
Foreign Banks in Denmark

Jakob Windfeld Lund, Financial Markets, and Kristine Rasmussen, Statistics

INTRODUCTION AND SUMMARY

Like other sectors, the banking sector¹ is affected by globalisation and consolidation, with consequences for market shares and concentration. Cooperation within the EU has created the ground rules for the single market for financial services, and banks (particularly in the Nordic region) have increasingly utilised the opportunities for cross-border banking activities. It is difficult to obtain a full picture of foreign² banks' activities in Denmark, since activities vary considerably across customer groups and market segments. This article draws on various data sources to illustrate developments from several angles.

Overall, the banking sector in Denmark, as in several other small EU member states, is characterised by (i) a high concentration of market shares, and (ii) a significant presence of foreign banks. The balance sheets of foreign banks in Denmark have increased in recent years, while their market share has declined. Retail banking, i.e. deposits and lending, is dominated by Nordic banks, while non-Nordic banks' branches and subsidiaries in Denmark are of limited size. On the other hand, non-Nordic banks account for larger shares of cross-border lending to Danish customers and capital-market issues by Danish companies.

In the article, the concentration in the Danish banking sector is first measured on the basis of balance-sheet data³. Then the regulatory framework for and the scope of foreign banks' activities in Denmark are outlined. As a new feature, balance-sheet data is split into Danish and foreign banks in order to illustrate the size and structure of the balance sheets, as well as market shares. Supplementary data from alternative sources is used to investigate foreign banks' role in connection with cross-border lending and financial-market activities with Danish customers.

¹ In this article, the terms "banking sector" and "banks" are used both in a general sense and more specifically for the banking sector and banks (excluding mortgage-credit institutes) in Denmark.

² In this article, "foreign" means under foreign ownership.

³ In this article, "balance-sheet data" refers to the banks' reporting for Danmarks Nationalbank's Statistics on the balance sheets and flows of the MFI (Monetary Financial Institution) sector and does not include data for mortgage-credit institutes, other credit institutions, money-market funds and Danmarks Nationalbank.

CONCENTRATION OF MARKET SHARES

An analysis of market shares can contribute to assessing competition and stability in the Danish banking sector. The statistical returns and market

CONCENTRATION MEASURES

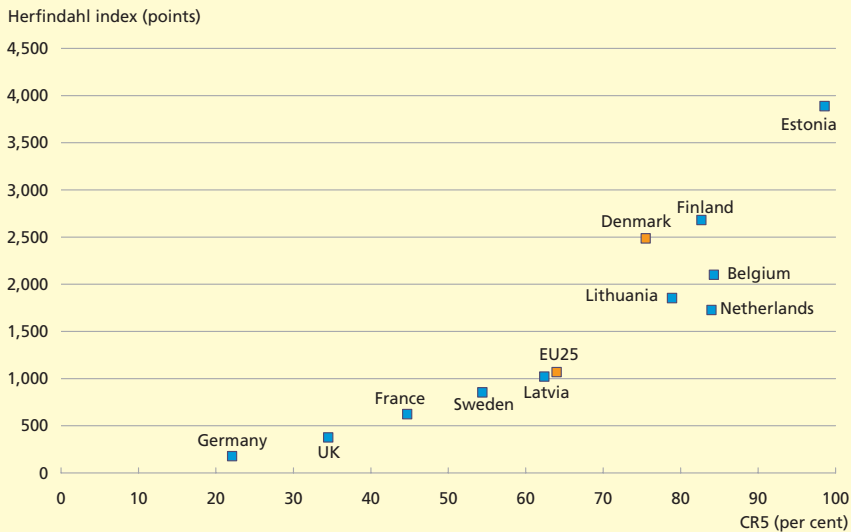
Boks 1

Concentration measures are used as a statistical indicator of the concentration of market shares within specific sectors, industries or areas/regions. Two well-known concentration measures are CR5 (Top-5 Concentration Ratio) and the Herfindahl index. CR5 is the sum of the market shares of the five largest banks. The *Herfindahl index* is defined as the sum of individual banks' squared market shares. The index is dependent on the number of banks, as well as differences in market shares. Increases in the value of both indices indicate a higher concentration. A market with a Herfindahl index of more than 1,800 is regarded as having a high concentration.¹

Compared with most other EU member states, the Danish banking sector appears to have a relatively high degree of concentration in terms of both the Herfindahl index and CR5, although the concentration in an international perspective is less pronounced when measured by CR5, cf. Chart A. The relatively high values of the concentration measures for the Danish banking sector do not in themselves say anything about competition, since competition from outside and the tendency for a higher concentration in small countries are not taken into account.

CONCENTRATION MEASURES IN SELECTED EU MEMBER STATES, END-2004

Chart A



Note: The calculation of the concentration measures does not include netting of group accounts. The measures shown for Denmark comprise banks only (not mortgage-credit institutes and other credit institutions), thereby eliminating the consolidation problem between banks and mortgage-credit institutes within the same group. The figures for Denmark are therefore not directly comparable with data in the article *Financial Groups and Conglomerates*, p. 61. The value for EU25 is the median value.

