



Changing the criteria for SIFI designation in the Faroe Islands

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The Systemic Risk Council

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The Systemic Risk Council, the Council, recommends to the government that a lower limit be introduced for when a bank in the Faroe Islands is designated as a systemically important financial institution.

Systemically important financial institutions (SIFIs) are today designated on the basis of a number of indicators measuring the bank's size in relation to the Faroese economy and banking sector. As the Faroese economy is small, even small banks can achieve SIFI status. The Council therefore recommends that the indicators be supplemented with a lower limit for a bank's balance sheet of kr. 3 billion. The recommendation can be read [here](#).

The introduction of such a limit would entail the designation of two SIFIs in the Faroe Islands, rather than the current three. Today, three out of four banks in the Faroe Islands are designated as SIFIs. The introduction of the lower limit would mean that the third-largest bank, Norðoya Sparikassi, will no longer be a SIFI unless it grows significantly more than the rest of the banking sector.

Capital buffer requirements in the Faroe Islands

The other capital buffer requirements are appropriate at present. This was the conclusion drawn by the Council at its meeting in December 2019 based on an analysis of the requirements to the Faroese banks carried out in cooperation with Føroya Váðaráð, the Faroese Systemic Risk Council. Representatives of the Faroese Risk Council took part in the discussions.

The analytical basis on which the Council's discussion was based has today been published on the Council's website. The analysis can be read [here](#).

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