

DANMARKS
NATIONALBANK

**Description of TARGET
DKK in accordance with
international principles**

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Summary

Danmarks Nationalbank is responsible for TARGET DKK, which comprises two components: Settlement of Danish kroner in TARGET Services and the bank's own system for handling collateral and monetary policy instruments, SPI.

TARGET Services is owned by the Eurosystem and comprises several different services, including T2, T2S, TIPS and a number of supporting systems referred to as the Common Components. TARGET DKK is an interbank payment system that settles payments in Danish kroner in real time and therefore plays a central role in the Danish financial infrastructure, which imposes strict requirements on security and efficiency.

TARGET DKK handles transactions totalling more than kr. 830 billion each day, of which interbank payments account for kr. 97 billion, see chart 2. In addition, TARGET DKK is used for the settlement of monetary policy transactions and net positions from connected payment and settlement systems.

The following disclosure report provides a detailed description of TARGET DKK's adherence to the international principles for financial market infrastructures formulated by the Committee on Payments and Market Infrastructures in cooperation with the International Organization of Securities Commissions (collectively known as CPMI-IOSCO).

The description is structured as prescribed in the guidelines prepared by CPMI-IOSCO and begins with a summary of significant changes since the last update. This is followed by a general description of TARGET DKK. Finally, the individual principles are reviewed, with descriptions of how each requirement that is relevant to TARGET DKK is fulfilled.

Summary of significant changes since the last update

Since the last update of the description of Kronos2 in July 2021, and in particular with the transition to TARGET Services, several significant changes have been introduced to Danmarks Nationalbank's payment and settlement system:

- Cash settlement of securities transactions has been gradually phased out ahead of the connection to TARGET Services. This has reduced the integrations and dependencies between Danmarks Nationalbank and VP Securities.
- Settlement in Danish kroner was connected to the European payment platform T2 and the Instant payments platform TIPS at Easter, 2025.
- The transition to TARGET Services means that the settlement of participants' payments (T2 and TIPS) and securities transactions (T2S) in Danish kroner has been brought together on a single platform. With

the transition to TARGET DKK, Straksclearingen was also discontinued, and all Instant payments are now settled via TIPS.

- The monetary policy day has been moved so that it now opens at 19.00 and closes the following day at 17.00, whereas under Kronos2 it ran from 17.30 to 16.45.
- The connection to TARGET Services also means that SPI, Danmarks Nationalbank's system for handling collateral and monetary policy instruments, is new.
- The pricing model has also changed since Kronos2: the basis of allocation for TARGET DKK is now based solely on RTGS payments for direct participants, and not on all movements on current accounts, and the minimum monthly fee has been changed from kr. 300 to kr. 1,000.

General background description of TARGET DKK

Description of TARGET DKK

TARGET DKK is a collective term for the Danish payment and settlement infrastructure, which consists of two main components: TARGET Services, which is the ECB's system, and Danmarks Nationalbank's own system for handling collateral and monetary policy instruments, SPI. TARGET Services handles all settlement of payments and securities transactions in Danish kroner, while SPI supports those parts of the payment infrastructure that are not handled in TARGET Services – including traditional collateral and monetary policy instruments.

The majority of banks and mortgage credit institutions in Denmark have accounts with Danmarks Nationalbank, and the bank therefore functions as the bank for payments in Danish kroner on behalf of Danish banks. In addition to banks and mortgage credit institutions, a number of payment and settlement systems and clearing houses also have accounts with Danmarks Nationalbank. These participants are defined as Danmarks Nationalbank's monetary policy counterparties.

All payments in Danish kroner that involve more than one bank pass through TARGET DKK, either as an interbank payment or via a payment or settlement system. TARGET DKK therefore plays a central role in the Danish payments infrastructure. TARGET DKK is also used for monetary policy transactions as part of Danmarks Nationalbank's implementation of monetary policy. In this disclosure framework, TARGET DKK is described primarily as a payment and settlement system.

TARGET Services

All settlement in Danish kroner takes place in TARGET Services, which is the European platform for payments and securities settlement. TARGET

Services is operated and managed by the Eurosystem (ECB/4CB) and consists of three services:

- T2, which comprises both a payment system, RTGS, and a liquidity management system, CLM
- T2S, which is the securities settlement system
- TIPS, which is used for Instant payments.

In addition to these three services, there are several common modules (Common Components) that handle all functions spanning the three services above, including master data administration, invoicing, a data warehouse and an emergency system, in the event of an outage in T2, called ECONS II.

T2 CLM (Central Liquidity Management) handles the overall liquidity management for participants and provides them with a comprehensive overview of their liquidity across all TARGET Services, including any credit line.

T2 RTGS (Real-Time Gross Settlement) handles the large or time-critical interbank payments for participants, customer payments and settlements, including the settlement of retail payments.

T2S (TARGET2-Securities) processes securities transactions for participants. Danish participants have settled in T2S since 2016 in euro and since 2018 in Danish kroner.

TIPS (TARGET Instant Payment Settlement) handles Instant payments for participants.

Account structure

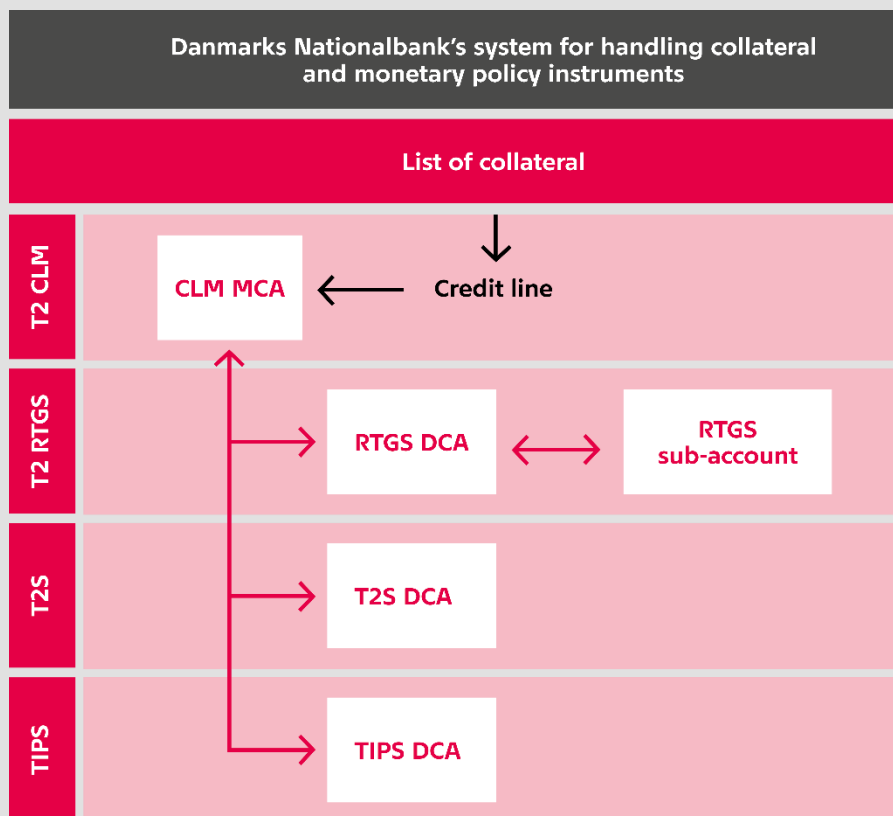
In TARGET Services, participants manage their liquidity through their Main Cash Account, MCA. The balance on the main account is affected by deposit and lending transactions, foreign exchange transactions, securities transactions and the settlement of retail payments, for example. The participants must continuously ensure that they have sufficient liquidity to complete their payments and deal with how the liquidity is disposed of during the day. In connection with the main account, there are a number of accounts with special purposes. The account structure in TARGET Services consists of three account types:

- MCA, Main Cash Account in T2 CLM
- DCA, Dedicated Cash Accounts in T2 RTGS, T2S and TIPS
- RTGS sub-accounts

It is possible to create multiple MCAs in T2 CLM as well as multiple DCAs in T2, T2S and TIPS. The account structure is illustrated in chart 1.

Chart 1

Account structure in TARGET Services and credit line



Main Cash Account, MCA

The Main Cash Account, MCA, is the central account for the participants' liquidity management. Participants can use intraday credit via a credit line on the MCA. In principle, a participant can have several MCAs, but only one of them can have a credit line linked. A credit line is the participant's drawing right in TARGET Services and is calculated on the basis of pledged collateral and any use of monetary policy instruments. Credit lines are administered from SPI. When the participant provides collateral, the lending value of the collateral is automatically transferred to the participant's MCA in TARGET Services via a credit line. The available liquidity on an MCA is the sum of the liquidity in the account and any credit line.

Dedicated Cash Accounts, DCA

Participants can create one or more DCAs in TARGET Services:

- *RTGS DCA* is used for large and time-critical payments (interbank and customer payments). An RTGS DCA is linked to the participant's MCA so that, for example, rules can be set up for automatic liquidity transfers. For the settlement of batch clearings, a sub-account is created that is associated with the RTGS DCA. Any amounts remaining on sub-accounts after settlement are returned to the RTGS DCA.
- *T2S DCA* is used for settlement of the cash leg of a securities transaction and for settlement of corporate action payments. If there are insufficient funds on the T2S DCA, T2S auto-collateralisation (automatic collateralisation) can be used. This is an intraday credit facility that must be repaid within the same monetary policy day as the intraday loan is granted. If the T2S DCA is not covered, the bonds that were pledged as collateral for T2S auto-collateralisation are retained. Danmarks Nationalbank releases the collateral after repayment of the loan.
- *TIPS DCA* is used for Instant payments. TIPS is the only service in TARGET Services that is open to participants 24/7/365.

It is not possible to have a negative balance in a DCA. If a participant wishes to have more liquidity on its DCA, liquidity can be transferred from its MCA or from a DCA in one of the other services.

A participant may have liquidity held on RTGS DCA, T2S DCA and TIPS DCA accounts at the close and at the opening of the monetary policy day.

SPI

TARGET Services does not support traditional collateral arrangements or the Danish monetary policy instruments. These elements are supported by Danmarks Nationalbank's own system for collateral and monetary policy instruments, known as SPI. SPI is based on Danmarks Nationalbank's internal portfolio management system, Calypso.

Participation in TARGET DKK

Danmarks Nationalbank offers direct participation and co-management in TARGET DKK.

A direct participant has access to TARGET DKK and manages its own accounts. The participant has access to all of the functionalities offered by the systems. Direct participation can be combined with indirect participation in settlements; for example, a direct participant may be indirect in

Instant payments in TIPS and in securities settlement in T2S via another direct participant's DCAs. A direct participant can interact with TARGET Services via Application-to-Application, A2A, and/or by logging into a graphical user interface, GUI, through a browser. A direct participant accesses TARGET Services through the Eurosystem Single Market Infrastructure Gateway, ESMIG. Connection to ESMIG is obtained by using one of the two Network Service Providers, NSPs, SWIFT or NEXI.

Co-management is a new form of participation in Denmark aimed at smaller banks with an account at Danmarks Nationalbank. A co-managee typically has only one MCA for holding liquidity. A co-management relationship consists of a co-managee and a co-manager. The co-managee does not have access to TARGET Services via ESMIG and leaves it to a co-manager, typically a larger bank, to administer its MCA. Only banks in group 3 or 4 in the Danish Financial Supervisory Authority's classification of banks by working capital, and which do not participate with an NSP, may opt for co-management. The co-manager executes all instructions on behalf of the co-managee in CLM and is responsible for contact with Danmarks Nationalbank. The co-manager manages transactions and administration via SPI for both itself and its co-managees.

In addition, banks may enter into bilateral agreements on the use of accounts with each other, which are categorised as indirect participation. The indirect participant has no access to the systems and does not act as a monetary policy counterparty to Danmarks Nationalbank.

Payment instructions

Interbank payments are payments between two financial institutions in the interbank market, where payments are settled individually and immediately. If both banks are participants in TARGET DKK, the payment can be settled via their RTGS DCAs at Danmarks Nationalbank. If a bank does not participate in TARGET DKK, payments can be settled via a correspondent bank that is a participant in TARGET DKK. Participants in TARGET DKK can also settle payments on behalf of their customers, so-called customer payments.

Payment instructions are executed immediately unless the participant has submitted the payment instruction with a later value date. Payments can be submitted for settlement as a warehoused payment up to 10 calendar days in advance in T2 RTGS. It is also possible for participants to submit standing orders or rule-based payment instructions, which are registered with an execution time linked to a specific time or event in TARGET DKK, for example the start of a settlement run.

Queue function

In T2 RTGS, a queue function is available under which payments are placed in a queue if a participant does not have sufficient liquidity to

settle payments at the desired time. The participant thus avoids that the system rejects a payment and having to place another payment instruction in the system when there is sufficient liquidity for the payment. Payments in the queue are removed at the end of the monetary policy day. Different types of transfers can also be assigned the priorities normal, high and urgent. RTGS attempts to settle payments with the highest priority first, thereby prioritising the participant's liquidity for the most important payments. There is also one queue per priority, i.e. three queues in total.

However, liquidity transfers are rejected if there is insufficient liquidity. For standing and rule-based liquidity transfer orders, only the amount corresponding to the available liquidity is processed. No further settlement attempts are made.

Settlement in TARGET DKK

Danmarks Nationalbank acts as the settlement bank for payments in Danish kroner in the Danish payments infrastructure. A participant can have settlement accounts set up, on which it can reserve amounts for individual settlements. The settlement account is locked during settlement so that participants do not have access to the balance. Balances may be positive or zero, and any balances are transferred to overlying accounts after settlement. The account structure ensures that Danmarks Nationalbank can guarantee the reserved amounts during settlement. There are different types of settlement, including:

- Sum clearing and Intraday clearing are Finance Denmark's systems for the clearing and settlement of Danish retail payments – for example Dankort transactions, Betalingsservice and account-to-account transfers – and are operated by Mastercard Payment Services, MPS. Sum clearing and Intraday clearing are multilateral net settlement systems, in which settlement of batch clearings takes place on the participants' RTGS sub-accounts. As the settlement system, MPS has access to transfer liquidity from a participant's RTGS DCA to the participant's sub-account prior to settlement. However, it is the participant's responsibility to ensure that there is sufficient liquidity in its RTGS DCA to avoid clearing failing due to insufficient liquidity prior to settlement. Once settlement has been completed, the amount on the RTGS sub-account is transferred back to the RTGS DCA. At the end of the monetary policy day, the balance on the settlement account must be zero. Sum clearing takes place at 01.30 and at 06.00 on the first banking day following a bank holiday. Intraday clearing takes place at 01.30, 9.00, 12.00 and 14.00.
- VP settlements in Danish kroner via Danmarks Nationalbank at VP Securities are settled without liquidity. This means that there are no separate settlement accounts (sub-accounts) in TARGET Services for VP

settlement. Cash settlement in Danish kroner and euro via VP Securities therefore takes place exclusively in T2S, where Danmarks Nationalbank makes settlement accounts available to participants in the form of DCAs for krone settlement. T2S settlement primarily takes place at night (Night-Time Settlement cycles), which begin at 20.00. T2S settlement is open from 20.00 to 18.00 on the following day, with DvP (Delivery versus Payment) settlement possible until 16.00 and FoP (Free of Payment) settlement possible until 18.00. Participants can transfer liquidity to their T2S DCA from 20.00 until 16.45 on the following day.

