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Introduction to DENMARK

The Danish economy is a typical example of the Nordic economic model, combining high living standards and low income inequality. GDP per capita is more than 20% higher than the European average whereas tax rates are amongst the highest in the European Union. In 2017, government expenditure as a percentage of GDP was 51.9% in Denmark compared to 47.1% in the euro area and 41.1% in the UK.

‘Flexecurity’, a portmanteau of flexibility and security, is the cornerstone of the Danish economic model combining flexibility in the labour market, social security and an active labour market policy with rights and obligations for the unemployed. It necessitates close cooperation between government, employers and employees on economic policy. Around 67% of all workers are members of a trade union. Employment rates are among the best in Europe. Moreover, in 2017, unemployment was only 5.7% compared with 9.1% on average in the eurozone.

Even though Denmark has not joined the euro, the country does not have an independent monetary policy. The Danish National Bank maintains a narrow fluctuation band of +/- 2.25% around the euro central rate of 7.46 DKK. To avoid currency appreciation, the central bank's deposit rate has brought through the “zero lower bound” in July 2012. The deposit rate has temporarily returned to positive territory in 2014, but the central bank also had to engage in large scale currency intervention in early 2015 to prevent excessive appreciation of the DKK against the euro, though it was subsequently able to reduce FX reserves back to 2014 levels. Denmark's monetary policy is likely to remain accommodative (a rate of -0.65% currently applies to the deposit facility); however, caution continues to be required.

Summary

BNP Paribas presence

BNP Paribas has been present in Denmark since 2006 with a business centre based in Copenhagen. While Denmark is well-served by local banks, many multinational corporations were seeking an international banking partner that can provide pan-European cash management services and international trade finance solutions. BNP Paribas is one of only a few non-Nordic banks with direct access to the local clearing house in Denmark. It is also one of few banks that can include local accounts in Denmark within a pan-European cash pool.

Working with BNP Paribas

BNP Paribas supports a wide variety of customers in Denmark, including Danish companies with international operations and foreign businesses with activities in Denmark. The bank has a customer-centric relationship model with a depth of expertise in international cash management and trade finance, and an extensive international network that is particularly valued by our customers in Denmark. For example, BNP Paribas' trade centre for the Nordics provides a single entry point to its extensive network of branches and local trade finance expertise in more than 60 countries around the world.

Currency

Denmark uses the Danish krone (DKK).
Exchange Rates

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange rate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DKK per USD</td>
<td>5.616</td>
<td>5.612</td>
<td>6.728</td>
<td>6.732</td>
<td>6.603</td>
</tr>
</tbody>
</table>


Central Bank

- The Danish central bank is Danmarks Nationalbank (www.nationalbanken.dk).

Bank supervision

- Danish banks are licensed and supervised by the Danish Financial Supervisory Authority (finanstilsynet.dk).

Bank accounts

Resident / non-resident status

- A company is generally considered resident in Denmark if its place of effective management is located there.

Bank accounts for resident entities

<table>
<thead>
<tr>
<th></th>
<th>Inside Denmark</th>
<th>Outside Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Currency</td>
<td>Permitted without restriction, fully convertible.</td>
<td>Permitted without restriction, fully convertible.</td>
</tr>
<tr>
<td>Foreign Currency</td>
<td>Permitted without restriction, fully convertible.</td>
<td>Permitted without restriction, fully convertible.</td>
</tr>
</tbody>
</table>

Bank accounts for non-resident entities

<table>
<thead>
<tr>
<th></th>
<th>Inside Denmark</th>
<th>Outside Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Currency</td>
<td>Permitted without restriction, fully convertible.</td>
<td>Permitted without restriction, fully convertible.</td>
</tr>
</tbody>
</table>
Foreign Currency | Permitted without restriction, fully convertible. | None, but see reporting regulations below.

**Lifting fees**

- Banks apply flat-rate fees on payments between residents and non-resident bank accounts.

**BNP Paribas insights**

- Opening bank accounts is a straightforward process, and it is possible to open resident, as well as non-resident accounts, in all commonly used currencies. In addition, BNP Paribas' [MyAccountsgOneBank](#) initiative provides an online accounting opening process with harmonised account documentation. Please contact your BNP Paribas Relationship Manager for more information on bank account opening and management in Denmark.