Source: Danmarks Nationalbank, ECB (2005c) and own calculations.

¹ This threshold value is applied by e.g. the Danish Competition Authority (www.ks.dk).

shares of individual banks cannot be published, but in Box 1 two summary statistical measures of the concentration of market shares are calculated. These concentration measures show a higher concentration in the banking sector in Denmark than in many other EU member states.

The concentration may have implications for financial stability. A highly concentrated banking system may be more vulnerable to systemic crises since, all other things being equal, banks with substantial market shares present a greater risk of contagion, both via the interbank market¹ and via macroeconomic feedback effects. In a financial system with a high concentration of market shares it is therefore particularly important that banks with large market shares are sufficiently robust to withstand potential shocks.

LEGAL FRAMEWORK FOR FOREIGN BANKS

Under the existing legal framework² foreign banks have several options with regard to serving Danish customers, cf. Chart 1.

From the late 1980s, cross-border banking activities – arrow (A) in Chart 1 – were made considerably easier by the liberalisation of capital flows. Both cross-border operations and establishment of local branches – arrow (B) in Chart 1 – were simplified with the adoption of the EU's second banking coordination directive³ in 1989, so that notification of the host country supervisory authority was all that was required. For the sake of completeness, arrow (C) in Chart 1 shows that foreign banks can serve the foreign entities or projects of internationally active Danish customers directly, possibly with guarantees from the Danish customers. Danmarks Nationalbank's balance-sheet data for banks in Denmark (described below) covers arrow (B), while BIS international banking data (described in Box 2) seeks to cover (A), (B) and (C).

At the end of 2005, there were 9 foreign banking subsidiaries and 26 branches of foreign banks in Denmark, while 271 foreign credit institutions had notified the Danish Financial Supervisory Authority that they wished to conduct cross-border banking activities.

The largest foreign bank in Denmark is Nordea, which operates as a banking subsidiary, but plans to convert its Danish subsidiary into a branch of a European company domiciled in Sweden and supervised by Finansinspektionen (the Swedish Financial Supervisory Authority). Nordea is an example of how the largest market shares of foreign banks

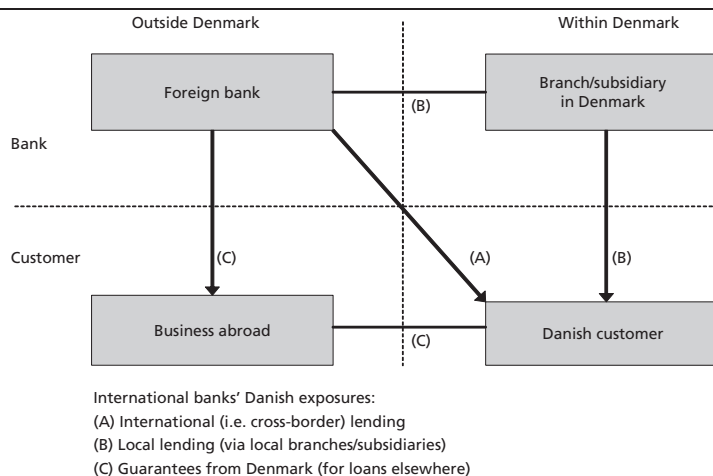
¹ Contagion risk in the Danish uncollateralised overnight interbank market is analysed in Amundsen and Arnt (2005).

² Cf. Danmarks Nationalbank (2004).

³ Directive 89/646/EEC.

SERVICING OF DANISH CUSTOMERS BY FOREIGN BANKS

Chart 1



in Denmark have been acquired via mergers or acquisitions, and not from organic growth via new branches or subsidiaries.

By far the majority of foreign banks in Denmark have a parent company in another Nordic country. A logical explanation for the Nordic dominance is that the Nordic region is relatively homogenous in terms of culture, languages, legislation, traditions and product range. Consequently, it can often be easier for a Nordic bank to set up in Denmark with a view to offering standard banking services such as deposits and lending than for a non-Nordic bank. At the end of 2005, Nordic banks accounted for approximately 84¹ per cent of foreign banks' total assets with Danish counterparties.

