

PRICING MODEL IN TARGET DKK: CHARGING ACCOUNT HOLDERS

INTRODUCTION

TARGET DKK is the overall term for the payments infrastructure at Danmarks Nationalbank in Danish kroner.¹ TARGET DKK consists of TARGET Services in Danish kroner and Danmarks Nationalbank's system for collateral management and monetary policy instruments (SPI).

According to Danmarks Nationalbank's practice for cost recovery in relation to the payment infrastructure:

- account holders cover the external costs associated with payment and collateral management systems
- Danmarks Nationalbank covers all internal costs.

In the TARGET DKK context, account holders must therefore cover:

1. The costs for their own use of T2, T2S and TIPS on TARGET Services. These costs are determined by the ECB pricing model described here: [TARGET Services pricing guide, V2.0 \(europa.eu\)](#)
2. Danmarks Nationalbank's external costs for supporting TARGET DKK. The costs relate to the infrastructure at Danmarks Nationalbank that supports the settlement of Danish kroner on TARGET Services, Danmarks Nationalbank's system for collateral management and monetary policy instruments and costs for TARGET Services not covered by item 1.

This memo describes the model to recover the costs in item 2 from the participants.

It applies to both ECB's and Danmarks Nationalbank's pricing model that only direct participants are charged, i.e. co-managees are not charged in either the ECB's or Danmarks Nationalbank's pricing model.

Danmarks Nationalbank's pricing model also exempts ancillary systems.

When the term 'participants' or 'account holders' is used in this memo, it refers to participants with in the above mentioned delimitation.

¹ TARGET DKK replaced Kronos2 with effect from 22 April 2025.

RECOVERING DANMARKS NATIONALBANK'S TARGET DKK COSTS

According to the above, the account holders – limited to direct participants – must generally recover the external costs incurred by Danmarks Nationalbank for the operation, management and further development of the systems and infrastructure that make up TARGET DKK.

However, the system landscape supports not only the business of participants, but also Danmarks Nationalbank's, and most of the external costs cannot be clearly attributed to either the participants' or Danmarks Nationalbank's business. A pragmatic solution has therefore been applied to share the costs.

It is estimated that the system landscape supporting TARGET DKK benefits Danmarks Nationalbank and the participants, respectively, in the ratio 2/3 and 1/3. On this background, it has been decided to share all external costs related to the *operation and management* of TARGET DKK in the same ratio, i.e. 2/3 by Danmarks Nationalbank and 1/3 by the sector.

As for the cost of further development within the system landscape of TARGET DKK, the cost recovery will be considered on a case-by-case basis.

The following describes the model to recover the participants' share of the external TARGET DKK costs among the direct participants.

MODEL FOR COVERING DANMARKS NATIONALBANK'S COSTS

All direct participants are charged a monthly fee, here referred to as *the TARGET DKK fee*. The fee is individual for each participant.

Billing is in arrears, and the fee is debited from the participant's primary MCA account on the 11th banking day of the following month. The participants will receive an invoice per e-mail contemporary with the debiting.

Debiting follows the calendar for opening days in TARGET in euro. If the 11. banking day according to that calendar falls on a closing day in Danish kroner, debiting happens on the next banking day in Danish kroner.

TARGET in euro is open on all weekdays, except:

- 1 January (New Year's Day)
- Good Friday
- Easter Monday
- 1 May (Labour Day)
- 25 December (Christmas Day)
- 26 December

Fees

Fees are fixed for 12 months at a time. The period follows the calendar year, i.e. from January to December. Around 1 February each year, Danmarks Nationalbank announces the fee for the upcoming period, which is charged for the first time on the 11th banking day in February for the month of January.

No adjustments of the amount are made during the 12 months. Any changes in the cost expectations or the income base will be taken into account when calculating the fee for the next year.

At the annual fee calculation, *the charging basis* is calculated, i.e. the total amount to be recovered by participants in the year ahead. In addition, *the distribution key* is recalculated.

The charging basis is composed of:

- The new year's total expected cost incurred by Danmarks Nationalbank that participants must recover (operational and development cost).
- Adjustment to take into account the difference between last year's expected and actual costs.
- Adjustment to take into account the difference between last year's expected and actual revenue.

The distribution key in TARGET DKK² is defined as follows:

- 1 per cent of the total charging basis is distributed equally among all participants in the key.
- The remaining 99 per cent is distributed based on an equal weighting of the institutions' share of the total *number* and total *value* of outgoing RTGS payments in the previous calendar year.
- No participant at group level may pay more than one third of the total amount. If the amount for a group consisting of two or more direct participants exceeds this limit, the payment for the largest of the group participants is reduced.

The distribution key is calculated based on transaction activity in the previous calendar year.

The minimum fee is kr. 1,000 per month.

² The model is similar to the model in Kronos2 with the following exceptions: 1) TARGET DKK uses a narrower transaction concept, as only outgoing RTGS payments are included in the calculation. Kronos2 included all traffic in and out of the current account. 2) In Kronos2, 'very small' participants were excluded from participating in the one per cent coverage distributed equally among everyone regardless of size. These were participants with less than an average of two transactions per week and an average value of less than kr. 2 million. This exception has been removed from TARGET DKK, where none of the 'very small' participants are covered by the key as they are co-managed. 3) The minimum fee was kr. 300 per month in Kronos2 – this has been raised to kr. 1,000 in TARGET DKK.

NEW PARTICIPANTS

Admission payment

A new direct participant is charged a share of the initial development cost as an admission payment, corresponding to the amount charged if the institution had participated as a direct participant since TARGET DKK go-live.³

The new participant must pay a share corresponding to its share in the allocation model used when charging the initial development cost:

- 1 per cent of the total fee basis is distributed equally among all participants in the key.
- The remaining 99 per cent is distributed based on an equal weighting of the institutions' share of the total *number* and total *value* of outgoing RTGS payments in the calculation year.

Upon joining, a new participant has no transaction history, so there is no basis for calculating the final admission payment at that time. A new participant is therefore charged a preliminary amount based on the account holder's own estimated RTGS payment count and value levels. When the participant has a full calendar year of history, Danmarks Nationalbank will calculate the final admission payment and settle the difference with the participant.

The admission payment from the new participant will provide Danmarks Nationalbank with additional income. The amount will be included as a deduction in next year's charging basis to benefit the participants who have recovered the initial development cost.

Monthly fee

A new direct participant pays monthly fees from the first full month of participation. The method for calculating the monthly TARGET DKK fees is described above. For a new participant with no transaction history, a preliminary monthly amount is charged, based on the participant's own estimated RTGS payment count and value levels. The minimum amount is kr. 1,000 per month.

In the first quarter of the year after the participant has joined, Danmarks Nationalbank calculates the participant's share in the distribution key based on actual data. On this basis, the participant's fee is recalculated, and any difference settled retroactively. The minimum amount is still kr. 1,000 per month.

The fee income from the new participant will provide Danmarks Nationalbank with additional income in the first period. The amount will be included as a deduction in next year's charging basis and thus benefit all participants.

³ The amount is price-adjusted when calculating a new account holder's admission payment.

DIRECT PARTICIPANTS WHO CLOSE THEIR ACCOUNTS

A direct participant that closes its account with Danmarks Nationalbank pays its fee up to and including the last full month the account is active. The participant does not get back any of the amount paid to recover Nationalbanken's initial development cost.

PARTICIPANTS WHO MERGE

When two direct participants merge, the continuing institution will be charged the sum of the monthly fees of the two original institutions until the next annual adjustment.

When calculating the allocation key for the next period, the sum of both their RTGS payments is used to calculate the continuing institution's share in the allocation key.