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## Introduction to the Danish Financial Infrastructure

### 1. Introduction

The purpose of this memo is to inform new financial institutions of the Danish financial infrastructure, *the core infrastructure*. The core infrastructure is comprised of central systems for payment management and joint digital solutions. This memo provides a general description of the solutions that the core infrastructure constitutes, the parties that are at play in the core infrastructure and how to obtain access etc. for financial institutions, who wish to participate in the core infrastructure.

Contact Kristian Ring  
Direct +45 3370 1192  
kri@fida.dk

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This memo will therefore provide an introduction to:

- the core infrastructure (Section 2);
- the core infrastructure agreements, hand books and special rules for exemption and transfer (Section 3);
- Finance Denmark's role (Section 4);
- other central actors and their roles (Section 5);
- the price for access to the core infrastructure and/or membership of Finance Denmark (Section 6).

Please direct enquiries concerning a detailed description of the conditions for access to the core infrastructure to Finance Denmark.

### 2. The core infrastructure

The core infrastructure consists of the joint sector solutions, i.e. the financial infrastructure, that are necessary as a starting point in order to operate an ordinary financial institution in Denmark. The core infrastructure is currently made up of clearings, the coordinated processes in connection with e-registration, e-engagement and Nem-ID, see more on this below.

The core infrastructure is regulated by a joint agreement, cf. Section 3, that specifies the main guidelines for access to and participation in the core infrastructure, as well as cooperation between participants.

Finance Denmark provides access to the core infrastructure and administers the agreement.

## 2.1 Clearing processes

The Sumclearing, Intradayclearing and Straksclearing (Expressclearing) systems clear and settle retail payments in DKK in Denmark.

Sumclearing settles Danish debit card payments (Dankort), amongst other things, while Intradayclearing and Straksclearing solely settle account-to-account transfers. It is possible to obtain exemption from participation in one or more of the clearing systems, see more on this in paragraph 3.4.

File No 746/12  
Doc. No 543716-v3

Financial institutions can choose to directly participate in the clearing systems by joining the settlement at Danmarks Nationalbank or via another financial institution in accordance with a bilateral agreement, cf. Section 3. A financial institution must have the same status in all the clearing systems that it participates in. This means that a financial institution participating in all clearing systems that chooses to participate via another financial institution, must participate in the clearing systems via this institution.

Please find additional information about clearing and settling retail payments in Denmark on Finance Denmark's homepage:

[www.finansdanmark.d/en](http://www.finansdanmark.d/en)

## 2.2 The coordinated processes in connection with e-landregistration

The purpose of joint e-registration processes is to obtain a range of optimisations in the interaction between financial institutions and mortgage banks related to selling and financing real estate. Hence, this concerns the digitalisation of related processes that are not digitised in the e-landregistration system itself.

Joint processes provide quicker and smoother administrative procedures, as the processes can be carried out digitally and do not require personal contact, coordination etc.

Participants can conduct the following processes with this solution:

- dunning mortgage deeds
- coordinating cancellations
- coordinating registrations
- exchanging documents i.e. exchanging loan offers or other documents in connection with a case.

The processes are only available via a system-to-system solution and participants can only see information concerning the processes that they are a part of or that they have been involved in.

## 2.3 e-engagement

e-engagement has been developed for Danish financial institutions so that client exposures can be transferred digitally. e-engagement replaces the majority of manual, paper-based operations between financial institutions, which a transfer of exposures entails. The solution is built on the basis of

the client giving consent to the receiving financial institution so that it is authorised to transfer and receive information on behalf of the client.

Page 3

#### **2.4 Cooperation about NemID**

NemID was developed by Nets DanID for the public sector and banks as a joint solution to a wide range of online services. NemID was launched in 2010.

File No 746/12

Doc. No 543716-v3

Banks participated in a sector-wide collaboration within the framework of Finance Denmark, where it was agreed to submit a bid to the Agency of Digitisation (*Digitaliseringsstyrelsen*) for delivering digital signatures to citizens and companies in Denmark.

As part of this collaboration, banks agreed to contribute to the issuing of personal certificates in the OCES II solution (*Offentlige certifikater til elektronisk service* - public certificates for digital service), which Nets DanID supplies to the Agency of Digitisation.

