

MINUTES

FINANCIAL MARKETS CONTACT GROUP

- BANKS

14 march 2024 13.00-15:00 CET

Danmarks Nationalbank, Langelinie Allé 47, 2100 København Ø



ATTENDEES:

Danmarks Nationalbank

Danske Bank

Finanstilsynet

Nordea

Nykredit

SEB

Spar Nord Bank

Sydbank

APOLOGIES:

Arbejdernes Landsbank

OPENING REMARKS

Chair Kristine Rasmussen gave introductory remarks, which was followed by a short introduction of all participants.

DESTR

Finanstilsynet and Danmarks Nationalbank gave presentations on the status of the transition to transaction-based interest rates and developments in Denmark Short-Term Rate (DESTR)-based markets over the past year.

DESTR is continued to be seen positively and as a robust reference rate. Volumes underlying the calculation of DESTR have remained stable and the share of transactions involving non-bank has grown further to increase its representativeness. Likewise, volumes in DESTR-based swaps have been trending upwards, particularly in those that are cleared by central counterparties.

However, participants viewed that there were still some barriers to increased widespread adoption, including lack of issuance on bonds linked to DESTR. Participants viewed that issuance of bonds linked to DESTR or CITA were to a large extent demand-driven from customers, and that demand was not yet there.

There was unanimous agreement for the continued work on and support of DESTR from Danmarks Nationalbank and Finanstilsynet.

Finanstilsynet highlighted the importance for financial markets actors to be prepared for a potential future phase-out of CIBOR. In particular, that the continued use of CIBOR risks weakening confidence in Danish markets more broadly and increases the likelihood of a more disorderly transition away in the future.

It was highlighted from participants that a pure market-based transition from CIBOR to DESTR was unlikely.

Participants discussed considerations for potential transition away from CIBOR, including the need for clarity on timeline and standards for implementation.

SECURED MONEY MARKET IN DKK

Danmarks Nationalbank gave a presentation on the secured money market in Danish krone, including analysis of transaction-level currency and money market statistics (FXMMSR).

Both turnover and outstanding volumes remained stable over the past year, with trading involving non-bank financial institutions constituting a significant share of the volume.

The high turnover and generally short contract lengths appear to contribute to solid pass-through of DN's interest rate changes over the past year.

Participants agreed that, at the current juncture the market was well functioning and sufficiently met the needs of participants.

FUNDEMENTAL REVIEW OF THE TRADING BOOK (FRTB)

Danmarks Nationalbank gave a short overview of the FRTB regulation, including the addition of DKK to the list of highly liquid currency pairs.

Nordea presented further insights into recent global developments from their perspective, including the impact of the regulation on banks' minimum capital requirements.

Participants discussed the potential effects on Danish markets, including the effects on costs of capital and hedging. Participants saw a potential need for wider spreads for banks to act as the buyers of last resort in future crises.

Participants also acknowledged that a more liquid DESTR swap market could be part of the solution and that government (and quasi government) institutions had a role to help support this.

EUR/DKK

Danmarks Nationalbank presented some insights on developments in EUR/DKK over the past year through the lens of the FXMMSR statistics. Turnover in outright EUR/DKK FX and FX swaps had remained at a similar level on average over the past year, with a large share of activity with foreign banks.

Furthermore, domestic corporates had remained strong buyers of DKK, while other domestic actors had been on net, neutral. Foreign banks were the largest sellers.

In general, participants viewed the liquidity in the FX swap market as sufficient.

CLOSING REMARKS

The meeting was concluded with suggestions for future topics for FMCG. Further, it was noted that one yearly meeting with physical attendance would continue to be the norm, complimented by ad hoc meetings if necessary.