

Appendix 1. Evaluation of follow-up on recommendation from the Systemic Risk Council

Follow-up on recommendation on the phasing-in of capital requirements legislation in Denmark		Table 1
Requirements in recommendations	Financial Business Act of 18 March 2014 and Bank Package 6	
<i>Sub-recommendation concerning the implementation of CRR/CRD IV:</i>		
<ul style="list-style-type: none"> ■ Identification criteria for SIFIs should be introduced as from 2014. 	<ul style="list-style-type: none"> ■ Identification criteria for SIFIs have been introduced. SIFIs will be identified for the first time before 30 June 2014. 	
<ul style="list-style-type: none"> ■ Liquidity requirements for SIFIs should be introduced from 2014-15 in accordance with the SIFI Committee's recommendations. 	<ul style="list-style-type: none"> ■ See Table 2. 	
<ul style="list-style-type: none"> ■ Existing requirements should be maintained for a transitional period in cases where the phasing-in period in the European capital requirements legislation (CRR/CRD IV) entails easier requirements than existing legislation. 	<ul style="list-style-type: none"> ■ The Liquidity Coverage Ratio (LCR) will be phased in gradually until 2018. Existing Danish liquidity requirements will be maintained as a floor up to and including 2016. ■ Executive order on transitional rules under the CRR regulation are designed to ease the transition from the existing legal status to the status laid down in CRR as much as possible in those areas in which the legal status does not already comply with CRR. 	
<ul style="list-style-type: none"> ■ The framework for the countercyclical capital buffer should be fully implemented as from 1 January 2015. 	<ul style="list-style-type: none"> ■ The framework for the countercyclical capital buffer will be gradually phased-in from 2015 to 2019. 	
<i>Sub-recommendation concerning the implementation of the SIFI Committee's recommendations:</i>		
<ul style="list-style-type: none"> ■ The government should present a bill to implement the SIFI Committee's recommendations. 	<ul style="list-style-type: none"> ■ See Table 2. 	

Follow-up on sub-recommendation concerning the implementation of the SIFI Committee's recommendations

Table 2

SIFI Committee's recommendations	Financial Business Act of 18 March 2014 and Bank Package 6
<i>Identification:</i>	
<ul style="list-style-type: none"> ■ Identification criteria. 	<ul style="list-style-type: none"> ■ Applies the same indicators. ■ Lower limit for the balance sheet indicator. ■ No qualitative assessment.
<ul style="list-style-type: none"> ■ Identification by the Danish Financial Supervisory Authority on the basis of a recommendation from the Systemic Risk Council. 	<ul style="list-style-type: none"> ■ Identification by the Danish Financial Supervisory Authority. ■ The Minister for Business and Growth may grant/withdraw a financial institution's SIFI status prematurely.
<i>Capital requirements:</i>	
<ul style="list-style-type: none"> ■ SIFI requirements within the interval 1-3.5 per cent of risk weighted assets. 	<ul style="list-style-type: none"> ■ SIFI requirements within the interval 1-3 per cent of risk weighted assets.
<ul style="list-style-type: none"> ■ Higher capital requirements if SIFIs become more systemically important. 	<ul style="list-style-type: none"> ■ Cap of 3 per cent of risk weighted assets irrespective of systemic importance.
<ul style="list-style-type: none"> ■ Gradual phasing-in until 2019. 	<ul style="list-style-type: none"> ■ Gradual phasing-in until 2019.
<ul style="list-style-type: none"> ■ SIFI capital requirements should be met by means of Common Equity Tier 1 capital and determined at a consolidated level and solo level. 	<ul style="list-style-type: none"> ■ SIFI capital requirements should be met by means of Common Equity Tier 1 capital and determined at a consolidated level and solo level.
<ul style="list-style-type: none"> ■ A crisis management buffer should be established over a 3 year period from 2020. 	<ul style="list-style-type: none"> ■ A crisis management decision is postponed until the implementation of the EU crisis management directive in Danish law has been clarified.
<ul style="list-style-type: none"> ■ Requirements for recovery and crisis management plans (resolution plans) for SIFIs. ■ Crisis management plans should be prepared by authorities. 	<ul style="list-style-type: none"> ■ All SIFIs with balance sheets exceeding kr. 1 billion should prepare resolution plans. ■ Resolution plans also form part of the implementation of the EU crisis management directive. ■ Resolution plans will be prepared in close dialogue with the SIFI.
<i>Liquidity requirements:</i>	
<ul style="list-style-type: none"> ■ The Liquidity Coverage Ratio (LCR) should be fully phased in for SIFIs as from 2015. 	<ul style="list-style-type: none"> ■ As a starting point, if Danish mortgage bonds are included as highly liquid assets in the LCR, the LCR will be fully phased in as from 2015.
<ul style="list-style-type: none"> ■ Requirement for more stable funding as from 2014. 	<ul style="list-style-type: none"> ■ The Ministry of Business and Growth, the Danish Financial Supervisory Authority and Danmarks Nationalbank will prepare a proposal for specific rules regarding stable funding of SIFIs.
<i>Other requirements:</i>	
<ul style="list-style-type: none"> ■ Requirements for good corporate governance. 	<ul style="list-style-type: none"> ■ A working group will be set up to present proposals for the implementation of agreed measures.
<ul style="list-style-type: none"> ■ SIFIs should be subject to enhanced supervision. 	<ul style="list-style-type: none"> ■ SIFIs will be subject to enhanced supervision.
<i>Crisis management:</i>	
<ul style="list-style-type: none"> ■ Crisis management trigger for SIFIs of 10.125 per cent of risk weighted assets. 	<ul style="list-style-type: none"> ■ The EU crisis management directive has been adopted and is to be implemented into Danish law.
<ul style="list-style-type: none"> ■ The trigger to limit bonus and dividend payments, etc. should include Pillar II requirements. 	<ul style="list-style-type: none"> ■ The trigger will exclude Pillar II requirements.
<ul style="list-style-type: none"> ■ Possibility of compulsory use of crisis management tools ■ Introduction of alternative crisis management tools ■ Establishment of a stability fund. 	<ul style="list-style-type: none"> ■ The EU crisis management directive has been adopted and is to be implemented into Danish law.
<ul style="list-style-type: none"> ■ A crisis management authority should be established. 	<ul style="list-style-type: none"> ■ The Financial Stability Company will undertake in an adjusted form the task of national resolution authority – discussions on the design of the coming resolution authority are in progress.