Banks have consequently reached an agreement with Nets DanID on services concerning identification of bank clients that are used so that Nets DanID can fulfil its contract with the Agency of Digitisation (The RA Agreement).

Nets DanID develops, maintains and runs the banks' joint online bank security solution as an outsourcing supplier, just as Nets DanID as CA (Certification Authority) develops, maintains and runs the public sector's digital signature, OCES.

The two solutions use a range of common elements, including user ID, password and OTP device (one-time password), which a user must use when logging on and/or signing. A code card is used as the OTP device from the outset. This is supplemented by an electronic code token, which clients can purchase.

As outsourcing supplier, Nets DanID provides a security solution (NemID) for verifying users who log on to banks' electronic self-service solutions (online banking).

### **3. The agreements of the core infrastructure**

The agreements of the core infrastructure consist of a number of obligatory and voluntary agreements that can be requested by contacting Finance Denmark.

The obligatory core infrastructure agreements comprise "The Framework Agreement on Participation in the Core Infrastructure with Annexes" (Finance Denmark's framework agreement), "The Framework Agreement for Cooperating in the use of e-nettet" (e-nettet's framework agreement), "The Agreement on Affiliation with the Joint Online Bank Security Solution", "The Bank RA Agreement" and "Agreements for e-engagement".

There are also numerous voluntary agreements that financial institutions can enter into in addition to the obligatory agreements.

### **3.1 Obligatory agreements**

#### *3.1.1 The Framework Agreement on Participation in the Core Infrastructure with Annexes (Finance Denmark's framework agreement)*

File No 746/12

Doc. No 543716-v3

Finance Denmark's framework agreement is a commencement agreement that regulates various rights and obligations for individual financial institutions in connection with access to the core infrastructure. In the agreement, the core infrastructure is defined as the infrastructure that is a necessary starting point in order to operate an ordinary financial institution in Denmark. Upon entering Finance Denmark's framework agreement, the financial institution is automatically covered by the Agreement on Interbank Charges in Payment Systems, the Agreement on Accounts with Cheque and/or Dankort, the Agreement on Cross-border Payments, the Agreement on Payment Transfer and the Sector Agreement on e-engagement. The agreements are enclosed as annexes to Finance Denmark's framework agreement.

By signing Finance Denmark's framework agreement, the financial institution additionally commits itself to using the handbooks connected with the core infrastructure, cf. paragraph 3.3 below.

The Agreement on Interbank Charges in Payment Systems lays down rules for maximum internal transfer prices between financial institutions in connection with using debit cards, cheques and undeliverable credit transactions.

Once a year a regulation of interbank charges will be considered, based on developments in Statistics Denmark's net price index. Financial institutions will be informed of any changes by an inception date set by Finance Denmark.

The purpose of the Agreement on Accounts with Cheque and/or Dankort is to lay down rules for opening accounts with cheques and/or Dankort, redeeming cheques, returning cheques as well as endorsement, settling and objecting to cheques.

The Agreement on Cross-border Payments regulates the transfer of payments from foreign countries to Denmark, that is to say, payments that do not immediately "affect" the beneficiary's own financial institution. The agreement also includes procedures for settling and clearing foreign cheques.

The purpose of the Agreement on Payment Transfer is to regulate credit transfers with the exception of paying-in slips. The agreement only covers transfers between accounts at different financial institutions. However, the

agreement also covers transfers between accounts at the same financial institution, if it concerns a bulk transaction.

Page 5

The agreement lays down rules for crediting credit transfers, including time of availability, deadlines, revocation and cancellation in cases of obvious errors and fraud, as well as rules for interest rate compensation.

File No 746/12

Doc. No 543716-v3

### *3.1.2 The Framework Agreement for Cooperation on the Use of e-nettet (e-nettet's framework agreement)*

Individual financial institutions and e-nettet become party to e-nettet's framework agreement. Through this agreement, the financial institution obtains access to the business processes supported by e-nettet, as described in the agreement and the corresponding product agreements.