- CLS is a multilateral clearing and settlement system for foreign exchange transactions in 18 currencies at present, including Danish kroner. The settlement of CLS trades takes place in T2 RTGS via interbank payments (referred to as pacs.009) between the RTGS DCAs of the participants and CLS. CLS participants can decide whether to set up a separate RTGS DCA for CLS payments or to use their primary RTGS DCA. CLS payments are categorised as critical payments due to their volume and the interdependencies that arise when netting foreign exchange trades between 18 currencies. Insufficient liquidity for the settlement of CLS payments in Danish kroner may delay the settlement of foreign exchange transactions in other currencies. CLS payments are settled from 07.00 to 12.00.
- Scandinavian Cash Pool, SCP, is a system for the provision of cross-border collateral for intraday credit in Danish and Norwegian kroner and Swedish kronor. The main principle of SCP is that liquidity raised from the central bank of one country can be provided as collateral to the central bank of another country. SCP can be used from 07.00 and must be repaid by 15.00.
- Monetary policy instruments are also handled in SPI, while cash deposits are processed in TARGET Services.

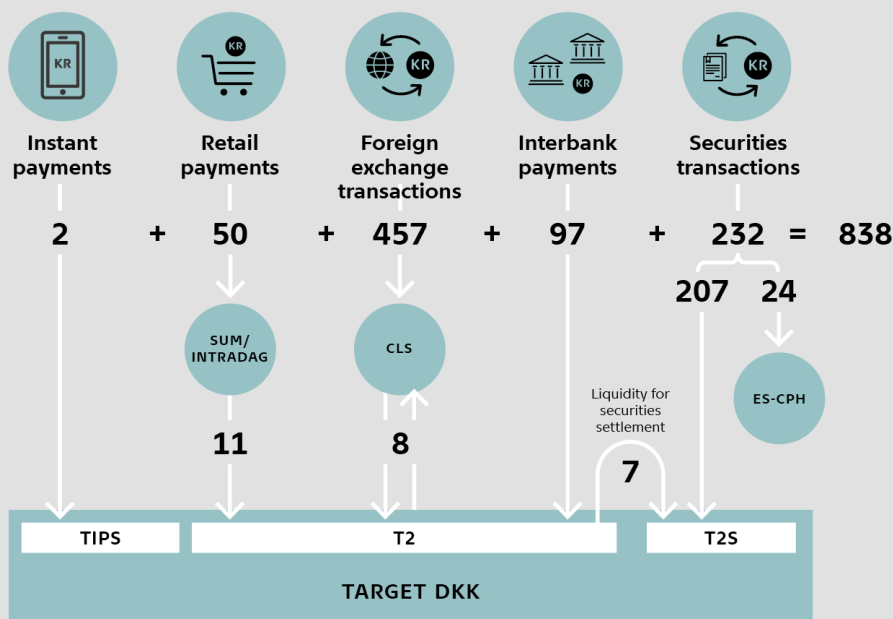
Large systemically important payments in Denmark are settled via TARGET DKK. In 2025, total payment flows averaged kr. 838 billion per banking day, see chart 2. Of this amount, Instant payments in TIPS accounted for kr. 2 billion and retail payments settled in the Sum and Intraday clearing for kr. 50 billion, while foreign exchange transactions settled through CLS accounted for kr. 457 billion. Interbank payments amounted to kr. 97 billion, and securities transactions via T2S totalled kr. 232 billion, of which kr. 24 billion was settled FoP (Free of Payment) through VP Securities (ES-CPH), while the remaining kr. 207 billion was settled via T2S.¹

¹ The calculation of payment flows for 2025 comprises payments both before and after the connection to TARGET DKK. Payments from the period before TARGET DKK have been converted to reflect how payment flows appear in the infrastructure after the connection.

Taken together, the payment flows illustrate the central role that TARGET DKK plays in the financial infrastructure. There are no upper or lower limits on the size of individual payments in TARGET DKK.

Chart 2

Daily payment flows in kr. billion, average per banking day in 2025

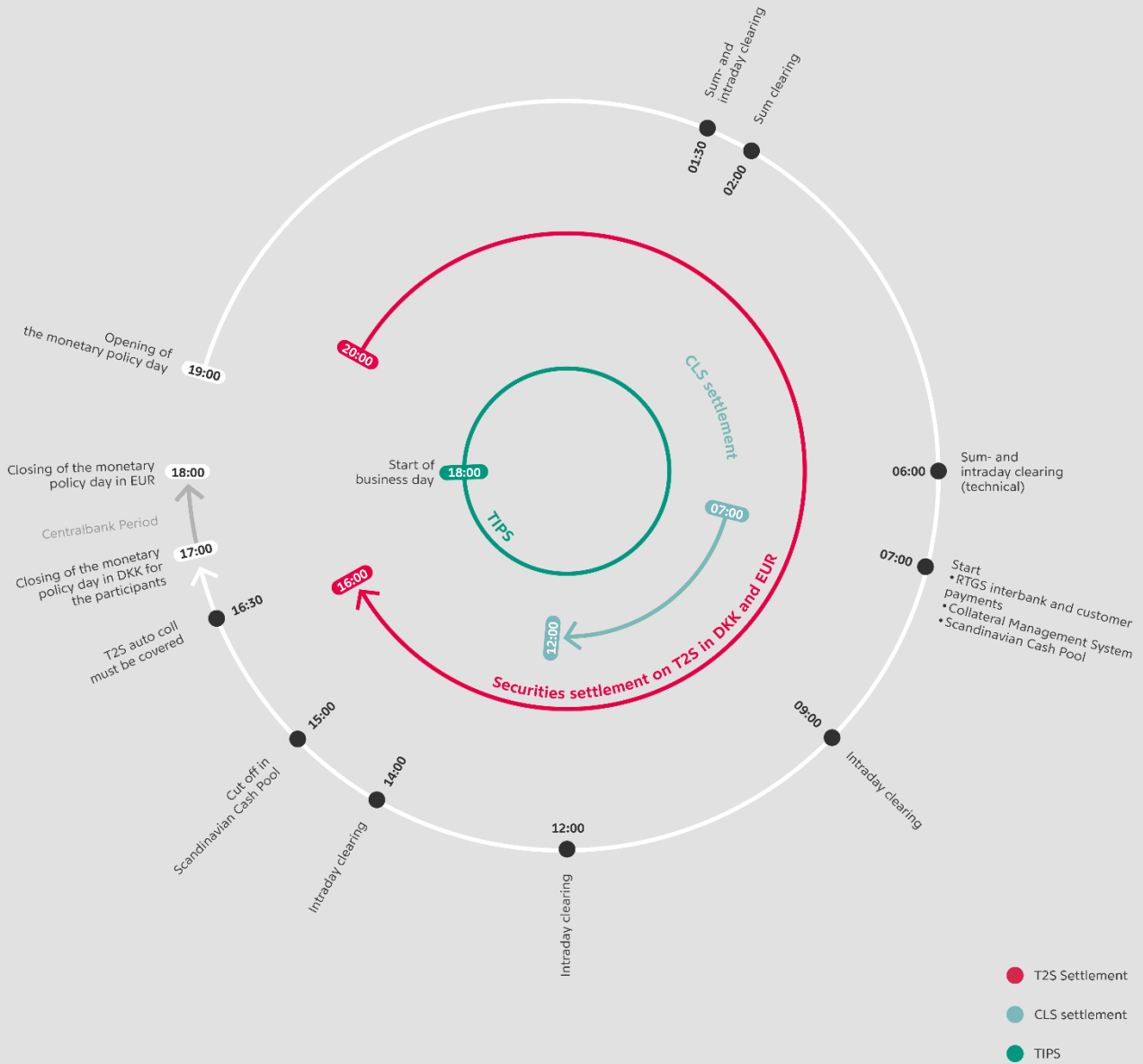


The monetary policy day

Settlement of the payment and settlement systems takes place in TARGET DKK at fixed times during the monetary policy day, see chart 3 for a simplified representation of the monetary policy day.

Chart 3

The monetary policy day



A new monetary policy day in Danish kroner opens at 19.00 and closes for participants at 17.00 on the following calendar day. At 07.00, RTGS interbank and customer payments open, as do the Collateral Management

System, CMS (placement and withdrawing collateral for use in credit), and the Scandinavian Cash Pool. When the monetary policy day in Danish kroner closes for participants at 17.00, participants must ensure that they have a positive current account balance. From 17.00 to 18.00, the so-called central bank window is open, during which only Danmarks Nationalbank may operate, until the monetary policy day closes for all participants in both DKK and EUR at 18.00.

Collateral and monetary policy loans

Collateral is the basis on which Danmarks Nationalbank can offer participants credit facilities in the form of intraday credit and monetary policy loans. The bank accepts traditional collateral, certificates of deposit and the pledging of Swedish or Norwegian kroner under the Scandinavian Cash Pool. Only traditional collateral can be used as collateral for monetary policy loans.

Traditional collateral

Traditional collateral is used prior to taking out monetary policy loans or requesting intraday credit. In SPI, the facility operates by participants requesting the transfer of securities to (or from) a custodial account with VP Securities that has been pledged to Danmarks Nationalbank. The bank's system then sends matched instructions to VP Securities regarding the deposit (or withdrawal) of securities, both on its own behalf and on behalf of the participants. The collateral value of the securities is calculated on the basis of its market value less a market price haircut. The haircut depends on the liquidity and remaining maturity of the securities. If no market price is available based on the previous day's trades, a synthetic price is used and an additional haircut of 5 per cent is applied. If euro-denominated securities are provided as collateral for credit in Danish kroner, a currency haircut of 3 per cent is also applied.

The collateral basis is limited to securities for which the underlying legislation ensures high credit quality.² Eligibility criteria and valuation are handled automatically in the CMS module, which is part of Danmarks Nationalbank's portfolio management system. An overview of all eligible assets for credit in Danish kroner is provided in the *List of Eligible Assets*, LEA, which is available on Danmarks Nationalbank's website and updated weekly. The LEA is also made available daily to participants in SPI.

Monetary policy lending

If a participant needs liquidity, they may take out a monetary policy loan from Danmarks Nationalbank. These loans typically have a term of seven days, with the participant taking out the loan on the last business day of the week (typically a Friday) and repaying it in the following week. The

² [Collateral and eligible assets](#)

monetary policy loans are issued in series, meaning that they have a fixed start date, fixed maturity date and fixed interest rate. At the end of a series, it is settled, after which Danmarks Nationalbank opens for trading in the next series. The counterparties themselves choose the loan amount, while Danmarks Nationalbank sets the lending rate.

Certificates of deposit

Participants may place liquidity in certificates of deposit on the last banking day of the week. Certificates of deposit are zero-coupon securities and bear interest at the certificate of deposit rate. The certificates of deposit have a maturity up to the next ordinary open market operation (typically seven days). The collateral value of certificates of deposit can be used as collateral for the participant's intraday credit.

Scandinavian Cash Pool, SCP

The Scandinavian Cash Pool, SCP, is a cooperation between the central banks of Denmark, Norway and Sweden that enables the provision of intraday credit across borders, secured by balances in accounts with the partner countries' central banks. Participants in TARGET Services can provide liquidity as collateral and obtain credit in another country's payment system, and vice versa. The collateral basis is calculated at central-bank-set exchange rates, less haircuts. The collateral is accepted intraday and affects the participant's credit line in TARGET Services.

Participants must cover intraday credit raised as a result of pledged liquidity under the SCP by 15.00. Once the credit is covered, Danmarks Nationalbank releases the pledged liquidity. If a participant wishes to have the pledge released before this time, the participant must complete the relevant form as described in the terms and conditions for accounts.

T2S auto-collateralisation

Participants in TARGET2-Securities, T2S, can obtain intraday loans via automatic collateralisation. Intraday loans are used for securities purchases or payments on T2S and are automatically granted against collateral in traded or held securities that are eligible as collateral under Danmarks Nationalbank's regulations. It is the participant's responsibility to ensure sufficient liquidity on the T2S DCA so that the loan is covered no later than 16.30.

Prices

All direct participants pay a monthly advance payment, referred to as the TARGET DKK fee, which covers TARGET Services in Danish kroner as well as Danmarks Nationalbank's system for collateral and monetary policy instruments, SPI. Only direct participants are charged under the pricing model of the ECB and Danmarks Nationalbank.

Danmarks Nationalbank covers internal costs, while external costs for operation, management and development are shared with the sector in the ratio two-thirds to Danmarks Nationalbank and one-third to the participants. The fee is calculated annually on the basis of expected costs, adjustments for deviations from the previous year and income adjustments. In addition to one-third of the external costs, Danmarks Nationalbank calculates an allocation key³ each year on the basis of transaction activity in the previous calendar year, and the resulting amounts are debited from the participants' MCA accounts on the 11th banking day.

New participants

New participants pay a share of the original development cost, allocated as originally: 1 per cent is shared equally, while 99 per cent is allocated according to the number and value of RTGS payments. As new participants have no history, a provisional estimate is paid, which is adjusted after one year. The entry payment is deducted from the following year's charge for the benefit of the original participants.

Fees

Danmarks Nationalbank may charge fees to participants with an intraday overdraft and when returning error payments to the bank:

- The intraday overdraft fee is kr. 50,000 for overdrafts existing at 17.00 and a further kr. 50,000 if the overdraft persists at 17.15. In the event of repeated delays in providing sufficient funds for intraday loans, Danmarks Nationalbank reserves the right to terminate the loan facility without notice.
- The fee for returning error payments is kr. 500. Error payments are payments that have been sent from a participant to Danmarks Nationalbank by mistake.

³ Basis of allocation:

- 1 per cent is distributed equally among all participants.
- 99 per cent is distributed on the basis of an equal weighting of the number and value of outgoing RTGS payments.
- 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.

However, the minimum fee is kr. 1,000 per month.

Principle 1 – Legal basis

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

KC 1: Legal basis

The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.

- The legal basis for TARGET DKK comprises:
- Currency Participation Agreements
- Danmarks Nationalbank's terms and conditions for accounts
- The Act on Danmarks Nationalbank of 1936
- Other relevant Danish legislation⁴

Currency Participation Agreements

Currency Participation Agreements (CPAs) are agreements concluded between the Eurosystem and Danmarks Nationalbank on participation in TARGET Services in Danish kroner. Danmarks Nationalbank has entered into three CPAs: T2 CPA, T2S CPA and TIPS CPA. The CPAs set out Danmarks Nationalbank's obligations and rights vis-à-vis the Eurosystem, and they are a precondition for Danmarks Nationalbank's participation in TARGET Services with Danish kroner.

