

# DANMARKS NATIONALBANK

29. SEPTEMBER 2021

## MONEY MARKET SURVEY, 2021

# Foreign banks dominate the Danish money market

Foreign banks are active in the market for borrowing and lending between banks, which is a market with a total daily turnover of kr. 72 billion. More than two thirds of the borrowing and lending of domestic banks<sup>1</sup> in the money market is with foreign banks. This is evident from Danmarks Nationalbank's yearly money market survey, which covers the turnover in deposits and interest rate derivatives among the banks during Q2.

Foreign banks use the money market to procure Danish kroner for clients such as foreign investors buying krone-denominated assets. Foreign banks account for 95 per cent of the turnover in FX swaps, which in turn make up 60 per cent of the turnover in the money market.

Conversely, approximately 80 per cent of the turnover in the repo market is due to domestic banks. The repo market in Danish kroner is primarily used to obtain specific bonds, so-called specials. Consequently, the trading of specials is concentrated among the banks with the highest activity in Danish government and mortgage bonds.

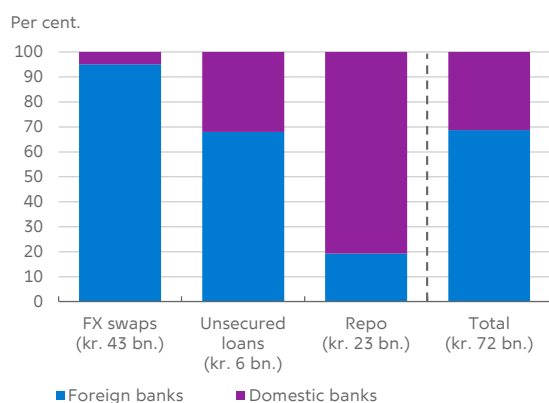
In previous years, the turnover in unsecured loans between the Danish banks has increased. However, the adjustment of the monetary policy instruments<sup>2</sup> has led to less trade between the monetary policy counterparties in short-term unsecured loans, since all their liquidity is now available daily. This means that the turnover has decreased in 2021. The majority of the turnover continues to be in unsecured overnight deposits, which the upcoming reference rate in Danish kroner, DEST<sup>3</sup>R, is based upon.

### The turnover has been normalised

Last year, money market turnover rose due to increased market volatility and scarce liquidity following the covid-19 crisis. During 2021, the turnover has returned to the 2019 levels across all instruments as expected.

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### Foreign banks account for a large share of the money market turnover



Note: The daily turnover in the Danish money market of domestic banks divided by foreign and domestic banks. Figure data can be found [here](#).

<sup>1</sup> Banks physically located Denmark, including Danish branches of foreign banks

<sup>2</sup> See [Technical adjustment of the monetary policy instruments \(link\)](#).

<sup>3</sup> See [DEST<sup>3</sup>R – Review of Underlying Data and Methodology \(link\)](#).