BALANCE-SHEET STRUCTURE AND MARKET SHARES

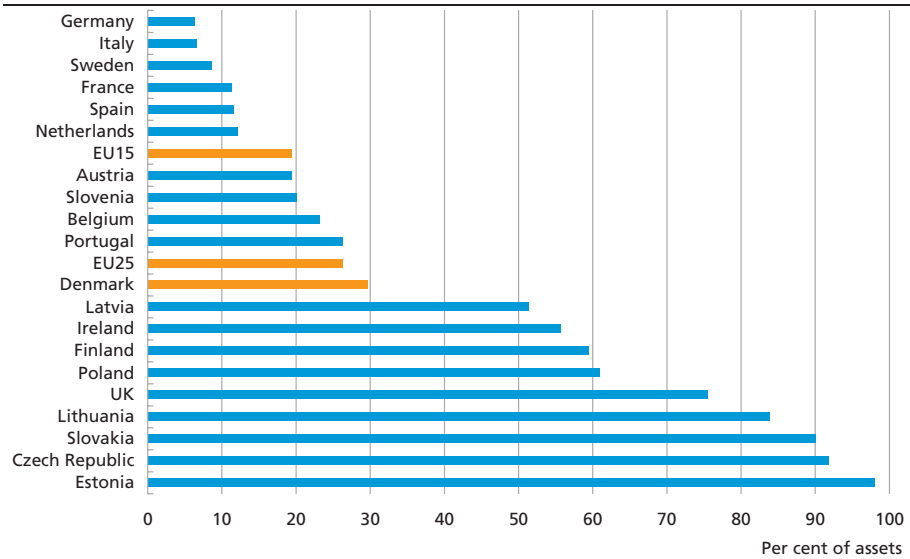
The market share of foreign banks is larger in Denmark than in most of the other EU15 member states, cf. Chart 2. The 10 new EU member states are generally characterised by a significantly higher degree of foreign ownership than EU15, but with considerable variations. In Estonia, the Czech Republic and Slovakia, foreign banks had market shares exceeding 90 per cent at the end of 2004, while the equivalent figure for Slovenia was only 20 per cent. The extensive foreign ownership which is characteristic of many of the new EU member states arose in the wake of the privatisation of previously state-owned enterprises². The large market share of foreign banks in the UK among other factors reflects London's role as an

¹ Calculated on the basis of the monthly reporting by banks to Danmarks Nationalbank's Statistics on the balance sheets and flows of the MFI sector. For more details about these statistics, see www.nationalbanken.dk or Danmarks Nationalbank (2003).

² ECB (2005a).

MARKET SHARES OF FOREIGN BANKS, END-2004

Chart 2



Note: Data comprises transactions with both domestic and foreign counterparties. The values shown for EU15 and EU25 are median values.

Source: Danmarks Nationalbank, ECB (2005c) and own calculations.

international financial centre. Other examples of financial integration in the retail market – e.g. between the Benelux countries – have not resulted in market shares for foreign banks that are quite as high.

The integration of the retail markets in the EU is still limited, while the interbank markets (measured as cross-border lending between financial institutions) show signs of increasing integration – particularly among the euro-area member states.¹ The relatively limited integration of the retail markets is attributable to differences in taxation, languages, traditions, product ranges, competition, legislation and consumer protection, which can act as barriers to banks operating outside their home country.² It is particularly difficult for foreign banks to gain a foothold in the household market segment, since households request fewer internationally standardised services than large business enterprises.

Size and structure of balance sheets

Danmarks Nationalbank's balance-sheet data can illustrate the balance-sheet structure and market shares of foreign banks³ in the Danish bank-

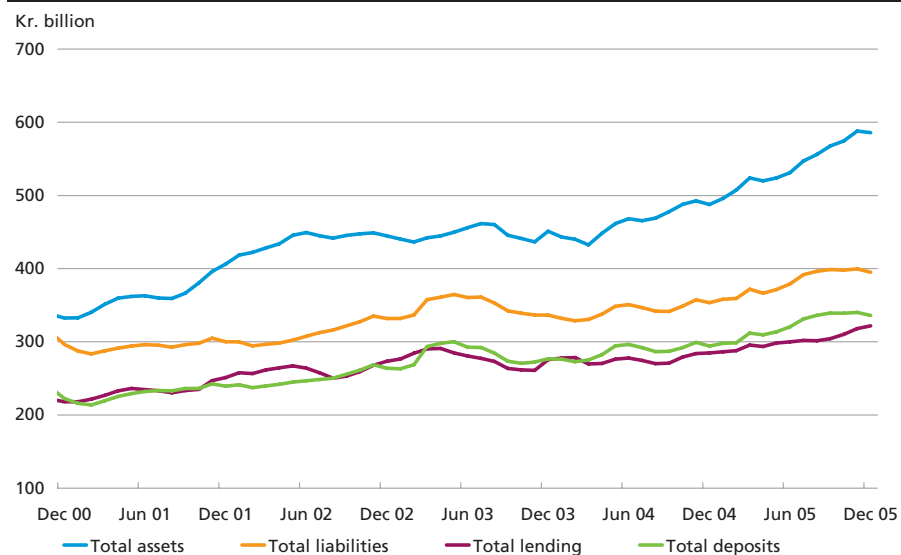
¹ ECB (2005b).

² ECB (2005c).

