

## EU Council Presidency: Denmark in the Chair

<b>Jan Putnis</b>	<p>Hello and welcome to the Slaughter and May podcast. I'm Jan Putnis, Head of the Financial Regulation group at Slaughter and May. Today we'd like to turn the spotlight on the start of the Council Presidency of Denmark in the remainder of 2025. Denmark's last turn hosting the Presidency was in 2012, and that period set a high bar for any future Danish Council Presidency, especially in the financial services space. It was responsible for negotiating, what has since become known as, the Danish Compromise under the Capital Requirements Framework. This compromise was in the news recently, quite extensively again in the context of ongoing attempts to encourage banking consolidation in the EU. So the question is, can we rightfully have high expectations of this Danish Presidency in the second half of 2025?</p> <p>I'll ask this question, and some more, to my colleague Sabine Dittrich, Senior Counsel, who heads up our EU Financial Regulation practice here at Slaughter and May, and also to Tim Johan Christensen, a special guest, who is a Danish qualified lawyer and Managing Counsel at Gorrissen Federspiel and is currently on secondment with us, here at Slaughter and May in London. Great to have both of you here.</p>
<b>Sabine Dittrich</b>	Pleasure to be here.
<b>Tim Johan Christensen</b>	Thanks Jan, it's a pleasure to be here.
<b>Jan Putnis</b>	So Sabine, let's start with you, for listeners who may not be so familiar with EU Policymaking, what exactly is the Council Presidency and what do we hear from Brussels about the general agenda of Denmark for financial services in this Presidency?
<b>Sabine Dittrich</b>	<p>So, the Council Presidency rotates every six months to a new EU Member State. It is responsible for heading the meetings between the Member States, so to coordinate the positions within the Council, including for trilogue negotiations with the European Parliament. Denmark is now the second Presidency in the so called trio, consisting of the Polish in the first half of this year, as well as the Cypriot Council of Presidency, which will start in 2026, and if you look at these three countries, Denmark is really the one with the most experience and so I think we can actually expect that they will leave again their footprint in the ongoing policy discussions. So as you know the Commission is the one starting initiatives in the EU, however the Council Presidency always picks its priorities from these initiatives, and hence it can really decisively shape the tone and the direction of the discussions between the Member States. Denmark has released its official programme of course already at the end of June. So from a financial regulatory perspective, there's no surprise really where the priorities are as it covers the main topics that really dominate this new legislative cycle under the Commission. There's a big emphasis on advancing the Commission's goal to increase competitiveness by regulatory simplification and by reducing the burden that comes with regulation. The second priority really is around the Savings and</p>

	Investment Union, and this is a new buzzword in the EU that is basically replacing the old buzzword of a capital markets union, and it really looks into strengthening capital markets in the EU, but for the benefit of EU citizens.
<b>Tim Johan Christensen</b>	<p>Yes, and just to add a bit to that, one thing that I've found particularly interesting in the programme is this focus on bolstering cooperation with key partners outside of the European Union, and in particular the United Kingdom is mentioned. I don't think this is fully unexpected, we had the EU and UK summit in May, and it also seems that the EU and UK financial regulatory forum is gaining traction since its last meeting at the start of the year. So it's definitely going to be interesting to see how those discussions play out over the coming months. Just to go back and add a bit more to the general theme, as you mentioned Sabine, it's also important to remember that the role of the Presidency is primarily to facilitate the dialogue and help the Member States reach an agreement. That really requires understanding and appreciation of the different national perspectives and, from what I've heard, this is something that the Danish Government has been particularly focused on in their preparation for this Presidency. Denmark also has a reputation in Brussels I think of being pragmatic and solution oriented lets say, the Danish compromise, as you mention Jan, is of course a perfect example of this, and I think that these are qualities that will definitely be good to have when guiding the complex discussions that are probably going to take place during the next six months.</p>
<b>Jan Putnis</b>	<p>So perhaps we can start with what's important for our international banking clients, the EU stance on finalising the implementation of the Basel 3.1 Framework. Sabine, why is this discussion coming up again now in the EU, and where do we now stand on it?</p>
<b>Sabine Dittrich</b>	<p>So Basel 3.1 is, in principle, back in the news, primarily because of the uncertainties about its implementation in the US, and of course also because of some of the delays that have been announced in some other important countries, such as in the UK.</p> <p>The EU has already implemented Basel 3.1 through the second and third capital requirements regulations, and so most part of this framework applies at least since January of this year. There are two important exceptions, the fundamental review of the trading book or FRTB, and the net stable funding ratio for securities financing transactions. So the discussion on this latter topic, so the NSFR really, that has been resolved by the Polish towards the end of June. They basically just made the lower funding ratio a permanent sort of revision basically from the initially intended increase. The FRTB, that's really an ongoing discussion, and it's done by the Commission and now also by the Council Presidency, as part of its international competitiveness agenda. So, you know, not to set rules into force that could impede the competitiveness of the EU banking sector.</p> <p>The FRTB contains important changes to capital requirements for market risk and to the boundary between the trading book and the banking book. So the Commission has already postponed last year, part of the FRTB by one year, so application time is now January 2026, and this had been backed up by the European Banking Authority who issued a number of no action letters really for</p>

