coordinator, on tel. +45 33636022.