

MINUTES

FINANCIAL MARKET CONTACT GROUP - BANKS



27 april 2023

Location: Danmarks Nationalbank, Langelinie Allé 47, 2100 København Ø

ATTENDES:

Arbejdernes Landsbank

Danmarks Nationalbank

Danske Bank

Finanstilsynet

Jyske Bank

Nordea

Nykredit

SEB

Spar Nord Bank

Sydbank

WELCOME AND INTRODUCTION TO THE FINANCIAL MARKET CONTACT GROUP

Chair Kristine Rasmussen welcomed all participants to the first meeting of the Financial Market Contact Group.

Further, chair Kristine Rasmussen made a short presentation of the mandate of the working group as stipulated in the Terms of Reference. Further, it was noted that one yearly meeting with physical attendance was expected complimented by a possible telco in the autumn and ad hoc meetings if necessary. The introduction was followed by a short introduction of all participants.

DESTR

Danmarks Nationalbank gave a short update on the first year of DESTR as well as the work done on preparing the market infrastructure for supporting the DESTR-swap market. The presentation was linked to the analysis from Danmarks Nationalbank published in March 2023 ([link](#)).

There was a unanimous agreement for the continued work on and support of DESTR by Danmarks Nationalbank, as well as for the banks pushing the use of DESTR.

Participants underlined the need for a Danish swap market and recognized the need for consolidating liquidity in the Danish swap market. It was further mentioned that DESTR swaps are still in a buildup phase in terms of liquidity.

The bank business as a whole was also discussed, where CIBOR is used in bank loans to households and businesses. The participants argued that, if a full transition away from CIBOR to DESTR should take place, then pressure from official authorities was needed.

Additionally, participants expressed that it would be beneficial for the transition from CIBOR to DESTR to follow a possible transition from Euribor to €STR.

DKK BOND MARKET

Danmarks Nationalbank gave a short presentation of the primary markets for both governments and mortgage bonds as well as the increased regulation of market makers and the impact on their ability to take on positions.

For both mortgage and government bonds, participants were content with the frequency of auctions. For mortgage bonds, market participants expressed that having multiple auctions daily is valuable in creating a continuous bid-offer. In general, the banks expressed a positive tone regarding the liquidity in the market compared to other markets.

For Danish government bonds, regulatory developments have meant that banks cannot take as many bonds on their own books. Going forward this could be further hampered by the FRTB. The regulation generally favors market makers holding covered bullet bonds over callables.

Market makers' inability to take as many bonds on their own books continues to be a threat to liquidity in the market.

Participants agreed that there can be issues with the ability to use Danish government bonds broadly as collateral.

EUR/DKK

Danmarks Nationalbank presented its new FX and money market statistics.

Participants reported that foreign banks seem to be more active. Competition in the DKK market has increased, and foreign banks market share seems to be increasing. In the FX spot-market, competition has skyrocketed the last years due to electronic trading.

CLOSING REMARKS

The meeting was concluded with suggestions for future topics for FMCG.