



Danmarks Nationalbank

Balance of payments and external debt

- Supplementary guidelines for reporting of derivatives

Monthly reporters

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CONTACTING DANMARKS NATIONALBANK

Post: Danmarks Nationalbank, Statistics, Havnegade 5, DK-1093 Copenhagen K
Fax: +45 33 63 71 24
E-mail: stina@nationalbanken.dk
Tel: +45 33 63 68 14
Internet: www.nationalbanken.dk/betalingsbalance

Contents

1. Introduction.....	3
2. Overall guidelines for reporting derivatives	3
Options.....	4
Futures and OTC derivatives	4
Selected types of derivatives and relevant reporting forms.....	5
3. Examples of reporting derivatives.....	6
Example 1: Option.....	6
Example 2: Warrant.....	8
Example 3: Swaption.....	10
Example 4: Interest Rate Cap	12
Example 5: CMS Floor	13
Example 6: Futures	15
Example 7: Interest-rate swap.....	16
Example 8: FRA contract	18
Example 9: Forward foreign-exchange contract.....	19
4. Index.....	21

1. Introduction

The guidelines supplement the general guidelines to the reporting forms for financial transactions and outstanding accounts with non-residents: "New balance of payments – Reporting guidelines and forms", June 2004; and "Balance of payments and external debt", June 2005. The information collected is used for the compilation of Denmark's balance of payments and external assets and liabilities.

The guidelines refer to the monthly reporting forms A12-A14 and the annual reporting form A14A.

2. Overall guidelines for reporting derivatives

In overall terms, transactions that affect the value of the position are to be reported, while changes in value are *not* to be reported on the derivative forms. Payment of commission and fees, etc., or pledging of collateral, are *not* to be reported as transactions on the forms either.

The position is compiled at market value, i.e. typically a discounted future payment flow on the contract, while the transactions are reported solely as the actual payments.

The grey fields of the reporting forms cannot be filled in by the reporting enterprise, but are calculated by Danmarks Nationalbank. In the examples below the data in the grey fields is, however, shown for the sake of completeness.

The guidelines are summarised in Table 1, followed by a more detailed presentation.

Table 1. Guidelines for reporting derivatives

		Transaction	Position
Options	Premium payment (bought option, asset)	Sign positive	Increases position
	Premium receipt (sold/issued option, liability)	Sign positive	Increases position
	Realisation of gain (funds received)	Sign negative	Reduces position
	Realisation of loss (funds paid)	Sign negative	Reduces position
	Position in bought options (assets)		Sign positive
	Position in sold/issued options (liabilities)		Sign positive
Futures and OTC derivatives	Realisation of gain (funds received)	Sign positive	Reduces position
	Realisation of loss (funds paid)	Sign negative	Reduces position
	Asset position in OTC derivatives (annual reporting form)		Sign positive
	Liability position in OTC derivatives (annual reporting form)		Sign positive

Options

Transactions on respectively the asset and liability sides (monthly reporting form A12)

A *premium receipt/premium payment* (bought/issued option) must be reported as a positive transaction and increases the holdings of respectively bought options (assets) and sold/issued options (liabilities). Note that the amount is reported with sign positive even though the direction of the payment flow differs. On the liabilities side (bought options) this reflects payment of funds, and on the liabilities side (issued options) it reflects receipt of funds.

Realisation of gain/loss (receipt/payment of funds) must be reported with sign negative and reduces the position. Again, the amount is reported with sign negative even though the direction of the payment flow differs for respectively the asset side (receipt) and liabilities side (payment). Both reduce respectively the asset and liabilities positions.

Revaluations must not be reported as a transaction.

Positions on respectively the asset and liability sides (monthly reporting form A12)

Positions must be reported with sign *positive* on both the asset and liability sides. Negative positions are not reported.

The positions must be compiled at *market value* as the price of the option on the compilation date (i.e. reflecting both an intrinsic and a time value).

Futures and OTC derivatives

Transactions (monthly reporting forms A13 and A14)

Net transactions, by which is meant funds received less funds paid, are reported. Note that in contrast to options on A12 amounts are reported with sign positive on receipt of funds (reduction of a net asset position) and sign negative on payment of funds (reduction of a net liabilities position).

Revaluations must not be reported as a transaction.

Positions on respectively the asset and liability sides (annual reporting form A14A)

Reporting of OTC derivatives must adhere to the guidelines for reporting options on monthly reporting form A12, cf. above.