Danmarks Nationalbank's terms and conditions for accounts

The contractual basis for the participants in TARGET DKK is laid down in Danmarks Nationalbank's terms and conditions for accounts: "TARGET DKK – Settlement of payments in Danish kroner and monetary policy instruments at Danmarks Nationalbank". Danmarks Nationalbank's terms and conditions for accounts set out the bank's obligations and rights vis-à-vis the participants in TARGET DKK.

⁴ All laws etc. passed by the Danish Parliament are publicly accessible at retsinformation.dk (in Danish). In addition, the most important legislation for the financial sector is available in English on the Danish Financial Supervisory Authority's website, www.finstilsynet.dk.

Principle of freedom of contract

The general principle of freedom of contract in Danish law means that agreements between two or more parties enjoy extensive protection. Danmarks Nationalbank is what is known as a special administrative entity, and the terms and conditions for accounts for TARGET DKK constitute a general administrative act issued within the Danmarks Nationalbank's mandate as a central bank. This means that Danmarks Nationalbank's terms and conditions for accounts for TARGET DKK are not subject to negotiation (unlike traditional contracts). But when preparing the terms and conditions for accounts, Danmarks Nationalbank must observe a number of public administrative rules and basic principles.

The Act on Danmarks Nationalbank

Section 1 of the Act on Denmark Nationalbank of 1936 states that Danmarks Nationalbank must "maintain a safe and secure currency system in this country and facilitate and regulate the traffic in money and the extension of credit". This provision constitutes the legal basis for the bank's operation of TARGET DKK.

Other relevant Danish legislation

Rules in Danish legislation that are relevant to TARGET DKK are set out in Danish property law (freedom of contract) and in the Danish Capital Markets Act, which implements Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 (the Finality Directive) and Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 (the Collateral Directive). These rules address the issue of finality of payment and access to realisation of collateral. Relevant rules are described below.

Electronic payment rules

Payments via electronic transfer methods are recognised as legally valid, and electronic entries are recognised by the Danish courts as sufficient documentation.

Finality rules

TARGET DKK is registered as a designated payment system with the European Securities and Markets Authority, ESMA, in accordance with the rules of the Finality Directive, which have been implemented in the Danish Capital Markets Act. The Finality Directive generally focuses on two issues: the finality of settlement in payment and settlement systems, and the option to satisfy claims by realising collateral, irrespective of a participant's possible insolvency.

In accordance with section 166 of the Danish Capital Markets Act, the terms and conditions for accounts set out the following:

- when a transfer order is deemed to have been entered into the system, and
- the time when a transfer order entered into the system can no longer be revoked by a participant or a third party.

According to Danmarks Nationalbank's terms and conditions for accounts, a transaction in TARGET DKK is deemed completed when it has been registered in the relevant account. A transaction between two or more participants in TARGET DKK is deemed complete when it has been registered in all accounts in TARGET DKK affected by the transaction.

Accordingly, all payments in TARGET DKK are final and irrevocable, even in the event of the bankruptcy or resolution/restructuring of a participant, once the amount has been debited from or credited to the account.

Netting rules

Multilateral netting is recognised in Danish law, also if a participant in a payment system goes bankrupt or is subject to resolution/restructuring proceedings; cf. section 163 of the Danish Capital Markets Act. As a rule, TARGET DKK settles payments via RTGS accounts, under which all payments are settled individually and immediately following a payment instruction, unless the participant has submitted the payment with a later value date. However, recognition of netting is important in order for the settlement process in TARGET DKK to run smoothly overall, as several multilateral netting systems settle through TARGET DKK.

Rules on the provision of collateral and enforcement of collateral

TARGET DKK participants may use various forms of collateral for intraday credit in Danish kroner: Traditional pledging of collateral, certificates of deposit as set out in sections 181(3) and 182(2) of the Danish Capital Markets Act, and Scandinavian Cash Pool as described in further detail in Principle 5. As a general rule, under Danish law the extent of the pledge is determined by the agreement between the pledgor and the pledgee. According to the 'Deed of Pledge for Credit Facilities in Danish Kroner at Danmarks Nationalbank', a pledge to the bank includes repayments and interest on pledged securities falling due before the time of realisation. Repayments and interest are credited to yield accounts pledged to the bank as collateral for any debt owed to it by the participant at that time or in the future.

Collateral in the form of securities or account balances may be realised at once if a prior agreement to this effect has been concluded; see section 168 of the Danish Capital Markets Act. Such an agreement has been concluded between Danmarks Nationalbank and the individual account holder in the signed Deeds of Pledge. It follows from the 'Deed of Pledge for Credit Facilities in Danish Kroner at Danmarks Nationalbank' that if

the bank wants to satisfy its claims in the securities registered in the account, it is entitled to realise the assets in the manner it chooses without prior legal proceedings and without notice. Furthermore, Danmarks Nationalbank is entitled to take over ownership of the securities so pledged. In the case of collateral in the form of account balances, the security is realised by way of set-off.

The provision of collateral for credit in TARGET DKK cannot be rendered null and void pursuant to sections 70(1) or 72(2) of the Danish Insolvency Act.⁵ This follows from section 167 of the Danish Capital Markets Act, whereby collateral provided to securities settlement systems, registered payment systems, interoperable systems, Danmarks Nationalbank or participants in such systems cannot be declared null and void (unless the collateral has not been provided without undue delay or it does not appear to be ordinary).

The bank also has the right to perform close-out netting in accordance with Danmarks Nationalbank's terms and conditions for accounts and section 206 of the Danish Capital Markets Act if a TARGET DKK participant fails to fulfil its obligations or becomes subject to bankruptcy proceedings.

KC 2: Clear rules consistent with relevant regulations

An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.

The contractual framework between Danmarks Nationalbank and the participants in TARGET DKK consists of the documentation governing the settlement of payments in Danish kroner, which forms part of Danmarks Nationalbank's terms and conditions for accounts. The terms and conditions for accounts regulate all matters between the participants and Danmarks Nationalbank in connection with the settlement of payments in Danish kroner at the bank. When a participant signs the "Connection to TARGET DKK" form, the participant accepts the terms and conditions for accounts.

Participation in TARGET DKK

All participants must accept Danmarks Nationalbank's terms and conditions for accounts and thereby accept that TARGET DKK is governed by Danish law, which has implemented the provisions of the Settlement Finality Directive. Foreign participants are subject to Danmarks Nationalbank's terms and conditions for accounts in the same way as Danish participants. Foreign participants must submit a legal opinion regarding the participant's legal capacity and country-specific conditions if so required

⁵ However, it is a condition that the collateral is provided without undue delay after the lack of collateral has arisen, and the collateral must be provided in accordance with normal procedures. TARGET DKK fulfils these conditions.

by Danmarks Nationalbank. Foreign participants domiciled in the EU are subject to the Settlement Finality Directive.

Exclusion of participants

Danmarks Nationalbank is entitled at any time to terminate a participant's participation, in whole or in part, in TARGET DKK on three months' notice and to demand that any outstanding balance be settled before the expiry of the notice period. If the outstanding balance is not settled, Danmarks Nationalbank shall be entitled to enforce the collateral provided by the participant without notice. Upon termination of the participant's access to the monetary policy instruments, Danmarks Nationalbank shall be entitled to redeem the participant's certificates of deposit early at the current price at the end of the notice period. Danmarks Nationalbank's terms and conditions for accounts also contain rules on suspension and termination without notice in the event of an event of default by the participant. For example, Danmarks Nationalbank may terminate a participant's participation immediately and without notice upon initiation of insolvency proceedings.

Dealing with failing participants according to the BRRD

The new EU framework for the recovery and resolution of credit institutions, the BRRD, has introduced common rules for dealing with failing banks and mortgage credit institutions in the EU. The BRRD has been implemented into Danish law, partly via amendments to the Danish Financial Business Act and the Danish Financial Stability Act, partly via a new act on the restructuring and resolution of certain financial businesses. First, the framework includes a number of recovery tools to prevent emerging difficulties at an institution from escalating into a crisis. Second, it lays down a framework for dealing with an institution if the recovery measures prove to be insufficient so that the institution is no longer viable. In such case, the institution is regarded as likely to fail or failing and must be resolved or restructured, unless a private sector solution is found. If, subject to a number of conditions being met, an institution becomes subject to resolution/restructuring, Finansiell Stabilitet as the resolution authority assumes control of the institution with a view to ensuring continuation of the institution's critical functions. Resolution/restructuring entails continuation of the institution, meaning that it also continues as a TARGET DKK participant. An institution subject to control must still meet the requirements for participation in TARGET DKK. The option for Finansiell Stabilitet to suspend the payment and delivery obligations of the failing institution does not apply to the institution's obligations towards Danmarks Nationalbank and the payment systems⁶. From the time when Finansiell Stabilitet decides to assume control of an institution, Danmarks Nationalbank must abide by the decisions made by Finansiell Stabilitet. The institution's existing signature rules and powers of attorney remain in

⁶ Pursuant to section 32(4)(ii) of the Danish Act on Restructuring and Resolution of Certain Financial Enterprises.

force with respect to Danmarks Nationalbank until changed by Finansiell Stabilitet.

Handling of failing CCP's under the CCP R&R Regulation

Regulation (EU) 2021/03 on the recovery and resolution of central counterparties (the CCP R&R Regulation) also contains a number of measures designed to address problems and ensure that CCPs put in place arrangements for recovery following serious financial difficulties. The regulation aims to ensure that a CCP that is failing or likely to fail can maintain its critical functions while its other activities are liquidated through normal insolvency proceedings. In the event of winding up/restructuring, a CCP is placed under the control of the authorities with a view to ensuring the continuation of its critical functions. In common with distressed institutions covered by the BRRD, this means that the CCP continues as a participant in TARGET DKK.

Bankruptcy

In the future, failing banks, mortgage credit institutions and CCPs will – in the vast majority of cases – be subject to resolution/restructuring rather than bankruptcy proceedings. However, other participants in TARGET DKK, including e-money institutions and payment institutions, are not covered by the BRRD or similar resolution regimes. Nor can it be ruled out that, in specific cases, a situation may arise in which a distressed bank, mortgage credit institution or CCP participating in TARGET DKK must be placed under bankruptcy proceedings. In such cases, Danmarks Nationalbank will observe the provisions of the Danish Insolvency Act. This means, among other things, that all accounts belonging to the bankrupt participant will be blocked by Danmarks Nationalbank. A participant who is subject to bankruptcy proceedings may no longer participate in TARGET DKK.

KC 3: Articulation of legal basis to relevant parties

An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.

TARGET DKK has clear rules, procedures and contracts that are freely accessible at Danmarks Nationalbank's website. Danmarks Nationalbank's terms and conditions for accounts provide detailed descriptions of all relevant conditions applying in connection with participation in TARGET DKK, see KC 2 above. As a general rule, at least 14 days' notice is given of any amendments to the terms and conditions for accounts.

In addition, a User Forum is held at which TARGET DKK participants have the opportunity to raise questions about, for example, the terms and conditions for accounts.

KC 4: Enforceable rules, procedures and contracts in all relevant jurisdictions

An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.

TARGET DKK operates exclusively in Denmark and is subject to Danish law.

TARGET DKK's rules, procedures and contracts are based on relevant Danish legislation, see KC 1 and KC 2. This means that foreign participants also sign to be subject to Danish legislation when participating in TARGET DKK.

Principle 2 – Governance

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders

KC 1: General objectives

An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations.

TARGET DKK aims to comply with section 1 of the Act on Danmarks Nationalbank, which stipulates that Danmarks Nationalbank is tasked with “maintaining a secure monetary system in this country and facilitating and regulating the circulation of money and the extension of credit”, see Principle 1. As the system owner of TARGET DKK, both security and efficiency are given high priority. The areas ‘Stability in the financial system’ and ‘Secure payments’ are described in the annual report of Danmarks Nationalbank.⁷

Efficiency and security are pursued in all aspects of TARGET DKK, including in relation to intraday credit, which is provided against collateral, and with a strong focus on operational stability. This helps to ensure that the financial sector has broad access to real-time settlement of payments through TARGET DKK.

KC 2: Governance arrangements

An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.

The composition of the overall management of Danmarks Nationalbank is documented in the Act on Danmarks Nationalbank, which is publicly

⁷ [Annual Report 2025](#)

accessible. The Act lays down the powers of the Board of Directors, the Committee of Directors and the Board of Governors, respectively.

At Danmarks Nationalbank, the *Banking and Markets* department is the system owner and is responsible for the management of TARGET DKK. TARGET Services is owned and operated by the Eurosystem (ECB/4CB), and representatives from Danmarks Nationalbank participate in several working groups and committees within the ECB related to TARGET Services.

KC 5: Roles and responsibilities of management

The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI.

Under the Act on Danmarks Nationalbank, Danmarks Nationalbank is an independent self-governing institution.⁸

Management of TARGET DKK is clearly defined, see KC 2 above. *Banking and Markets*, which is the system owner, holds monthly meetings with a representative of the Board of Governors, at which any issues related to TARGET DKK are discussed. Issues of a principal or strategic nature are discussed with the whole Board of Governors. In the event of significant operational incidents, there is timely escalation to the relevant management levels, including the executive board, which is kept continuously informed of the development of the incident and any need for decisions.

The operation of TARGET Services is carried out by the Eurosystem (ECB/4CB), which has the advantage of strengthening IT security by presenting a more unified front, for example against cyber threats. In addition, there are increased operational benefits in terms of maintenance and further development. The agreement between Danmarks Nationalbank and the ECB is supported by a Service Level Agreement, SLA.

KC 6: Risk-management framework

The board should establish a clear, documented risk-management framework that includes the FMI's risk tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk management and internal control functions have sufficient authority, independence, resources, and access to the board.

Danmarks Nationalbank's non-financial risk management follows the Principles for Financial Market Infrastructures. The bank's risk governance is

⁸ See also Danmarks Nationalbank's website for a description of independence and self-governing institution ([link](#)) as well as the organisation ([link](#)).

based on best practice in the financial sector for the three lines of defence model.

Danmarks Nationalbank has a policy on non-financial risk management, which defines the overall framework for managing non-financial risks in the bank, see Principle 3. The policy is reviewed annually by the bank's Risk Committee, which submits it to Group Management for final approval.

