



European Commission  
DG Financial Stability, Financial Services and Capital Markets Union  
Unit D2 – Banks and financial conglomerates  
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**MINISTER FOR BUSINESS AND  
GROWTH**

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### **Danish comments to the European Commission's consultation on the evaluation of the Financial Conglomerates Directive**

**MINISTRY OF  
BUSINESS AND GROWTH**

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I appreciate the opportunity to comment on the consultation on the evaluation of the Financial Conglomerates Directive (FICOD).

The review of FICOD is part of the REFIT-programme. The Danish Government strongly supports initiatives aiming to make EU law simpler and to reduce regulatory costs, while ensuring financial stability.

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We support the review of FICOD, as the sectoral regulation on which FICOD builds has undergone significant changes since the original adoption of FICOD in 2002 as well as the revision in 2011. It is important to ensure coherence across the financial regulation in order to avoid creating unnecessary compliance costs for the financial sector as well as avoiding possible circumvention of prudential requirements set out in sectoral regulation.

The financial crisis has underscored the gravity and implications of so-called group risks to financial stability. This has emphasized the importance of adequately addressing such risks by supplementary supervision of links within financial groups and between the regulated entities. Supervisors should have the appropriate tools and powers to be able to detect the effects that changes in market structure have on the risk-taking behaviour of financial groups.

Sectoral supervisory approaches are not always sufficient to cope with the challenges that some complex group structures pose to supervision. In these situations supplementary supervision provided by the FICOD is needed to allow supervisors to look across sectors and to address cross-sectoral risks for the stability of these groups and, in turn, the stability of the financial system they operate in.

The Danish Government believes that the current regulatory framework for financial conglomerates, together with the newly revised sectoral rules (CRR/CRD IV and Solvency II), generally ensures a sound basis for supervising financial groups.

However, Denmark supports a possible revision of the FICOD in order to ensure coherent regulation. Such a revision should be based upon thorough analysis as well as dialogue with stakeholders and Member States. For the purpose of the current consultation, we would like to highlight a few issues from a Danish perspective.

Firstly, as the rules and provisions in FICOD are supplementary in nature it is important that they do not duplicate requirements of the sectoral frameworks. Due consideration should be taken to the newly revised sectoral rules in a possible revision of FICOD.

Where the sectoral requirements already cover all the types of risk that may arise in a financial group, additional layers of supervision should be avoided.

Secondly, ensuring proper supervisory judgement is important when deciding to what extent supplementary supervision is needed for a specific financial group. Supplementary supervision may not be warranted for all financial conglomerates, especially for those small in size with simple and transparent group structures that operate mainly domestically. Applying supplementary supervision to these financial groups may not be proportionate to the risks presented by the group and can have a negative impact on the effective achievement of the underlying objectives of FICOD of reducing group risk.

Thirdly, we have no evidence to support further requirements at the financial conglomerate level. Introducing new requirements should have a clear rationale and only be considered if this would bring added value, including significantly reducing risk where warranted, and only after thorough impact assessments.

The focus of a possible revision of FICOD should be on enhancing the effectiveness of the already existing supplementary supervisory framework of the FICOD. This could be done by means of e.g. soft law (guidelines etc.) describing the tools that supervisors can make use of to detect, monitor, manage and control group risks in a financial conglomerate.

We stand ready to answer any question the Commission may have in relation to these comments.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Troels Lund Poulsen', written in a cursive style.

Troels Lund Poulsen