Selected types of derivatives and relevant reporting forms

Selected types of derivatives are described briefly in Table 2.

Table 2. Derivative types and relevant reporting forms

Derivative	Characteristics	Form
Option	Contract giving the buyer the right, but not the obligation, to buy or sell a given underlying asset at a fixed price on a pre-determined date. Different types of options are distinguished by the rights of the option holders, e.g. whether the right can only be used on the expiry of the option (European option), on one of several agreed dates (Bermuda option), or throughout the period until the expiry date (American option).	A12
Warrant	The right, but not the obligation, to buy/sell an underlying asset (typically securities) at a fixed price. Differs from an option in that it is not a stock-exchange traded instrument, but is issued by e.g. a business enterprise, and the underlying asset is also delivered by the issuer, i.e. the business enterprise.	A12
Swaption	An option on an interest-rate swap. The buyer of a swaption has the right, but not the obligation, to either pay (payer swaption) or receive (receiver swaption) a fixed interest rate in an interest-rate swap.	A12
Interest Rate Floor	Can be seen as a series of interest-rate options (floorlets). If a market interest rate (normally LIBOR) is below an agreed reference interest rate (floor interest rate) on the expiry of each period of the contract, the holder receives the difference between the two interest rates.	A12
Interest Rate Cap	Like an Interest Rate Floor, but with a cap on the interest rate (caplets). If a market interest rate is above an agreed interest rate (cap interest rate) on the expiry of each period of the contract, the holder receives the difference between the two interest rates.	A12
CMS Floor	Same structure as an Interest Rate Floor, but based on a swap interest rate with a fixed term instead of LIBOR which is fixed for each interest period.	A12
CMS Cap	Same structure as an Interest Rate Cap, but based on a swap interest rate with a fixed term instead of LIBOR which is fixed for each interest period.	A12
Standardised future	Contract between two parties concerning the right and obligation to sell/buy an underlying asset at an agreed price on an agreed future date	A13
Interest-rate swap	Contract between two parties for a periodic exchange of interest payments on terms fixed today, where the payments are based on an agreed nominal amount. Typically at a fixed interest rate against a variable interest rate (normally LIBOR).	A14/A14A*
CMS (Constant Maturity Swap)	An interest-rate swap of which one leg is fixed periodically with reference to a swap interest rate with a fixed term, rather than LIBOR. The other leg can be LIBOR, a fixed interest rate or another swap interest rate.	A14/A14A*
FRA (forward rate agreement)	Contract between two parties for payment of interest on a fictive principal for an agreed future period at an agreed interest rate.	A14/A14A*
FX swap	As interest-rate swaps, with exchange of payments in different currencies.	A14/A14A*
Forward foreign-exchange contract	Contract between two parties to buy/sell an amount in one currency against payment in another currency with settlement on an agreed future date at a rate agreed on the contract date.	A14/A14A*

* A14 is the monthly reporting form, and A14A is the annual reporting form.

3. Examples of reporting derivatives

Below are some examples of how derivatives are reported. The focus is on how to report individual types of derivatives. The examples are therefore simplified in terms of e.g. determining the market value of the derivatives contract. The market value is reported, but how it is determined, e.g. on the basis of the development in the price of the underlying asset, the discounted interest rate, and the time horizon, is less important here. However, some of the examples show how the market value is calculated.

As stated in section 2, the grey fields of the reporting forms cannot be filled in by the reporting enterprise, but are calculated by Danmarks Nationalbank. In the examples below the data in the grey fields is, however, shown for the sake of completeness.

Example 1: Option

A reporting enterprise has no option position at the beginning of the first reporting period. During the first reporting period an option is bought for kr. 2 million from a counterparty with ISO country code US. (i.e. the reporting enterprise pays a premium of kr. 2 million) and an option is sold for kr. 4 million to a counterparty with ISO country code DE (i.e. the reporting enterprise receives a premium of kr. 4 million). The premium reflects that the options can be "in-the-money".

There is no price change in the underlying asset during the first reporting period, but the value will have fallen as the option's term is reduced (and the volatility is assumed to be unchanged). This means that the market value decreases. The lower market value at the end of the month must be reported. Based on this information Danmarks Nationalbank itself can calculate the negative revaluation, so this is *not* reported. The A12 report in the first reporting period is as follows:

Form A12 for first reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought	US	0	2.000.000	-1.000.000	1.000.000
Options sold	DE	0	4.000.000	-1.000.000	3.000.000

In the second reporting period there is a positive revaluation of kr. 6 million on the bought option, i.e. a gain for the reporting enterprise. On the sold option there is a positive revaluation of kr. 9 million, i.e. a loss for the reporting enterprise. The revaluations reflect changes in the price of the underlying asset, as well as the change in horizon.