Danmarks Nationalbank's management of non-financial risks is based on risk governance and on dividing the bank into three lines of defence, which are described below:

- *1st line*: Danmarks Nationalbank's departments constitute the bank's 1st line. The 1st line is responsible for identifying, assessing, controlling, mitigating and reporting the risks that may arise in connection with the department's activities. The 1st line must manage risks in accordance with the bank's risk appetite.
- *2nd line*: Danmarks Nationalbank's risk management function constitutes the bank's 2nd line. The 2nd line is responsible for Danmarks Nationalbank's framework for non-financial risk management, including policies, requirements, and processes and tools for risk management. The 2nd line is also responsible for monitoring and reporting the bank's overall risk outlook to the Risk Committee, Group Management and the Board of Directors. The 2nd line also supports and advises the 1st line in identifying, assessing and managing risks.
- *3rd line*: Internal Audit constitutes the bank's 3rd line. The 3rd line performs independent audits of internal processes using a risk-based approach.

Board of Directors

An overview of Danmarks Nationalbank's risk portfolio and other relevant matters is presented to the Board of Directors every six months. The Board of Directors is also presented with reports from Internal Audit, which also cover TARGET DKK.

Group Management

Group Management has overall responsibility for ensuring that Danmarks Nationalbank's handling of non-financial risks is appropriate and adequate. Group Management approves Danmarks Nationalbank's risk portfolio on the recommendation of the Risk Committee.

Risk Committee

Danmarks Nationalbank's Risk Committee ensures a consolidated overview and prioritisation of all identified risks from completed risk assessments, incident reports, audit recommendations, recommendations from Oversight and other relevant matters.

The 2nd line consolidates and summarises reporting to the Risk Committee and Group Management. Risks proposed for separate discussion in the Risk Committee and Group Management are presented together with recommendations from the 1st, 2nd and 3rd lines. On the basis of the Risk Committee's deliberations, the 2nd line summarises the reporting from the Risk Committee to Group Management, where the risks are likewise accompanied by recommendations from all three lines.

Risk forums

Danmarks Nationalbank's departments are organised into four risk forums with representatives from the departments and the 2nd line. The four risk forums discuss and assess the area's risk portfolio, based on completed risk assessments, incident reports, audit recommendations, recommendations from Oversight and other relevant matters. Each risk forum conducts a detailed review and assessment of mitigation plans for the identified risks that fall outside the bank's risk appetite. The four risk forums report to the Risk Committee.

KC 7: Reflection of legitimate interests

The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.

Participants and stakeholders are informed and widely involved in major decisions concerning changes to TARGET DKK.

During the transition to TARGET DKK, participants and other relevant stakeholders were involved. This was done through a sector management group, a reference group and working groups with participation from, among others, VP Securities, Finance Denmark, e-nettet, Mastercard Payment Services, data centres, banks, mortgage credit institutions and Danmarks Nationalbank.

A sector group with management-level members has also been set up. The purpose is to ensure that the sector, including at management level, is informed about operations, development and strategic initiatives in relation to TARGET DKK.

There is close bilateral cooperation between Danmarks Nationalbank and the connected settlement systems, i.e. VP Securities, Finance Denmark, e-nettet and Mastercard Payment Services.

After the implementation of TARGET DKK, the User Forum was continued and is now called the TARGET DKK User Forum. Operational and strategic matters are discussed here twice a year with selected participants. At the meetings, participants also have the opportunity to raise any questions and issues regarding TARGET DKK that they would like to have clarified.

Principle 3 – Framework for risk management

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

KC 1: Robust risk management

An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.

As far as *legal risk* is concerned, see Principle 1.

Credit risk may be imposed on Danmarks Nationalbank by account holders through their use of intraday credit. Therefore, account holders must provide collateral for use of the intraday credit, see Principles 4 and 5.

Liquidity risk is not subject to formalised management as Danmarks Nationalbank is not exposed to liquidity risk. Account holders have good tools to manage their own liquidity risk using the account setup, the intraday credit facility, the queue functionality, automated processes for transferring liquidity to settlement systems and access to TARGET Services, where liquidity and incoming and outgoing payments can be monitored in real time. Furthermore, Danmarks Nationalbank regularly performs stress tests of the participants' liquidity risk, see Principle 7.

Other sources of risk are addressed elsewhere, namely business risk (see Principle 15), participant bankruptcy, liquidation or failure (see Principle 13), interdependencies (see Principle 17 and KC 3 below) and indirect participants (see Principle 19).

Non-financial risk

Danmarks Nationalbank's framework for non-financial risk management is determined by the bank's second-line function for non-financial risk management on behalf of Group Management. As part of this framework, Danmarks Nationalbank has established a risk management policy that defines the overall framework for managing non-financial risks at Danmarks Nationalbank. The policy applies to Danmarks Nationalbank as a

whole, including all departments and employees who handle the bank's business activities, systems, information and assets. Danmarks Nationalbank's Risk Committee updates the policy once a year and submits it to Group Management for approval.

The risk policy defines Danmarks Nationalbank's risk governance as well as its operational risk profile, risk strategy and risk appetite. In addition, the policy sets requirements for the identification and management of risks, as well as risk ownership and risk reporting. The risk policy also sets the framework for Danmarks Nationalbank's security requirements and describes the bank's efforts to foster a strong risk culture.

See also the bank's risk policy and risk governance under Principle 2 KC6 and Principle 17.

Risk assessment

In line with the risk policy's requirements for assessing risks in Danmarks Nationalbank's critical processes and systems, a number of risk assessments have been prepared for TARGET DKK, covering both business and technical risks. Risks that are assessed to lie outside the bank's risk appetite are included in Danmarks Nationalbank's overall risk overview and reported to the risk owner, the bank's Risk Committee and Group Management. The risk policy sets requirements for the management of risks depending on the criticality of the identified risks.

The risk assessments are continuously updated on the basis of developments in the threat landscape, incidents and tests. In addition, a more comprehensive update of the risk assessments is carried out once a year. A risk assessment has also been prepared for the processing of personal data carried out in connection with payment instructions in TARGET Services. The results of the risk assessments are reported to the risk owner. Risks that fall outside the bank's risk appetite are also included in reporting to the bank's Risk Committee and Group Management.

Danmarks Nationalbank's treatment of TARGET Services risk assessments

In connection with the Danish krone joining TARGET Services, Danmarks Nationalbank has integrated its risk management processes for TARGET DKK with the risk management carried out in the Eurosystem and the ECB for TARGET Services.

Risks and incidents related to TARGET Services are addressed in a number of central bank forums facilitated by the ECB. Danmarks Nationalbank is represented in the relevant groups, including various working groups as well as the TARGET Services Risk Committee, TSRC, and the governing body, the Market Infrastructure Board, MIB.

The TARGET Services Risk Committee functions as a second-line risk committee and sets the framework for, and monitors, risk management in TARGET Services. The TSRC reports to the MIB. The committee's work is based on the TARGET Services Risk Management Framework and the TARGET Services Cyber Resilience & Information Security Framework, which set out roles, processes and requirements, including the three lines of defence. The TSRC provides the MIB with a consolidated overview of risks, the status of risk-mitigating measures and proposed decisions and recommendations. The MIB is the Eurosystem's central decision-making and governance body for TARGET Services.

Through the TSRC, Danmarks Nationalbank has access to risk assessments for all TARGET Services components (T2, TIPS and T2S). Danmarks Nationalbank actively considers and engages with the risks identified by the ECB. The risks that are considered relevant for Danmarks Nationalbank are incorporated into the bank's own risk assessment of TARGET DKK, where they are managed in accordance with the bank's risk policy.

Danmarks Nationalbank's treatment of the TARGET Services risk assessments is used both to ensure that the bank has a comprehensive and complete overview of risks related to TARGET DKK and as a basis for discussions and input to the TSRC.

Contingency arrangements

Danmarks Nationalbank facilitates a number of contingency arrangements and accordingly maintains a number of contingency plans. These include the TIPS contingency arrangement, the bank's internal crisis response and the financial sector's crisis response, see Principle 17.

KC 2: Incentives for participants to manage and contain risks

An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI.

A prerequisite for participation in TARGET Services is an account with Danmarks Nationalbank and to meet specific technical and operational requirements. Participants who wish to have an account and participate in TARGET DKK must agree to Danmarks Nationalbank's terms and conditions for accounts: "TARGET DKK – Settlement of payments in Danish kroner and monetary policy instruments at Danmarks Nationalbank". These provisions are available on Danmarks Nationalbank's website and constitute the formal basis for access to and use of accounts, the granting of credit and the provision of collateral at the bank. Danmarks Nationalbank's terms and conditions for accounts state that account holders are fined if they do not ensure the availability of sufficient funds for their intraday credit at the end of the monetary policy day, see Principles 4 and 5.

According to Danmarks Nationalbank's terms and conditions for accounts, participants must submit the TARGET Self-Certification to the bank annually and provide unrestricted access to documentation of their compliance with their chosen network service provider's endpoint security requirements. This means that the bank assesses the extent to which individual participants comply with the relevant security controls and where any deficiencies may arise. If a participant is not fully compliant with the TARGET Self-Certification, the SWIFT CSCF or the SIANet Security Guidelines, the participant must submit an action plan to the bank. The action plan must provide a realistic and satisfactory description of how and when the participant expects to achieve full compliance. Danmarks Nationalbank submits the participants' reports to the ECB.

Danmarks Nationalbank conducts tests and holds regular meetings with participants, see more in Principle 23. This helps to ensure that participants have appropriate insight into and understanding of TARGET DKK.

KC 3: Regular review of material risks stemming from and posed to other entities

An FMI should regularly review the material risks to which it is exposed and the risks it poses to other actors (such as other FMIs, settlement banks, liquidity providers and service providers) as a result of interdependencies. Appropriate risk management tools should be developed to mitigate these risks.

TARGET Services is a standardised system used for several currencies, including Danish kroner and euro. The system is adapted to support features specific to Denmark, such as national holidays. Danmarks Nationalbank has a formalised agreement with the ECB for each service (T2, TIPS and T2S). These agreements set out what each party must deliver, and when and how this must be done. Danmarks Nationalbank is in close dialogue with the ECB and participates in relevant ECB groups where the most significant risks are addressed, see KC 1.

Under the *Financial Sector forum for Operational Resilience, FSOR*, a cooperation forum between authorities and key participants in the financial sector, *The Risk Forum for Interdependencies, RGA*, has been established. This is a collaboration between Danmarks Nationalbank, VP Securities, Finance Denmark and e-nettet, which aims to identify and address operational risks and incidents resulting from mutual dependencies between the FMIs. A terms of reference document and a risk manual have been prepared for the RGA, which contain provisions and agreements on common risk policy, risk management processes and risk management strategy. Both the terms of reference and the manual are updated once a year.

Risk management tool

Danmarks Nationalbank uses a risk management tool (a GRC system) to manage non-financial risks. A system has been selected that is also used by other banks and central banks. The system is used to:

- Maintain an overview of Danmarks Nationalbank's critical processes and systems, including which ones have been risk assessed
- Register risks and controls
- Assess risks in accordance with Danmarks Nationalbank's risk appetite
- Report risks

The system ensures a consistent approach to risk management throughout Danmarks Nationalbank as well as transparency across the three lines of defence.

Principle 4 – Credit risk

An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.

Danmarks Nationalbank incurs a credit risk on the participants in TARGET DKK as Danmarks Nationalbank offers the participants access to credit against collateral. The credit risk is significantly limited by the fact that credit is granted against sufficient collateral that exceeds the value of the credit granted. This means that two events are needed for Danmarks Nationalbank to lose money: First, a participant must be unable to repay the amount borrowed and, second, the liquidation value of the participant's collateral must have fallen below the value of the credit granted. This could happen, for example, if the market price of the collateral falls extraordinarily quickly. Credit risk is minimised by accepting very high-quality collateral in the form of government securities and guaranteed or covered bonds, and by applying appropriate deductions (so-called haircuts) when determining the lending value of the collateral. The lending value of the collateral is calculated daily on the basis of updated market prices, and if securities has not been traded, a synthetic price (i.e. model-based) is calculated from which an additional haircut is applied. Risks are managed within a predefined framework, and a risk assessment is maintained and updated on a regular basis.

Participants do not incur any credit risk vis-à-vis one another when using TARGET DKK, as TARGET Services includes an RTGS system in which all payments are settled and become final and irrevocable when the recipient's account with Danmarks Nationalbank is credited. Since settlement takes place in central bank money via accounts with Danmarks Nationalbank, participants likewise do not incur any credit risk at the bank.

KC 1: Establishing a framework for the management of credit risk

An FMI should establish a robust framework to manage its credit exposures to its participants and the credit risks arising from its payment, clearing, and settlement processes. Credit exposure may arise from current exposures, potential future exposures, or both.

Danmarks Nationalbank has established a framework for credit risk management that includes both current and potential future credit exposures. Danmarks Nationalbank extends credit to its account holders in the form of monetary policy loans, loans to cash depots and intraday credit in Danish kroner.⁹ For all types of credit, Danmarks Nationalbank requires high-quality assets as collateral. The framework is set out in Danmarks Nationalbank's terms and conditions for accounts and, in particular, in the section 'Terms and Conditions for Pledging of Collateral for Credit Facilities'. Danmarks Nationalbank's framework for credit operations can be found there: How credit is obtained, information about the collateral basis and lending value, how collateral coverage checks of sufficient funds are performed and how the removal of collateral and requirements for top-up collateral are handled.

KC 2: Identifying, measuring and monitoring credit risk

An FMI should identify sources of credit risk, routinely measure and monitor credit exposures, and use appropriate risk-management tools to control these risks.

Credit risks are identified through a risk assessment, which is reviewed in accordance with Danmarks Nationalbank's policies, and it is continuously assessed whether the collateral basis, or parts of it, needs to be adjusted. At least every other year, it is analysed whether haircuts sufficiently hedge the risk of losses on collateral, and each year it is checked whether synthetic prices (i.e. calculated prices for securities not traded) reflect the actual value of the securities. On the basis of the analyses, the haircuts are calibrated as required.

Credit risks are monitored and managed through continuous coverage checks and daily valuation of the collateral, and haircuts are applied on the basis of the market and liquidity risk of the assets. The market value of securities accepted as collateral is updated at the beginning of the day on the basis of the previous day's consolidated closing prices from Nasdaq OMX Copenhagen. If securities have not been traded on the day in question, a calculated synthetic price is used.¹⁰

Collateral is provided when a TARGET DKK participant transfers registered assets (eligible securities) to a custodial account at VP Securities which the participant has pledged to Danmarks Nationalbank. Between 7.00 and 17.00, the participant may, via SPI, request the withdrawal of registered assets from the VP custodial account. The registered assets are transferred to a VP custodial account designated by the participant, provided that there is still sufficient collateral for the credit granted to the

⁹ The bank may also establish extraordinary facilities, such as during the coronavirus pandemic: One-week and three-month loans in Danish kroner on favourable terms (lower interest rates than on ordinary monetary policy loans) and currency loans via auctions.

¹⁰ For T2S auto-collateral loans, the lists are also created at the beginning of the day, but since T2S cannot use the list of eligible assets during an ongoing monetary policy day, the list is only used on the next monetary policy day, which starts in the evening of the same day.

participant. Pledged assets can be substituted by transferring new registered assets to the participant's VP custodial account and then withdrawing previously transferred registered assets from the VP custodial account.