**BNP Paribas Cash Management Capabilities**

**Liquidity Management**

| Physical cash pooling | ✔️ |
| Notional pooling | ✔️ |

- Supported by BNP Paribas
- Not required / permitted in DENMARK or not supported by BNP Paribas

**Collections**

<p>| Cash collections | ✔️ |
| Cheque collections | ✔️ |
| Direct debit collections | ✔️ |
| Domestic incoming transfers | ✔️ |</p>
<table>
<thead>
<tr>
<th>Service</th>
<th>Supported by BNP Paribas</th>
<th>Not required / permitted in DENMARK or not supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>International incoming transfers</td>
<td>🟢</td>
<td></td>
</tr>
<tr>
<td>Card acquiring</td>
<td>🟢</td>
<td></td>
</tr>
<tr>
<td>Supported by BNP Paribas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not required / permitted in DENMARK or not supported by BNP Paribas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Payments

<table>
<thead>
<tr>
<th>Service</th>
<th>Supported by BNP Paribas</th>
<th>Not required / permitted in DENMARK or not supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash withdrawals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheque payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct debit payments</td>
<td>🟢</td>
<td></td>
</tr>
<tr>
<td>Domestic outgoing transfers</td>
<td>🟢</td>
<td></td>
</tr>
<tr>
<td>International outgoing transfers</td>
<td>🟢</td>
<td></td>
</tr>
<tr>
<td>Card issuing</td>
<td>🟢</td>
<td></td>
</tr>
<tr>
<td>Supported by BNP Paribas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not required / permitted in DENMARK or not supported by BNP Paribas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Channels

<table>
<thead>
<tr>
<th>Channel</th>
<th>Supported by BNP Paribas</th>
<th>Not required / permitted in DENMARK or not supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local e-Banking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global e-Banking - Connexis</td>
<td>🟢</td>
<td></td>
</tr>
<tr>
<td>SWIFTNet / Global host to host</td>
<td>🟢</td>
<td></td>
</tr>
<tr>
<td>Supported by BNP Paribas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Payments & Collections

### Market overview

- Denmark has a mature payments and cash management infrastructure with a variety of domestic payment instruments, such as various forms of direct debit.

### Payment systems

<table>
<thead>
<tr>
<th>TARGET2 DANMARK</th>
<th>Type</th>
<th>Details</th>
</tr>
</thead>
</table>
|                 |      | • Real-time gross settlement.  
|                 |      | • Danish component of the pan-European TARGET2 system. |
| **Participants** |      | • 28 direct, 43 indirect. |
| **Transaction types processed** |      | • High-value and urgent EUR-denominated domestic and cross-border credit transfers. |
| **Operating hours** |      | • 07:00 - 18:00 CET, Monday to Friday. |
| **Clearing cycle details (e.g. cut-off times)** |      | • Payments are cleared and settled in real time.  
| | | • Interbank payment cut off time = 18:00 CET. |
| **System holidays** | | • TARGET2 is closed at weekends and on 1 January, Good Friday, Easter Monday, 1 May and 25 and 26 December. |

<table>
<thead>
<tr>
<th>KRONOS2</th>
<th>Type</th>
<th>Details</th>
</tr>
</thead>
</table>
|         |      | • Real-time gross settlement.  
| **PARTICIPANTS** | | • 88 direct. |
| **Transaction types processed** | | • High-value and urgent DKK-denominated credit transfers.  
| | | • Net obligations from the Sumclearingen, Intradagclearingen and Straksclearing payment systems. |
| **Operating hours** | | • 07:00–15:30 CET, Monday to Friday. In addition, the system opens from 16:00–16:30 CET for transfers to settlement accounts for the night-time Sumclearingen settlement. |
| **SUMCLEARINGEN** | Type | • Multilateral [net settlement system](#).
   • Sumclearingen is divided into two subsystems:
     - Nets, which clears card payments, direct debits and credit transfers; and
     - An electronic truncation and clearing system for bank-initiated payments. |
| **Participants** | • 52 direct, 31 indirect. |
| **Transaction types processed** | • Low-value and non-urgent DKK-denominated credit and debit payments.
   • Card payments. |
| **Operating hours** | • 24 hours a day Monday to Friday. |
| **Clearing cycle details (e.g. cut-off times)** | • DKK payment cut-off time = 01:00 CET. |
| **System holidays** | • Closed at weekends and on Danish bank holidays. Dates as above. |

| **INTRADAGCLEARING-EN** | Type | • [Net settlement system](#). |
| **Participants** | • 50 direct, 36 indirect. |
| **Transaction types processed** | • Low-value and non-urgent DKK-denominated credit transfers. |
| **Operating hours** | • 24 hours a day, Monday to Friday. |
| **Clearing cycle details (e.g. cut-off times)** | • Intradagclearingen operates four clearing cycles per day. The cut-off time for each daytime settlement is 80 minutes prior to settlement. |
| **System holidays** | • Closed at weekends and on Danish public holidays as above. |

| **STRAKSCLEARING** | Type | • Real-time settlement system. |
| **Participants** | • 52 direct, 31 indirect. |
## Transaction types processed

- Low-value and urgent DKK-denominated credit transfers of up to DKK 500,000.
- MobilePay mobile payments.

