DANMARKS NATIONALBANK
200 YEARS
2018

In 2018, Danmarks Nationalbank celebrates its 200th anniversary. Danmarks Nationalbank's overall objective has been more or less unchanged during its 200-year life – to "maintain a safe and secure currency system" and "facilitate and regulate the traffic in money and the extension of credit", as the Danmarks Nationalbank Act says.

One of Danmarks Nationalbank's objectives is thus to contribute to the stability of the financial system. Increasing the banks' buffers and capitalisation so that they are resilient to crises is a key prerequisite of financial stability.

Banking and financial crises – history tends to repeat itself

The last 150 years have seen multiple banking and financial crises. The monetary crisis of 1857-58 was the first one. Since then, we have had seven banking and financial crises in Denmark.

The crises have often called for an overhaul of the regulation of the financial sector to make it more robust. A case in point is the savings bank crisis of 1876-78, which led to the first Danish savings bank act, while the construction and banking crisis in 1907-09 resulted in the first commercial bank act.

The most recent crisis was triggered by turmoil in the US financial markets in the summer of 2007 following a dive in the US housing market. The crisis spread to Europe and a number of Danish banks became distressed and were unable to continue as independent institutions. From the beginning of 2008 until August 2013, a total 62 of Danish banks ceased to exist.

The central government had to introduce a number of bank rescue packages during the crisis. Bank Rescue Package 1, which was adopted in October 2008, included a guarantee scheme ensuring full coverage of all depositors' and other unsecured creditors' claims on banks.

After the crisis, multiple initiatives were launched, in Denmark and internationally, to make the financial system more resilient and to seek to prevent similar serious crises from arising in the future. For example, the requirements for banks' capital and liquidity were tightened.

Furthermore, arrangements have been made to ensure orderly resolution of even large banks if they become distressed again. The purpose is to ensure that the key functions of a failing bank can be continued so that customers are not compelled to find new bankers at short notice. Another objective is to ensure that the owners of and investors in a failing bank – not the taxpayers – bear the losses in connection with resolution.

Loan impairment charges 1875-2016