³ The population of foreign banks in the Statistics on the balance sheets and flows of the MFI sector varies over time, but in the period from 2000 to 2005 it has included ABN AMRO Bank, Alfred Berg Bank, Carnegie Bank, Citibank, Dexia Bank Denmark, DnB NOR Bank, Eik Bank, E*TRADE Bank, FIH Erhvervsbank (classified as a bank throughout the period), Forex Bank, FöreningsSparbanken København, Gudme Raaschou Bank, Handelsbanken, HSH Nordbank, Nordea Bank Danmark, Skandia-banken and Skandinaviska Enskilda Banken (branch and subsidiary).

BALANCE SHEETS OF FOREIGN BANKS, SELECTED ITEMS

Chart 3



Note: 3-month moving averages. Data comprises transactions with Danish counterparties.

Source: Danmarks Nationalbank and own calculations.

ing sector. In the last five years, foreign banks have increased both their assets and liabilities with Danish counterparties. Deposits and lending, which constitute the largest part of the balance sheet, have also been increasing in this period, cf. Chart 3.

Tables 1 and 2 show the development in selected balance-sheet items in the period 2000-05, split into Danish and foreign banks in Denmark. Table 1 states the balance-sheet items in billion kroner, while Table 2 presents the balance-sheet structure, i.e. the individual items as ratios of total assets/liabilities.¹

Foreign banks with branches or subsidiaries in Denmark had total assets of kr. 600 billion at end-2005, while their total liabilities were approximately kr. 400 billion, cf. Table 1. The total volume of business with customers in Denmark is, however, greater since the international banking statistics from BIS as of mid-2005 show total outstandings with Danish counterparties of kr. 1,770 billion. The difference between the two data sources reflects primarily that balance-sheet data in Table 1 includes data for the balance sheets of banks within Denmark only, while the BIS statistics comprise activities registered both within and outside Denmark's borders. Box 2 provides a more detailed comparison of the two data sources.

¹ From mid-2006, tables for the development in the balance sheets of foreign banks will be included as a regular element of the Tables supplement in the Statistics on the balance sheets and flows of the MFI sector.

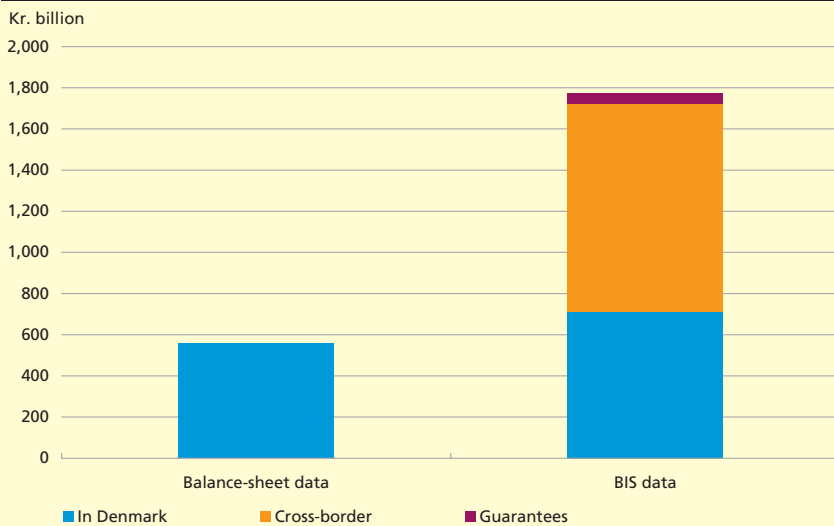
BIS INTERNATIONAL BANKING DATA

Box 2

The consolidated banking data of BIS¹ (Bank for International Settlements) is based on reporting from 30 countries of their banks' total claims on customers in other countries. Compared with the ECB's harmonised MFI balance-sheet statistics², the BIS data includes differences in coverage and methods between the reporting countries and statistical breaks over time. The BIS data provides a supplementary picture of foreign banks' total Danish claims, broken down (as shown in Chart 1) by (A) cross-border claims, (B) local office (branches/subsidiaries) claims, and (C) net guarantees. In Chart B these items are compared with balance-sheet data that solely cover (B) branches/subsidiaries in Denmark. In June 2005, the total Danish claims of international banks were kr. 1,770 billion, i.e. far more than the assets in local branches and subsidiaries.³

FOREIGN BANKS' CLAIMS ON DANISH COUNTERPARTIES

Chart B



The cross-border claims have a somewhat different profile from the balance-sheet structure of local subsidiaries and branches in Denmark, cf. Table 2. There are more claims on banks, constituting 59 per cent of the cross-border claims, and more claims with a maturity of one year or less. This sector and maturity profile is not unusual compared with BIS data for other countries. While balance-sheet data for foreign banks in Denmark is dominated by Nordic banks, cf. Table 3, BIS data for foreign banks' cross-border claims on Danish counterparties shows a lower relative market share for Swedish banks (50 per cent) and higher market shares for banks from e.g. Germany (12 per cent) and the USA (5 per cent).

¹ For a more detailed description of the BIS data, see McGuire and Wooldridge (2005).