Continuous coverage checks in TARGET DKK ensure that there is always adequate collateral for a given credit so that no unintended credit risk arises. Coverage checks are performed automatically by simulating the execution of a transaction, and if there is sufficient coverage, the transaction is executed. In addition, daily checks are carried out to determine whether a participant has an overdraft on current account balances both before and at the end of the monetary policy day at 17.00. Overdrafts on the intraday facilities Scandinavian Cash Pool, SCP, are also checked at 15.00, and on T2S auto-collateral loans at 16.30.¹¹

KC 3: Use of collateral and other financial resources

A payment system or securities settlement system should cover its current and, where they exist, potential future exposures to each participant fully with a high degree of confidence using collateral and other equivalent financial resources, see Principle 5 on collateral. In the case of a DNS payment system or DNS SSS in which there is no settlement guarantee but where its participants face credit exposures arising from its payment, clearing, and settlement processes, such an FMI should maintain, at a minimum, sufficient resources to cover the exposures of the two participants and their affiliates that would create the largest aggregate credit exposure in the system.

Danmarks Nationalbank always uses collateral to hedge the credit risk associated with granting credit to TARGET DKK participants, see KC 1-2 above. Consequently, Danmarks Nationalbank has not set aside financial resources specifically to cover potential losses in TARGET DKK. Under the terms and conditions for accounts, Danmarks Nationalbank is entitled to immediate liquidation of the securities pledged as collateral.

KC 7: Explicit rules and procedures for covering credit losses

An FMI should establish explicit rules and procedures that address fully any credit losses it may face as a result of any individual or combined default among its participants with respect to any of their obligations to the FMI. These rules and procedures should address how potentially uncovered credit losses would be allocated, including the repayment of any funds an FMI may borrow from liquidity providers. These rules and procedures should

¹¹ If T2S auto-collateral loans are not covered, securities are pledged to Danmarks Nationalbank and an intraday overdraft in TARGET DKK is generated, which must be covered no later than 17.00 at the close of the monetary policy day. For SCP, the participant must redeem or substitute the collateral for the intraday loan by 15.00 at the latest. If this does not happen, Danmarks Nationalbank maintains collateral in as large a part of the foreign currency deposit in the SCP as is necessary to cover the participant's total outstanding exposure. If the intraday loan is still not covered by the end of the monetary policy day at 17.00, Danmarks Nationalbank is authorised to debit the participant's primary MCA or other accounts in accordance with the rules on coverage of intraday loans.

also indicate the FMI's process to replenish any financial resources that the FMI may employ during a stress event, so that the FMI can continue to operate in a safe and sound manner.

Danmarks Nationalbank incurs potential credit risks on participants as mentioned above, but TARGET DKK does not have explicit rules on losses resulting from credit risk, as TARGET DKK is a central bank-run system. In other words, Danmarks Nationalbank does not need to hold liquidity or provide liquidity support to ensure the business continuity of TARGET DKK in the event that a participant files for bankruptcy.

Principle 5 – Collateral

An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits

Danmarks Nationalbank only offers participants access to credit against adequate collateral, including ongoing collateral coverage monitoring, daily valuation and the application of haircuts in calculating the collateral value, see Principle 4.

KC 1: Collateral with low risk

An FMI should generally limit the assets it (routinely) accepts as collateral to those with low credit, liquidity, and market risks.

Participants in TARGET DKK may use the following arrangements to provide collateral for intraday credit in Danish kroner:

- *Traditional collateral:* Securities are provided as collateral by transferring securities to a collateral account with VP Securities pledged to Danmarks Nationalbank. On the basis of the pledged securities, the participant is granted a credit line in Danish kroner equivalent to their collateral value.
- *Certificates of deposit:* The participant's certificates of deposit are automatically included in the credit line for intraday credit in Danish kroner.
- *T2S auto-collateral loans:* Participants may use securities in a T2S custodial account (established in VP Securities in the participant's name) as collateral for intraday credit in Danish kroner for the purchase of securities and the settlement of periodic payments in T2S. Only securities that meet the collateral rules for traditional collateral may be used.
- *Scandinavian Cash Pool, SCP:* Liquidity in one Scandinavian central bank may be used as collateral for intraday credit in another Scandinavian central bank.

Danmarks Nationalbank grants access to credit facilities in Danish kroner to account holders at the bank against a range of high-quality, low-risk assets. This applies to:

- Securities issued by the Danish state
- Bonds guaranteed by the Danish state
- Bonds issued by KommuneKredit
- Bonds issued by Føroya Landstýri (the Faroese government)
- Mortgage bonds, ROs, covered bonds, SDOs, and covered mortgage bonds, SDROs, issued by institutions subject to the Danish Financial Business Act.

The assets must be registered with VP Securities, admitted to trading on Nasdaq OMX Copenhagen and denominated in Danish kroner or euro. With certain exceptions, the above assets must not have been issued or guaranteed by the participant or by an entity with which the participant has close links as defined in Article 4(1)(38) of Regulation (EU) No 575/2013.¹²

In addition, the balances of yield accounts in Danish kroner with Danmarks Nationalbank are included in the collateral basis.

At the request of participants, and subject to a specific assessment, Danmarks Nationalbank may also include other assets in the collateral basis for credit facilities in Danish kroner.

KC 2: Valuation practices and haircuts

An FMI should establish prudent valuation practices and develop haircuts that are regularly tested and take into account stressed market conditions.

Securities included in the collateral basis are valued daily at the beginning of the day on the basis of the previous day's closing prices from Nasdaq OMX Copenhagen. If a market price is not available, a calculated synthetic price is used.

The collateral value of the securities is calculated as the market value inclusive of accrued interest less a haircut; see the terms and conditions for accounts. The current collateral value of the securities is shown in SPI on the participant's *collateral list* for currently pledged securities. The collateral value is stated in Danish kroner, and the collateral value of VP-registered assets in euro is calculated on the basis of the official exchange rate from Danmarks Nationalbank on the preceding day of listing. The list of eligible securities without collateral values is also published on Danmarks

¹² The exception applies to (i) ministries of finance and public authorities, (ii) close links between the account holder and public authorities in EEA countries, (iii) bonds that fully comply with the criteria set out in Article 52(4) of the Directive on undertakings for collective investment in transferable securities (Directive 2009/65) and (iv) cases where the bonds are protected by specific legal security provisions equivalent to (iii).

Nationalbank's website¹³, where the applicable haircuts at any given time can also be found.

A securities-specific market price haircut is deducted when calculating the collateral value of all eligible securities. When determining the market price haircut, the haircut of the bonds becomes larger the longer the remaining time to maturity is, as the interest rate sensitivity increases as a function of the remaining time to maturity. Furthermore, eligible assets are divided into four liquidity categories¹⁴, where the least liquid assets have larger haircuts. The most liquid assets, i.e. government securities, are placed in liquidity category 1. They are subject to smaller haircuts because they have very high liquidity and a short expected realisation period and are therefore not expected to fall in value to the same extent as securities with longer realisation periods. The range of eligible asset classes (securities only) has remained unchanged for a number of years, and it is the assessment that the liquidity of eligible securities has not changed significantly during the period.

When a synthetic price is used, an additional haircut of 5 per cent is applied to all types of securities, except for securities issued by the Danish government. Finally, a foreign-exchange haircut of 3 per cent is applied when securities denominated in euro are provided as collateral for credit in Danish kroner.

KC 3: Proccyclical adjustments

In order to reduce the need for procyclical adjustments, an FMI should establish stable and conservative haircuts that are calibrated to include periods of stressed market conditions, to the extent practicable and prudent.

Haircuts are generally conservative in order to avoid unnecessary procyclical effects. Haircuts are assessed on the basis of long-term developments over periods¹⁵ covering both recessions and booms.

In special cases, however, it may be necessary to adjust the collateral basis; for example, during the financial crisis a number of extensions to the collateral basis were introduced from 2008 onwards, which were subsequently phased out. The experience gained has been incorporated into Denmark's Nationalbank's contingency plans for extraordinary liquidity measures.

¹³ See [link](#).

¹⁴ Liquidity category 2 has not been active for many years. The category consists of RO and SD(R)O jumbo issuances (i.e. a circulating amount exceeding EUR 1 billion or the equivalent in Danish kroner) for which Denmark's Nationalbank has approved a market-maker scheme with at least three market makers.

¹⁵ The current analysis, conducted in early 2026, uses historical changes in stock exchange prices since 2004 and zero coupon rates since 2005/06.

KC 4: Concentration limits

An FMI should avoid concentrated holdings of certain assets where this would significantly impair the ability to liquidate such assets quickly without significant adverse price effects.

If participants provide an excessively high concentration of certain securities as collateral, there is a risk that the securities in question cannot be realised without significantly affecting their market value. A high concentration means that a single participant provides a large share of the total issued volume of specific securities – or from a specific issuer – as collateral. The concentration can be calculated for each issuer, for each type of security and for individual securities included in the collateral provided by a participant.

Danmarks Nationalbank's current regulations do not set explicit limits on the extent to which individual participants may hold certain securities in concentrated form. Concentration is monitored on a monthly basis through reporting to the bank's group management. Concentration risks are assessed on the basis of the composition of the collateral.

KC 5: Cross-border collateral

An FMI that accepts cross-border collateral should mitigate the risks associated with its use and ensure that the collateral can be used in a timely manner.

The bank participates in the Scandinavian cooperation on the Scandinavian Cash Pool, SCP.¹⁶ Through SCP, a participant can obtain intraday credit from a Scandinavian central bank by providing collateral in an account with another Nordic central bank. There is always collateral backing the credit, which is granted on an intraday basis only, and a currency haircut of 5 per cent is applied, see the account regulations (section "Regulations for the use of SCP as collateral for intraday loans at Danmarks Nationalbank").

Foreign securities are *not* included in the current collateral base.

KC 6: Flexible collateral management system

An FMI should use a collateral management system that is well-designed and operationally flexible.

Danmarks Nationalbank uses an up-to-date and fully automated IT system, Calypso. Changes in the field of collateral, for example adjustments

¹⁶ In addition to Danmarks Nationalbank, Sveriges Riksbank and Norges Bank participate.

of master data filters to identify eligible securities or changes to haircuts, are tested and processed in a controlled release process.¹⁷

¹⁷ The collateral framework has remained unchanged for many years, as the objective of supporting safe, smooth settlement of payments and effective interest rate transmission via Danmarks Nationalbank's monetary policy counterparties has not created a need for mandatory amendments. The quality of operational collateral management has increased significantly as a result of the implementation of robust, stable standard framework systems.

Principle 7 – Liquidity risk

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI must maintain sufficient liquid reserves in relevant currencies to be able, with a high degree of confidence, to effect same-day settlement – and, where relevant, intraday and multi-day settlement – of payments under a wide range of potential scenarios. These scenarios should at a minimum include the default, under extreme but plausible market conditions, of the participant that would generate the largest aggregate liquidity obligation for the FMI.

KC 1: Robust framework for managing liquidity risk

An FMI should have a robust framework to manage its liquidity risks from its participants, settlement banks, nostro agents, custodian banks, liquidity providers, and other entities.

TARGET DKK settles interbank payments individually and in real time (RTGS system), and payments are final and irrevocable once they have been completed. This means that Danmarks Nationalbank assumes no liquidity risk, whereas participants are exposed to liquidity risk vis-à-vis each other, which TARGET DKK and Danmarks Nationalbank mitigate in several ways:

- Participants have access to intraday credit against collateral
- Participants may take out weekly monetary policy loans against collateral
- Net settlement of participants' positions is used in Sum clearing and Intraday clearing
- For securities settlement, participants can use automatic intraday credit via T2S auto-collateralisation, where securities are temporarily pledged as collateral
- Participants' foreign exchange transactions are settled in CLS, a multi-lateral netting system in which their payments and receipts are significantly reduced through optimised liquidity netting.

In addition, Danmarks Nationalbank's monetary policy instruments support liquidity by not imposing any limit on the balances that participants may hold in their accounts in the system. Participants' balances are therefore freely available for payments between participants throughout the monetary policy day. Previously, monetary policy counterparties were subject to individual limits on the maximum current account balance, but these were suspended in connection with the most recent adjustment of the monetary policy instruments in 2021.

KC 2: Identifying, measuring and monitoring liquidity risk

An FMI should have effective operational and analytical tools to identify, measure, and monitor its settlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity.

In TARGET DKK, participants can monitor their transactions in real time. Participants can view completed payments, rejected payments and a list of standing orders and completed settlement blocks in Sum clearing and Intraday clearing. Participants can also track their balances and any use of intraday credit. Participants are responsible for managing their own liquidity in the system.

Queue functionality

TARGET DKK has queue functionality that makes it possible to park payments when there is insufficient liquidity for settlement. Payments are settled automatically once liquidity again becomes available. TARGET DKK also enables participants to control which payments in the queue should be settled first. This is done by assigning each payment one of three priorities: normal, high or urgent. In addition, a FIFO (first-in-first-out) principle is applied, meaning that the payments that enter the queue first are also settled first.

Upper and lower limits for account balances in TARGET DKK

As part of their liquidity management, participants can define lower and upper limits for their DCAs and MCAs, indicating respectively the minimum and maximum balances they wish to hold on the account. If these limits are exceeded, the participant can choose between two options, which can also be combined:

1. A notification of the limit breach is sent to the participant.
2. A liquidity transfer is automatically triggered, adjusting the balance to the set upper or lower value, which may either be equal to the account limit or to another defined target value. Settlement of the automatic liquidity transfer resulting from a breach of the lower limit requires that the necessary liquidity is available in the account from which the transfer is made.

KC 3: Sufficient liquid resources

A payment or securities settlement system, including one that uses netting, should have sufficient liquid resources in all relevant currencies to be able, with a high degree of confidence, to settle payment obligations on the same day – or, as the case may be, intraday or over several days – under a wide range of potential stress scenarios. These stress scenarios include, but are not limited to, an event of default under extreme but plausible market conditions by the participant which, together with its affiliated companies, has the largest aggregate payment obligation.

Since TARGET DKK does not assume liquidity risk in respect of the participants, there is no need for liquid reserves to hedge this risk. Participants generally have ample liquidity in the system, which means that payments can be processed without significant delays, thereby minimising liquidity risk between participants.

Where necessary, Danmarks Nationalbank can make adjustments to support liquidity in the system. This can be done, for example, by expanding the collateral basis.

To test whether participants have sufficient liquidity to settle their payments even in critical situations, regular stress tests are carried out of various liquidity-stress scenarios. As a minimum, the following are carried out:

- For the largest and most critical participants in the system, one scenario per participant is run, in which the participant's outgoing payments are removed for one day. The selection of the largest and most critical participants is based on a calculation of the value of their outgoing payments in the system. At a minimum, scenarios are run for the three largest participants.
- At least one scenario is run in which a shock is applied to the ability of participants to obtain intraday credit. As a starting point, a severe scenario is simulated in which intraday credit is reduced by 25 per cent.

