

Copenhagen, 11 March 2013

Dear Minister for Business and Growth

The SIFI Committee was set up on January 12 2012 and was commissioned to consider criteria by which banks and credit institutions should be identified as being a systemically important financial institution (SIFI) in Denmark, requirements that these Danish SIFIs should meet, and how Danish SIFIs in distress should be handled.

Today the SIFI Committee hands in its report on SIFIs in Denmark. The report addresses the above mentioned points and has the following key general recommendations:

- Danish SIFIs should be identified at a consolidated level on the basis of the total assets of the institutions in relation to GDP, the institutions' deposits in Denmark as a percentage of the total deposits of the credit institution sector in Denmark and the institutions' loans in Denmark as a percentage of the total loans of the credit institution sector in Denmark. It should be possible to include a qualitative element in the identification.
- Danish SIFIs should become subject to an additional capital requirement of Common Equity Tier 1 capital of 1-3.5 per cent of the risk weighted assets. The requirement is set on the basis of a quantitative measure of how systemic a SIFI is. Furthermore, requirements are set to establish a crisis management buffer, to prepare recovery and crisis management plans, liquidity requirements, corporate governance requirements and finally that SIFIs become subject to intensified regular supervision.
- Alternative crisis management tools should be introduced including the possibility to establish a bridge bank, the sale of assets, debt write down and debt conversion as well as conversion of the required crisis management buffer.

The Committee recommends that the trigger for crisis management is set at around 10 per cent total capital which is higher than the existing 8 per cent threshold. The aim is to ensure that sufficient capital is available in the SIFI to continue the operation of the systemic activities of the institution and reduce further losses.

Best regards

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Chairman of the SIFI Committee

[Signed]