Form A12 for second reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought	US	1.000.000	0	6.000.000	7.000.000
Options sold	DE	3.000.000	0	9.000.000	12.000.000

In the third reporting period both options expire, and both the gain and loss are realised.

Form A12 for third reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought	US	7.000.000	-6.000.000	-1.000.000	0
Options sold	DE	12.000.000	-10.000.000	-2.000.000	0

In the example, note that the sign of the position is positive for both assets and liabilities. The transactions reflect both the premium payment and the realisation of the option. Sign positive is payment of funds on the asset side and receipt of funds on the liabilities side. Sign negative is receipt of funds on the asset side and payment of funds on the liabilities side. All transactions entail a change in position.

Any pledge of collateral when the option is opened (initial margin payment) is not registered on A12, cf. Example 6 for a future, where the treatment of collateral is described in more detail.

Any payment of commission and fees, etc. when the contract is opened or during the term of the contract is – as stated previously – *not* registered as a derivatives transaction. This applies to all the examples.

Example 2: Warrant¹

A reporting enterprise has issued warrants to employees of a US subsidiary. The option gives the employees the right to buy a total of 50,000 shares at a price of kr. 100 per share. The market price is kr. 80 per 100 at the beginning of the period.

Like other options the warrant contract has a value since it can be in-the-money. However, in contrast to an ordinary option the enterprise has not received a premium for this value so there is no transaction to be reported. Instead, the market value "arising" at the end of the period will give a revaluation.

In the first reporting period the market price increases to kr. 125 per 100. The option thus gains a value of kr. 1.25 million $[(125-100)*50.000]$, i.e. a liability for the enterprise. This must be reported on A12:

Form A12 for first reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought					
Options sold	US	0	0	1.250.000	1.250.000

In the second reporting period the market price increases to kr. 175 per 100, i.e. an additional loss of kr. 2.5 million for the enterprise. The value of the issued warrants now totals kr. 3.75 million $[(175-125)*50.000]$.

Form A12 for second reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought					
Options sold	US	1.250.000	0	2.500.000	3.750.000

In the third reporting period the market price is unchanged at kr. 175 per 100 and the employees exercise the option and buy 50,000 shares at a price of kr. 100 per share. The enterprise thus receives kr. 5 million, which is typically registered as an increase in deposits in a foreign bank via a Danish bank (increase in assets). The remaining kr. 3.75 million is registered as a payment on the option form (decrease in liability). The enterprise has now issued shares owned by non-residents for kr. 8.75 million $[175*50.000]$ (increase on the liabilities side). The shares are reported on the monthly reporting form P1 if the Danish enterprise's shares are not registered with VP Securities Services (VP). If the shares are registered with VP, the foreign equity investment is reported directly from VP.

¹ Enterprises with portfolio investments typically also have holdings of warrants that relate to traded securities.

Form A12 for third reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought					
Options sold	US	3.750.000	-3.750.000	0	0

Example 3: Swaption

During the first reporting period a reporting enterprise buys a swaption for kr. 3 million from a counterparty with ISO country code US (i.e. pays a premium of kr. 3 million). The swaption entails the opportunity at the beginning of the third reporting period to establish an interest-rate swap on terms agreed when the swaption is established. In the first reporting period there is already a positive revaluation of kr. 1 million. This is reported on A12 since an option is involved.

Form A12 for first reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought	US	0	3.000.000	1.000.000	4.000.000
Options sold					

In the second reporting period there a further positive revaluation of kr. 4 million.

Form A12 for second reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought	US	4.000.000	0	4.000.000	8.000.000
Options sold					

At the beginning of the third reporting period the swaption is called, i.e. the option is exercised and the reporting enterprise buys the interest-rate swap, which has gained a positive market value of kr. 8 million. This reflects a current value of kr. 13 million for the asset leg, and of kr. 5 million for the liabilities leg. The swaption has now become an interest-rate swap and the contract must be moved from A12 to A14 in the third reporting period.