Before the liquidity stress test is carried out, whether additional ad hoc scenarios are to be conducted is decided. This could, for example, involve extending the scenario of removing one participant's payments to several days or removing outgoing payments for a group of participants. It is also possible to simulate a severe combined scenario, for example containing both a shock to intraday credit and a critical participant that cannot send payments.

A stress-test analysis can provide a number of important insights, including how liquidity is distributed in the system during a monetary policy

day, or how individual participants use the system on a critical day for payment settlement. If the liquidity stress test identifies inappropriate behaviour, it may result in specific proposed changes at both participant and system level.

KC 8: Using central bank accounts, payment services, or securities services

An FMI with access to central bank accounts, payment services, or securities services should use these services, where practical, to enhance its management of liquidity risk.

Danmarks Nationalbank uses TARGET Services for interbank payments in Danish kroner. Payments in TARGET DKK are settled in accounts at Danmarks Nationalbank (i.e. in central bank money), and other related services such as the account structure and the opportunity to obtain intraday credit are part of TARGET DKK.

KC 10: Rules and procedures for managing liquidity shortfalls

An FMI should establish explicit rules and procedures that enable the FMI to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations on time following any individual or combined default among its participants. These rules and procedures should address unforeseen and potentially uncovered liquidity shortfalls and should aim to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations. These rules and procedures should also indicate the FMI's process to replenish any liquidity resources it may employ during a stress event, so that it can continue to operate in a safe and sound manner.

TARGET DKK does not have rules and procedures for handling situations involving liquidity shortfalls caused by an event of default on the part of participants. This is because liquidity shortfalls will affect the participants in TARGET DKK and not the system itself. TARGET DKK does not permit transactions to be cancelled or revoked on account of liquidity shortfalls. This is because payments in TARGET DKK are final and therefore cannot be reversed. Each participant is responsible for its own liquidity management, including any prioritisation of which payments are to be executed if payment queues arise in TARGET DKK.

Liquidity shortfalls may also arise among participants in TARGET DKK if one or more participants are able only to receive, but not to send, payments. This may occur, for example, during an operational breakdown in which the affected participants cannot access the system. In such cases, Danmarks Nationalbank has a contingency procedure under which it can execute payments on behalf of the affected participants. This can mitigate liquidity shortfalls in the system, as liquidity could otherwise become stranded with participants that are unable to send payments.

Principle 8 – Settlement finality

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

KC 1: Rules and procedures for final settlement

An FMI's rules and procedures should clearly define the point at which settlement is final.

TARGET DKK has rules and procedures to ensure settlement finality; payments in TARGET DKK are settled individually and in real time. The terms and conditions for accounts stipulate that a transfer in TARGET DKK is final once it has been recorded on the relevant account. However, a transfer between two or more participants in TARGET DKK is only finally completed once it has been recorded on all affected accounts in TARGET DKK.

KC 2: Settlement no later than the end of the value date

An FMI should complete final settlement no later than the end of the value date, and preferably intraday or in real time, to reduce settlement risk. Operators of large-value payment systems and securities settlement systems should consider adopting RTGS or multiple-batch processing during the settlement day.

The payment systems that form part of TARGET DKK use real-time gross settlement. This means that all transactions are settled on the value date, provided that the participant has sufficient liquidity to complete settlement. If an instruction has been submitted but not settled before the end of the monetary policy day, the instruction is rejected and will not be settled.

In general, most payments in TARGET DKK are settled early in the day. One reason is that most participants have signed an agreement under the auspices of Finance Denmark under which payments relating to the settlement of foreign exchange transactions, deposits and derivatives transactions must be sent as early as possible on the value date and preferably before 13.00. Payments via T2 DCA at Danmarks Nationalbank must be settled no later than 16.15 on the value date. This helps to ensure efficient management of liquidity in the interbank market for payments.

A breakdown of settled payments in 2025 shows that around 45 per cent of all interbank payments were settled before 10.00. Furthermore, approximately 75 per cent were settled before 13.00, and around 92 per cent before 15.00.

KC 3: Revoking payments

An FMI should clearly define the point after which unsettled payments, transfer instructions, or other obligations may not be revoked by a participant.

The terms and conditions for accounts state that all transfer instructions in TARGET DKK are irrevocable from the point at which the relevant participant's account has been debited, except for the following transfer instructions:

1. Instant payment orders and TIPS OLO (One-Leg-Out) credit transfer orders are irrevocable at the time the funds are reserved in the participant's TIPS DCA.
2. For transactions settled on T2S DCAs that require the matching of two separate transfer orders, a transfer order becomes irrevocable when the transaction is shown as "matched" on the T2S platform.
3. For transfer orders under the RTGS AS settlement procedure, a transfer order becomes irrevocable once TARGET DKK has accepted the debiting of the account. Furthermore, transfer orders that form part of an algorithm cannot be revoked while the algorithm is running.

If a participant sends an incorrect transaction, the participant may ask the recipient of the payment to return the executed payment. The recipient may accept or reject the request, but acceptance only means that the request itself is accepted and does not, in and of itself, trigger an automatic refund.

If Danmarks Nationalbank causes an incorrect transaction, the bank will correct the error as far as possible. This may involve Danmarks Nationalbank reversing the transaction and making the re-postings and checks necessary to correct the error.

Principle 9 – Money settlements

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risks arising from the use of commercial bank money.

KC 1: Central bank money

An FMI should conduct its money settlements in central bank money, where practical and available, to avoid credit and liquidity risks.

Settlement of payments in TARGET DKK is effected via the participants' accounts with Danmarks Nationalbank. The balances on the participants' accounts are claims on Danmarks Nationalbank and, consequently, settlement takes place in central bank money.

Central bank money in the relevant currency is the most appropriate and secure settlement asset for systemically important payment systems. This is because there is no credit risk on an issuing central bank, which can generate liquidity by increasing the amount of central bank money through lending it to participants for payment settlement.

The settlement of payments in Danish kroner is also supported by the connected settlement systems at Finance Denmark and VP Securities, both of which settle in central bank money via TARGET DKK. For Sum clearing and Intradag clearing, which are operated by Finance Denmark, net settlement takes place on the participant's RTGS sub-accounts in TARGET DKK. VP Securities' securities settlement in Danish kroner takes place in T2S, where participants' DCAs are used for the cash leg (Delivery versus Payment), which likewise takes place in central bank money.

The credit facility through collateral helps support smooth and flexible liquidity management during settlement, see Principle 5. These credit facilities ensure that the participant can obtain liquidity for settlement and thereby support the secure and efficient execution of payments in TARGET DKK.

Principle 13 – Participant bankruptcy, resolution or operational disruption

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

KC 1: Rules and procedures

An FMI should have default rules and procedures that enable the FMI to continue to meet its obligations in the event of a participant default and that address the replenishment of resources following a default.

Resolution and bankruptcy

Danmarks Nationalbank has two procedures for dealing with failing participants:

1. A procedure for resolution/restructuring.
2. A procedure for bankruptcy.

Resolution/restructuring

If a participant is placed under the control of a resolution authority, it will continue as a participant in TARGET DKK unless the authority makes changes to the participant's relationship with Danmarks Nationalbank. The participant may continue without change in the settlement of payments in TARGET DKK, as well as in the payment settlements in which it was involved before being placed under the control of the winding up authority. The other participants in TARGET DKK can continue their settlement of payments without being affected by the fact that the participant is being wound up. Payments to and from the participant are subject to the finality principle in TARGET DKK, see Principle 8. A participant under the control of the resolution authority must continue to meet the requirements imposed on participants in TARGET DKK, including collateral requirements. Danmarks Nationalbank has internal guidelines describing its practical handling of a participant under the control of a resolution authority. If a participant under control fails to fulfil its obligations towards

the bank, Danmarks Nationalbank has the same default powers as it has in respect of other participants.

Bankruptcy

Participants in TARGET DKK that are not covered by rules on resolution are not resolved but will be placed under bankruptcy proceedings. It cannot be ruled out that, in specific cases, a distressed credit institution, mortgage credit institution or CCP participating in TARGET DKK may be placed in bankruptcy proceedings. In such cases, the participant's facilities with Danmarks Nationalbank are closed and the bank's claim is secured. Danmarks Nationalbank will immediately block all accounts, but any settlement on settlement accounts will be completed before blocking if the bank has sent binding drawing rights to the systems that use the settlement accounts in question.

At the end of the monetary policy day on which the bankruptcy decree is issued, typically at 17.00, the bankrupt participant's accounts are closed, and payments can no longer be made to the participant's accounts and will therefore be rejected. Until the accounts are closed, all incoming payments will be accepted and credited to the participant's accounts.

Immediately after the bankruptcy – or as soon as TARGET DKK opens – TARGET DKK will send a notice about the bankruptcy to all participants, informing them of the rules for outgoing and incoming payments. Furthermore, it will be stated that the bankrupt participant's accounts will be closed at the end of the monetary policy day, after which incoming payments will be rejected.

Operational disruptions

If a participant is affected by a breakdown, e.g. an IT breakdown, such that the participant cannot make or receive payments, guidelines have been prepared for handling this, in the form of detailed internal guidelines and published descriptions of contingency procedures in Danmarks Nationalbank's terms and conditions for accounts.

Danmarks Nationalbank may, on behalf of the participant, make critical payments in TARGET DKK via the contingency procedures and adjust the participant's standing orders for the settlements as necessary to enable the affected participant to meet its obligations in these settlements. Participants' liquidity provision for settlements in TARGET DKK is, as a rule, automatic, either through the creation of standing orders or through built-in automated processes in the system, including automatic liquidity provision for Sum clearing and Intraday clearing, based on the 'forecast' received from Mastercard Payment Services prior to each settlement. However, participants are themselves responsible for ensuring that there is sufficient liquidity on their DCAs prior to a settlement. In addition, excess liquidity from the settlements is automatically released after the

settlements have been completed. The inability of one or more participants to access TARGET DKK will therefore have only a limited impact on the execution of the settlements.

In extreme situations where, for example, several participants are affected by operational disruptions at the same time, Danmarks Nationalbank's contingency plan may be activated, including possible escalation to the sector's crisis response group, the FSOR crisis response group (FSOR, Financial Sector forum for Operational Resilience).

Other events of default

Danmarks Nationalbank's terms and conditions for accounts contain provisions on suspension and termination in the event of an event of default other than resolution, operational disruption or bankruptcy.

Danmarks Nationalbank also has the right, without prior legal action and without notice, to realise pledged collateral, as described in more detail in the 'Deed of Pledge for Credit Facilities in Danish Kroner at Danmarks Nationalbank'.

KC 2: Timely settlement and discretionary procedures

An FMI should be well prepared to implement its default rules and procedures, including any appropriate discretionary procedures provided for in its rules.

TARGET DKK has sufficient operational capacity and trained staff to carry out the required procedures in a timely manner in the event of a participant's bankruptcy/resolution, operational disruption or other event of default. TARGET DKK is always staffed during its opening hours. Staff are trained to handle a participant's resolution, bankruptcy, operational disruption or other event of default and are continuously involved in any handling of such situations. Business procedures and instructions describing how to deal with the situation are in place. Regular testing of contingency procedures as well as testing of resolution/bankruptcy scenarios help to ensure that the staff are trained in the practical performance of the procedures.

Internal plans for the distribution of roles and responsibilities when dealing with failing banks and participants experiencing failures are in place. TARGET DKK's internal plans for handling participants during resolution, bankruptcy, operational disruption or other events of default include guidelines for coordination with relevant parties and timely communication. Broadcasts in TARGET Services and e-mail can be used as means of communication with TARGET DKK participants.

KC 3: Public disclosure of key aspects of default rules and procedures

An FMI should publicly disclose key aspects of its default rules and procedures.

Default

In the event of an event of default by the participant in respect of its obligations, all its obligations will automatically and immediately become due and payable, without notice. Danmarks Nationalbank also has a right of set-off and a right to carry out close-out netting. It is further stated in the 'Deed of Pledge for Credit Facilities in Danish Kroner at Danmarks Nationalbank' that the bank is entitled to realise pledged collateral without prior legal proceedings and without notice, including taking ownership of a participant's pledged securities.

Operational disruptions

Rules and procedures relating to a participant's operational disruptions are set out in the contingency procedure provisions of Danmarks Nationalbank's terms and conditions for accounts. Danmarks Nationalbank provides a number of TARGET DKK forms for participants, which may be used if an operational disruption occurs and the contingency procedures must be activated. These contingency procedure forms allow participants to execute critical transactions. Danmarks Nationalbank may then process the payments on the basis of the completed forms, which are submitted by email or fax. The forms are available on Danmarks Nationalbank's website.¹⁸

KC 4: Testing and review of rules and procedures with participants and others

An FMI should involve its participants and other stakeholders in the testing and review of the FMI's default procedures, including any close-out procedures. Such testing and review should be conducted at least annually or following material changes to the rules and procedures to ensure that they are practical and effective.

Resolution and bankruptcy

As a rule, the procedures for dealing with participants under resolution and/or bankruptcy are checked annually, either in the form of testing or in connection with the practical handling of cases.

Operational failures

Contingency procedures for dealing with operational failures are tested on a regular basis. In addition, tests are carried out with the participation

¹⁸ [Terms and conditions for account holders](#)

of interdependent FMIs (VP Securities, Finance Denmark as owner of the retail clearing systems, and CLS). The test results are shared and evaluated at the relevant management level. In addition, the procedures for dealing with participants experiencing operational disruptions have been tested regularly in practice.

Principle 15 – General business risk

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

TARGET DKK consists of TARGET Services in Danish kroner, which are owned and operated by the Eurosystem, and SPI, which is owned and operated by Danmarks Nationalbank. As TARGET DKK and the underlying systems are central bank-owned payment settlement systems, it is not necessary to hold liquid net assets specifically to cover business risk or to support a recovery plan. This is due to the inherent financial resilience that characterises central banks. Against this background, the majority of key considerations, KCs, under Principle 15 are not relevant for central banks, including Danmarks Nationalbank. TARGET DKK therefore does not need to maintain a plan for procuring further capital.

KC 1: Robust management of general business risk

An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.

TARGET DKK has put in place safeguards against various types of financial loss. Operational sources of business risk are identified and assessed regularly in connection with risk assessments.

Legally, Danmarks Nationalbank has protected itself against business losses arising from claims for compensation in relation to the Eurosystem's operation of TARGET DKK, see the terms and conditions for accounts. Operational risks that may result in losses are described in Principle 17.

The risk of not being able to cover expenses related to TARGET DKK is minimised by adjusting the participation fees annually, so that income is aligned with actual expenses. In addition, participation in TARGET Services has provided operational benefits for maintenance and further development.

