

Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet

Purpose of the Memorandum of Understanding

1. The purpose of this Memorandum of Understanding is to lay down the overall framework for the ongoing cooperation between Danmarks Nationalbank and the Danish Financial Supervisory Authority (Finanstilsynet). The Memorandum of Understanding is not legally binding. It confirms the informal and pragmatic cooperation the Parties have enjoyed for several years. The Memorandum of Understanding is supplemented by sub-memoranda for special areas of cooperation.

Danmarks Nationalbank and Finanstilsynet each carry out central tasks in relation to financial undertakings, markets and infrastructure. It is agreed that the Parties will continue their efficient ongoing cooperation. This Memorandum of Understanding focuses on the following areas:

- transparency in the cooperation
- efficiency improvement through a clear division of tasks based on the division of competences
- easier administration
- exchange of knowledge and information in relevant areas

This Memorandum of Understanding is to be seen as a supplement to the attached Memorandum of Understanding concerning financial supervision between Danmarks Nationalbank, the Danish Ministry of Finance and the Danish Ministry of Business and Growth (Department and Finanstilsynet), cf. section 10 of this Memorandum of Understanding.

The cooperation respects this broader cooperation and its purpose and principles, including the principle of not disregarding the Parties' areas of responsibility and competences as well as duties of confidentiality. This means that Finanstilsynet may only divulge information it becomes aware of through its activities if this information is necessary for Danmarks Nationalbank in its capacity as monetary policy authority or in monitoring payment and securities management systems as well as safeguarding the stability of the financial system, cf. section 354(6)(16) and (18) of the Danish Financial Business Act (*lov om finansiel virksomhed*) and section 84 a(6)(13) of the Danish Securities Trading Act (*lov om værdipapirhandel mv.*). This also means that Danmarks Nationalbank's role as an independent central bank is not affected by this Memorandum of Understanding.

Procedures for cooperation

2. Danmarks Nationalbank and Finanstilsynet engage in regular cooperation at all levels.

3. As a main rule, the Board of Governors of Danmarks Nationalbank and the Executive Management of Finanstilsynet convene once every quarter to discuss matters of common interest, including subjects covered by this Memorandum of Understanding.

4. In addition, regular meetings are held between Danmarks Nationalbank and Finanstilsynet in special working groups, cf. the sub-memoranda on the stability of the financial system, financial statistics and financial infrastructure.

Exchange of knowledge and continued training

5. The Parties will continuously endeavour to contribute to mutually strengthening competences in relevant areas.

Where possible and expedient, emphasis will be placed on offering mutual participation in relevant internal training initiatives and seminars.

Commencement, evaluation and amendments to the Memorandum of Understanding

6. This Memorandum of Understanding replaces the Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet signed on 4 June 2014.

Either Party may, at any time, propose amendments to this Memorandum of Understanding or its sub-memoranda, cf. Annexes 1-4.

Adoption of amendments to this Memorandum of Understanding or its sub-memoranda requires the consent of the other Party.

Finanstilsynet and Danmarks Nationalbank may, at any time, and separately terminate this Memorandum of Understanding in its entirety or terminate a sub-memorandum.

Annex 1: Sub-Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet on the Stability of the Financial System

Annex 2: Sub-Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet on Financial Statistics

Annex 3: Sub-Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet on Financial Infrastructure

Annex 4: Sub-Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet on Reference Rates

Annex 5: Sub-Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet regarding cyber resilience in the financial sector.

Date

Date

On behalf of Danmarks Nationalbank

On behalf of Finanstilsynet

Lars Rohde
(Chairman of the Board of Governors)

Jesper Berg
(Director General)

Appendix 1

Sub-Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet on the Stability of the Financial System

Purpose

1. As an extension of the Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet, the Parties have entered into a Sub-Memorandum on the Stability of the Financial System.

The purpose of the cooperation is to strengthen the ongoing discussions and exchange of views and information between Danmarks Nationalbank and Finanstilsynet on subjects related to the stability of the financial system.

