

The supply of cash in Denmark

Danmarks Nationalbank and the banks work closely together to ensure the supply of cash to Danish consumers and firms. Danmarks Nationalbank is responsible for issuing the amount of cash necessary for the society to function. Here you can read how cash flows through the system from Danmarks Nationalbank to the consumers – and back again.

One of Danmarks Nationalbank's core tasks is to issue Danish banknotes and coins. This task is carried out in close collaboration with the banks.

Although the banks increasingly use subcontractors for physical cash handling, the banks are still directly accountable to Danmarks Nationalbank.

Danmarks Nationalbank's tasks

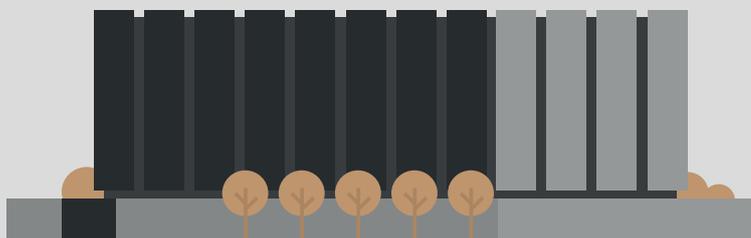
In relation to the supply of cash, Danmarks Nationalbank has the following tasks:

- Purchase and quality assurance of banknotes and coins.
- Supply of new banknotes and coins to cash depots.
- Receipt of banknotes and coins that are unfit for circulation, with subsequent counting, control of authenticity and destruction.
- Quality assurance of banknotes and coins in circulation.
- Exchange of damaged banknotes and coins.
- Transport of banknotes and coins between Danmarks Nationalbank and the cash depots.
- Establishment of rules for handling banknotes and coins in cash depot.

Purchase of banknotes and coins

Danmarks Nationalbank purchases banknotes and coins. A four-year contract has been concluded with the Mint of Finland for the supply of Danish coins from 2017 to 2021.

Danmarks Nationalbank is currently working on a tender for the production of banknotes. It is expected that a supplier will be found in early 2018.



Cash depot agreement

Operation of the cash depots is regulated by a depot agreement concluded between Danmarks Nationalbank and the individual depositary bank.

In addition, Danmarks Nationalbank has established a set of rules laying down standards for packing and sorting of banknotes and coins before they are returned to a depot or to Danmarks Nationalbank. The depot agreement prescribes standardised opening hours for the depots and also regulates a number of practical issues, including bookkeeping rules and the security standard.



Cash depots

Danmarks Nationalbank acts via the banks, and the banks have subcontracted the operation of cash depots. Today, Danmarks Nationalbank's delivery and receipt of banknotes and coins to and from the Danish society takes place via cash depots that act as Danmarks Nationalbank's extended arm in relation to the banks.

Danmarks Nationalbank transports cash from Danmarks Nationalbank to the two cash depots located in Copenhagen and Aarhus, respectively. Furthermore, there are cash depots at local banks in the Faroe Islands and Greenland.

A cash depot is owned by a bank and physically located in a counting centre, which counts and sorts the cash to be used in ATMs, bank branches, retail stores, etc.

The Copenhagen cash depot is owned by Nordea, while the Aarhus depot is owned by Danske Bank. This makes Nordea and Danske Bank depositary banks.

Today the cash depots are used as buffers, and typically there are only two daily transactions: one morning transaction for taking out the amount of cash assumed to be required, and one evening transaction for returning excess cash.

The depositary bank's fees

The depositary bank's fees are made up of a basic fee and a fee that increases proportionally with the sum of the aggregate transaction, albeit with an upper limit on the fee per transaction. Danmarks Nationalbank determines the size of the fee.

Depositary banks

The individual depositary bank is responsible for all cash held in the cash depot. Each of the depositary banks receives an interest free loan from Danmarks Nationalbank corresponding to the amount held in the cash depot. The loan is increased and reduced as cash is transferred into and out of the depot. The depositary bank pledges collateral to Danmarks Nationalbank corresponding to the maximum amount that can be held in the cash depot.