The interest-rate swap is bought for kr. 8 million net, financed by the realised gain on the swaption, and is reported on A14 as follows:

Form A14 for third reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
OTC derivatives (excluding options)	US		-8.000.000		

→ "Purchase" of interest-rate swap with positive market value

In the fourth reporting period kr. 6 million is received on the asset leg and kr. 2 million is paid on the liabilities leg, i.e. a net receipt of kr. 4 million to be reported on A14 as follows:

Form A14 for fourth reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
OTC derivatives (excluding options)	US		4.000.000		

Any following reporting periods are reported in the same way as the fourth reporting period.

Example 4: Interest Rate Cap

At the beginning of the first reporting period a reporting enterprise buys a 1-year Interest Rate Cap from a counterparty with ISO country code US. The contract has a theoretical (notional) principal of kr. 750 million, 1-month LIBOR as market interest rate, and a cap of 3 per cent.

The reporting enterprise thus receives a monthly payment if 1-month LIBOR *exceeds* 3 per cent. The payment is calculated as the difference between the two interest rates in relation to the length of the period (1 month) and the size of the principal (kr. 750 million). For this option the reporting enterprise pays a premium of kr. 10 million and already in the first reporting period there is a positive revaluation of kr. 1 million. The LIBOR interest rate at the end of the first reporting period is 2.75 per cent, so there are no payments on the contract. This is reported on A12 as follows:

Form A12 for first reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought	US	0	10.000.000	1.000.000	11.000.000
Options sold					

In the second reporting period the LIBOR interest rate has risen to 4 per cent and the reporting enterprise receives a payment of kr. 625,000 $[(0,04-0,03) \cdot (30/360) \cdot \text{kr. 750 million}]$. In addition, there is a positive price gain of kr. 3 million.

Form A12 for second reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought	US	11.000.000	-625.000	3.000.000	13.375.000
Options sold					

The contract thus continues for a further 10 months, whereby the payment is calculated on a monthly basis. In the last reporting period the value of the contract is cancelled out.

Example 5: CMS Floor

During the first reporting period a reporting enterprise buys a CMS Floor with a principal of kr. 40 million. The contract covers the following 3 months, and the interest period is one month (often there is an annual interest period and hedging over several years, which does not affect the example).

The reference interest rate is 3 per cent, and the market interest rate is the 10-year swap interest rate that is fixed for each interest period. This means that if the 10-year swap interest rate is *below* 3 per cent at the start of an interest period the reporting enterprise receives the difference in interest rates in relation to the length of the period (1 month) and the size of the principal (kr. 40 million.). Floor thus refers to how the instrument marks the base interest rate that the owner is certain to receive for the next 3 months. The reference interest rate is maintained for the duration of the contract, while the 10-year swap interest rate is fixed for each interest period.

The counterparty has ISO country code US, and the reporting enterprise pays a premium of kr. 2 million at the start of the contract. In first reporting period there is already a positive revaluation of kr. 3 million.

The report is filed on A12 since this is an interest-rate option.

Form A12 for first reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought	US	0	2.000.000	3.000.000	5.000.000
Options sold					

At the beginning of the second reporting period the swap interest rate is below the reference interest rate, and the reporting enterprise receives a payment equivalent to the difference in interest rates in relation to the principal (assumed to be kr. 2 million). The market value for the two interest-rate options that are still running in the CMS Floor contract is assumed to be unchanged and must still be included in the holdings of bought options.

Form A12 for second reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought	US	5.000.000	-2.000.000	0	3.000.000
Options sold					

At the beginning of the third reporting period the swap interest rate is above the reference interest rate, and no payment takes place. The market value of the remaining interest-rate option has fallen by kr. 2 million.

Form A12 for third reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought	US	3.000.000	0	-2.000.000	1.000.000
Options sold					

At the beginning of the fourth reporting period the swap interest rate is again below the reference interest rate, and the reporting enterprise receives the difference. Hereafter the contract has expired.

Form A12 for fourth reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Options bought	US	1.000.000	-2.000.000	1.000.000	0
Options sold					

Example 6: Futures

A reporting enterprise establishes a future with daily mark-to-market settlement (current/variable margin payments). The reporting enterprise pledges kr. 5 million in cash as collateral (initial margin payment). The counterparty has ISO country code US. In the first reporting period the reporting enterprise realises losses of kr. 1 million and gains of kr. 3 million. This is reported on A13 as follows:

Form A13 for first reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
Futures	US		2.000.000		

The position is not calculated as it is zero by definition due to the daily settlement.

