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General comments

The Danish government would like to thank the European Commission for the opportunity to contribute to the consultation. The Danish government generally finds that it is still too early to fully assess the impact of the European System of Financial Supervision (ESFS) with only three years of experience. Furthermore, the experience has so far been gained during a period of severe financial crisis, which has had a significant impact on the functioning of the ESFS. Finally, the EBA regulation has already been revised on some points during the negotiations on the Single Supervisory Mechanism (SSM). As such, the assessment of the ESFS could preferably be postponed. However, there may be a need to adjust the mandate of the ESRB with regard to recommendations in light of the SSM.

On this note, the Danish government, however, finds that the impact of the ESFS overall is positive. The ESFS has had important impact on the financial system the last three years in ensuring a consistent level of regulation and supervision in financial services, strengthening international supervisory coordination and contributing to the mitigation of systemic risks to financial stability in the Union.

The European Supervisory Authorities (ESAs)

Generally, the Danish government finds that the ESAs perform well against their mandates. For instance, the ESAs have performed well in drafting technical standards at a high professional level at the same time as they were building up their organizational capacity. However, when handling the massive volume of technical standards due in the coming years, it will be crucial that the ESAs ensure efficient project management, so that output from the ESAs is delivered in time to the Commission and other stakeholders. We consider this essential in order to promote the internal market for financial services.

Moreover, the Danish government finds that the ESAs have sufficient resources to perform well on their present tasks. It is, however, important that the ESAs prioritize their resources to keep focusing on key risks rather than making e.g. guidelines and recommendations on each and every issue. This should also be reflected in the recruitment policies of the ESAs, by putting more emphasis on recruiting people with supervisory

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experience and capabilities, as well as more emphasis on project management skills when employing staff, as this will be vital for the significant coming work load.

In our view the composition and voting rules of the Board of Supervisors and the Management Boards as approved by Council and Parliament in the revised EBA-regulation will function well and there is an adequate review clause contained in this regulation if major changes should occur as to non-euro Member States joining the SSM. In that regard it could be considered whether there is a need for aligning these back-stops on block-voting also for ESMA and EIOPA with the revised EBA-regulation, since EBA voting block created with the SSM could translate into EIOPA and ESMA territories as well.

The European Systemic Risk Board (ESRB)

Since the establishment of the ESRB at the beginning of 2011 the ESRB has mainly focused on systemic risks and vulnerabilities arising from and in the aftermath of the financial crisis. That is, the ESRB has in particular focused on banks' funding and liquidity and issued recommendations within these areas. This is understandable but it is important that ESRB focus on the risk incurring in the medium and longer term instead of the immediate problems and crisis management.

The role of the ESRB has demonstrated a number of challenges. We believe it is mainly due to the fact that the ESRB was established during the financial crisis.

Looking forward, the Danish government finds that the ESRB has an important role to play in identifying systemic risks in the entire financial sector including areas outside of the banking system and across financial sectors. It is highly relevant for the ESRB to give timely input on macroprudential aspects of financial regulation as well as recommendations on macroprudential measures and if necessary coordination of macroprudential policy among EU all countries inside as well as outside the SSM.

One of the advantages of the ESRB is the cooperation between ECB, national central banks and supervisory authorities. The discussions at ESRB meetings of systemic risks and vulnerabilities benefit from macroprudential aspects, in which the central banks are specialized, as well as of the micro-prudential viewpoints provided by supervisory authorities. It is, therefore, important to maintain this positive interchange between macro- and micro-prudential aspects.

The Danish government welcomes the ESRB's initiatives with respect to analysis of how macro-prudential instruments would work but we find that this analysis should have been focused further upon at an earlier stage to ensure a more forward-looking approach, rather than focus on recommendation on current legislation.

Finally, the Danish government finds that it is important to ensure that Member States not participating in the Single Supervisory Mechanism will continue to have equal influence in the ESRB compared with participating Member States.