Cooperation

2. The ongoing cooperation on the stability of the financial system is carried out by a Working Group.

As a main rule, this Working Group will meet once every quarter to discuss subjects related to the stability of the financial system, including:

- The situation and developments in the financial sector, including in financial undertakings and groups significant to the stability of the financial system, international trends and policy changes within the area.
- Policy initiatives, market developments, etc. outside the financial area that could have derived consequences for the stability of the financial system.
- The Danish effort related to the stability of the financial system and crisis management, including updating of national contact lists and the need for crisis management exercises.
- Exchange of views on the Parties' ongoing analysis work of significance to financial institutions and the stability of the financial system, including macro stress tests, liquidity analyses, etc. Any public disclosure takes place at the responsibility of the individual institution.
- Discussion of the views of Danmarks Nationalbank and Finanstilsynet in international forums.
- New Memoranda of Understanding and other international agreements on the stability of the financial system and crisis management and updating of existing Memoranda of Understanding and other international agreements.

3. The Working Group is responsible for preparing the meetings held between the Board of Governors of Danmarks Nationalbank and the Executive Management of Finanstilsynet, cf. section 4 of the Memorandum of Understanding. The details of the division of responsibilities are to be agreed between the Parties.

The Working Group coordinates with other working groups appointed under the Memorandum of Understanding, cf. the Sub-Memoranda contained in Annexes 2-4, any subjects to be discussed at the meetings between the Board of Governors of Danmarks Nationalbank and the Executive Management of Finanstilsynet.

4. Danmarks Nationalbank and Finanstilsynet regularly keep each other updated on matters of potential significance to the financial system.

5. Ad hoc sub-groups may be set up as required.

Appendix 2

Sub-Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet on Financial Statistics

Purpose

1. As an extension of the Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet, the Parties have entered into a Sub-Memorandum on Financial Statistics, including exchange of data.

This purpose of this Sub-Memorandum is to coordinate the collection of data, ensure the best possible utilisation of resources and, to the extent possible, ease the burdens on the financial sector.

Cooperation

2. On the basis of the information being gathered by Finanstilsynet and Danmarks Nationalbank from the financial sector, the Parties regularly discuss the possibilities of coordinating statistical tasks and issues pertaining to the ongoing mutual exchange of data.

3. Coordination of the collection of data is effected on the basis of:

- Mapping of points of mutual interest, identification of differences in principles of compilation and assessment of the possibilities of coordinating reporting requirements.
- Assessment of the possibilities of exchanging information between the Parties.
- Assessment of possibilities and perspectives pertaining to coordination of reporting formats and technology.

Statistics Denmark shall be consulted where relevant.

4. Danmarks Nationalbank and Finanstilsynet regularly coordinate Danish views on issues related to financial statistics in relevant international forums.

Annex 3

Sub-Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet on Financial Infrastructure

Purpose

1. This Memorandum of Understanding supplements the Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet. Its purpose is to promote the cooperation between Danmarks Nationalbank and Finanstilsynet so as to contribute to a safe, efficient and stable Danish financial infrastructure.

The Memorandum of Understanding sets out the overall framework for this cooperation, including:

- The legislative framework for Danmarks Nationalbank's oversight of the Danish financial infrastructure and Finanstilsynet's approval and supervision of financial infrastructure companies in Denmark.
- International standards with which the financial infrastructure should comply.
- The structure of the cooperation, including the exchange of information, to ensure that all relevant matters are subject to oversight and supervision in a manner that does not impose unnecessary administrative burdens on financial infrastructure companies.
- Financial infrastructure companies that are subject to the Memorandum of Understanding.

2. The Memorandum of Understanding does not limit the responsibility of financial infrastructure companies to ensure the safe, effective and stable functioning – in accordance with legislation and other relevant provisions, including international standards – of the financial infrastructure companies that are subject to the Memorandum of Understanding.

Definitions

3. Pursuant to section 7(1)(1) of the Danish Securities Trading Act (*lov om værdipapirhandel mv.*), an operator of a regulated market shall mean a limited company operating on a regulated market.

Pursuant to section 7(1)(2) of the Danish Securities Trading Act, a clearing centre shall mean a limited company carrying out securities clearing activities licensed under section 8 of the Danish Securities Trading Act.

Pursuant to section 7(1)(3) of the Danish Securities Trading Act, a central securities depository shall mean a limited company carrying out book-entry activities.

For the purposes of this Memorandum of Understanding, a payment system shall mean the entire set of payment solutions, procedures and IT systems used for the settlement of payments. Registered payment systems are systems that are subject to section 57 a of the Danish Securities Trading Act.

Data centres shall mean undertakings whose most significant activities are IT operations and development tasks for several financial undertakings, and which are primarily owned by undertakings, cf. section 343 q(1) of the Danish Financial Business Act (*lov om finansiel virksomhed*), or carry out significant IT operations for the common payment infrastructure, cf. section 343 q(2) of the Danish Financial Business Act.

