

# IN BRIEF

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## OVERSIGHT OF THE FINANCIAL INFRASTRUCTURE IN DENMARK 2015

Danish payment and settlement systems are generally safe and efficient. Following the introduction of the Straksclearing, which makes it possible to make instant payments using e.g. MobilePay or Swipp, Denmark also has one of the world's most advanced payments infrastructures.

This is the main conclusion of Danmarks Nationalbank's publication 'Oversight of the Financial Infrastructure in Denmark 2015', in which Danmarks Nationalbank also provides five recommendations for making the systems even safer and more efficient. The publication is released annually and reviews the core systems of the Danish payments infrastructure.

### THE SYSTEMS – NOT THE TRANSACTIONS

More specifically, Danmarks Nationalbank's oversight is to establish whether Danish payment systems and solutions are safe and efficient. For

instance whether the Dankort works – 24/7/365. And whether bank transfers from A to B are efficient, safe and timely. The same must apply to transactions involving equities, investment fund shares and bonds.

Danmarks Nationalbank oversees the systems behind all financial transactions in Denmark rather than the individual payments, transactions or companies behind the systems. Whether you pay for goods, transfer cash through a web bank or trade in securities, a system underlies the transaction.

In practice, three payment system areas are overseen. The first is payments between citizens, firms and public authorities. The second is inter-bank payments. And the third is securities trading.

Danmarks Nationalbank focuses on four factors: operational reliability, liquidity, development needs and compliance with international standards.

New international requirements are being implemented by system owners. These include tighter risk management requirements. In the 2nd half of 2015, Danmarks Nationalbank will assess this work.

#### The reasons for Danmarks Nationalbank's oversight

Box 1

It is enshrined in the Danmarks Nationalbank Act that Danmarks Nationalbank shall *maintain a safe and secure currency system in this country, and facilitate and regulate the traffic in money and the extension of credit*. And the Danish Securities Trading Act states that Danmarks Nationalbank shall oversee payment systems that are, in the opinion of Danmarks Nationalbank, *of major significance to payment settlement [...] with a view to promoting the smooth functioning of the systems by contributing to their efficiency and stability*.

### CITIZENS, FIRMS AND AUTHORITIES

All payments between citizens, firms and public authorities are retail payments. Retail payments are made using e.g. banknotes and coins, the Dankort, inpayment forms, Betalingservice or credit transfers.

Depending on the type of payment, they are settled in one or more settlement cycles within each 24-hour period. Prior to settlement, banks' mutual accounts are netted, meaning that some banks will receive funds, while others will pay in

the final settlement. In order for the final settlement to take place, banks must have reserved liquidity, i.e. sufficient funds, to allow all payments in the settlement cycle to be settled. With one exception, this was the case in 2014, which is a clear improvement on previous years.

In November 2014, the Straksclearing was introduced, whereby funds can be transferred instantly from an account at one bank to an account at another bank, using a web bank or mobile services such as MobilePay or Swipp. As a result of this and other modernisation initiatives, Denmark has one of the world's most advanced retail payments infrastructures.

The oversight performed by Danmarks Nationalbank's oversight has shown a high general level of operational reliability of the systems. However, there were exceptions in the form of a few running-in difficulties for the Straksclearing and a network failure in January 2014, which affected the use of the Dankort for 10 hours.

## INTERBANK TRANSACTIONS

Payments between banks – or other financial institutions – are interbank transactions. They are

### What does Danmarks Nationalbank's oversight cover?

Box 2

Danmarks Nationalbank oversees that Danish payment and settlement systems are safe and efficient and comply with international standards.

Danmarks Nationalbank's oversight comprises the following systems:

- Kronos, Danmarks Nationalbank's system for large, time-critical payments.
- The Sumclearing, the Intradagclearing and the Straksclearing, which are the Danish retail settlement systems.
- VP settlement, which is the Danish securities settlement system.
- The payment instruments the Dankort, Betalingservice (direct debit) and credit transfers.

settled by Danmarks Nationalbank in the Kronos system. Danmarks Nationalbank owns Kronos, and the system is operated by Bankernes EDB Central (BEC). Kronos has 94 participants, the great majority of which are banks.

Kronos' operations have been relatively stable. In 2014, the uptime – when everything works according to plan – was 99.7 per cent. This is an improvement on the previous year. However, several minor incidents meant that for two months the uptime was lower than it should have been.

Efficient settlement of payments in Kronos requires that all participants have reserved sufficient liquidity in the proper accounts with Danmarks Nationalbank. In 2014, participants reserved ample liquidity, and the settlement of payments was completed without any problems.

Danmarks Nationalbank is replacing Kronos. The first version of the new system, Kronos2, is expected to come into operation in the spring of 2017.

## SECURITIES

The settlement of securities transactions in Denmark was also satisfactory. The VP settlement system, which is owned and run by VP Securities A/S (VP), was very stable in 2014 with an average uptime of 99.98 per cent. The percentage of VP transactions settled in a timely manner was 98.9 per cent in 2014, relative to 99.2 per cent the previous year. One reason for the slight decline was a higher percentage of trading in equities and investment fund shares. These securities are traded much more frequently than bonds and therefore more prone to delays.

In October 2014, VP, along with most other markets for securities settlement in Europe, transitioned from T+3 to T+2 settlement, i.e. from three settlement days to two. This change is to help harmonise markets, thereby strengthening cross-border trading in securities in Europe.

**Read more in the publication 'Oversight of the Financial Infrastructure in Denmark 2015'.**



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