Principle 16 – Custody and investment risks

An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

KC 1: Registration of collateral

An FMI should hold its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets.

TARGET DKK uses VP Securities to register collateral. The registered securities can be pledged to Danmarks Nationalbank as collateral for the participants' intraday credit in the form of traditional pledges.

VP Securities is supervised by The Danish Financial Supervisory Authority and is monitored by Danmarks Nationalbank's oversight function. VP Securities is authorised to operate as a central securities depository under the Regulation on improving securities settlement in the European Union and on central securities depositories, CSDR. As part of the Danish Financial Supervisory Authority's supervision of VP Securities, it annually assesses whether the rules, organisational plans, procedures and security measures meet the requirements of the pan-European regulation of central securities depositories, CSDR, which is aligned with the CPMI-IOSCO-principles. Danmarks Nationalbank and the ECB act as relevant authorities under the CSDR and, through consultations, evaluations and IT-inspections, take part in the Danish Financial Supervisory Authority's ongoing assessment of whether VP Securities complies with the CSDR (Review and Evaluation). This regulation and the ongoing cooperation between the authorities help ensure that VP Securities has robust control- and security procedures for the safekeeping and protection of assets.¹⁹

VP Securities has established a solid legal foundation for its activities, ensuring clear segregation between the company's own assets and the securities belonging to participants. This segregation is maintained through

¹⁹ [Oversight policy 2025](#)

the use of separate accounts, so that participants' securities are not intermingled with either VP Securities' assets or those of other participants. This means that the securities which participants hold in their custodial accounts with VP Securities are protected against any claims from VP Securities' creditors.

KC 2: Prompt access to assets in safekeeping

An FMI should have prompt access to its assets and the assets provided by participants, when required.

Danmarks Nationalbank has immediate access to the assets in the traditional collateral custodial account that a participant has pledged to the bank. An agreement on prompt realisation has been concluded between Danmarks Nationalbank and the individual participants, who must sign the "Deed of Pledge for Credit in Danish kroner" in the terms and conditions for accounts.

Danmarks Nationalbank's right to promptly liquidate collateral also applies in the event of a participant's resolution or bankruptcy.

KC 3: Exposure to custodian banks

An FMI should evaluate and understand its exposures to its custodian banks, taking into account the full scope of its relationships with each.

Collateral provided at VP Securities is regularly reviewed as part of a risk assessment, see Principle 3.

Principle 17 – Operational risk

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.

KC 1: Establishing a risk-management framework

An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.

Danmarks Nationalbank's policy on non-financial risk management defines the overall framework for operational risk management, compliance and security at the bank, see Principles 2 and 3. The policy is reviewed annually by the bank's Risk Committee and approved by Group Management.

The risk policy defines the bank's requirements for the risk assessment of business-critical processes and systems. Risk assessments address risks within the following categories:

- External unauthorised activity (cyberattack)
- Damage to utilities and physical assets
- System, IT operational and data errors
- Internal unauthorised activity
- Errors in business execution
- Non-compliance with guidelines and obligations
- Resource issues and inadequate recruiting

Risk assessments are prepared throughout the bank, for example involving business areas and IT. They take into account experience from

previous incidents, tests, etc., as well as relevant information arising from dialogue with relevant stakeholders, including authorities such as the Danish Resilience Agency, SAMSIK, Nordic Financial CERT, the Cyber Information and Intelligence Sharing Initiative (CIISI-EU), other central banks and suppliers.

In connection with the Danish krone's participation in TARGET Services, Danmarks Nationalbank has integrated its risk management processes for TARGET DKK with the risk management carried out in the Eurosystem and the ECB for TARGET Services, see Principle 3. The risk categories mentioned above are also covered by the risk reporting the bank receives from the Eurosystem and 4CB.

KC 2: Decisions on roles and responsibilities for addressing operational risk by the board of directors

An FMI's board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI's operational risk-management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.

An overview of the bank's risk portfolio and other relevant matters is presented semi-annually to the Board of Directors, as Danmarks Nationalbank's highest organisational body.

The bank's Group Management has overall responsibility for ensuring that its handling of non-financial risks is appropriate and adequate. Group Management has approved the organisation and division of responsibilities for non-financial risk management into 3 Lines of Defence, see Principle 3. The bank's central 2nd line function is also responsible for the bank's framework for non-financial risk management.

The bank's overall risk portfolio is reported to Group Management three times a year. If a critical risk is identified, a specific plan must be presented as soon as possible, and within one month at the latest, setting out how the risk will be mitigated so that it no longer falls within the critical range. The risk, including the mitigation plan, is reported to the Risk Committee and Group Management. Group Management is the owner of critical risks.

Danmarks Nationalbank's Risk Committee ensures a consolidated overview and prioritisation of all identified risks from completed risk assessments, incident reports, audit recommendations, recommendations from Oversight and other relevant matters. The Committee reviews the bank's overall risk portfolio three times a year, including relevant risks, in line with the requirements arising from the bank's risk appetite.

The Head of the *Banking and Markets* Department at Danmarks Nationalbank, as system owner, is responsible for the risks identified in relation to TARGET DKK. The risks identified here form part of the bank's overall risk portfolio, which is reported to the Risk Committee and Group Management, see above.

Danmarks Nationalbank conducts ongoing operational tests, contingency tests and technical tests related to TARGET DKK. The result is presented in relevant internal forums as well as sector forums, including the TARGET DKK User Forum. See also KC 6 and KC 7.

Danmarks Nationalbank participates in relevant Eurosystem forums to continuously oversee and manage risks in TARGET Services. This includes through Danmarks Nationalbank's participation in the Market Infrastructure Board, MIB, and the TARGET Services Risk Committee, TSRC, see Principle 3.

KC 3: Operational reliability

An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.

Danmarks Nationalbank and the ECB have entered into a Service Level Agreement that specifies objectives for the operation and availability of TARGET Services. Requirements have been defined for availability, maximum recovery time and zero data loss.

Danmarks Nationalbank receives monthly service reports from the Eurosystem, which includes setting out the status of service targets, incidents and changes to TARGET Services. Danmarks Nationalbank participates in several working groups under the ECB for T2, T2S and TIPS, respectively, where change requests (Change Requests) and issues (PBIs) regarding TARGET Services are dealt with. These working groups also discuss operational risks that are important for both the operation and further development of TARGET Services.

The ECB has established service level management, which ensures structured handling of incidents in TARGET Services. When an incident occurs, the TARGET Service Desk records and categorises it and assigns a priority (P1–P3). In the event of critical incidents (P1), the TARGET Coordination Desk convenes a settlement manager call, in which Danmarks Nationalbank's *Payments* team participates and represents the bank.

If the incident occurs outside normal business hours, or if it is assessed as particularly critical, it is escalated to a crisis manager call. This involves *Payments*, which is staffed 24/7/365, ensuring that Danmarks Nationalbank can always participate in these escalation meetings.

At these meetings, the next steps are determined, including any changes in operations and the need for external communication. Once the incident has been resolved, the TARGET Service Desk prepares an incident report, which is shared with the national central banks, including Danmarks Nationalbank.

These reports are subsequently reviewed by the ECB's working group *Settlement Managers Sub-Group, SMSG*, in which Danmarks Nationalbank participates. SMSG follows up on the incidents, identifies lessons learned and ensures that the necessary measures are implemented.

KC 4: Scalable capacity

An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.

In connection with the transition to TARGET Services, Danmarks Nationalbank, together with the ECB and the Danish data centres, has conducted performance tests on the TIPS platform. These performance tests, which included resilience tests and peak tests, have shown that the infrastructure at both the Eurosystem and the data centres can handle increased use of the system.

The capacity for T2 and TIPS is continuously monitored by 4CB in order to ensure the stable and efficient operation of TARGET Services. System capacity is based on analyses of historical data from the previous year as well as forecasts of future needs, including assessments from the participating central banks. The purpose is to anticipate and meet expected loads. In addition, 4CB ensures that extra capacity is available, which can be activated at short notice to handle increases in transaction volume.

T2S carries out a Long-Term Capacity Planning-process, in which the expected use of the T2S-system and the future load are estimated. Based on this, the platform is dimensioned to handle normal fluctuations in transaction volume within the capacity determined for the quarter in question. The system can also absorb peak loads that exceed the estimated capacity. In the event of truly extraordinary volumes, the T2S-operator can activate additional, so-called *dormant* capacity with just a few hours' notice.

Danmarks Nationalbank produces monthly payment statistics on the use of TARGET DKK to monitor and analyse trends in the Danish payment infrastructure.

KC 5: Security policies

An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.

As part of overall operational risk management, security must help ensure that Danmarks Nationalbank's assets are at all times protected at an appropriate level in relation to the current threat landscape.

Danmarks Nationalbank's security requirements and associated implementation guidelines constitute its security policy for all systems that register, store, process and transmit data for Danmarks Nationalbank.

The security requirements are aimed at everyone working for Danmarks Nationalbank in relation to the acquisition, development, implementation, operation, administration, monitoring and control of security measures in and around the bank's physical facilities, systems used and data.

The security requirements are based on ISO standard 27001 on Information Security Management and apply to the entire bank, while implementation of the individual ISO domains may vary following a specific assessment and subject to compliance with external requirements.

Danmarks Nationalbank's second line is responsible for preparing and maintaining Danmarks Nationalbank's security requirements and implementation guidelines. Changes, as well as new security requirements and implementation guidelines, must be approved by the Risk Committee.

KC 6: Business continuity

An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.

TARGET Services has established a comprehensive contingency plan that ensures continued operations during significant operational disruptions, including scenarios with widespread or regional outages. As part of this, the emergency system ECONS II supports business continuity by enabling the settlement of critical payments in the event of serious operational disruptions in T2. The solution can be activated quickly and tested regularly. For T2 and T2S, redundant data centres are used in two geographically separate regions (inter-regional failover), with two locations in each region (intra-regional failover).

Intra-regional failover, IaRF, switches operations between two locations in the same region with synchronous data replication, enabling the resumption of normal operations within a maximum of one hour after the decision is taken. A major regional disruption requires a switch to the

other region (inter-regional failover). Inter-regional failover, IRF, involves switching to another region with asynchronous data copying, where data loss of up to two minutes of processing can occur. Both procedures are designed to ensure that all critical IT systems can be resumed quickly and that all transactions can be completed by the end of the affected day, even under extreme conditions.

Intra- and inter-regional failover are tested twice a year in the production environment.

For TIPS, the contingency plan is supported through an Active-Active-Active paradigm with three data centres. If one location is unavailable, operations continue without interruption at the other two, and no subsequent reconciliation is necessary. This is tested every six months.

Danmarks Nationalbank also has an internal crisis management plan, which is intended to provide an overall overview and support effective decision-making in a crisis situation that affects Danmarks Nationalbank's ability to maintain critical functions and/or affects the bank's employees. Danmarks Nationalbank's internal crisis response aims to ensure a coordinated effort across Danmarks Nationalbank's business-critical functions, supporting functions and relevant external stakeholders.

Danmarks Nationalbank has established a number of business continuity plans for Danmarks Nationalbank's operationally critical functions, one of which is the operation of payment systems. The business continuity plans address a number of prioritised crisis scenarios and map critical processes and systems, dependencies on third parties, as well as emergency procedures and staffing during those scenarios. The purpose of a business continuity plan is to ensure that Danmarks Nationalbank can maintain its critical functions even during significant operational disruptions.

Both Danmarks Nationalbank's crisis management plan and business continuity plans help to ensure that the impact on TARGET DKK is minimised in the event of a crisis.

Under the Financial Sector forum for Operational Resilience, FSOR, a crisis response group has been established to ensure coordination across the financial sector in the event of an incident that could threaten financial stability. Danmarks Nationalbank chairs and provides secretariat services for the crisis response group. The FSOR crisis management plan ensures coordination between organisations in a crisis situation where vital parts of the sector are affected by an operational incident. The FSOR's crisis management plan supplements the local crisis response arrangements of its members. Members are responsible for ensuring that their crisis response plans are integrated with the FSOR crisis management plan. The FSOR crisis management plan is tested twice a year. So far, the tests have confirmed that the crisis management plan is an effective tool for

structuring and managing crisis situations such as a cyberattack that threatens financial stability.

KC 7: Interdependencies

An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.

A Risk Forum for Interdependencies, RGA, has been established under the Financial Sector Forum for Operational Resilience, FSOR, with the participation of Danmarks Nationalbank, Finance Denmark, VP Securities and e-nettet. The RGA identifies and manages interdependence risks, see Principle 3. Contingency procedures have been established between TARGET DKK and the connected settlement systems.

Principle 18 – Access criteria

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

KC 1: Fair and open access criteria

An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements.

TARGET DKK is open to the key participants in the Danish payment infrastructure, which may be granted access by Danmarks Nationalbank upon request. For an account in Danish kroner, the following may apply for access:

- Credit institutions, payment institutions and e-money institutions, and Danish branches that are supervised by The Danish Financial Supervisory Authority.
- Branches in Denmark that are supervised in an EU country or a country with an EU home country supervision agreement.
- Foreign credit institutions, payment institutions and e-money institutions that are supervised in EU/EEA countries or countries with a cooperation agreement, and that carry out cross-border activities in Denmark.
- Central counterparties (CCPs) established and supervised in the EU.
- Other entities that Danmarks Nationalbank assesses to be of significant importance for payment settlement, including settlement systems, AS.

For monetary policy instruments, the following may apply for access:

- Credit institutions and mortgage credit institutions supervised by The Danish Financial Supervisory Authority.
- Branches in Denmark that are supervised in another EU country.
- Branches of foreign credit institutions supervised in a country with which the EU has concluded a cooperation agreement on home country supervision.

- CCPs in the EU that clear important transactions in Danish kroner which Danmarks Nationalbank considers to be of significant importance.

There is fair and open access for all potential TARGET DKK participants, irrespective of size. This is partly due to the non-discriminatory pricing structure. Only direct participants are charged the membership fee. The basis for allocating Danmarks Nationalbank's TARGET DKK costs is the benefit to the individual participants. Participants with the most transactions and the highest transaction volume pay the most. In addition, only external costs for the operation and management of TARGET DKK are invoiced to the participants. Internal costs are borne by Danmarks Nationalbank. This helps to keep down the participants' co-payment. The non-discriminatory pricing structure and the framework for the participants' co-payment have helped to bring a large number of banks and other financial institutions on the Danish market into TARGET DKK.

KC 2: Risk considerations

An FMI's participation criteria should be based on the safety and efficiency of the FMI and the markets it covers. The criteria should be tailored to, and consistent with, the specific risks of the FMI and should be made public. Subject to maintaining acceptable risk control standards, an FMI should endeavour to set requirements that have the least-restrictive impact on access that circumstances permit.

As described above, TARGET DKK requires that participants are subject to supervision, which gives Danmarks Nationalbank assurance when allowing financial institutions to participate in TARGET DKK. Moreover, access is not restricted unnecessarily.