² For a more detailed description of the balance-sheet statistics for the MFI sector, see www.nationalbanken.dk or Danmarks Nationalbank (2003).

³ The difference of approximately kr. 100 billion between balance-sheet data and BIS data for branches and subsidiaries in Denmark is to some extent attributable to methodology and population differences. The balance-sheet data used here cover banks only, while the BIS data may also cover mortgage-credit institutes and other credit institutions, but solely from BIS-reporting countries and not from e.g. Iceland.

BALANCE-SHEET STRUCTURE IN KR. BILLION FOR THE DANISH BANKING SECTOR – ALL BANKS, DANISH BANKS AND FOREIGN BANKS

Table 1

Kr. billion		Selected assets					
		Lending	Lending to MFIs ¹	Lending excluding MFIs ¹	Bonds	Shares	Danish assets, total
All banks	2000	690	121	569	259	76	1,106
	2001	751	114	637	389	70	1,299
	2002	799	152	647	468	71	1,443
	2003	795	132	663	555	83	1,510
	2004	860	106	755	556	88	1,583
	2005	1,095	175	920	615	103	1,906
Danish banks	2000	471	81	389	191	61	781
	2001	501	71	429	266	54	886
	2002	518	80	438	358	58	1,001
	2003	494	51	443	412	65	1,033
	2004	576	57	518	385	70	1,097
	2005	763	115	648	403	82	1,319
Foreign banks	2000	219	39	180	68	16	325
	2001	250	43	207	122	16	413
	2002	281	73	209	109	13	442
	2003	302	81	220	143	18	477
	2004	285	48	236	170	18	486
	2005	332	60	272	212	21	586

Kr. billion		Selected liabilities				
		Deposits	Deposits from MFIs ¹	Deposits excluding MFIs ¹	Capital and reserves	Danish liabilities, total
All banks	2000	787	175	612	151	1,048
	2001	873	230	643	153	1,223
	2002	933	257	676	161	1,218
	2003	965	254	711	171	1,244
	2004	1,027	239	788	173	1,328
	2005	1,238	324	914	211	1,552
Danish banks	2000	575	122	453	117	766
	2001	634	158	476	120	827
	2002	679	178	502	126	892
	2003	678	154	524	138	900
	2004	741	167	574	139	984
	2005	895	224	671	158	1,154
Foreign banks	2000	212	54	159	34	282
	2001	239	72	167	33	296
	2002	254	79	175	35	326
	2003	286	100	187	33	344
	2004	286	72	214	34	344
	2005	343	99	244	53	399

Note: The assets and liabilities sides do not balance because the amounts stated solely comprise transactions with Danish counterparties. The difference between the asset and liabilities sides of the Danish balance sheets constitutes the banks' net external positions. Data at the close of the year in question.

Source: Danmarks Nationalbank and own calculations.

¹ The term MFI (Monetary Financial Institution) covers banks, mortgage-credit institutes, other credit institutions, money-market funds and Danmarks Nationalbank.

BALANCE-SHEET STRUCTURE IN PER CENT FOR THE DANISH BANKING SECTOR – ALL BANKS, DANISH BANKS AND FOREIGN BANKS

Table 2

Per cent of total assets		Selected assets					<i>Danish assets, total</i>
		Lending	Lending to MFIs ¹	Lending excluding MFIs ¹	Bonds	Shares	
All banks	2000	62.4	10.9	51.5	23.4	6.9	100.0
	2003	52.7	8.8	43.9	36.7	5.5	100.0
	2005	57.5	9.2	48.3	32.3	5.4	100.0
Danish banks	2000	60.3	10.4	49.9	24.5	7.8	100.0
	2003	47.8	4.9	42.9	39.9	6.3	100.0
	2005	57.9	8.7	49.1	30.6	6.2	100.0
Foreign banks	2000	67.3	12.0	55.3	20.9	4.8	100.0
	2003	63.2	17.0	46.2	29.9	3.7	100.0
	2005	56.7	10.3	46.4	36.1	3.6	100.0

Per cent of total liabilities		Selected liabilities				<i>Danish liabilities, total</i>
		Deposits	Deposits from MFIs ¹⁾	Deposits excluding MFIs ¹⁾	Capital and reserves	
All banks	2000	75.2	16.7	58.4	14.4	100.0
	2003	77.6	20.4	57.2	13.8	100.0
	2005	79.6	20.8	58.9	13.6	100.0
Danish banks	2000	75.1	15.9	59.2	15.3	100.0
	2003	75.4	17.1	58.3	15.3	100.0
	2005	77.6	19.4	58.1	13.7	100.0
Foreign banks	2000	75.3	19.0	56.3	12.1	100.0
	2003	83.3	29.0	54.3	9.6	100.0
	2005	86.0	24.9	61.1	13.3	100.0

Note: Data at the close of the year in question.

Source: Danmarks Nationalbank and own calculations.

