MINISTRY OF INDUSTRY, BUSINESS AND FINANCIAL AFFAIRS

Valdis Dombrovskis
Commissioner for Financial Stability,
Financial Services and Capital Markets Union
European Commission

MINISTER FOR INDUSTRY, BUSINESS AND FINANCIAL AFFAIRS

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Dear Vice-President Valdis Dombrovskis,

Thank you for the opportunity to respond to the public consultation on fitness check on supervisory reporting.

Supervisory reporting is essential for competent authorities to perform their tasks, thereby ensuring financial stability, orderly market conditions and investor protection.

Following the financial crisis, important reforms were agreed in the field of financial services. This included supervisory reporting requirements which had proven insufficient in detecting weaknesses in the financial system. Denmark has been and continues to be a strong supporter of these reforms which ensure that we have a more resilient financial sector in the EU.

In general, the supervisory requirements introduced at EU level have improved the prudential supervision and thereby helped safeguarding the stability of the financial system.

That being said, the amount of new reporting requirements has also increased the administrative burden imposed on financial institutions. Implementing new reporting requirements is costly due to the need to adopt new IT system, training personnel etc. Therefore, we strongly believe that supervisory reporting should be limited to need-to-have requirements. Also, it is important to take into account principles of proportionality in terms of the size, complexity and solidity of the institutions. A proportionate approach to supervisory reporting allows competent authorities to obtain the required information without enforcing a disproportionate cost on institutions.

Since implementation often comes with large one off costs to cover adaptation of reporting and IT systems, we believe that the frequency of changes should be kept to a minimum. Furthermore, it is important that there is always sufficient time for the financial institutions to implement new systems etc. when changes are introduced.

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Many of the new requirements have been introduced only recently and it is too early to assess the added value of all the requirements. We have, however, together with the Danish Financial Supervisory Authority (FSA), identified some areas where requirements seem to be excessive and disproportional. This includes the AMML reporting (Additional Monitoring Metrics on Liquidity) and the Asset Encumbrance reporting. We find this reporting to be both complex and comprehensive and therefore burdensome for credit institutions as well as supervisory authorities compared to the relatively limited information it brings. The Danish FSA is submitting a separate response to the consultation which will elaborate further on these examples.

We are looking forward to discussing the outcomes of the consultation in the form of concrete proposals to reduce identified overlaps, inconsistencies and unnecessary burdens in order to optimise supervisory reporting in the EU.

My services and I stand at your disposal for any questions or comments you might have.

Yours sincerely,

Brian Mikkelsen