FOLKETINGET

European Commission
European Commissioner for Internal Market and Services
Mr Michel Barnier
B-1049, Brussels
Belgium

Finance Committee and European Affairs Committee

Christiansborg
DK-1240 Copenhagen K

Phone: +45 33 37 55 00
Fax: +45 33 32 85 36

www.ft.dk
ft@ft.dk

11 January 2012

Contact

Morten Knudsen
Chief Adviser for European Affairs
Direct line: +45 33 37 55 14

Morten.Knudsen@ft.dk

Opinion on the Commission proposal for new EU capital adequacy rules

Dear Michel Barnier,

We hereby submit consultation responses from the Danish Parliament's European Affairs Committee on the Commission proposal for new EU capital adequacy rules.
The opinion relates both to the Commission proposal for a regulation on prudential requirements for credit institutions and investment firms (Com (2011)452) and the Commission proposal for a directive on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Com (2011)453).
The Committee has considered both proposals and has the following comments to make, which are supported by all parties on the Committee:

Opinion on the Commission proposal for new EU capital adequacy rules

The European Affairs Committee supports the objective of the Commission proposal to tighten the financial regulation of EU Member States' credit institutions and thereby promote financial stability in Europe and reduce the risk of future financial crises.

Liquidity requirements

It is important that credit institutions' liquidity resources are based on risk-free securities, irrespective of whether they are government bonds or other securities. Therefore, the Committee also agrees to the Commission proposal to postpone the exact definition of the new 30-day liquidity rule ("Liquidity Coverage Ratio" – LCR) for credit institutions until detailed analyses are available. It is, in fact, crucial to give sufficient consideration to allowing verifiable liquid assets to be included in the best part of the credit institutions' liquidity resources. Assets that are included in the liquidity resources of financial institutions must be assessed on the basis of an assessment of the specific liquidity in the asset and not on who is the issuer of the assets. For example the Danish mortgage system has proved extremely stable during the financial crisis and mortgage bonds have proved to be as liquid as government bonds.

Similarly, the Committee finds it crucial that the final definition of LCR be decided by the Council and the European Parliament according to the ordinary legislative procedure and not as proposed by the Commission through a delegated act.

The European Affairs Committee also supports the Commission proposal for more long-term liquidity resources, ("Net Stable Funding Ratio" – NFSR) as it is not until 2016 that the European Banking Authority is to evaluate the NSFR and against this background recommend whether and in which form, if any, the NSFR is to be introduced in the EU as of 2018.
The Committee is also pleased to see that this cannot be effected until after political positions taken by the Council and the European Parliament. There is, however, still reason to follow the further decision-making process closely as it may become of specific importance to the short-term adjustable-rate loans in the Danish mortgage system.

Capital requirements

The Committee agrees with the Commission that requirements for more and better capital are needed with a view to bolstering credit institutions, thereby improving their ability to absorb losses without becoming insolvent.
It is, however, important that the derogations for the general requirements for Common Equity Tier 1 Capital are so flexible that guarantee and cooperative capital, subject to some adjustments of the statutes of savings banks and cooperative savings banks, may continue to be included as Common Equity Tier 1 Capital.

Sanctions

The Committee supports the approximation and strengthening of sanctioning regimes in EU Member States, but finds that there is a need for an investigation into how the proposed setting of administrative fines will fit into a Danish context.

Yours sincerely,

Eva Kjer Hansen
Chair of the European Affairs Committee