

Terms for the Central Government's and the Social Pension Fund's Securities Lending Facilities

Primary Dealers have the right to use the securities lending facilities of the central government and the Social Pension Fund to which the participants are eligible. The purpose of the securities lending facilities is to supplement and strengthen market efficiency. Considering the functioning of the repo market, primary dealers shall make every effort to support a well-functioning market, and to prevent occurrences of intended market failures. Information on the terms for Central-Government's and the Social Pension Fund's Securities Lending Facilities is given below.

The Central-Government's Securities Lending Facility

1. The lending facility applies to on-the-run government securities and government securities with benchmark status. Only bonds with a remaining maturity of more than 1 month will be eligible.
2. The lending facility can also apply to bonds eligible for lending through the Social Pension Fund's securities lending facility if the Social Pension Fund does not hold a sufficient amount of the bond.
3. The specific terms for lending in the individual government securities are published in the central-government's announcements concerning on-the-run issues.
4. For government bonds the lending facility is available for primary dealers in Danish government bonds.
5. For T-bills the lending facility is available for primary dealers in Danish T-bills.
6. In normal circumstances the maximum lending in bond series is DKK 4 billion and the maximum lending in all T-bills is DKK 10 billion. However, these limits may be raised in the event of abnormal price formation on the market for securities lending.
7. The fee is 0.2 per cent per year for securities lending of government bonds and T-bills with settlement on the following trading day. In case of same-day settlement, the fee is 0.3 per cent per year for bonds and T-bills.
8. The lending facility is available as buy-/sell-back transactions. Participants borrow in one buy-/sell-back transaction and lend (provide collateral) in another buy-/sell-back transaction.
9. The securities may be borrowed for a period from 1 to 5 trading days.
10. Transactions can be made during the day between 9.00 a.m. and 2.30 p.m., but should, as far as possible, be concluded before 2.00 p.m. (CET). Settlement instructions must be submitted on the trade date before 3.00 p.m.
11. Lending in securities is granted in the order that requests to Danmarks Nationalbank are received from security dealers on the relevant day. The right to make discretionary allocations is reserved if deemed appropriate.

12. Danish government securities denominated in Danish kroner issued via VP Securities in series with an outstanding amount of at least DKK 3 billion are accepted as collateral.
13. A haircut of 2.5 per cent is applied to each buy-/sell-back transaction. Hence, the market price of the security lend by the central government is raised by 2.5 per cent and the market price of the security provided as collateral by the borrower is lowered by 2.5 per cent.
14. Transactions are settled as trading transactions in the VP Securities system.
15. In case settlement only succeeds for one of the buy-/sell-back transaction, be that the lending transaction or the collateral transaction as it may, borrowers are obliged to ensure immediate settlement of the failed transaction.
16. Government Debt Management may from time to time amend the terms and conditions applicable to the Central-Government's Securities Lending Facility to reflect market practice and ensure a well-functioning securities lending facility. Government Debt Management informs primary dealers at least one week prior to implementation of any change to the terms of the lending facility.
17. Any enquiries concerning securities lending transactions should be made to Danmarks Nationalbank, Market Operations, on tel. +45 3363 6752 or +45 3363 6736.

The Social Pension Fund's Securities Lending Facility

1. Lending is in all government bonds with more than 1 month remaining maturity of the type bullet loans in the Social Pension Fund's portfolio.
2. The lending facility is available to primary dealers in government bonds.
3. The fee is 0.2 per cent per year with settlement on the following trading day. In case of same-day settlement, the fee is 0.3 per cent per year.
4. The lending facility is available as buy-/sell-back transactions. Participants borrow in one buy-/sell-back transaction and lend (provide collateral) in another buy-/sell-back transaction.
5. The securities may be borrowed for a period from 1 to 5 trading days.
6. Transactions can be made during the day between 9.00 a.m. and 2.30 p.m., but as far as possible should be concluded before 2.00 p.m. (CET). Settlement instructions must be submitted on the trade date before 3.00 p.m.
7. Lending in securities is granted in the order that requests to Danmarks Nationalbank are received from securities dealers on the relevant day. The right to make discretionary allocations is reserved if deemed appropriate.
8. Danish government securities denominated in Danish kroner issued via VP Securities in series with an outstanding amount of at least DKK 3 billion are accepted as collateral.
9. A haircut of 2.5 per cent is applied to each buy-/sell-back transaction. Hence, the market price of the security lend by the central government is raised by 2.5 per cent and the market price of the security provided as collateral by the borrower is lowered by 2.5 per cent.

10. Transactions are settled as trading transactions in the VP system.
11. In case settlement only succeeds for one of the buy-/sell-back transaction, be that the lending transaction or the collateral transaction as it may, borrowers are obliged to ensure immediate settlement of the failed transaction.
12. Government Debt Management may from time to time amend the terms and conditions applicable to the Social Pension Fund's Securities Lending Facility to reflect market practice and ensure a well-functioning securities lending facility. Government Debt Management informs primary dealers at least one week prior to the implementation of any change to the terms of the Social Pension Fund's Securities Lending Facility.
13. Any enquiries concerning securities lending transactions should be made to Danmarks Nationalbank, Market Operations, on tel. +45 3363 6752 or +45 3363 6736.