

MINUTES

FINANCIAL MARKETS CONTACT GROUP - BUYSIDE

13 march 2024 13.00-15:00 CET

Danmarks Nationalbank, Langelinie Allé 47, 2100 København Ø



ATTENDEES:

ATP	TopDanmark
Danmarks Nationalbank	Tryg
Danske Bank AM	Velliv
Finanstilsynet	
Nykredit AM	
Pension Danmark	
PFA	
PKA	
Sampension	

APOLOGIES:

SRV Capital

OPENING REMARKS

Chair Kristine Rasmussen gave introductory remarks, reminding participants of the mandate of the working group as stipulated in the Terms of Reference.

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 and robustness. 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 a lack of electronic execution platforms, lack of price streaming from some brokers and banks, and a lack of issuance of bonds linked to DESTR.

Euribor is still used in the EIOPA discounting curve for insurance and pension funds, which makes CIBOR a more natural alternative in Danish kroner. If the EIOPA discounting curve transitions to €STR, this would benefit the transition to DESTR, including its use in cross currency interest rate swaps.

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.

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 from 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 buy-side market participants.

EUR/DKK & FX GLOBAL CODE

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.

Participants thought liquidity in outright DKK had declined over the past years, but not significantly so since the FMCG meeting in April last year. Foreign banks continue to be a significant counterparty in DKK flows.

Danmarks Nationalbank also gave a presentation on the benefits of the widespread adoption of and adherence to the FX Global Code. DN encouraged participants to commit to industry best practice by aligning with the principles of the code.

CLOSING REMARKS

Chair Kristine Rasmussen concluded the meeting by taking 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.