The reporting thus continues for the duration of the contract. Note that only the current margin payments (settlement of market value) are registered on A13. Transactions are compiled on a net basis with sign positive on receipt of funds/liquid assets and with sign negative on payment of funds/liquid assets, i.e. the opposite of form A12 for options.

The initial margin payment is a deposit of cash funds or second pledge to protect the counterparty from losses on default due to insolvency. The payee maintains ownership of the deposit and on settlement of the contract the deposit is reimbursed (after any set-off for settlement of the difference). The initial margin payment must therefore not be registered on A13. Initial margin payments in the form of deposits are reported on the relevant monthly reporting form, typically A6. The depositor holds an asset on the entity where the payment is deposited. For initial margin payments in e.g. securities reports are typically filed on the monthly reporting form S1. The same principles also apply to pledging of collateral on option contracts, cf. Example 1.

Example 7: Interest-rate swap

A reporting enterprise has two interest-rate swap contracts vis-à-vis a counterparty with ISO country code US. Initially the contracts have had no market value, but due to the development in interest rates one contract has gained a positive market value for the reporting enterprise. i.e. the value of the asset leg of the swap exceeds the liability leg. The contract is therefore regarded as an asset position. The second interest-rate swap has gained a negative market value for the reporting enterprise. i.e. the value of the liability leg exceeds the value of the asset leg, and the contract is regarded as a liabilities position. In addition, an interest-rate swap is held vis-à-vis a counterparty with ISO country code DE which has also gained a negative market value for the reporting enterprise.

Only the actual payments on the swap are reported as transactions. Transactions are compiled on a net basis with sign positive on receipt of funds/liquid assets, and with sign negative on payment of funds/liquid assets, i.e. the opposite of form A12 for options.

The market value of the position is the present value of the future payments on the asset leg less the present value of the future payments on the liabilities leg. If the present value on the asset leg exceeds the present value on the liabilities leg the position is placed in the asset line, while the position is placed in the liabilities line if the present value of the liabilities leg exceeds the present value of the asset leg. Note that the positions must be reported with *sign positive* in both the asset and liabilities lines.

In the first reporting period (January) kr. 5 million is received on the asset position, and kr. 3 million is paid on the liabilities position on the interest-rate swaps vis-à-vis US, i.e. the reporting enterprise receives kr. 2 million net. In addition, kr. 6 million is paid on the liabilities position vis-à-vis DE. There are not assumed to be any transactions in the remaining 11 months.

The transactions in the first reporting period are reported on monthly reporting form A14, while the market values of the positions at the beginning and end of the year are reported on annual reporting form A14A. On the annual reporting form the positions are distributed on asset and liabilities lines. The value of the positions at the beginning of the year has arisen as revaluations during the term of the contract.

Form A14 for first reporting period (January)

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
OTC derivatives (excluding options)	US		2.000.000		
OTC derivatives (excluding options)	DE		-6.000.000		

Annual reporting form A14A for market value at the beginning and end of the year

	ISO country code for foreign counterparty	Position at the beginning of the financial year	Position at the end of the financial year
OTC derivatives assets (excluding options)	US	10.000.000	20.000.000
OTC derivatives liabilities (excluding options)	US	5.000.000	10.000.000
OTC derivatives liabilities (excluding options)	DE	15.000.000	12.000.000

In the example, kr. 5 million is included in the asset position vis-à-vis US, which reduces the value of the position. At the same time, during the year there has been a positive revaluation of kr. 15 million (gain for the reporting enterprise). Respectively kr. 3 and kr. 6 million has been paid on the liabilities positions vis-à-vis US and DE, and this reduces the value of the liabilities positions. However, the positions have increased as a result of positive revaluations of, respectively, kr. 8 and 3 million (loss for the reporting enterprise).

A *foreign-exchange swap* must be treated in the same way, whereby the actual foreign-exchange payments are reported as transactions, while the market value is the discounted present value of future payments on the asset leg, less the present value of future payments on the liabilities leg.

A *Constant Maturity Swap* must also be treated in the same way, except that the market interest rate is normally a swap interest rate with a fixed term that is determined for each interest period.

Example 8: FRA contract

A reporting enterprise enters into an FRA contract that begins in three months' time. The counterparty has ISO country code US. There is no exchange of principal or payment when the contract is established (other than any commission and fees, etc.). Therefore no report is filed on monthly reporting form A14 when the contract is established.

In the following months the contract achieves a positive market value for the reporting enterprise. As no position is reported on A14, the positive value adjustment is not reported.

