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**The Systemic Risk Council**  
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## PRESS RELEASE

### MEETING OF THE DANISH SYSTEMIC RISK COUNCIL

**The Systemic Risk Council (the Council) has held its third meeting. At the meeting, the Council discussed the current situation and potential risks to financial stability. The Council also discussed other macro-prudential issues.**

The Council discussed the current situation in the financial markets in order to identify and monitor systemic risks in the Danish financial system. Lending from credit institutions is unchanged following a modest decline since 2009, but the level remains high in a historic perspective. There are signs of an emerging recovery in parts of the housing market and share prices have risen sharply to a high level. These conditions are supported by large private savings and historically low interest rates.

The long-term interest rates have increased slightly since spring, but a prolonged period of very low interest rates increases the risk of elevated risk-taking. This also increases the vulnerability towards large movements in the international financial markets, for instance due to a normalization of monetary policies and interest rates. With respect to search for yield, the Council assessed that at present there is no widespread evidence of increased risk-taking in the Danish financial sector, which by itself makes the Danish financial system unstable.

Further, the Council discussed macro-prudential matters and the role of the Council in the draft amendment to the Financial Business Act (The Financial Supervisory Authority's draft of August 15, 2013).

The Council decided to initiate analytical work in three areas to provide further insight into the macro-prudential instruments included in the new capital requirement legislation (CRR/CRDIV) and in the recommendation of the European Systemic Risk Board (ESRB) on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1 of April 4, 2013). The analyses concern possible behavioral changes in Danish banks due to capital requirements, the possible value of an implicit government guarantee for large banks in Denmark and macro-prudential instruments related to household borrowing. The Council will discuss the results of these analyses at its next meeting in 2013 and in the first half of 2014.

The Council discussed the government's response to the Council's recommendation on the phasing-in of capital requirements in Danish legislation (recommendation of June 24, 2013). The Council noted that the government has proposed a draft law that meets the recommendation with regards to the implementation of the capital and liquidity requirements of CRR/CRD IV. The law has not yet been adopted. A draft law is outstanding with respect to the recommendation on the implementation of the Committee on Systemically Important Financial Institution's recommendations.

The next meeting of the Council is scheduled for December 20, 2013.

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