



EBI – Fostering a diversified banking market through proportionality – An academic view
– The concept of proportionality

Lokale Pengeinstitutter (LOPI)

The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark

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LOPI members

58 members

- 25 savings banks
- 23 banks
- 5 cooperative banks
- 1 bank in Greenland
- 2 banks and 2 savings banks on the Faroe Islands
- Great diversity in terms of size, from 5 employees to almost 1000
- All operating domestically
- Classic business model
- None with high market share
- All play an important role in their local area and are drivers for local growth
- Total 500 branches and 8.000 employees
- Market share 25 % private customers and 33 % SME

We welcome the general focus on proportionality

- Proportionality in Denmark
 - Positive political climate
 - Current review of burdensome legislation
 - Implementation council and implementation committee – goal is to avoid over-implementation of EU regulation
- Proportionality at EU level
 - The EBA Stakeholder report
 - Has been followed by numerous actions
 - And rewarding discussions (like today's event)

Too much talk about proportionality and too little action so far

Reducing requirements on reporting and disclosure and ensuring level playing field are key elements

A few examples from the daily life of a Danish savings bank

- About 80 % of IT costs are related to new legislation
- Reporting and disclosure – many many requirements that are very burdensome. At least in DK, not much relief for small banks
- We did a member survey and asked for input on administrative burdens – most input related to reporting and disclosure, also examples relating to governance and supervision etc.
- GDPR requirement to appoint a Data Protection Officer. Might be over-kill, as most data are handled by an external data center. Already we have compliance officer, risk officer, whistle blower, complaints officer, money laundering officer. Fortunately in DK DPO is not a requirement for all banks
- Obligation to draw up and disclose a comprehensive Risk Report/ Pillar 3 Disclosure also for a small locally operating savings bank with simple business model, few branches, and few employees. 36 pages, who reads it



How to design the path to EU proportionality?

- By defining which institutions qualify for proportionality (size, complexity, business model, etc.)
- By defining what we mean by proportionality (relief from specific regulation, less burdensome reporting, less disclosure and reporting, less complex calculation methods etc.)
- Several proposals on the table:
 - A 2-tier system as described in the EBI Working paper
 - The RRM package
 - Principles as described in the EBA Banking Stakeholder Group Report
 - Etc.

All initiatives have elements that we agree with and some that we have reservations about

A few comments on the present proposals

- **2-tier approach:**

- Interesting approach, needs more clarification as to what defines “small” banks. Important that business model for “small” institutions is not too limited – should include “classical” day to day banking for private customers and SME’s

- **The RRM package:**

- Several criteria are needed to define “small”; size, complexity, business model, etc. (All Danish banks have critical functions)
- Important that not too many banks are excluded;
 - Threshold of EUR 5 billion
 - Threshold; trading book less than 20 % of total assets and less than EUR 500 million.

What we ask for:

- We ask for an EU path to follow for future regulation (and supervision) that ensures:
 - Proportionality at all levels of regulation (1, 2, 3, technical standards etc.)
 - Many administrative burdens are derived from level 3 regulation where there is often inadequate transparency and involvement of financial institutions
 - Such an EU path would give national financial institutions and national authorities a secure off-set for proportionality
 - And safeguard us from more and more complex "one size fits all" regulation

We do not ask for less prudent regulation, but for regulation that ensures a level playing field between banks. Today the administrative burdens due to regulation are proportionately much greater for local banks and place us at a competitive disadvantage

Thank you for your attention



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Read more about us: WWW.LOPI.DK

Lokale Pengeinstitutter (The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark) is an association of almost 60 local banks, savings banks and cooperative banks in Denmark, The Faroe Islands, and Greenland. The circle of members includes practically all the Danish local banks with a distinctive local presence. Taken as a whole the circle of members provide services in about 500 branches and employs approx 8.000 staff. In the Danish private customers market, the Lokale Pengeinstitutter's market share is currently more than 25 per cent. Among the small and medium-size commercial businesses, the market share is approximately the same. The association is able to track its roots back to 1905, when De Danske Provinsbankers Forening (The Danish Provincial Banks association) was established. The association has operated under its present name since 1993 when a wide range of banks, savings banks and cooperative banks agreed to pool their resources in Lokale Pengeinstitutter