Participants must meet a number of operational requirements that support the secure and efficient use of TARGET DKK. It is also a precondition for Danmarks Nationalbank's approval of a request for participation in TARGET DKK that the participant in question has allocated sufficient resources, including qualified personnel, for ongoing risk management and for the technical and operational handling of its participation in payment settlement in Danish kroner.

All communication with TARGET Services must take place via an approved NSP, and participants must be able to document compliance with the relevant endpoint and security requirements. Danmarks Nationalbank verifies participants' NSP compliance annually with the aim of enhancing participants' resilience to external threats. Non-compliance requires an action plan that ensures that technical and operational risks are reduced to an acceptable level.

All credit facilities in TARGET DKK are provided against collateral, which effectively reduces Danmarks Nationalbank's credit risk towards participants, see Principle 4. It is therefore not considered necessary to introduce further restrictions on the group of participants.

Danmarks Nationalbank has well-documented internal procedures for onboarding new participants in TARGET DKK, which reduces the risk of errors during onboarding.

Danmarks Nationalbank's terms and conditions for accounts and price lists are publicly available on the bank's website, providing participants with relevant information. In addition, a user manual for TARGET DKK is available to participants on Danmarks Nationalbank's extranet via MS Teams, helping to minimise the risk of errors when settling payments in TARGET DKK.

KC 3: Compliance with participation requirements and exit rules

An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.

Danmarks Nationalbank receives information from The Danish Financial Supervisory Authority if a participant is wound up, declared bankrupt or loses its approval from the Authority and is therefore no longer under supervision. This ensures ongoing monitoring to confirm that participants continue to meet the access criteria. Danmarks Nationalbank reserves the right to terminate a participant's access to TARGET DKK and the participant's accounts if the access criteria set out in KC 1 are not met, or if insolvency proceedings are initiated.

TARGET DKK participants may close their accounts and exit TARGET DKK at any time. The criteria for exit are described in Danmarks Nationalbank's terms and conditions for accounts.

According to the terms and conditions for accounts for TARGET DKK, Danmarks Nationalbank may suspend or terminate a participant's participation without notice if there is an event of default – including insolvency, failure to meet the access criteria or any other material event of default – or if circumstances arise that Danmarks Nationalbank believes pose a risk to the stability, soundness or security of TARGET DKK. In such cases, Danmarks Nationalbank may require the participant to settle all amounts due immediately, and Danmarks Nationalbank may, without notice, protect itself by using the collateral provided by the participant.

Internal procedures are in place which regulate a participant's exit.

Principle 19 – Indirect participants

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

KC 1: Gathering of information about indirect participation

An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such indirect participation.

At Danmarks Nationalbank, banks and mortgage credit institutions can participate in TARGET DKK either as direct participants (including as co-manager) or as co-managees. Banks may also choose to settle payments via a correspondent bank and thereby be indirect participants. An indirect participant gains access to the Danish payment infrastructure through a direct participant, but there is no systemic indirect participation in TARGET DKK.

A bank may instead be under co-management, where the co-managee has its own CLM MCA, which is administered by a direct participant acting as co-manager. The Danish Financial Supervisory Authority's classification of banks by working capital helps determine which banks may be co-managees. The scheme is therefore targeted at smaller banks, meaning that a co-managee will typically have a limited transaction volume. Danmarks Nationalbank has contractual relationships only with direct participants and co-managees.

In this description, however, an indirect participant is defined as a party that makes arrangements with a direct participant to settle through that participant. TARGET DKK regards the legal relationship between direct participants and other parties as not being a matter for Danmarks Nationalbank. Any transactions settled by a direct participant on behalf of an indirect participant are, from a TARGET DKK perspective, treated in the same way as the direct participant's own transactions. TARGET DKK has clear rules for the settlement of a payment at all stages of the settlement process, see Principle 8. These rules also apply to payments made by a direct participant on behalf of an indirect participant.

Data are regularly collected from the TARGET Analytical Environment, TAE, on indirect participants' settlement of transactions in TARGET DKK, which are used to identify:

- how much of the direct participant's settlement is carried out on behalf of indirect participants
- direct participants settling on behalf of a considerable number of indirect participants
- indirect participants settling a considerable number of transactions or transactions of considerable value
- indirect participants settling a considerable number of transactions or transactions of considerable value in relation to the direct participant through which they settle.

KC 2: Identification of dependencies between direct and indirect participants

An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.

Dependencies between direct and indirect TARGET DKK participants are identified on the basis of the above information, see KC 1. In addition, Danmarks Nationalbank maintains a dialogue with relevant direct participants regarding their settlement of payments for indirect participants.

KC 3: Managing risks arising from tiered participation

An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.

Risks relating to indirect participants' transactions are managed by including such risks in risk assessments. Danmarks Nationalbank identifies indirect participants with large transaction volumes or values relative either to the overall transaction volume/value in TARGET DKK or to the direct participant through which the indirect participant settles. This identification is used to identify indirect participants who pose a potential risk to the direct participant through which the indirect participant settles.

KC 4: Regular risk review and mitigating action

An FMI should regularly review risks arising from indirect participation arrangements and should take mitigating action when appropriate.

Risks associated with the activity of indirect participants in TARGET DKK form part of a risk assessment that is reviewed at least annually. Any need

to introduce measures to limit risks is investigated and the measures are implemented if this is deemed to be necessary.

Principle 21 – Efficiency and effectiveness

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

KC 1: Meeting the needs of its participants and the markets it serves

An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.

The ECB develops TARGET Services through a fixed annual release-cycle with half-yearly updates, and changes are discussed on an ongoing basis in the associated ECB-working groups, in which Danmarks Nationalbank participates in the relevant fora. These working groups act as key channels for dialogue on further development, change requirements and technical adjustments within TARGET Services, and Danmarks Nationalbank's participation ensures that Danish perspectives are reflected in the decision-making basis.

Danmarks Nationalbank has also established a national governance-structure that ensures sector involvement at operational level. At operational level, participants meet in the TARGET DKK User Forum to discuss practical matters, operational needs, testing activities, incidents and input for forthcoming releases. This forum enables participants to present specific requests and needs directly to Danmarks Nationalbank. At management level, there is also a TARGET DKK Sector Management Forum, where system-related requests are discussed. This helps ensure that TARGET DKK's RTGS system meets participants' requirements and needs. Danmarks Nationalbank also exchanges experience with the other Nordic countries.

KC 2: Clearly defined goals and objectives that are measurable and achievable

An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk-management expectations, and business priorities.

Danmarks Nationalbank has clear objectives and key performance indicators (KPIs) for its service levels, which are set out in Service Level Agreements (SLAs) with the ECB. These agreements ensure that 4CB provides specific services to the Eurosystem central banks, including Danmarks Nationalbank. Each month, 4CB produces service-level reports on the preceding month based, among other things, on performance and incidents for T2, TIPS and T2S.

Under the SLA, the ECB is obliged, via 4CB as service provider, to ensure that all TARGET Services are delivered in accordance with the agreed service levels. This includes ongoing monitoring, assessment and reporting of service quality, preparation of monthly reports for the central banks and the implementation of any necessary measures. Service-level indicators and KPIs are defined for each service in TARGET Services and are monitored through regular reporting.

Risk management in connection with TARGET DKK has been approved by Danmarks Nationalbank's executive management and defines roles and responsibilities for managing all relevant risks to which TARGET DKK is exposed. Danmarks Nationalbank's risk management is discussed in Principles 2, 3 and 17.

KC 3: Regular review of efficiency and effectiveness

An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.

The operation of TARGET DKK is monitored both operationally and strategically. The handling of incidents depends on whether they occur at the ECB or internally within Danmarks Nationalbank. Danmarks Nationalbank has clear processes for handling and reporting internal incidents. If the incident concerns TARGET Services, it is handled by the ECB, which notifies Danmarks Nationalbank, who in turn informs the relevant parties. Incidents are collated on a monthly basis for both TARGET Services and the internal systems at Danmarks Nationalbank. This compilation is then distributed to the participants so that they are continuously kept up to date.

TARGET DKK makes a point of ensuring fair and open access for all. This means that the pricing structure is transparent, does not discriminate against participants and does not limit the use of the system. Pricing is recalculated annually using an allocation key based on the benefit to each participant, see Principle 18, KC 1.

Principle 22 – Procedures and standards for data communication

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

KC 1: Internationally accepted communication procedures and standards

An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.

TARGET DKK follows internationally recognised procedures and standards for data communication, which comply with the requirements set by the Eurosystem for TARGET Services. Participants can access TARGET Services via SWIFT or NEXI, which ensure harmonised and secure access. SWIFT and NEXI are the two NSPs (Network Service Providers) approved by the Eurosystem. Accordingly, a direct participant is required to have a bilateral contractual relationship with one of the NSPs in order to gain access to TARGET DKK.

Access to SPI is obtained through a secure internet connection, from which instructions submitted by participants are redistributed via SWIFT to TARGET Services.

Communication between TARGET Services and participants can take place either as User-to-Application, U2A, where participants can log in to the GUI and directly submit, among other things, payment instructions, or as Application-to-Application, A2A. Participants that use SWIFT typically have their own automated systems that send and receive TARGET DKK payments to and from participants via SWIFT. A2A communication is based on ISO 20022-messages, which is the messaging standard used across the entire TARGET Services platform.

Communication with settlement systems

The batch clearings (Sum clearing and Intraday clearing) are settled as multilateral net settlements via RTGS-subaccounts in TARGET DKK. The banks therefore settle their mutual payments collectively, after which the net position is settled, thereby reducing the liquidity requirement. The

systems are owned by Finance Denmark but operated by Mastercard Payment Services, MPS.

In a batch clearing, MPS moves liquidity from the participants' RTGS DCAs to RTGS subaccounts prior to settlement, after which the subaccounts are emptied back to the RTGS DCAs once the batch clearing has been completed.

Principle 23 – Disclosure and publication of information

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

KC 1: Clear and comprehensive rules

An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.

Danmarks Nationalbank's terms and conditions for accounts, which are available on Danmarks Nationalbank's website in Danish and English, describe the rules and procedures for TARGET DKK.

Danmarks Nationalbank's terms and conditions for accounts include the general rules as well as provisions for MCAs, RTGS DCAs, T2S DCAs and TIPS DCAs. In addition, they cover rules for AS settlement procedures, certificates of deposit, monetary policy loans, pledging of collateral for credit facilities, use of T2S auto-collateral and the use of SCP as collateral for intraday loans.

In addition, guidance material, forms, user manuals and documents on TARGET DKK, the pricing model and user administration are available on Danmarks Nationalbank's website and on its extranet via Microsoft Teams. Information regarding collateral and the List of Eligible Assets, LEA, is likewise available on the website.

Several employees in different departments have been assigned the task of ensuring that the terms and conditions for accounts are kept up to date. All updates to the terms and conditions for accounts are posted on Danmarks Nationalbank's extranet on Microsoft Teams with change tracking, so that participants can see exactly which changes have been implemented compared with the latest version. Previous versions can likewise be accessed on Danmarks Nationalbank's extranet via Microsoft Teams.

In extraordinary situations where TARGET DKK does not function as normal, it is possible to use contingency procedures. These procedures are described in the terms and conditions for accounts. The forms for contingency procedures are available on Danmarks Nationalbank's website and must be used by participants to ensure uniform and secure handling. Timetables are determined on the basis of the specific situation and communicated to participants via broadcasts in TARGET Services or, alternatively, by email or via Microsoft Teams. Where extraordinary situations are known in advance, Danmarks Nationalbank may inform participants beforehand by email. The contingency procedures are tested to ensure that participants know how to handle such situations.

KC 2: Descriptions of system design and operations

An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.

The structure of TARGET DKK is described in Danmarks Nationalbank's terms and conditions for accounts and on Danmarks Nationalbank's website under the menu "Safe and efficient payments". The overall description of TARGET DKK, including structure, clearing, collateral and monetary policy instruments, can be found in the "TARGET DKK memo" and at the beginning of this Disclosure Framework.

In addition, the ECB's website provides an information guide and *User Detailed Functional Specifications*, UDFS, for TARGET Services.²⁰

The rights and obligations of the participants are also set out in Danmarks Nationalbank's terms and conditions for accounts.

The terms and conditions for accounts do not describe credit risk for participants, as TARGET DKK always checks that there are sufficient funds in participants' accounts before a payment is executed. Situations involving credit risk therefore do not arise for participants. When a payment has been settled, it is final, even if a participant is subject to bankruptcy proceedings. Since settlement takes place via accounts with Danmarks Nationalbank, participants do not incur any credit risk on the settlement bank either.

With regard to liquidity risk, this is described in Principle 7.

²⁰ [TARGET Services](#)

KC 3: Training of participants

An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.

All participants in TARGET DKK have been provided with training material, and Danmarks Nationalbank assists if participants need help related to TARGET DKK. In addition, new participants in TARGET DKK are provided with test material. The *Payments* team in the *Banking and Markets* department at Danmarks Nationalbank is also available to answer questions and acts as the national service desk for participants.

Payments is available 24/7/365 and is staffed by experienced employees at Danmarks Nationalbank, who can provide support and assist participants with any problems.

Participants must familiarise themselves with how TARGET DKK works. When a new participant applies to join, the participant confirms that it is familiar with and accepts the terms and conditions for accounts in force from time to time. Participants in TARGET DKK are also obliged to exercise due care in fulfilling their obligations under the terms and conditions for accounts in force from time to time.

Danmarks Nationalbank regularly tests contingency procedures together with the participants to ensure that they are trained in these procedures.

At the aforementioned TARGET DKK User Forum, test results are followed up, enabling dialogue and knowledge sharing among participants.

KC 4: Costs of participation

An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.

Danmarks Nationalbank's terms and conditions for accounts contain a description of fees and prices. In addition, they include a description of the pricing model, which is updated annually with new prices. The pricing model is available on Danmarks Nationalbank's website: "Pricing model in TARGET DKK: Charging account holders".

The costs of participating in TARGET DKK consist of a monthly fee for direct participants, which covers Danmarks Nationalbank's external costs for operating and further developing TARGET DKK. The fee, which is collected on the 11th banking day, is determined once a year and allocated according to a key based on each participant's number and value of RTGS-transactions in the preceding year, subject, however, to a minimum of kr. 1,000 per month.

KC 5: Response to CPMI-IOSCO Disclosure framework and public disclosure of data

An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO Disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.

This report is the first description of TARGET DKK according to the CPMI-IOSCO Principles, a so-called disclosure. There are previous reports describing Danmarks Nationalbank's former settlement system, prior to the Danish payments infrastructure being connected to TARGET Services in 2025. The latest report concerning Kronos2 can be found on Danmarks Nationalbank's website: "Description of Kronos2 in relation to international principles".

Basic data on transaction volumes and values are published in Danmarks Nationalbank's oversight publication "Oversight of the financial infrastructure" and on Danmarks Nationalbank's website.