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**MINISTER FOR BUSINESS AND
GROWTH**

Thank you for the opportunity to comment on the review of the EU macro-prudential policy framework for the banking sector.

We broadly support the review. I have three main points.

First, we find it very important to preserve the balance between further harmonisation and national flexibility in the use of macro-prudential instruments. On the one hand, harmonisation across sectors and between Member States could be appropriate, if and where it adds value. On the other hand, it is important to ensure sufficient flexibility to Member States, taking into account national specificities e.g. in the real estate market and differences between Member States and sectors (banking, the insurance and pensions sector etc.)

Secondly, in the current framework, the calibration of the capital buffers is inappropriate for smaller member states with large financial institutions like Denmark. Therefore, we suggest that the framework is recalibrated. For more details on this matter please confer to the attached annex.

Thirdly, at this point in time, we do not see a need to broaden the scope for macro-prudential instruments to non-banking. Risks to financial stability may originate in other areas of the financial system than banking, and therefore it is relevant to consider which tools would be effective in mitigating such risks. However, we would like to emphasize that in Denmark we have not seen financial risks originating from other areas of the financial system than banking. Moreover, the macro-prudential risks stemming from non-banking areas are of a different nature than those of banking, and the instruments to address these risks will most likely be of a different nature. In any case, before introducing new instrument to other areas, thorough impact studies should be carried out, including an assessment of the added value to the financial system, as well as an in depth impact assessment of the economic consequences for businesses, including the non-banking sector.

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Yours sincerely,

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

Troels Lund Poulsen

Annex

In order to secure an effective macro-prudential framework there is a need to revise the current cap on the O-SII buffer (Other Systemically Important Institutions). Specifically, we find the current cap of the O-SII buffer too low and find it appropriate to recalibrate it. The floors and caps between the G-SII buffer (Global Systemically Important Institutions), the O-SII buffer and the SRB (Systemic Risk Buffer) restricts smaller member states like Denmark to fully benefit from the advantages and purpose of the O-SII, as the 2 percent cap on the O-SII buffer is not appropriate for the systemically important institutions in Denmark.