For the purposes of this Memorandum of Understanding, financial infrastructure companies shall be a collective term for the operators, clearing centres, central securities depositories, payment systems and data centres specified above.

Legislative framework

4. A well-functioning financial infrastructure is vital to financial stability. Systemically important financial infrastructure companies are characterised by having the potential to trigger financial disruptions or to spread financial problems to the financial system in a broader perspective, thereby threatening financial stability.

5. Pursuant to the Danmarks Nationalbank Act (*lov om Danmarks Nationalbank*), the objects of Danmarks Nationalbank are to maintain a safe and secure currency system and to facilitate and regulate the traffic in money in Denmark. This entails that Danmarks Nationalbank is responsible for contributing to the efficiency and stability of the financial infrastructure. Against this background, Danmarks Nationalbank oversees that the Danish financial infrastructure complies with international standards.

Danmarks Nationalbank shall monitor payment systems which Danmarks Nationalbank considers as having significant importance to the settlement of payments, cf. section 86(2) of the Danish Securities Trading Act. Danmarks Nationalbank shall inform Finanstilsynet of the payment systems that are comprised by oversight by Danmarks Nationalbank. Powers in relation to these systems shall be exercised by Danmarks Nationalbank, cf. section 57 a(7) of the Danish Securities Trading Act.

6. The activities of Finanstilsynet are aimed at maintaining a high degree of safety and stability in the financial markets.

Finanstilsynet shall supervise the activities of e.g. clearing centres, central securities depositories and companies operating multilateral trading facilities, including that their regulations, organisation plans, procedures and control and security measures, including in the area of IT, are adequate and in accordance with the Danish Securities Trading Act, cf. section 86(1) of the Danish Securities Trading Act. Finanstilsynet may also register payment systems and undertake supervision of registered payment systems that are not subject to oversight by Danmarks Nationalbank.

Pursuant to section 86(1) of the Danish Securities Trading Act, Finanstilsynet supervises securities dealers and account-holding institutions and pursuant to the Danish Financial Business Act also supervises the vast majority of undertakings that are participants in payment systems and clearing centres, including supervision relating to the special risks arising from participation in these systems.

Pursuant to sections 343 q and 343 r of the Danish Financial Business Act, Finanstilsynet supervises common data centres and data centres that carry out significant IT operations and development for the common payments infrastructure, including data centres used by market participants in connection with clearing and settlement of payments.

International standards

7. Danmarks Nationalbank's oversight of the financial infrastructure is based on international standards for oversight as set out in:

- Principles for financial market infrastructures, published in April 2012 by the Committee on Payment and Settlement Systems and Technical Committee of the International Organization of Securities Commissions. An accompanying Disclosure framework and Assessment methodology was published in December 2012.

Danmarks Nationalbank and Finanstilsynet may decide to include other relevant international standards in the oversight of the financial infrastructure and the supervision of financial infrastructure companies, respectively.

8. When assessing the financial infrastructure and the infrastructure companies in relation to international standards, special Danish circumstances shall be taken into consideration.

9. To facilitate the compliance of the financial infrastructure and the infrastructure companies with international standards, Danmarks Nationalbank and Finanstilsynet may decide to support the standards with guidelines containing detailed requirements and recommendations.

Cooperation

10. The oversight of the financial infrastructure and supervision of financial infrastructure companies will be planned and coordinated so as to limit the overall burden on the financial infrastructure companies as far as possible.

When implementing large key projects, Danmarks Nationalbank and Finanstilsynet will, if the circumstances are appropriate, work together to solve the tasks and/or provide insight to the other Party. Danmarks Nationalbank and Finanstilsynet will consult with/inform each other to the greatest possible extent when key rulings and decisions are adopted in connection with the oversight of the financial infrastructure or supervision of financial infrastructure companies.

11. As required, Danmarks Nationalbank and Finanstilsynet will coordinate the collection of information on the Danish financial infrastructure that can be applied to the oversight of the financial infrastructure and supervision of financial infrastructure companies.

Danmarks Nationalbank and Finanstilsynet will exchange this information provided that it can be exchanged with due regard for the current provisions on confidentiality, etc.

