DANMARKS NATIONALBANK

25 SEPTEMBER 2019

MONEY MARKET SURVEY, 2019

Consistent turnover behind new reference rate

Each year, Danmarks Nationalbank conducts a survey of the turnover in the Danish interbank money market. The survey includes unsecured loans, repos and FX swaps.

New reference rate based on unsecured borrowing
Turnover in the interbank money market primarily consists of transactions with a maturity of one day. In the unsecured money market, turnover is mainly overnight transactions, which run from the day the transaction is agreed to the following banking day. The largest segment is overnight borrowing, where banks receive deposits from other banks; and in this segment, turnover has been consistent at around kr. 4-5 billion in recent years. This supports that Finance Denmark has chosen to base its new risk-free refer-

ence rate on overnight borrowing.[1] Reference rates are of great importance for financial markets, where, for example, a large amount of mortgage loans are based on reference rates. The average daily turnover in unsecured loans is 10 billion kr.

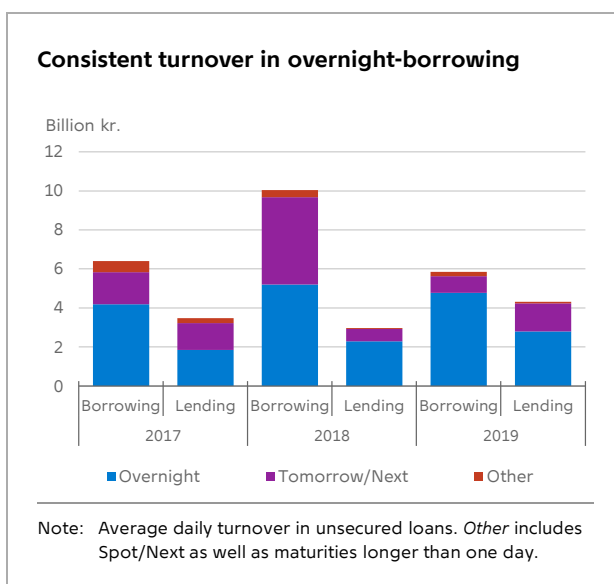**Repo-turnover is driven by "specials"**
The average daily turnover in repo loans, where banks lend to each other using securities as collateral, is more than kr. 21 billion. Turnover has increased since last year. According to the banks, this is due to increased turnover in repos, where a bank lends kroner against receiving a specific paper as collateral, also known as "specials", for example to hedge positions in the bond market.

FX swaps are still the largest market
Money market turnover continues to be dominated by FX swaps with an average daily turnover of around kr. 42.5 billion. Most FX swaps are between Danish kroner and US dollar, while turnover between kroner and euro is significantly lower. The lower turnover against euro is a consequence of the Danish fixed exchange rate policy, which reduces the need for currency hedging in euros compared to dollar.

Detailed data for the annual money market surveys 2012-19 are included in the file with chart data.

CLICK HERE FOR MORE INFORMATION

Consistent turnover in overnight-borrowing

Note: Average daily turnover in unsecured loans. *Other* includes Spot/Next as well as maturities longer than one day.

[1] See Finance Denmark, (*link*).