

Denmark, Finland, Norway and Sweden together make up the Nordic region. Between them, they have four different languages (although Danes, Norwegians and Swedes understand each other's languages); four different currencies (Danish kroner (DKK), Norwegian kroner (NOK), Swedish krona (SEK) and the euro for Finland); and four local clearing systems, with Denmark, Norway and Sweden each having their own, and Finland using the EU settlement service EBA Clearing. All four countries are members of the Organisation for Economic Co-operation and Development (OECD) and the European Economic Area (EEA) and all, except Norway, are members of the EU. Only Finland is part of the eurozone.

In the Nordic countries, you will find efficient, highly educated and English-speaking people carrying out corporate treasury roles. Due to the high cost of living and high taxation, nominal wages are above average. Denmark, however, has implemented 'Flexicurity', which is a welfare state model that combines easy hiring and firing (flexibility for employers) and generous benefits for the unemployed (security for employees). So employers there can take a more agile approach to their workforce compared with other Western European countries. On the whole, the Nordic countries have small populations and their combined population is just 24.6 million inhabitants in total.

The Nordic banking scene is well developed, with a number of regional banks offering local banking services in all four countries as well as international banking services. The main banks offering local services in all four countries are listed alphabetically as follows: Danske Bank, DNB, Handelsbanken, Nordea, SEB and Swedbank. These banks offer their cash management services in the three Baltic

countries of Estonia, Latvia and Lithuania as well. Banking is sophisticated and a number of highly advanced electronic banking products are available. There are more than 20 different low-value payment types in the Nordic countries, as well as domestic cheque and card solutions.

Due to the advanced infrastructure and local payment types, Nordic companies enjoy a high level of straight-through processing (STP) on both outgoing and incoming transfers. In all four countries, there are local versions of a payment type with a unique reference per transfer.

DOMESTIC CURRENCIES AND REFERENCE INTEREST

DENMARK

◆ **Currency rates:** DKK is closely pegged to the euro. The formal framework for the Danish fixed exchange-rate policy is the European Exchange Rate Mechanism (ERM II). Denmark participates in ERM II with a central rate of DKK 746.038 per €100. Denmark has entered into an agreement with the European Central Bank (ECB) and the euro area member states on a fluctuation band of +/-2.25%.
◆ **Reference interest rates:** For years, the Danish central bank, Danmarks Nationalbank, has managed its interest rate in line with the ECB's adjustment of the euro interest rate. But in situations with upward (as in summer 2012) or downward pressure, on the krone or a sustained in- or outflow of foreign currency, Danmarks Nationalbank adjusts its interest rates in order to stabilise the krone.

The Copenhagen Interbank Offered Rate (Cibor) interest rates are quoted and published by NASDAQ OMX as well as by the Danish Bankers Association and are typically used as reference rates for term loans. It is common practice for banks to offer overdraft facilities at interest rates based on their own DKK bid/borrowing (BID/BOR) interest rates.

NORWAY

◆ **Currency rates:** As NOK is not formally pegged to any currency, it is a free-floating currency. But the Norwegian central bank, Norges Bank, can intervene if and when it sees the need for it. So far, Norges Bank has not intervened in the FX market since January 1999.
◆ **Reference interest rates:** The Norwegian government has defined an inflation target for monetary policy in Norway. Norges Bank's conduct of monetary policy

shall be oriented towards low and stable inflation, and presently the operational target of monetary policy is an annual consumer price inflation of close to 2.5% over time.

On a daily basis, Norges Bank publishes the Norwegian Interbank Offered Rate (Nibor) interest rates. The reference interest rates applied by the banks for companies' current account/overdraft facilities are normally based on the daily quoted three-month Nibor or interest rates based on the individual bank's NOK BID/BOR interest rates.

SWEDEN

◆ **Currency rates:** SEK is not formally pegged to any currency, and is, like NOK, a free-floating currency. The central bank, Sveriges Riksbank, can intervene, but this has happened only rarely over the past decade.

