

# MINUTES

## FINANCIAL MARKETS CONTACT GROUP - BUYSIDE

07 May 2026 13.00-15:00 CET

Danmarks Nationalbank, Langelinie Allé 47, 2100 København Ø



### ATTENDEES:

Asgaard AM	TopDanmark
ATP	Tryg
Danmarks Nationalbank	SRV Capital
Danske Bank AM	Velliv
Nykredit AM	
Nordea AM	
Pension Danmark	
PFA	
PKA	
Sampension	

### APOLOGIES:

Danica Pension

### OPENING REMARKS

Chair Henrik Nørby gave introductory remarks, reminding participants of the mandate of the working group as stipulated in the Terms of Reference.

### CIBOR TRANSITION & DESTR

The Working Group on CIBOR Transition (WGCT) has been established as a market-led initiative, supported by Danmarks Nationalbank and the Danish FSA, with the objective of developing recommendations for an orderly transition from CIBOR to a transaction-based reference rate.

Participants broadly agreed on the underlying rationale for transition, noting that CIBOR remains based on bank estimates and has become a less reliable hedge relative to transaction-based benchmarks such as Euribor. At the same time, it was acknowledged that legacy exposures remain significant, particularly in loans and valuation frameworks, which reinforces the complexity of the transition process.

It was noted that DESTR is already well established as the transaction-based anchor, with a robust underlying transaction base and strong alignment with Danmarks Nationalbank's policy rates.

The market infrastructure for trading interest rate swaps (IRS) which reference DESTR had also developed notably, with options to clear via LCH in contracts up to 31 years. Improvements in trading infrastructure had driven turnover higher, with the proportion of new contracts referencing DESTR vastly outweighing those against CIBOR. Some participants noted however that the continued bifurcation of liquidity between CIBOR and DESTR remained an issue and that a fast transition away from CIBOR would be advantageous for liquidity.

Danmarks Nationalbank reiterated that the transition has wide-ranging implications for hedging, valuation, accounting, legal documentation, and operational systems. Early mapping of exposures and active participation in WGCT subgroups and public consultations were therefore highlighted as important for buy-side institutions.

### **KRONE MONEY MARKETS**

Participants discussed the volatility observed in krone money market rates in 2025 and the subsequent improvement in market functioning.

The group reflected on the lessons from last year's volatility episode, and the communication of Danmarks Nationalbank to monetary policy counterparties, including the importance of liquidity distribution, the role of market participants in redistributing reserves, and the need to treat central bank facilities as a normal part of liquidity management.

The concept of "effective liquidity" (i.e. the distribution of reserves across market-making institutions) was highlighted as a key determinant of functioning, with the net position potentially overstating the resources available to active interbank intermediaries.

It was the view of some that if the net position were to return to the lower levels seen last year, similar volatility and dislocations could re-emerge. Participants agreed on the importance of ensuring DKK funding markets operated effectively, particularly in environments of lower liquidity.

In regard to current conditions, Danmarks Nationalbank presented data showing FX swap pricing better anchored to the DN-ECB policy-rate differential this year, both at shorter and longer maturities. One interpretation is that foreign bank demand has reduced, allowing implied kroner funding rates to stay anchored around DN-ECB policy-rate differential this year.

Repo rates however remain higher as a spread to DN's policy rates, while repo volumes have fallen, relative to before the funding stress last year.

One interpretation was that demand has fallen as repo funding has become more expensive. Another is that supply constraints or reduced balance-sheet appetite from banks have pushed up the cost of repo, which may have in turn contributed to lower volumes. Participants noted that elevated repo rates were seen as not purely a domestic phenomenon, highlighting higher rates in euro area repo markets.

Danmarks Nationalbank presented data from its money market statistics showing that mortgage bonds constituted the vast majority of collateral used in repo agreements compared with only a small share for government bonds (DGBs).

It was further showed that domestic funds are active participants in repos against DGBs, but only in medium-to-longer tenors. Other firms and the Kingdom of Denmark's securities lending facility- which is intended to support liquidity- constitute a higher share. Participants indicated that they do not typically hold large DGB repo positions, and that they are largely reactive rather than proactive in initiating such transactions with banks.

Participants finally discussed the implications of the planned move to T+1 settlement, with particular focus on DKK-specific challenges. Participants agreed that T+1 is positive for settlement efficiency, but it may increase short-term funding pressure during the transition. A key concern raised was the earlier payment cut-offs in DKK, which could make the transition more challenging relative to other currencies unless adjustments are made.

## **FX MARKETS**

The discussion on FX markets focused on liquidity conditions, participation, and underlying drivers of EUR/DKK developments. Participants noted that the share of foreign banks in the market remains broadly unchanged, and that overarching dynamics continue to reflect the interaction between corporate demand for kroner and carry-driven incentives to sell DKK due to the negative DN-ECB policy rate spread.

In addition, it was presented that the role of hedging activity from insurance and pension funds, which has recently provided less consistent support for krone demand than in earlier periods.

Views on market liquidity were mixed, with some participants reporting improved liquidity relative to last year, and others pointing to a deterioration, particularly in certain segments or under stressed conditions.

Danmarks Nationalbank presented the conclusions of a recently published staff paper. Danish non-financial corporates were highlighted as the largest recent net buyers of kroner in the FX market. Krone demand reflects net exports, where corporates convert foreign currency revenues into DKK to meet domestic expenses. This results in a structurally stable source of krone demand, closely linked to balance of payments dynamics. Corporate FX activity is therefore largely non-speculative, with firms typically taking the exchange rate as given and managing flows in line with operational needs.

In terms of market impact, corporates' krone purchases are associated with a modest strengthening effect on the exchange rate. The effect tends to be more pronounced in periods of market stress, reinforcing the view that corporates act as a stabilising force in the krone market.

## **FX GLOBAL CODE**

Danmarks Nationalbank reiterated that slow buy-side adoption of the code remains a global challenge. Many large asset managers, pension funds and investment funds are active FX market participants but have not yet formally attested to the Code.

The Nordic Countries FX Committee (NCFXC) will soon begin a targeted buy-side outreach programme. This will involve letters and follow-up meetings with senior management at the buy-side firms most active in the FX market.

DN encouraged those in attendance to use the tools available to ensure their firms are compliant with the code. Doing so would contribute to the integrity, functioning and ensure a level playing field for all participants in the FX market.

## **CLOSING REMARKS**

Chair Henrik Nørby concluded the meeting. It was noted that one yearly meeting with physical attendance would continue to be the norm, complimented by ad hoc meetings if necessary.