

Guidance regarding interest rate benchmarks

Working Group on CIBOR Transition (WGCT)

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1. Introduction and purpose

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In November 2025, Finance Denmark and Danmarks Nationalbank jointly established the Working Group on CIBOR Transition ("**WGCT**") which is subject to the Terms of Reference for the Working Group on CIBOR Transition ("**WGCT ToR**"). The WGCT ToR prescribe that the WGCT's overall objective is to analyse and provide recommendations on a transition from the Copenhagen Interbank Offered Rate ("**CIBOR**") to transaction-based reference rates across (Danish) krone-denominated financial contracts such as bonds, deposits, loans and derivatives. The WGCT ToR also provide that the WGCT is to consider the characteristics of the Danish markets and reference rates.

The pricing of many financial instruments and financial contracts, including loans, mortgages, bonds, mortgage credit bonds, and interest rate derivatives, depends on the accuracy and integrity of interest rate benchmarks.¹

Despite its relatively small size, the Danish krone market includes several interest rate benchmarks, e.g. the Denmark Short-Term Rate ("**DESTR**"), CITA², and CIBOR.

The purpose of this publication is therefore to guide the WGCT's work, regarding interest rate benchmark recommendations in relation to future financial instruments and financial contracts, to meet the WGCT's overall objective of a transition away from CIBOR to transaction-based reference rates. The guidance below is accordingly intended to ensure the accomplishment of the WGCT's overall objective and does not prescribe the individual steps in the transition process or make recommendations regarding existing financial instruments or financial contracts. In relation to existing financial instruments and financial contracts, any temporary use of a synthetic CIBOR shall be assessed by the sub-groups, on a product-by-product basis, in separate analyses.

The WGCT's sub-groups shall, in the light of the guidance below and on a product-by-product basis, analyse the possible use of interest rate

¹ See e.g. Regulation (EU) 2016/1011 ("**BMR**"), recital 1.

² The name "Copenhagen Interest Tomorrow/Next Average" is a legacy name as CITA is currently defined as a benchmark for risk-free interest rates for Danish kroner over the relevant forward-looking tenors as implied by overnight index swap contracts that reference DESTR, cf. (DFBF, 2026a).

benchmarks and the steps needed to accomplish the WGCT's overall objective.

The transition is – to the extent possible – to be aligned with international standards and transitions in other jurisdictions, which will ensure that the transition is accessible to international stakeholders. In addition, the WGCT is committed to the safeguarding and fair treatment of consumers, legal certainty, and an orderly and realistic transition that maintains a well-functioning Danish financial market. The recommendations shall accordingly seek to, inter alia, avoid the unintended triggering of fallback provisions in existing financial instruments and financial contracts.

The guidance provided below is accompanied by the WGCT's separate publication titled "Analysis of Interest Rate Benchmarks" ("**WGCT Analysis**") that, inter alia, presents data regarding the robustness of DEST, CITA, and CIBOR.

This publication also aims at ensuring public transparency regarding the principles that guide the WGCT's work in relation to interest rate benchmark recommendations. This publication is accordingly subject to public consultation, on the WGCT's subsite of Danmarks Nationalbank's website, to ensure that external stakeholders' views are considered before the WGCT finally adopts any recommendations.

2. Guidance regarding interest rate benchmarks

The WGCT's respective sub-groups shall, on a product-by-product basis, assess the possible use of interest rate benchmarks in accordance with the priority of use provided below.

As described in the WGCT Analysis, DEST constitutes a transaction-based reference rate. DEST will accordingly enable the transition from CIBOR to transaction-based reference rates. The WGCT therefore recommends DEST as the first priority in the priority of use below.

The WGCT considers DEST's underlying transaction volume (as shown in the WGCT Analysis) to be sufficient, robust, and correctly reflecting its underlying market. The WGCT notes that DEST's transaction volume reflects that the Danish krone market is based on relatively few participants and limited volumes. The WGCT is accordingly committed to supporting DEST's continuing robustness.

As stated above, the characteristics of the Danish markets and reference rates must be considered by the WGCT. A forward-looking term rate (that reflects a sequence of expected overnight rates³) may

³ (FSB, 2019)

be included in the sub-groups' assessments to accommodate legal requirements or overriding considerations that are due to the characteristics of the Danish market. As described in the WGCT Analysis, CITA is a forward-looking term rate based on "committed quotes" (the market quote for the rate at which panel banks are prepared to offer DESTR overnight index swaps).⁴ The possible need for a non-transaction-based forward-looking term rate, such as CITA, must therefore be analysed in-depth, on a product-by-product basis and in accordance with the guidance below, by the WGCT's respective sub-groups, before any recommendations are made.

The WGCT accordingly recommends the following priority of use that is to be applied when the WGCT and its sub-groups make recommendations regarding interest rate benchmarks in relation to future financial instruments and financial contracts:

1. DESTR,
2. CITA - if DESTR cannot be used due to legal requirements or overriding considerations which entail that a forward-looking term rate is needed for a specific product.

When making recommendations, the WGCT and its sub-groups shall, in relation to DESTR, assess the applicability of generally applied interest rate conventions, including simple and compounded averages of DESTR "in advance" or "in arrears" (which shall both be considered to be in line with the recommended first priority of use).⁵

If a sub-group concludes that DESTR cannot be used, the relevant sub-group shall present transparent and objective reasons for such a conclusion. When assessing an endorsement of a sub-group's recommendation, the WGCT shall consider whether the recommendation, alone and in combination with other recommendations, supports a transparent, consistent, and consolidated use of transaction-based reference rates that supports a liquid and non-fragmented Danish krone market and duly considers both relevant international standards and the specific characteristics of the Danish market.

⁴ (DFBF, 2026a) and (DFBF, 2026b).

⁵As described in (FSB, 2019), an "in advance" payment structure references an average of the overnight rate observed before the current interest period begins; the rate is accordingly known at the beginning of the interest period. An "in arrears" payment structure references an average of the overnight rate over the current interest period; the rate is accordingly known at the end of the interest period.

Definitions

BMR	Regulation (EU) 2016/1011
CIBOR	Copenhagen Interbank Offered Rate
CITA	A benchmark for risk-free interest rates for Danish kroner over the relevant forward-looking tenors as implied by overnight index swap contracts that reference DESTB
DESTB	Denmark Short-Term Rate
WGCT	Working Group on CIBOR Transition
WGCT Analysis	Working Group on CIBOR Transition (2026), Analysis of Interest Rate Benchmarks
WGCT ToR	Terms of Reference for the Working Group on CIBOR Transition, 14 January 2026

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