At the beginning of the FRA contract, i.e. in the third reporting period, there is difference settlement of an amount equivalent to the difference between the agreed interest rate and the actual interest-rate level in the FRA period on the agreed principal. The actual interest-rate level is determined on the basis of an agreed reference interest rate. This difference settlement is reported as a transaction on A14. As the contract is thus settled, there is no position to report on the annual reporting form A14A, unless the FRA contract runs over two accounting periods.

In the example the contract has achieved a market value (difference amount) of kr. 5 million, received by the reporting enterprise. This is reported on A14 as follows:

Form A14 for third reporting period

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
OTC derivatives (excluding options)	US		5.000.000		

Example 9: Forward foreign-exchange contract

At the end of October a reporting enterprise enters into a forward foreign-exchange contract for sale of 100 million dollars in three months' time (end of January) against purchase of kroner. The counterparty has ISO country code US, and the forward exchange rate is DKK 600 per USD 100.

The reporting enterprise thus receives kr. 600 million in 3 months' time against payment of 100 million dollars. The forward contract has no net value when it is established. There is therefore nothing to report on monthly reporting form A14 in October.

After a month (at the end of November) the exchange rate is DKK 590 per USD 100, i.e. the krone rate is stronger than the agreed forward rate. The contract has thus gained a positive net value of kr. 10 million for the reporting enterprise. However, the gain is not realised until after 2 months so that the value must be discounted back to a present value. If the 2-month money-market interest rate is assumed to be 2 per cent the present value will be kr. 9.97 million [$\text{kr. } 10 \text{ million} / (1,02^{(60/360)})$]. This is a revaluation that may *not* be reported as a transaction. As there is no position to report on the monthly reporting form the positive revaluation is not reported.

After two months (end of December) the exchange rate is DKK 580 DKK per USD 100, equivalent to a market value of kr. 19.97 million if the 1-month interest rate is assumed to be 1.5 per cent [$\text{kr. } 20 \text{ million} / (1,015^{(30/360)})$]². Once again, this is a revaluation that is not reported on A14. On the other hand, the position is reported on annual reporting form A14A for the end of December (end of the financial year).

Annual reporting form A14A for the financial year in which the contract was established

	ISO country code for foreign counterparty	Position at the beginning of the financial year	Position at the end of the financial year
OTC derivatives assets (excluding options)	US	0	19.970.000
OTC derivatives liabilities (excluding options)			

On settlement after three months (end of January) the exchange rate is DKK 585 per USD 100. The reporting enterprise receives kr. 600 million and pays USD 100 million. At the current exchange rate this gives the reporting enterprise a positive gain of kr. 15 million. This is reported on A14 as follows:

² The calculation shown is an example of the calculation of market value. If other calculation methods are used they are naturally also accepted.

Form A14 for third reporting period (January)

	ISO country code for foreign counterparty	Position at the beginning of the month	Changes during the month		Position at the end of the month
			Transactions	Revaluations	
OTC derivatives (excluding options)	US		15.000.000		

Annual reporting form A14A for the financial year in which the contract is settled is as follows:

Annual reporting form A14A for the financial year in which the contract is settled

	ISO country code for foreign counterparty	Position at the beginning of the financial year	Position at the end of the financial year
OTC derivatives assets (excluding options)	US	19.970.000	0
OTC derivatives liabilities (excluding options)			

From this it can be derived that there has been a negative value change of kr. 5 million in the last financial year (due to the development in exchange rates), and a positive revaluation of kr. 30,000 as a consequence of a "discounting effect" since the value increases (is discounted less) the shorter the term to maturity. The position has changed from kr. 19.97 million to 0 due to receipt of kr. 15 million and a negative revaluation of kr. 4.97 million net.

If, unlike in the example, the contract expires within the same financial year, no position is registered on A14A.

4. Index

CMS Floor	13	Interest-rate swap	16
Commission	3	Market value	3
Constant Maturity Swap	17	Net transactions.....	4
Derivative types	5	Options.....	3;4;5;6
Fees	3	Pledge of collateral.....	7
Foreign-exchange swap	17	Premium payment/receipt	4
Forward foreign-exchange contract	19	Realisation of gain/loss	4
FRA contract.....	18	Revaluations.....	4
Futures and OTC derivatives	3;4;15	Swaption	10
Initial margin payment.....	7	Warrant	8
Interest Rate Cap.....	12		