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**Opinion on European Commission Proposal for Bank Resolution - COM  
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Dear Michel Barnier

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Please find below the consultation response from the European Affairs Committee of the Danish Parliament on the Commission proposal for a Regulation on the Resolution of Banks, which the Commission presented on 10 July 2013.

Contact

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The proposal, which has been considered by the Danish Parliament in the European Affairs Committee, calls for the following observations that are supported by a majority of parties comprising the Social Democrats, the Liberal Party, the Socialist People's Party, the Social Liberal Party and the Conservative Party.

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It is the opinion of this majority that it is in Denmark's best interests that a Single Resolution Mechanism (SRM) should be established for the EU Member States that participate in the Single Supervisory Mechanism (SSM). Irrespective of any Danish participation, it will be of essential interest to Denmark to ensure a sound and well-functioning arrangement for bank resolution and the other elements of Banking Union in the EU as well as to maintain equal terms of competition in the internal market. However, further integration between Euro Area Member States must not be allowed to undermine cooperation in EU28.

The majority support the view that consistency should be ensured between the substantive provisions laid down in the Crisis Management Directive and the proposal for Bank Resolution. During the negotiations on the SSM, several non-Euro Area Member States, including Denmark, attached great importance to ensuring that non-Euro Area Member States that choose to join the SSM can participate on balanced conditions in relation to Euro Area Member States. This is particularly relevant in terms of the voting rules that apply to the Supervisory Board and relations to the Governing Council of the ECB.

Similarly, the majority support the view that no distinctions should be made between Euro Area and non-Euro Area Member States in the proposal for the establishment of an SRM as there are e.g. uniform voting rules for the plenary sessions of the Single Resolution Board where all national resolution authorities have one vote each. The majority underline that it is crucial that such balanced conditions between Euro Area and non-Euro Area Member States should be maintained.

Moreover, the majority find it important that the right balance should be ensured between the powers of the Commission and Member States' influence in connection with bank resolution.

Furthermore, the majority call for bail-in to be applied both to the proposal for bank resolution and for crisis management already as of 2015 and not as of 2018 as stated in both proposals. At the same time, the majority call for the rules regarding bail-in both in the proposal for bank resolution and for crisis management to be made as little flexible as possible, especially because too wide access to flexibility is an obstacle to equal terms of competition.

The majority also find it decisive that sufficient account should be taken of Danish mortgage credit in connection with crisis management under the auspices of the SRM.

The societal significance of Danish mortgage credit is underlined in particular by the recent political agreement on identification of Danish Systemically Important Financial Institutions (SIFIs). This implies that all important Danish mortgage banks will be identified as systemically important.

The majority call for clarification regarding a potential common public backstop, including clarification on which status non-Euro Area Member States will have in that connection.

The majority call for granting participating Member States the possibility to crisis manage banks nationally if the Commission chooses not to crisis manage at European level. In continuation of this, it should be possible for Member States to crisis manage the institutions in question nationally in line with the rules laid down in the Crisis Management Directive rather than initiate bankruptcy proceedings against the institutions.

The majority find it of crucial importance that Member States should not be obliged to introduce sanctions in the form of administrative fines in case of infringements of the Regulation in connection with the proposed provisions relating to sanctions.

The majority are therefore pleased to note that in the proposed provisions relating to sanctions, reference is made to the Crisis Management Directive,

which implies that Member States may choose between administrative and criminal sanctions. The majority find it of great importance that this freedom of choice should appear explicitly from the provisions relating to sanctions set out in the Regulation. The majority call for this to be stated explicitly i.e. that criminal sanctions are imposed in accordance with Member States' national procedures for criminal proceedings.

Lastly, the majority are pleased that the proposal ensures that the Single Resolution Board must inform EU Member States' national Parliaments of its activities and answer questions submitted by the Parliaments. In this connection, the majority support the view that national Parliaments should be able to invite the Executive Director of the Single Resolution Board to participate in an exchange of views regarding specific resolutions of credit institutions in the Member State in question.

### **Dissenting minority views**

#### **Liberal Alliance and the Danish People's Party**

A minority comprising Liberal Alliance and the Danish People's Party state that it will not be in Denmark's favour to participate in an EU Banking Union, including an SRM as part of an EU Banking Union. Liberal Alliance and the Danish People's Party feel in particular deeply concerned about the last part of the Banking Union which relates to joint liability or an EU bank deposit guarantee scheme. This will in practice lead to equalisation of wealth among Member States through mechanisms that are not subject to any democratic control by citizens. Liberal Alliance and the Danish People's Party refer to the fact that the Danish Prime Minister at several meetings of the European Affairs Committee has established that Denmark will decide on the Banking Union as an overall package and not join individual parts of the Banking Union such as the SRM presented in the Commission proposal. Liberal Alliance and the Danish People's Party maintain that Danish participation in the Banking Union will in practice be equivalent to participation in the Euro area. Therefore, the Danish Government is under an obligation to call a referendum if it wants Denmark to participate in the Banking Union.

#### **The Red-Green Alliance**

A minority comprising the Red-Green Alliance state that they do not want Denmark to join the SRM. The Red-Green Alliance is of the opinion that the SRM takes the wrong direction, and the Alliance fears that Danish tax payers may risk having to pay for European banks that have not got a grip on the economy. If Denmark joins the SRM, it may therefore prove very costly for Danes. The Red-Green Alliance cannot support the view that the bill for saving bad European banks may eventually have to be paid by the peoples of

Europe. Instead of continuing to pursue the failed policy of bank rescue packages, which has destroyed the economy of many European countries, financial giants should be broken up. The fact that the crisis acquired such large-scale dimensions for the global economy is due, not least, to the financial giants. Their speculation and heavy losses spread to the general economy. Therefore, these huge financial services companies must be broken up. General commercial banking must be kept in a separate company as was the situation a few years ago. Speculative activity must be kept in another company, and if it gets into trouble that part of the financial sector will collapse. This will not harm the economy as such, only speculators. Also housing loans should be subject to separation. Again: a few years ago the situation was that mortgage banks granted loans only to house owners without having to make money for a bank's shareholders and without running the risk of also going down if the bank collapsed. Lastly, separation should also be enforced with regard to the pension element of banks. Pension savings should not be administered on the basis of what benefits the bank's owners, but on the basis of what serves the pensioners' best interests.

The crisis has demonstrated that it is harmful for the entire economy to become dependent on irresponsible banking executives and speculators. This bond of dependency will not be broken with the establishment of the SRM. Instead, with the SRM it will become a European bond of dependency, which means that a crisis-hit bank in one Member State may bring down many more countries. Therefore, the Red-Green Alliance is opposed to the SRM and finds that a referendum should be held on whether Denmark is to become subject to the integrated financial framework known as Banking Union.

Yours sincerely,



Eva Kjer Hansen

Chairman of the Committee on European Affairs