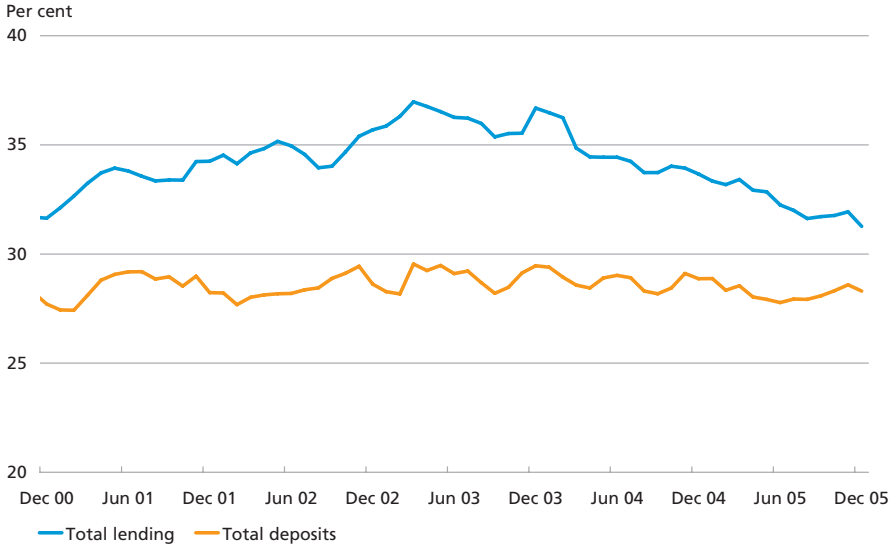
¹ The term MFI (Monetary Financial Institution) covers banks, mortgage-credit institutes, other credit institutions, money-market funds and Danmarks Nationalbank.

Market shares

Despite an increasing level of activities, foreign banks' market share of bank lending has been declining since late 2003, cf. Chart 4. Danish banks have thus gained a larger share of the growing market than their foreign competitors. The foreign banks' market share for deposits, on the other hand, has been relatively constant on the low side of 30 per cent throughout the period.

Foreign banks have primarily gained ground among business customers rather than private households, which is reflected in a substantially higher market share for the corporate sector than for households, in terms of both lending and deposits, cf. Chart 5. The market shares for lending to both the corporate sector and the households have, however, been declining for more than a year, while the market shares for deposits have been relatively constant for both sectors.

MARKET SHARES OF FOREIGN BANKS, TOTAL DEPOSITS AND LENDING Chart 4

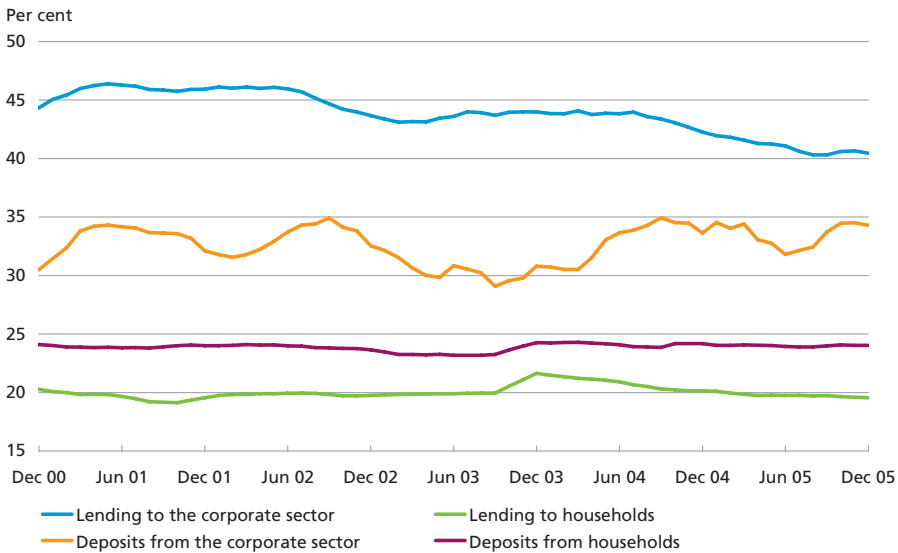


Note: 3-month moving averages. The market shares for lending to and deposits from domestic counterparties are calculated in relation to all banks in Denmark.

Source: Danmarks Nationalbank and own calculations.

The higher market share of foreign banks for the corporate than the household sector presumably reflects a deliberate marketing strategy whereby foreign banks primarily offer services to large business custom-

MARKET SHARES OF FOREIGN BANKS' LENDING TO AND DEPOSITS FROM HOUSEHOLDS AND THE CORPORATE SECTOR Chart 5



Note: 3-month moving averages. Data covers transactions with Danish counterparties.

Source: Danmarks Nationalbank and own calculations.

