



Danmarks
Nationalbank

External Payments
Reporting Regulations
October 2002

EXTERNAL PAYMENTS – REPORTING REGULATIONS
October 2002

Print: Scanprint as, Viby J
ISSN: 1602-7663

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The publication is available on Danmarks Nationalbank's website:
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1. Reporting Regulations for Transactions between Denmark and Abroad

These reporting regulations describe the overall guidelines for reporting data concerning external payments to Danmarks Nationalbank.

On the basis of the reported data Danmarks Nationalbank compiles payments statistics used for compilation of Denmark's balance of payments.

Data for Danmarks Nationalbank's payments statistics is collected pursuant to Order No. 658 of 11 July 1994 on Foreign-Exchange Transactions issued by the Danish Ministry of Industry and Coordination. The reporting of data for the payments statistics is subject to criminal liability pursuant to Section 5 of the Order, cf. Section 15 of the Danish Act on Foreign Exchange, etc.

After consultation with the Ministry of Industry and Coordination – now the Ministry of Economic Affairs – Danmarks Nationalbank lays down specific regulations for the reporting of payments between residents and non-residents, cf. Section 3 of the Order.

The data is treated as confidential and used solely for statistical purposes.

2. Key Definitions

2.1 RESIDENT STATUS

Section 1 of the Order on Foreign-Exchange Transactions defines a *resident* as a natural person or legal entity domiciled in Denmark.

A *non-resident* is defined as a natural person or legal entity not domiciled in Denmark.

2.1.1 Natural persons

Natural persons are regarded as residents of their country of permanent residence.

Foreign nationals working at foreign embassies, other diplomatic missions, and the missions of international organisations, as well as international military staff in Denmark and related bodies in Denmark, and such foreign nationals' families, are regarded as non-residents.

Danish nationals on secondment abroad for the Danish state and such nationals' families are regarded as residents provided that they are subject to full tax liability in Denmark according to Danish tax regulations.

Natural persons emigrating from Denmark become non-residents when they have relinquished their permanent residence in Denmark.

Natural persons immigrating to Denmark become residents when they have relinquished their permanent residence abroad and obtained permanent residence in Denmark.

2.1.2 Legal entities

Business enterprises, including sole proprietorships that are not corporate entities, and branches located in another country than the head office, are regarded as residents of the country of the business enterprise's permanent place of operation.

Business enterprises subject to Danish tax liability that have a permanent place of operation in Denmark are thus considered to be residents, even if they are non-resident-owned.

Business enterprises subject to tax liability that have a permanent place of operation abroad are thus considered to be non-residents, even if they are Danish-owned.

2.1.3 Accounts and securities safekeeping accounts with multiple owners

Cash accounts and securities safekeeping accounts held with foreign-exchange dealers and Danish banks that are owned jointly by natural persons or legal entities with different resident status are for this purpose considered to be residents.

2.2 FOREIGN-EXCHANGE DEALERS

Financial institutions that commercially transact payments between residents and non-residents via accounts at or for non-resident banks are defined as foreign-exchange dealers in Section 2 of the Order on Foreign-Exchange Transactions, etc. Danmarks Nationalbank may define other residents to be foreign-exchange dealers.

Foreign-exchange dealers are subject to different reporting requirements to other residents. Furthermore, Danmarks Nationalbank requires that they collect statistical data pursuant to these regulations.

Foreign-exchange dealers may apply to Danmarks Nationalbank for exemption from the special reporting obligation imposed on foreign-exchange dealers in general. Foreign-exchange dealers that are exempt from the special reporting obligation must instead report statistical information in accordance with the regulations applying to other residents.

The current list of foreign-exchange dealers subject to the reporting obligation can be obtained from Danmarks Nationalbank.

2.3 THE EXTERNAL POSITION OF FOREIGN-EXCHANGE DEALERS

This section applies solely to foreign-exchange dealers.

The external position is defined as the foreign-exchange dealer's total booked net accounts with abroad denominated in both foreign currency and Danish kroner.

A foreign-exchange dealer's net position solely comprises the external accounts of the main business domiciled in Denmark, i.e. the legal entity excluding branches abroad.

With regard to the branches in Denmark of foreign banks the external position comprises the branch's accounts with non-residents, including the main business abroad.

External accounts comprise all accounts with non-residents, i.e. natural persons and legal entities not resident in Denmark, including the foreign-exchange dealer's accounts with own branches abroad.

Accounts that are debt instruments (bonds, etc.) are included as external accounts if the issuer (debtor) is a non-resident, irrespective of

whether the debt instrument is issued in Denmark or abroad. Ownership interests (shares, etc.) in business enterprises and real property, etc. situated abroad are also included as external accounts.