	<p>other part that are relevant in connection with the FRTB. Now the Commission has just consulted on potential other steps on reacting to the current political environment around Basel 3.1 globally and, as a consequence of this consultation, it's now proposing to delay the FRTB by another year to January 2027. This should be quite an easy win by the Danish Council Presidency, as it's quite a straightforward proposal, but of course has to be done before the end of this year.</p>
<b>Jan Putnis</b>	<p>Thanks Sabine, one other area where good progress was made earlier this year, is on payment services, with the third Payment Services Directive, or PSD3 as it's called, and a new Payment Services Regulation now entering trilogue negotiations. Tim, what kind of approach do you expect the Danish Presidency to take as things move forward towards the finish line on this legislation?</p>
<b>Tim Johan Christensen</b>	<p>Thanks Jan, PSD3 and the new Payment Services Regulation are explicitly mentioned in the programme as being priorities. I don't think this is a surprise as payment services are particularly important in a Danish context, and Denmark is of course one of the most cashless societies in the European Union with digital payments basically dominating both retail and business transactions, and of course Denmark is also home to several major payment service providers, with a very strong presence in the Nordic region. If we take a step back and look at the proposals, the Commission of course put forth its proposal a couple of years ago with changes intended to address several areas where PSD2 was perceived as falling short, and this includes things such as strengthening fraud prevention, improving consumer protection, and generally ensuring a more level playing field between banks and non-bank payment service providers. Since then, both the European Parliament and the Council have adopted their respective positions. The Parliament did so last year, and the Council just did so in June.</p> <p>So I think it's fair to say that the Council and the Parliament are broadly aligned on the overall goals, but there are still some important differences that will need to be negotiated. For example, compared to the Council, the Parliament has taken a more consumer focused stance in a number of areas such as fraud liability and surcharging. So these are areas where the Danish Presidency really has a chance to prove its talent, to forge compromises and hopefully deliver a final text.</p> <p>Although, depending on how the negotiations unfold, the rules might not take effect until late 2026 or early 2027.</p>
<b>Jan Putnis</b>	<p>So Sabine, turning back to you, another area we mentioned earlier that is also mentioned in the Danish Presidency Programme, is the so-called Savings and Investment Union. How does the new proposal by the Commission on the review of the securitisation framework fit into this discussion?</p>
<b>Sabine Dittrich</b>	<p>Yeah, I mean the revision of the securitisation regulation was mentioned actually already in both the letter and the Draghi reports as a really important tool to strengthen capital markets in the European Union, and the Commission is now finally, I would nearly say reacted, and published its proposal in mid-June. The proposal is intended to address long standing concerns of the industry, that the</p>

	<p>current framework is far too complex and too costly to operate in practice. It also acknowledges the importance of securitisation for functioning capital markets. So what we see in the proposal is a targeted re-collaboration, both on the capital side and in terms of compliance obligations. For example the reporting templates for securitisations would be significantly simplified and due diligence requirements for EU investors would be made more proportionate. The Commission is also proposing a more risk sensitive capital treatment for certain senior tranches of securitisations. The European Parliament and the Council will not separately discuss this proposal of the Commission, and the discussions are expected to focus on whether the right balance is struck really between supporting market activity and maintaining a high level of safeguards around securitisation. And I guess it might be realistic that the Danes might actually bring the discussions in the Council to an end, or you know might come quite close to having these discussions finalised so that trilogue negotiations can start in 2026.</p>
<b>Tim Johan Christensen</b>	<p>Yes, and just to add a bit to that. I think the Danish Presidency is also preparing for additional initiatives related to the Savings and Investment Union, and one of these is expected to be the focus on the idea of the so-called European savings and investment accounts, which would basically be designed to give EU citizens a more beneficial way to invest, and conceptually this reflects the broader push to encourage a more active retail investor base within the European Union, and from a Danish perspective, this is actually a topic where we do have some relevant national experience and Denmark introduced its own version of the so-called share savings account – or <i>aktiesparekonto</i> – as it's called in Danish, which really has the aim of making investments more accessible to private individuals under a favourable tax framework. This background may help inform discussion at the EU level around things, such as, design features and investor engagement, and of course potential challenges.</p>
<b>Jan Putnis</b>	<p>Thanks Tim. So, if all of this wasn't exciting enough, what else can we expect from the next six months under the Danish Presidency. So first of all, back to you Sabine, anything else that you're keeping your eye on for this Presidency.</p>
<b>Sabine Dittrich</b>	<p>I think what we really need to expect is that the omnibus changes in the sustainability framework will be brought over the finishing line. So that means the review of the Corporate Sustainability Reporting Directive, and the Corporate Sustainability Due Diligence Directive.</p>
<b>Jan Putnis</b>	<p>And Tim, anything else from you.</p>
<b>Tim Johan Christensen</b>	<p>Yes, I mean as a Dane I of course expect nothing less than another historic compromise to be brokered by my country, and I really do wish the Danish Presidency the best of luck in achieving this, or as we say in Danish <i>held og lykke</i>.</p>
<b>Jan Putnis</b>	<p>Thanks Tim. So whether you're operating in the EU or just dealing with it, by the end of the Danish Presidency, we will certainly have a clearer view on many of the new initiatives of the Commission on financial regulation.</p>

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	<p>For more information on this topic, or to hear our other podcasts, please subscribe to the 'Slaughter and May Horizon Scanning' show on your preferred podcast App.</p> <p>This brings us to the end of this discussion today. Thank you again to Sabine and Tim for their thoughts, and to all of you for listening.</p>
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