## Operating hours

- 24 hours, Monday to Sunday.

## Clearing cycle details (e.g. cut-off times)

- Payments are cleared and settled in real time. As participants fund transfers in advance, transfers can be settled instantly.
- Final settlement takes place across participants’ central bank accounts via Kronos 2 in six daily cycles.

## System holidays

- Straks clearing operates 24 hours a day, 365 days a year.

## Transaction volumes by instrument

<table>
<thead>
<tr>
<th></th>
<th>Transactions (millions)</th>
<th>% change</th>
<th>Value (DKK billion)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheques</td>
<td>1.5</td>
<td>0.9</td>
<td>– 40.0</td>
<td>13.7</td>
</tr>
<tr>
<td>Credit card payments</td>
<td>52.7</td>
<td>57.0</td>
<td>8.2</td>
<td>36.9</td>
</tr>
<tr>
<td>Debit card payments</td>
<td>1,653.4</td>
<td>1,830.6</td>
<td>10.7</td>
<td>445.8</td>
</tr>
<tr>
<td>Credit transfers</td>
<td>389.0</td>
<td>433.8</td>
<td>11.5</td>
<td>6,112.9</td>
</tr>
<tr>
<td>Direct debits</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,096.9</td>
<td>2,322.3</td>
<td>10.8</td>
<td>6,552.9</td>
</tr>
</tbody>
</table>

## Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments.
- High-value and urgent domestic credit transfers can be settled in real time via KRONOS 2. Urgent interbank credit transfers greater than DKK 1 million can be processed via the Kronos 2 ‘Transfers via Danmarks Nationalbank’ facility.
- High-value and urgent EUR-denominated domestic and cross-border transfers can be settled in real time via TARGET2-Danmark, or by the Euro Banking Association’s EURO1 system. Two banks in Denmark participate directly in EURO1.
- High-value, cross-border credit transfers in domestic and other currencies can be processed via SWIFT,
correspondent banking and bank branch networks.

- Low-value (equal to or below DKK 5 million) and non-urgent credit transfers are processed via Nets before being settled via Sumclearingen or Intradagclearingen.
- Payments up to DKK 500,000 can be processed via Straksclearing in real time, 24 hours a day, seven days a week. Straksclearing is operated by Nets.
- SEPA credit transfers can be settled via STEP1 or STEP2 or via correspondent banking networks. Approximately 57 banks in Denmark participate in the SEPA credit transfer scheme.
- The ECB has developed TARGET Instant Payment Settlement (TIPS), a pan-European service for settling payments instantly in central bank money. TIPS will enable payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. The service focuses on EUR payments but can also settle payments denominated in other currencies. TIPS is expected to launch in November 2018.
- In November 2017, the European Payment Council's SCT Inst scheme (a pan-European 24/7 instant payment scheme for SEPA credit transfers) went live across all SEPA countries. The scheme enables the transfer of funds (the maximum threshold value for SCT Insts will be EUR 15,000) to another account in less than ten seconds.
- EBA Clearing and Italy's SIA Group have developed and implemented a pan-European platform for instant EUR payments called RT1. The new system went live on the launch date of SCT Insts in November 2017. It is fully compliant with the SCT Insts scheme and is in line with the ISO 20022 global messaging standard for instant payments. RT1 is not available in Denmark yet.

**Direct debits**

- Direct debits are used for regular payments, such as utility bills.
- There are four types of direct debit in Denmark:
  - Pre-authorised Supplier Service (LeverandørService) direct debits for companies.
  - Betalingsservice direct debits for low-value recurring payments such as utility bills.
  - Struktureret advisering direct debits for B2B payments
  - Betalingsservice web, an online direct debit service for small companies and organisations.
- High-value direct debits are settled via KRONOS with same-day value.
- Low-value and non-urgent direct debits are settled through Sumclearingen.
- SEPA direct debits are available in Denmark and can be settled on a same-day basis via STEP2.

**Cheques**

- The cheque is not a common cashless payment instrument. Its usage is rapidly declining.
- Cheques are used by consumers and small companies.
- Since January 2017, cheques are only available on an intrabank basis where the originator and receiver have accounts with the same bank.