Northern lights

INGER CHRISTIANSEN OFFERS SOME CASH MANAGEMENT INSIGHT FOR TREASURERS INTRIGUED BY THE DEPENDABLE SCANDINAVIAN ECONOMIES

RATES APPLIED

◆ Reference interest rates: The Stockholm Interbank Offered Rate (Stibor) reference interest rates for the various periods (overnight through to 12 months) are compiled on a daily basis by NASDAQ OMX. The reference interest rates applied by the banks for companies' current account/overdraft facilities are normally based on the daily quoted one-week or one-month Stibor or interest rates based on the individual bank's SEK BID/BOR interest rates.

FINLAND

◆ Currency rates: The euro is managed by the ECB.
◆ Reference interest rates: Current account/overdraft facilities in Finland can be based on Euro Overnight Index Average (Eonia), Euro Interbank Offered Rate (Euribor) or interest rates based on the individual bank's euro BID/BOR interest rates.

When companies invoice their customers, they enclose an optical character recognition (OCR) in-payment form or ask on the invoice for a unique reference number to be returned. This is usually accepted by the debtor and, from our experience, results in an estimated STP grade of

95-98% in Finland, 90-95% in Norway, 75-80% in Denmark and 70-75% in Sweden.

Direct debt is available in both the business-to-business (B2B) and the business-to-consumer (B2C) markets, but by far the vast majority of transactions take place in the B2C market. Single Euro Payments Area (SEPA) direct debit is a service offered for euros, but locally in Finland, a payer-driven type of local reference payment, based on the reference in a local e-invoice, is more likely to be used.

Many companies based in, or with subsidiaries in the Nordic countries, have already established shared service centres and/or payment factories. Meanwhile, many pan-Nordic banks, via their electronic banking systems, offer their clients cross-border capabilities for centralising payment services and liquidity.

Cash pooling is generally permitted and offered to larger company groups, locally and

cross-border. There is, of course, local legislation that needs to be observed, particularly in respect to cross-border cash pooling, for example, self-financing restrictions, cash pool participants needing permission from the local authorities in their country. Normally, non-Nordic group companies may participate in a cash pool, if they are resident in the EU, EEA or an OECD country.

Nordic banks primarily offer cash pooling based on cash concentration or the special Nordic variant of cash pooling, which is according to the principle of a single legal account. Notional cash pooling and interest enhancement solutions exist, but local regulations prevent banks from booking notional cash pools on a net basis. So notional pooling is rarely offered. Some Nordic banks offer their clients multi-currency cash pooling solutions and some offer true cross-border multi-currency cash pooling at country level. ♣

AVAILABLE PAYMENT TYPES BY COUNTRY

COUNTRY	PAYMENT TYPES
DENMARK	◆ ACCOUNT-TO-ACCOUNT TRANSFERS, OCR IN-PAYMENT FORMS-FIK/GIK TYPE 01, 04, 71, BS (DIRECT DEBIT), NEMKONTO BETALING (EASY ACCOUNT) AND SOME CHEQUE/BANK DRAFTS. NO SPECIFIC SALARY PAYMENT TYPE USED.
FINLAND	◆ ACCOUNT-TO-ACCOUNT TRANSFERS - WITH REFERENCE NUMBER OR FREE TEXT. SALARY PAYMENT. NO CHEQUES. ◆ LOCAL DIRECT DEBIT SOLUTIONS WILL BE REPLACED BY E-INVOICE-BASED SOLUTIONS OR SEPA DIRECT DEBIT BY 1 FEBRUARY 2014 (SEPA END DATE).
NORWAY	◆ ACCOUNT-TO-ACCOUNT TRANSFERS - WITH AN OCR KID NUMBER OR FREE TEXT. AUTOGIRO (DIRECT DEBIT). SALARY PAYMENT. VERY LIMITED USE OF CASH WITHDRAWALS/BANK DRAFTS.
SWEDEN	◆ ALL COMPANIES HAVE A BANKGIROT (BGC) ACCOUNT. VIA THIS BGC ACCOUNT, BANKGIROT LB (SUPPLIER PAYMENTS) AND OCR PAYMENTS ARE EXECUTED. THERE IS LIMITED USE OF ACCOUNT-TO-ACCOUNT TRANSFERS (MAINLY CONSUMER-TO-CONSUMER - VERY LIMITED B2B) AND ALMOST NO CHEQUES. CUSTOMERS USE BANK DRAFTS ISSUED VIA BGC OR MONEY ORDERS. ◆ AUTOGIROT IS THE LOCAL SWEDISH DIRECT DEBIT SOLUTION.



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