To cover the depositary bank's costs for operating the cash depot, it may charge the banks a fee per cash depot transaction.

Only banks can be customers of the cash depots, as only banks hold accounts at Danmarks Nationalbank. However, the banks may use subcontractors for cash depot transactions, and the depository banks may also appoint subcontractors to operate the cash depots.

The companies that the banks may use as subcontractors are known as cash-in-transit, CIT, companies. At present there are two CIT companies in Denmark: Loomis and Nokas. Both CIT companies operate counting centres in Denmark.

The Danish banks have gradually transferred physical cash handling to the CIT companies. Today Loomis operates the cash depots in Aarhus and Copenhagen.

A company must meet the DS 3999 security standard to be able to act as a CIT company.

Danmarks Nationalbank makes a real-time book-keeping system available to the depository bank, in which all transactions between the depots and their customers can be entered. Some banks prefer to settle via accounts at the depository bank.

CIT companies' tasks

The cash returned to the cash depots must be sorted and packed according to Danmarks Nationalbank's rules. Danmarks Nationalbank's rules for receiving and supplying cash can be found at Danmarks Nationalbank's website.

All banknotes must be sorted, either in sealed bank packages with sorted banknotes that are fit for circulation, or as banknotes that are unfit for circulation. In order that any differences can be settled, all banknote packages must be sealed and supplied with a label from the company that packed the banknotes. If a bank does not have the infrastructure to sort banknotes itself, it can arrange for a CIT company to do so. The subcontractor must meet the DS 3999 security standard. Payment for this service is a matter between the bank and the service supplier.

When the banks conclude agreements with a CIT company as a subcontractor, the CIT company is liable for the quality of the banknotes in the packages.

Security standard DS 3999

Following a number of violent robberies in 2008, the banks, other interested parties in the sector, incl. the cash transportation services industry, and Danmarks Nationalbank established a common security standard to be observed by all operators in the cash market.

This security standard, known as DS 3999, was finally implemented by all actors in the cash handling market at end-2016. It lays down guidelines for security in relation to sorting and transport of banknotes and for security management. At the time of implementation, all CIT companies complied with the standard.

Combined with the sealing of the banknote packages, the separation of bank packages and banknotes unfit for circulation means that the depots recirculate the bank packages without breaking the seal to count the banknotes or check their quality. Only banknotes that are unfit for circulation are returned to Danmarks Nationalbank.

This system reduces the volume of sorted banknotes in the Danish cash supply market considerably. The banknote packages circulate between the CIT companies, the banks and the cash depots and are not checked until they are opened. In other words, Danmarks Nationalbank only counts the banknotes the first time they are supplied and before they are destroyed.

Similar rules apply to the handling of coins. The coins must be rolled and packed on pallets according to Danmarks Nationalbank's rules if they are to be received by the cash depots.

The guidelines for package standards have been introduced in collaboration with market participants and can be found at Danmarks Nationalbank's website.

Distribution between Danmarks Nationalbank and the cash depots

Danmarks Nationalbank delivers new banknotes and coins to the depots and brings unfit banknotes back to Danmarks Nationalbank. Unfit banknotes are counted, quality checked, controlled for authenticity and subsequently destroyed.

Danmarks Nationalbank is responsible for issuing the amount of cash needed for the society to function. This means, among other things, that up to Christmas and Easter, where the activity in society is increased, Danmarks Nationalbank delivers additional banknotes and coins to the cash depots. After the celebrations excess notes and coins are returned to Danmarks Nationalbank.

