

Basel Committee on Banking Supervision,  
Bank for International Settlements

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**MINISTER FOR ECONOMIC  
AND BUSINESS AFFAIRS**

**Basel Committee on Banking Supervision consultation on “Global systemically important banks: assessment methodology and the additional loss absorbency requirement”**

The financial crisis has shown that dealing with distressed credit institutions is a major challenge, especially regarding institutions with systemic importance.

The Basel III standards will have a particular impact on systemically important financial institutions (SIFI's). However the Danish government agrees with the Basel Committee that further policy measures are necessary to reduce the negative externalities of SIFI's thereby reducing risk taking, enhancing market discipline and limiting competitive distortions.

Denmark furthermore supports this initiative since a harmonised approach for identification of SIFIs is required in order to ensure a level playing field for institutions across the different countries. On this background we strongly urge the Basel Committee to fast-track an agreement on a harmonised approach for identification of SIFIs.

We agree that the basic indicator based measurement approach derived from the negative externalities is a good starting point for the identification of SIFIs. However, we find it essential that a qualitative supervisory element is added on top of this. As to the calibration of the parameters we stress the importance of a thorough analysis of the incentive structure of each of the parameters including the effect on the European single market.

Denmark supports an additional loss absorbency requirement framework with regards to creating disincentives for increasing the systemic importance of SIFIs, as well as creating a level playing field for non-SIFIs. The loss absorbency requirement framework should thus, amongst other things, contribute to reduce any competitive advantages vis-à-vis non-SIFIs.

Finally, I would like to inform you that the Danish government has decided to set up an expert committee on SIFIs. The committee shall

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amongst other things analyse how Danish SIFIs can be identified, which requirements are to be set for SIFIs and which instruments may be used in relation to SIFIs which experience difficulties. All of this will be based on the coming EU regulation of SIFIs. The expert committee will report in 2012.

Yours sincerely

Brian Mikkelsen