### *3.1.3 The Agreement on Joining the Joint Online Bank Security Solution and the Bank RA Agreement*

The agreements describe the specific payments and conditions for participating in NemID, including operating fees, reporting, documentation requirements, compensation and responsibilities. Nets DanID A/S and the individual financial institution enter the agreements and all circumstances arising from these agreements are directly handled between the financial institution and Nets DanID A/S as the contracting party.

### *3.1.4 Sector Agreement for e-engagement*

The sector agreement regulates the relationship between financial institutions in connection with the transfer of exposures and therefore includes the duties that financial institutions are subject to, in relation to transfers.

The sector agreement contains provisions for handling cards, the credit maximum for transfers, regulating procurement and the use of declarations of consent from clients. Additionally, the allocation of responsibilities between financial institutions, both generally and where financial institutions provide guarantees for different relationships towards each other, are regulated.

## **3.2 Voluntary agreements in addition to the obligatory agreements**

In addition to the obligatory agreements in the core infrastructure, there are a number of voluntary agreements that financial institutions can become party to. These are described in detail below.

A prerequisite for joining the voluntary agreements is that the financial institution has, as a minimum, entered Finance Denmark's framework agreement and e-nettet's framework agreement. The voluntary agreements are therefore viewed as an integral part of both framework agreements.

*3.2.1 The Agreement on Participating in Sumclearing, Intradayclearing, and Straksclearing and Settlement of these (The Clearing and Settlement Agreement)*

Financial institutions that wish to directly participate in settlement at Danmarks Nationalbank must individually enter the Clearing and Settlement Agreement. This applies even if, for example, the financial institution has exemption from participating in one of the clearings.

The agreement lays down the conditions for direct participation in Sumclearing, Intradayclearing, Straksclearing and the settlement of these.

A prerequisite for entering the Clearing and Settlement Agreement is that the financial institution has a current account and a settlement account in DKK at Danmarks Nationalbank, is connected with Kronos and has given Danmarks Nationalbank written consent to carry out settlements in their account.

*3.2.2 The Agreement concerning the Use of Debit Cards in Financial Institutions other than the Account Holding Institution.*

The agreement lays down the conditions upon which Dankort from financial institutions can be used for paying out cash from cashiers and ATMs at financial institutions other than the account holding institution.

Upon entering the agreement, the financial institution commits itself to allowing all payment cards with the Dankort logo to be covered by the agreement.

The agreement must be entered into by financial institutions that wish to issue Dankort to their clients.

The agreement runs for three years at a time.

*3.2.3 The Agreement on Receiving and Settling Paying-in Slips from the Joint Payment System*

The agreement lays down rules for when financial institutions participating in the agreement are obliged to accept paying-in slips.

*3.2.4 The Agreement on Receiving and Settling Bank Giro Paying-in Slips in Financial Institutions*

The agreement lays down rules for when financial institutions participating in the agreement are obliged to accept bank giro paying-in slips.

*3.2.5 The Agreement on Notification of Nem Accounts via Financial Institutions*

The agreement lays down financial institutions' obligations and remuneration for citizens and companies' notification of Nem accounts via their own financial institution. The agreement must be entered into by financial institutions that wish to give their clients the option to notify a Nem account via the financial institution.

### **3.3 Handbooks**

Handbooks are the technical guidelines that must be applied when using the solutions in the core infrastructure.

#### *Clearings*

The specific, technical instructions for participation in clearings are shown in the Handbook for Payment Management (for the Sumclearing), the Handbook for Intradayclearing and the Handbook for Straksclearing.

File No 746/12

Doc. No 543716-v3

#### *The coordinated processes in connection with e-landregistration*

The specific, technical instructions for participation in the coordinated processes in connection with e-landregistration are shown in the Commercial Handbook for e-Registration. The Commercial Handbook for e-Registration forms the business-related framework for parties' conduct.

#### *e-engagement*

The specific, technical instructions for participation in e-engagement are shown in the Commercial Handbook for e-engagement.

### **3.4 Exemption from participation in the core infrastructure**

In the event that the participant has technical, business-related or legislative circumstances, Finance Denmark can grant exemption from participation in parts of the core infrastructure. Finance Denmark's evaluation of the possibility for exemption will build on an open and flexible assessment of the circumstances that can provide grounds for exemption.