Reference is also made to "Accounting Provisions, etc. for Banks, etc." issued by the Danish Financial Supervisory Authority.

3. Transactions Subject to the Reporting Obligation

There are several essential differences between the reporting obligations applying to foreign-exchange dealers and to other residents.

The reporting obligation for residents other than foreign-exchange dealers is described in full in these reporting regulations, while the detailed regulations for the foreign-exchange dealers are described in various specific sets of regulations, cf. below.

3.1 REPORTING OBLIGATION FOR RESIDENTS OTHER THAN FOREIGN-EXCHANGE DEALERS

All payments between residents and non-residents must be reported. The reporting obligation also includes certain clearly defined transactions which do not directly give rise to payments between residents and non-residents.

3.1.1 Payments via foreign-exchange dealers

A resident transacting a payment to a non-resident, or receiving a payment from a non-resident, via a foreign-exchange dealer must report the underlying transaction to the foreign-exchange dealer according to the following guidelines. The information must be provided immediately on transaction of the payment.

- For *payments of up to and including DKK 250,000* or the equivalent in foreign currency the resident does not report the payment purpose to the foreign-exchange dealer.
- In general, the payment purpose and the country of domicile of the foreign counterpart must be reported for *payments exceeding DKK 250,000* or the equivalent in foreign currency.

Payment purposes are reported in accordance with Danmarks Nationalbank's publication "External Payments – Purpose Codes" which can be ordered from foreign-exchange dealers or from Danmarks Nationalbank.

- With regard to *securities transactions*, i.e. both the purchase and sale of securities, and the settlement of yields and redemption of securities *settled by* foreign-exchange dealers, the foreign-exchange dealer as a general rule has all necessary information to comply with Danmarks Na-

tionalbank's reporting requirements. The foreign-exchange dealer submits a full report to Danmarks Nationalbank on behalf of the customer.

In connection with securities transactions with foreign counterparties, however, residents must state the counterparty's country of residence if this is not known to the foreign-exchange dealer.

- *Securities transactions that are not settled by a foreign-exchange dealer, but for which the foreign-exchange dealer only transfers funds to or from the resident, must be reported according to the general regulations, cf. above.*

3.1.2 Payments via residents' accounts abroad

Any resident that opens accounts with foreign banks, etc. must report this to Danmarks Nationalbank on the form "Details of Accounts with Foreign Banks, etc.". The form can be ordered from Danmarks Nationalbank or from foreign-exchange dealers.

Payments via residents' accounts at foreign banks, etc. must be reported by the account holder directly to Danmarks Nationalbank. However, Danmarks Nationalbank may grant exemptions from this requirement, cf. 3.1.2.1.

Residents transferring funds to or receiving funds from other residents' accounts abroad are subject to the reporting requirement described in 3.1.1 and must use the payment purpose code i100 "Transfers to/from another resident's account abroad". The account holder must also be identified.

3.1.2.1 L reporting

The reporting method is an exception from the general rule and requires the consent of Danmarks Nationalbank. On applying for consent the form "Details of Accounts with Foreign Banks, etc." must be submitted to Danmarks Nationalbank.

L reporting is intended for business enterprises which mainly use their accounts abroad for collection of export proceeds to be repatriated as total amounts, or for paying suppliers abroad using funds transferred as total amounts from Denmark. L reporting may also be used by private individuals.

L reporting requires that the nature and size of payments to or from the account are found by Danmarks Nationalbank to justify this simplified reporting.

For accounts abroad that are subject to the L reporting regulations, reports must only be submitted when funds are transferred to or repatriated from the account via a foreign-exchange dealer. Reporting shall

be subject to the general regulations for transfer of funds via foreign-exchange dealers, cf. 3.1.1. The payment purpose code h "L reporters' transfers to/from own account abroad" must be stated, as well as the actual purpose of the transaction.

3.1.2.2 Account reporting form

Account holders that do not have Danmarks Nationalbank's consent to use L reporting, cf. 3.1.2.1, must report directly to Danmarks Nationalbank. All payments to and from the account must be stated, together with the payment purpose in accordance with Danmarks Nationalbank's "External Payments – Purpose Codes". Transfers between Denmark and the account abroad must be reported by the account holder according to the regulations stated under 3.1.1. The payment purpose code is a100 "Transfers to/from own account abroad".

The direct reporting is described in "Regulations for Reporting Account Details".

3.1.3 Set-off and netting

If liabilities and outstandings vis-à-vis non-residents are settled or netted, any gross payment flows that are elements of set-off or netting transactions must be reported directly to Danmarks Nationalbank.