MARKET SHARES OF FOREIGN BANKS, PER CENT, END-2005		Table 3
	Nordic	Non-Nordic
Lending – corporate sector	36.1	3.9
Lending – households	18.9	0.7
Deposits – corporate sector	32.4	2.1
Deposits – households	24.0	0.1

Note: Data covers deposits with and lending by domestic counterparties.
Source: Danmarks Nationalbank and own calculations.

ers rather than to households or small business enterprises. Households are generally perceived to be less inclined to switch banks and typically attach great importance to having a branch close to their home or workplace. In addition, households typically have a smaller volume of banking transactions than companies. These factors contribute to making the business segment more attractive and accessible for foreign banks. On the other hand, the interest margin is normally wider for households than for the corporate sector.¹

Foreign banks have primarily gained access to the Danish retail market by acquiring local banks with existing branch networks, which are subsequently operated as subsidiaries or branches. Foreign Internet-only banks (i.e. without branch networks) have expanded strongly in several countries², but do not appear to be a significant phenomenon in Denmark.

A geographical breakdown of foreign banks by Nordic and non-Nordic banks shows that the Nordic banks control by far the largest share of the retail market, while non-Nordic banks have a very small market share – especially of the household sector, cf. Table 3.

As previously noted, the balance-sheet data used in this article comprises the balance sheets booked by banks in Denmark, cf. Chart 1, and may therefore for several reasons underestimate the transaction volumes of foreign banks in Denmark. The volume of cross-border banking activities – Danish customers using a foreign bank without a branch or subsidiary in Denmark – is large, cf. Box 2. Presumably, cross-border banking activities are addressed mainly at the corporate sector and banks. Even if Danish customers use a foreign bank that has a physical entity in Denmark, the bank may choose to book the transactions to another unit outside Denmark.³ Furthermore, financial transactions may

¹ For further analysis of interest margins, see Persson (2005).

² For example, the Dutch Internet bank ING Direct claims to have 14 million customers in nine countries.

³ At the beginning of 2006, Danmarks Nationalbank entered into cooperation with the other Nordic central banks to monitor the cross-border activities of the largest Nordic banks. The objective is to investigate whether the information content of the national balance-sheet statistics is diluted as a consequence of balance-sheet items moving across national borders. For more details, see www.nationalbanken.dk under Rules - Statistics - Reporting regulations.

have a far greater financial value than reflected in the booked balance sheet, e.g. in the event of capital-market activities.

CAPITAL-MARKET ACTIVITIES

In Denmark, foreign banks have a far larger share of capital-market activities than of traditional deposit and lending activities. Denmark's Nationalbank's securities statistics comprise issuers and owners, but not the banks' role as financial intermediaries, e.g. as lead managers for securities issues and as securities dealers/market makers in the secondary market for existing securities. These financial services are often undertaken by banks and are therefore discussed in this article on foreign banks in Denmark.¹

In the absence of official statistics for these types of financial intermediation in the capital markets, illustrative market shares² can be calculated on the basis of various private data sources, cf. Chart 6. Market shares for lead management of share and bond issues and syndicated loans are calculated on the basis of Bloomberg's database, covering more than 400 bond issues by Danish non-financial enterprises within the last 5 years, for a total value exceeding kr. 300 billion. For market-maker and stock-exchange-trading activities in the secondary market, market shares are shown for turnover in large markets for Danish securities – MTSDenmark and the Copenhagen Stock Exchange – with the caveat that these marketplaces cover only a part of the overall market, since many transactions take place outside the organised marketplaces.

Non-Nordic foreign banks have significantly larger market shares as lead managers for issuance of shares (75 per cent) and bonds (82 per cent). These market shares have been achieved even though only two of the world's 15 most important investment banks³ have a branch or subsidiary in Denmark. Most international investment banks handle Danish transactions from international financial centres (e.g. London) and service Danish customers by telephone, e-mail and short visits. With less than 100 international bond issues annually by Danish issuers on average, the market volume is probably not sufficient for a large number of investment banks to have offices in Denmark. In the competition to be the lead manager for Danish issuers it is presumably impor-

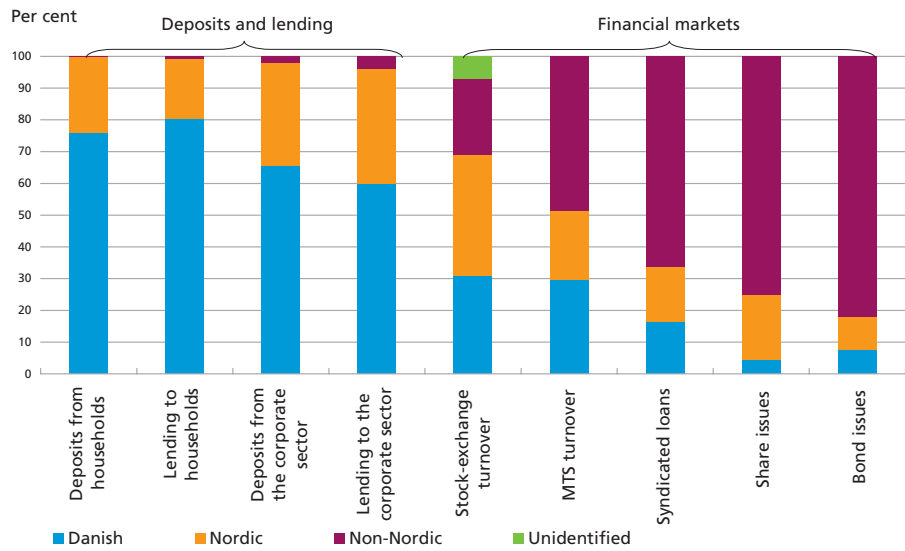
¹ Other financial product segments such as leasing, insurance and portfolio management are assessed to be outside the scope of this article.

