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Martin B. Carstensen

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Danish foreign policy yearbook

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Martin B. Carstensen

Abstract

Since the financial crisis, Danish policy-makers have not been idle. As a response to the mismanagement and lax credit policies of Danish banks, which have led to a long list of destitute banks being wound up, the government has put its faith in the Danish Financial Supervisory Authority (Finanstilsynet, from hereon the FSA) to limit overly risky behaviour on the part of the banks in a future upturn. The new weapons consist of a significantly strengthened mandate to dismiss managers and board members who do not live up to 'fit and proper'-standards; the power to order financial institutions to commission an investigation by an external actor paid for by the financial institution being scrutinized; and a mandate to intervene in troubled financial institutions at an earlier stage than was previously possible based on supervision and criticism of financial institutions' business models. On the other hand, the government has kept from going it alone in the area of capital standards, having a strong conviction instead that Denmark should follow international standards. While waiting for the international initiatives to find its way through the European Union into Danish regulations, the government has focused its energy on beefing up the FSA. The result is a change of focus in the latter, from making sure that financial institutions follow the law to more proactively alleviating the effects of an inherently unstable financial system and fencing in the banks to adhere to a clearer norm of legitimate banking. However, recent scandals, notably the case of Amagerbanken, show the difficulty the FSA has in living up to its new proactive role.

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Recommended Citation

Carstensen, Martin B. "New financial regulation in Denmark after the crisis—or the politics of not really doing anything." *Danish foreign policy yearbook* 2011 (2011): 106-129.