

## PARTICIPATION IN THE BANKING UNION IS IN THE INTEREST OF DENMARK

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"Danmarks Nationalbank recommends that Denmark joins the banking union in 2015. In our assessment, there are no uncertainties or outstanding issues that justify a postponement of this decision," says Governor Lars Rohde.

Overall, Danmarks Nationalbank finds that participation in the banking union will strengthen financial stability in Denmark.

Participation will mean increased and external supervision of the largest Danish credit institutions.

At the same time, Denmark will benefit from the uniform practice for resolution of distressed credit institutions which a central authority, the Single Resolution Board, will ensure. "The Single Resolution Board will guarantee credible and consistent application of the rules saying that owners and investors – and *not* tax payers – bear the losses of distressed banks," says Lars Rohde.

Common rules and standards across national borders will also form a basis for enhanced competition in the market for financial services. "If Denmark chooses to participate in the banking union, we will see increased competition from European banks, to the benefit of Danish households and firms," Lars Rohde adds.

At the same time, participation will give Denmark a better opportunity to influence future EU rules, standards and practices in relation to financial services. This will make it more likely that sufficient account is taken of special Danish specificities, including the Danish mortgage credit model.

On 4 November 2014, the ECB took over responsibility for supervision of the largest euro area banks and mortgage credit institutions. This means that the banking union is now a reality. Before this step was taken, a comprehensive asset quality review and a stress test of the banks were performed. This has contributed to a considerable strengthening of the European banking sector's capitalisation and, hence, its robustness.