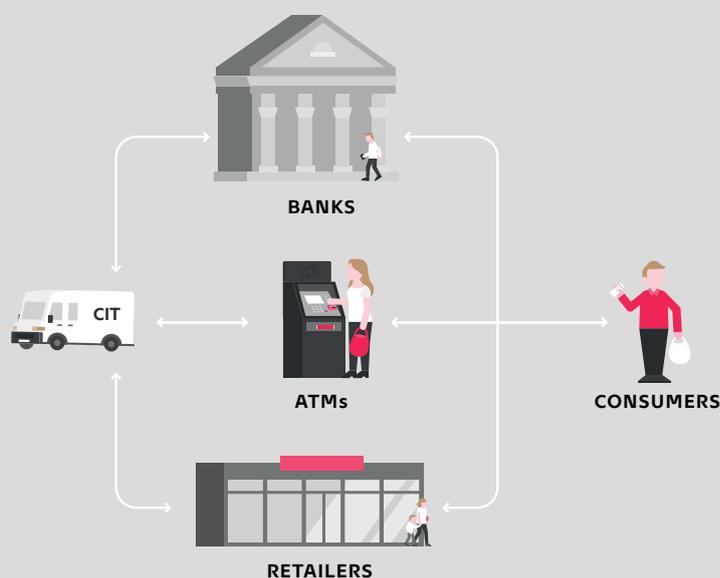
172 million banknotes circulate in Denmark, and Danmarks Nationalbank only replaces relatively few of them to maintain the note circulation. In 2016 Danmarks Nationalbank replaced 26 million notes – or 15 per cent of the notes in circulation.

Lifetime of cash

Danmarks Nationalbank delivers new banknotes and coins to the depositary banks via the cash depots. From the depots the required cash is circulated via the banks' branches, ATMs and retail stores. So for almost all of their lifetime notes and coins circulate in society between consumers, banks and firms. The lifetime depends on how much they are used and where they are kept. Generally a 50-krone banknote lasts three to four years while a 1000-krone note normally lasts for over ten years.

Cash in society

On behalf of the banks the CIT companies transport cash to the bank branches and ATMs. In addition, some large retail chains have concluded agreements with the CIT companies regarding change service. The CIT companies take back the cash from the society. The cash is sorted and counted in the counting centres and recirculated into society. Only unfit cash is transported back to Danmarks Nationalbank.



Distribution from the cash depots to the community

Today, the two cash depots are physically located at counting centres owned and operated by CIT companies.

The CIT companies also handle a number of other tasks for the banks and for retailers. For example, the CIT companies service the banks' ATMs and branches. This is where most of the activity takes place.

Some of the large retail customers (such as Coop and Dansk Supermarked) have concluded agreements with CIT companies. So it is not the retailers' banker, but the CIT company, that collects and sorts banknotes and coins, counts the cash deposited in night safes, handles the stores' change and enters the amounts to the retailers' bank accounts.

These tasks are performed by the CIT companies at the counting centres where Danmarks Nationalbank's depots are also physically located, among other places. Even though the tasks are performed at the same counting centres, Danmarks Nationalbank and the cash depots have nothing to do with the agreements that the banks and retailers conclude with the CIT companies. The parties agree the prices and terms and conditions independently of Danmarks Nationalbank.

Delivery of cash

Danmarks Nationalbank previously handled its part of the supply of cash by allowing the banks to fetch new cash and return unsorted banknotes and coins either at the headquarters or at the branches of Danmarks Nationalbank existing then.

Danmarks Nationalbank has had up to 15 banknote and coin depots across Denmark. Combined with high security requirements, falling activity in relation to cash handling led to a gradual reduction of the number of cash depots.

In 1989 it was decided to close the last branches of Danmarks Nationalbank. At the same time, the system was changed so that a number of cash depots became responsible for servicing the financial sector companies that had been serviced by Danmarks Nationalbank's branches until then.

Until 1998, banks in Greater Copenhagen could still be serviced at Danmarks Nationalbank's headquarters. After that, cash depots were established in Greater Copenhagen and it was no longer possible for the individual bank to go directly to Danmarks Nationalbank.