² The market-share columns for financial-market activities should only be regarded as illustrative since they describe different market segments and do not fully cover all capital-market activities.

³ The Bank of England (2001) identified a group of 15 LCFIs (Large Complex Financial Institutions), which had top-10 rankings for market shares of at least two of the key product segments in the global financial markets. This LCFI group of 15 major investment banks has subsequently constituted an analytical focus in the stability reports of the Bank of England, the IMF and the ECB.

MARKET SHARES OF DANISH, NORDIC AND NON-NORDIC BANKS IN THE DANISH MARKET

Chart 6



Note: Deposits and lending at end-2005. Turnover on the Copenhagen Stock Exchange and MTS in 2005. Syndicated loans, share and bond issues 2001-05.

Source: Danmarks Nationalbank, OMX, MTSDenmark, Bloomberg and own calculations.

tant to have a good international customer base in order to be able to distribute the securities issued and provide the Danish customer with financing on favourable terms. Large international banks can also be expected to have a comparative advantage when it comes to large transactions compared to smaller Danish banks since they can make more capital available via their parent enterprises. Easier access to the parent bank’s balance sheet (and lines from counterparties) may also be the reason that investment banks often operate as branches or directly from e.g. London.

Syndicated loans are large loans redistributed by one or more organising banks, typically to other banks. Unlike distribution of bonds and shares to institutional investors, which requires a large international customer base and sales resources, syndicated loans can more easily be placed among banks they already know that wish to diversify their lending portfolios. It is therefore not surprising that Danish banks have larger market shares for syndicated loans than for other capital market issuances.

The relative market shares are somewhat different in the secondary market for Danish securities – e.g. the stock exchange and MTS. In 2005, the market share of Danish banks was approximately 30 per cent in both markets, while Nordic banks achieved a greater stock-exchange market

share (38 per cent) than non-Nordic banks (24 per cent). The larger relative market shares for Danish and Nordic banks may reflect the high degree of integration between the Nordic stock markets, where the Copenhagen Stock Exchange is moreover owned by OMX in Sweden.

CONCLUSION

Compared with the other EU member states, the Danish banking sector appears to have a relatively high degree of concentration, as well as relatively large market shares for foreign banks, particularly for corporate customers. Foreign banks have increased their total balance sheet in Denmark in recent years, but have seen slightly declining market shares in a market with even stronger balance-sheet growth. The market shares of foreign banks vary greatly between customer groups and product segments. Market shares are larger for corporate than private customers, larger for lending than for deposits, and even larger for cross-border lending and international capital-market activities. Balance-sheet data indicates that cross-border integration primarily takes place within the Nordic region. Other data shows that non-Nordic banks account for a far greater market share when it comes to capital-market issuance by Danish companies. The identified differences in market shares may reflect several factors:

- differences in customer requirements and preferences between large, internationally active corporations, smaller business enterprises and private households,
- deliberate strategic focus by foreign banks on providing services for large business customers,
- varying degrees of international market integration and standardisation in the various product segments,
- differences in access to customers abroad, e.g. for distribution of international capital-market issuance.

Danmarks Nationalbank will monitor future developments and as from mid-2006 will regularly publish statistics on the balance sheets of foreign banks in Denmark.

LITERATURE

Amundsen, Elin and Henrik Arnt (2005), Contagion Risk in the Danish Interbank Market, Danmarks Nationalbank, *Working Paper 29/2005*.

Bank of England (2001), *Financial Stability Review*, December 2001.

Danmarks Nationalbank (2003), New Financial Statistics, *Monetary Review*, 1st Quarter.

Danmarks Nationalbank (2004) special chapter on Branches of Foreign Credit Institutions, *Financial stability 2004*, pp. 67-76.

ECB (2004), *Report on EU banking structure 2004*.

ECB (2005a), *Banking structures in the new EU Member States*.

ECB (2005b), *Indicators of financial integration in the euro area*.

ECB (2005c), *EU banking structures*.

McGuire, Patrick and Philip Wooldridge (2005), The BIS consolidated banking statistics: Structure, uses and recent enhancements, *BIS Quarterly Review*, September 2005.

Persson, Sabina (2005), Retail Interest Rates in Denmark and the Euro Area, Danmarks Nationalbank, *Monetary Review*, 4th Quarter.