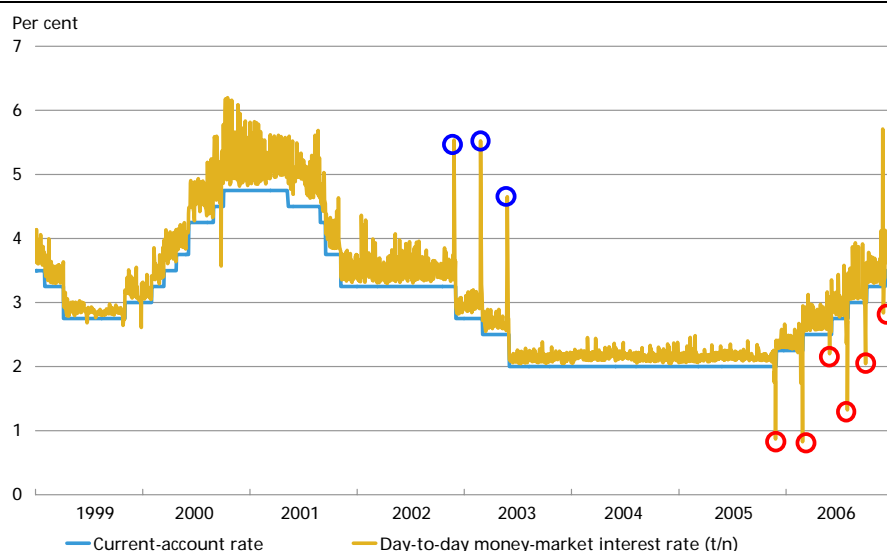


Change to 7-Day Maturity for Monetary-Policy Loans and Certificates of Deposit

In periods when interest rates in the euro area - and thus also in Denmark - are expected to increase there have in recent years been some cases of strong fluctuation in the day-to-day money-market interest rate. The banks and mortgage-credit institutes are reluctant to tie up liquidity for a 14-day period by purchasing certificates of deposit if interest rates are expected to be raised before the certificates mature. In this situation there will be ample liquidity in the money market and very low day-to-day interest rates. Since current-account deposits are subject to limits, the day-to-day interest rate can even fall below the level of the current-account rate, cf. the red circles in Chart 1.

DANMARKS NATIONALBANK'S CURRENT-ACCOUNT INTEREST RATE AND THE DAY-TO-DAY MONEY-MARKET INTEREST RATE

Chart 1



Note.: The day-to-day interest rate is the tomorrow-next rate.
Source: Danmarks Nationalbank.

On the other hand, in periods when interest rates in the euro area and Denmark are expected to be lowered there will be considerable interest in buying 14-day certificates of deposit that mature after interest rates are lowered. This can lead to a shortfall of liquidity in the money market

and large increases in the day-to-day interest rate, cf. the blue circles in Chart 1.¹

In order to reduce these fluctuations, with effect from 3 May 2007 Danmarks Nationalbank will normally set a 7-day maturity for monetary-policy loans and certificates of deposit. By changing from 14-day to 7-day maturities both loans and certificates of deposit will normally mature on the day that any interest-rate change takes effect and will therefore not overrun an interest-rate adjustment. The maturity of loans to monetary-policy counterparties in the euro area is likewise normally 7 days.

On the buy-back of certificates of deposit in extraordinary market operations Danmarks Nationalbank adds a premium to the interest rate on certificates of deposit. This is to give the monetary-policy counterparties an incentive to hold sufficient liquidity on current accounts at the pre-announced market operations. In principle, the premium will continue to be 0.05 per cent p.a.

¹ The large increase in the day-to-day interest rate at the end of November 2006 should be viewed in the light of Danmarks Nationalbank's extraordinary sale of certificates of deposit at short maturities. The certificates matured at the end of the 1st week of December 2006, when an increase in interest rates in the euro area was expected. This led to high demand for certificates of deposit at the end of November and thereby tight liquidity and high interest rates in the money market.