Working group on financial infrastructure

12. The ongoing cooperation on the financial infrastructure is anchored in the working group on financial infrastructure, which comprises the heads of the divisions of Danmarks Nationalbank and Finanstilsynet that undertake the oversight of the financial infrastructure and supervision of infrastructure companies, respectively.

The working group meets every quarter to discuss issues of significance to the financial infrastructure, including:

- Ongoing or forthcoming supervision and oversight tasks.
- Issues subject to consideration in international forums.

- Adjustments to the framework for settlement of payments, securities transactions, etc., for example amendments to legislation, revision of Memoranda of Understanding, system adjustments.
- General development trends in the market for payments, securities transactions, etc.

Moreover, ad hoc meetings may be held as required.

Financial infrastructure companies subject to the Memorandum of Understanding

13. The following clearing centres, central securities depositories, payment systems and data centres are subject to this Memorandum of Understanding:

- *VP Securities A/S, Weidekampsgade 14, DK-2300 Copenhagen S*
VP Securities A/S is authorised to carry out activities as a clearing centre and central securities depository in accordance with section 8 of the Danish Securities Trading Act. Notice of the system has been given to the European Commission pursuant to section 57 d of the same Act. VP Securities A/S is subject to supervision by Finanstilsynet and oversight by Danmarks Nationalbank.
- *The Intradagclearing and Sumclearing, c/o The Danish Bankers Association, Amaliegade 7, DK-1256 Copenhagen K*
The Intradagclearing and Sumclearing is a registered payment system for settlement of retail payments, cf. section 57 a of the Danish Securities Trading Act. Notice of the system has been given to the European Commission pursuant to section 57 d of the same Act. The system is subject to oversight by Danmarks Nationalbank.
- *Kronos, c/o Danmarks Nationalbank, Havnegade 5, DK-1093 Copenhagen K*
Kronos is Danmarks Nationalbank's payment system for real-time gross settlement of payments between participants. Finanstilsynet has no supervisory powers with regard to Kronos or Danmarks Nationalbank. Therefore, this cooperation only concerns issues relating to supervised participants and data centres that are of significance to the settlement of payments in Kronos.
- *BEC, Bankernes Edb Central, Havsteensvej 4, DK-4000 Roskilde*
BEC carries out significant IT operations and development for Kronos and the systems connecting the Intradagclearing and Sumclearing and VP settlement with Kronos. BEC is subject to IT supervision by Finanstilsynet.
- *Nets A/S, Lautrupbjerg 10, DK-2750 Ballerup*
Nets A/S carries out significant IT operations and development for the Intradagclearing and Sumclearing and is subject to IT supervision by Finanstilsynet.
- *JN Data A/S, Frichsvej 18, DK-8600 Silkeborg*
BEC has outsourced significant IT operations to JN Data A/S. JN Data A/S is subject to IT supervision by Finanstilsynet.

14. Danmarks Nationalbank and Finanstilsynet may decide to include other parts of the Danish financial infrastructure that are of vital importance to the clearing and settlement of payments and financial transactions in the cooperation governed by this Memorandum of Understanding.

In such cases, a supplement to the Memorandum of Understanding will be drawn up stating the systems or parts of the infrastructure that will also be subject to the Memorandum of Understanding. The supplement will be published on Danmarks Nationalbank's and Finanstilsynet's websites.

Annex 4

Sub-Memorandum of Understanding between Danmarks Nationalbank and Finanstilsynet on Reference Rates

Background

1. Finanstilsynet supervises reference rates and reporting banks for such rates. This supervision is to ensure that the framework for fixing of reference rates is adequate, including that reporting banks for reference rates are able to sufficiently account for the conditions upon which the reporting of reference rates is based.

Purpose

2. The purpose of this Memorandum of Understanding is to facilitate ongoing exchange of knowledge and experience between Finanstilsynet and Danmarks Nationalbank, so as to maintain and develop secure and professional knowledge, providing for effective supervision of reference rates and their reporting banks.

Terms and conditions

3. The cooperation will be voluntary, and each Party will decide on the resources to be devoted to the cooperation. Neither Danmarks Nationalbank nor Finanstilsynet shall have an obligation to make statements to the other Party. The cooperation will be effected as required and, in general, will be in the form of physical meetings at Danmarks Nationalbank.

Cooperation

4. Danmarks Nationalbank and Finanstilsynet will seek to keep each other updated on matters relating to the quoting of reference rates. Danmarks Nationalbank and Finanstilsynet may also engage in dialogue on matters dating back in time.