In case of netting the netting payment itself must also be reported via the foreign-exchange dealer stating the payment purpose code c100 "Netting". Use of this purpose code requires the consent of Danmarks Nationalbank.

Danmarks Nationalbank shall have received the reported data no later than the 10th of the month after completion of the transaction(s).

The direct reporting is described in "Regulations for Reporting Set-Off Items and Netting Payments".

3.1.4 Other transactions subject to the reporting obligation

Besides the aforementioned transactions debt cancellation and establishment of financial leasing contracts must be reported according to the following regulations.

3.1.4.1 Debt cancellation

When debt between residents and non-residents is cancelled the size and nature of the cancelled amount, as well as the non-resident's nationality, must be reported directly to Danmarks Nationalbank. Debt cancellation is defined as the unreserved and unconditional cancellation of a claim, with no possibility of invoking legal claims at a later date.

3.1.4.2 Establishment of financial leasing contracts

When financial leasing contracts are established between residents and non-residents the nature of the asset, the contract amount and the duration of the leasing period must be reported directly to Danmarks Nationalbank.

3.2 REPORTING OBLIGATION FOR FOREIGN-EXCHANGE DEALERS

As stated in section 2.2, foreign-exchange dealers are subject to special reporting regulations, including an obligation to collect statistical information in accordance with these regulations.

Foreign-exchange dealers are obliged to electronically report to Danmarks Nationalbank transactions for customers, as well as transactions for own account that are subject to the reporting obligation.

A distinction is made between securities transactions and transfers.

- *Securities transactions* are defined as purchase and sale of securities whereby the foreign-exchange dealer trades for own account or settles on behalf of customers. Securities transactions also include receipt of yields/redemption proceeds for the foreign-exchange dealer's own account or for customers' accounts.
- *Transfers* are all other transactions.

The criteria applied to reporting of securities transactions and transfers differ significantly.

3.2.1 Securities transactions

Securities transactions must be reported if one or more of the following conditions apply:

- The issuer is a non-resident
- The counterparty/customer is a non-resident
- The instrument is denominated in foreign currency
- The securities transaction is settled in foreign currency
- The securities transaction is concluded/settled abroad.

The regulations for reporting of securities transactions are described in further detail in "Reporting Regulations for Securities Transactions".

3.2.2 Transfers

Transactions that change the foreign-exchange dealer's external position, or the external position of other foreign-exchange dealers, must be reported unless the transaction is DKK 100,000 or below and is under-

taken for the account of a customer, or has been reported according to the regulations for securities transactions, cf. 3.2.1.

For transactions involving several foreign-exchange dealers the foreign-exchange dealer that on behalf of a customer transmits a payment to the account of another foreign-exchange dealer must ensure that the recipient dealer is informed of the foreign-exchange status of the remitter. If the remitter is a resident, and the transaction has been reported stating the payment purpose code, the recipient foreign-exchange dealer must be informed hereof.

If the foreign-exchange dealer fails to communicate the relevant information electronically in connection with the actual transfer, the information must be exchanged by other means.

The regulations for reporting transfers are described in further detail in "Reporting Regulations for Transfers".

3.2.3 Other requirements of foreign-exchange dealers

3.2.3.1 Change in resident status

The foreign-exchange dealer is obliged to ensure that the resident status of customers is always registered correctly in the foreign-exchange dealer's records.

If a resident or a non-resident changes status, the foreign-exchange dealer must re-register the customer's accounts, and the information must be reported according to the regulations for transfers, cf. 3.2.2. The special foreign-exchange dealer code p250 "Change of resident status" is stated, cf. "Reporting Regulations for Transfers".

For securities registered at VP Securities Services the foreign-exchange dealer must ensure that the account holder's resident status is stated correctly for the VP account.

3.2.3.2 Contacts

Foreign-exchange dealers and business enterprises (direct reporters) are obliged to appoint one or more contacts to be responsible for contact with Danmarks Nationalbank.

4. Practical Issues

Any queries concerning reporting to Danmarks Nationalbank should be submitted to:

Danmarks Nationalbank
Statistics
Havnegade 5
DK-1093 Copenhagen K
Telephone +45 33 63 63 63
Telefax +45 33 63 71 24

The current editions of "External Payments – Reporting Regulations" and "External Payments – Purpose Codes" are available at Danmarks Nationalbank's website, together with "Regulations for Reporting Set-Off Items and Netting Payments" and "Regulations for Reporting Account Details".

Danmarks Nationalbank's website: www.nationalbanken.dk