

June 24, 2013

The Systemic Risk Council
mail@dsrr.dk

PRESS RELEASE

MEETING OF THE DANISH SYSTEMIC RISK COUNCIL¹

The Systemic Risk Council (the Council) held its second meeting on June 21. At the meeting, the Council discussed the current situation and risks to financial stability. In addition, the Council discussed other macro-prudential issues. The Council adopted a recommendation on the phasing-in of capital requirements in Danish legislation.

The Council discussed the further decline in tensions in the financial markets during the spring, which among other things was reflected in rising stock prices and increased risk appetite. In the past month, markets have shown some fluctuations due to increasing focus on the timing of central banks' withdrawal of liquidity. Internationally, there are some concerns regarding price developments in stock and credit markets in conjunction with the moderate prospects for growth globally. Possible challenges related to the Danish households' economic situation and the expiry of deferred-amortization period for mortgage loans in the coming years, are considered to be manageable.

The Council decided to initiate analytical work with a view to consider whether the Danish households' high indebtedness can potentially involve systemic financial risks. The Council also initiated analytical work for the purpose of unveiling potential systemic risks associated with a prolonged period of low interest rates. The findings of the analyses will be discussed at the Council's coming meetings in 2013.

The European Systemic Risk Board (ESRB) has recommended the EU member states and their macro-prudential authorities to, among other

¹ The Systemic Risk Council is responsible for mitigating and identifying systemic financial risks. The Council has an advisory role and has the power to come with observations, warnings or recommendations to relevant authorities. Policies will be implemented by the relevant authorities on a "comply or explain" basis. The Council is composed of 10 members from Danmarks Nationalbank (chair), government officials, the Danish FSA and independent experts. C.f. The Financial Business Act of 19 December 2012, <https://www.lovtidende.dk/>, Lov om ændring af lov om finansiel virksomhed, LOV nr 1287 af 19/12/2012 (in Danish).

things, define intermediate objectives for macro-prudential policy and to ensure that a sufficient set of instruments to pursue the objectives are in place (ESRB recommendation, ESRB/2013/1 of 4 April 2013). The Council discussed how to include the ESRB recommendation in the future work of the Council. The Council also discussed the follow-up on a recommendation from the ESRB on the macro-prudential mandate of national authorities (ESRB recommendation, ESRB/2011/3 of 22 December 2011).

Finally, the Council discussed macro-prudential aspects of the forthcoming regulation of the Danish financial sector, including the implementation of the recommendations of the Committee on Systemically Important Financial Institutions (SIFIs) and the phasing-in of the new European capital requirements legislation (CRD IV and CRR). The Council adopted a recommendation on the phasing in of capital and liquidity requirements which is attached to this press release. The Council also discussed which institution that – on the basis of a recommendation from the Systemic Risk Council – should decide on the setting of i.a. the countercyclical capital buffer in CRR/CRD IV.

The Council is to meet at least four times a year. The next meetings of the Council are scheduled for September 25, 2013 and December 20, 2013.

Enquiries can be directed to
Lars Rohde, Chairman of the Systemic Risk Council
On telephone: (+45) 3363 6001