A written request must be sent to Finance Denmark if a participant would like exemption from participating in parts of the core infrastructure.

Exemption from participating in parts of the core infrastructure can lead to a reduction in the participant's investment grant, cf. Section 6. The payment reduction that the participant can obtain is described in detail in Finance Denmark's memo concerning the conditions for participation in the core infrastructure which can be obtained by enquiring at Finance Denmark.

### **3.5 Transferring access to the core infrastructure**

A financial institution can transfer its rights and obligations pursuant to Finance Denmark's framework agreement in the event of, for example, mergers, demergers, company restructures etc.

The financial institution must notify Finance Denmark in good time before the transfer. The transfer is valid once Finance Denmark has given its written consent and a new "Framework Agreement on Participation in the Core Infrastructure" has been signed by the company that the access has been transferred to.

The criteria for transfer are described in further detail in Finance Denmark's memo on conditions for access to the core infrastructure, which can be obtained by enquiring at Finance Denmark.

Page 8

#### **4. Finance Denmark**

Finance Denmark provides access to the core infrastructure and administers the core infrastructure agreements, including exemptions, changes in the group of participants such as admitting new members, mergers, demergers etc.

File No 746/12

Doc. No 543716-v3

As part of a membership of Finance Denmark, financial institutions can enter the core infrastructure agreements. Membership of Finance Denmark can be obtained by Danish financial institutions as well as branches and subsidiary companies of foreign financial institutions that are established in Denmark, amongst others. Financial institutions that are not members of Finance Denmark can also enter the core infrastructure agreements. These financial institutions are described as "non-members".

Finance Denmark continually issues information to participants of the core infrastructure concerning issues of interest for participation in the core infrastructure i.e. new legislation and negotiations with authorities.

#### **5. Additional central actors in the core infrastructure**

Financial institutions that wish to establish themselves in Denmark and participate in the Danish core infrastructure need to contact the following central actors, in addition to Finance Denmark:

##### *e-nettet A/S*

e-nettet A/S carries out the continual administration of the solutions that constitute the core infrastructure on behalf of Finance Denmark.

##### *The Danish Financial Supervisory Authority (FSA - Finanstilsynet)*

Authorisation to operate a financial institution enterprise in Denmark must be applied for at the FSA.

##### *Nets*

Entrance into Finance Denmark's core infrastructure agreements also requires participation in Nets' infrastructure, including admittance to the payment management registers, which is a technical prerequisite for access to clearings.

Furthermore, Nets owns and administers several sector products and solutions that are relevant for financial institutions i.e. Dankort and direct debit.

##### *Data processing centre*

Access to the core infrastructure's clearing systems requires adherence to several technical and format requirements. Therefore, new financial institutions should contact a data processing centre early in the set-up phase. Financial institutions may choose the data processing centre themselves.

Financial institutions that wish to use a data processing centre that is not already part of the Danish core infrastructure should be aware that participation in Nets and the existing data processing centres requires a sector test.

#### *Danmarks Nationalbank*

Danmarks Nationalbank is a settlement bank for clearings as well as a supervisory authority in relation to the operational stability and reliability of clearings.

Direct participation in clearings requires that the financial institution has a current account and a settlement account at Danmarks Nationalbank.

Finance Denmark recommends that financial institutions contact the central actors listed above in the set-up phase. Address information can be found in Finance Denmark's memo on conditions for access to the core infrastructure which can be obtained upon request.

### **6. Price for access to the core infrastructure and/or membership of Finance Denmark**

As a starting point there are three different combinations of membership of Finance Denmark and/or access to the core infrastructure:

1. A full membership corresponding to a financial institution being a member of Finance Denmark and having access to the core infrastructure.
2. A limited membership, which means that financial institutions are members of Finance Denmark but are not included in the core infrastructure.
3. Access to the core infrastructure without a membership at Finance Denmark.

An investment grant of DKK 5.86 (2017) million is to be paid for full access to the core infrastructure. Payment for membership of Finance Denmark is added to this, if applicable.

Membership and the investment grant are described in further detail in Finance Denmark's conditions for access to the core infrastructure which can be obtained upon request.