**Card payments**

- Card payments are increasingly popular, especially for retail transactions.
- There were 7.8 million debit cards and 1.9 million credit cards in circulation at the end of 2016.
- Dankort is Denmark’s national payment card operator. Dankort cards are issued with contactless technology. This functionality is available for payments of up to DKK 350 without the use of PINs. Currently, more than 70% of all Dankort transactions are contactlesstransactions.
- Visa and MasterCard-branded credit cards are the most widely issued.
- All card payments are processed by Nets, with the exception of Visa and MasterCard payments, which are processed by their respective international card schemes.
- Dankort mobile payments are available and are accepted by all merchants currently accepting Dankort cards.
- All cards issued are EMV-compliant.
ATM/POS

- There were an estimated 2,299 ATMs in Denmark at the end of 2016.
- There were 129,299 EFTPOS terminals in Denmark at the end of 2016.
- All payments are settled via Nets.
- All ATMs and POS terminals are EMV-compliant.

Electronic wallet

- International pre-paid cards are available.
- E-purse cards are issued by some public transport operators as well as phone and retail companies.
- The BOKIS banking consortium, comprising 62 small to mid-sized banks and five regional banks, offers mobile payments using Dankort, the national payment card.

BNP Paribas capabilities

- With direct access to the local clearing system, which is offered by only a few non-Nordic banks, BNP Paribas provides a high degree of support for domestic payments and collections as well as international cash management. Card issuing and acquiring is offered through a leading third party provider.

Electronic banking

Market overview

- Electronic banking services are available from all banks.
- There is no national electronic banking standard in Denmark, so companies use banks' proprietary services.
- Transaction and balance reporting and transaction initiation services are available on a domestic and cross-border basis.
- Danish banks use Nordic MIG (Message Implementation Guideline), an XML-based format for SWIFT payment initiation, cancellation or status reporting.
- Banks also support the ISO 20022 standard for financial services messaging and can accept messages in both the banks' own proprietary formats as well as the EDIFACT format.
- Online banking services are provided by some Danish banks.
- E-Faktura, an online electronic invoice and bill presentment scheme, is increasingly used by Danish companies.
- Mobile banking services are provided by all of the country's banks.
- MobilePay mobile payment service is mostly used for payments between private individuals.

BNP Paribas capabilities

- BNP Paribas' full portfolio of electronic banking channels is available in Denmark. The bank supports the Nordic MIG format for SWIFT payment initiation which is commonly used in Denmark.

Liquidity management

Domestic: notional pooling

- Domestic notional cash pools can be expensive to operate in Denmark because of the restrictions on banks
offsetting credit and debit balances. Cross-guarantees are required by banks to allow them to offset balances.

- Interest-rate enhancement is offered as an alternative.
- Denmark's rules on transfer-pricing and thin capitalisation may affect intercompany cross-guarantees.
- Denmark's rules on thin capitalisation are applied to interest payments to parent companies.

**Domestic: cash concentration**

- Domestic [cash concentration](#) structures are widely available.
- Resident and non-resident bank accounts can participate in the same [cash concentration](#) structure, as can different legal entities.
- Commonly used structures include zero balancing, target balancing and threshold balancing.
- Restrictions apply to intercompany lending to a parent company outside of the EU.
- Central bank reporting applies.

**Cross-border notional pooling**

- Cross-border notional cash pools can be expensive to operate in Denmark because of the restrictions on banks offsetting credit and debit balances. Cross-guarantees are required by banks to allow them to offset balances.

**Cross-border cash concentration**

- Cross-border [cash concentration](#) structures are available but are typically on a regional (Nordic) basis (please see BNP Paribas insights below).
- Central bank reporting applies.
- Restrictions apply to cross-border [cash concentration](#) structures involving companies outside of the EU and European Economic Area.

**BNP Paribas insights**

- Although most cross-border [cash pooling](#) structures offered by banks in Denmark are for the Nordic region, BNP Paribas brings significant expertise in integrating Danish accounts, and accounts from other Nordic countries, into pan-European cash pools.

**Short term investments**

**Market overview**

**Interest payable on credit balances**

- Interest-bearing current accounts are permitted for residents and non-residents.

**Demand deposits**

- Demand deposits are available for residents and non-residents.

**Time deposits**

- Time deposits are available in DKK or major foreign currencies for terms ranging from one day to one year.
- The minimum investment is DKK 250,000.
Certificates of deposit

- Domestic banks issue certificates of deposit with a range of tenors.

Treasury (government) bills

- The Danish government issues Treasury bills (T-bills) with terms of six or nine months (although up to one year is possible).

Commercial paper

- Commercial paper is issued by companies with a range of maturities. The minimum investment is DKK 1 million.

Money market funds

- Money market funds are available.

Repurchase agreements

- Repurchase agreements (repos) with maturities ranging from overnight to one year are commonly available in Denmark. The minimum investment is DKK 1 million.
- Reverse repos are also available with a minimum investment of DKK 500,000.

Bankers’ acceptances

- Bankers’ acceptances are not used in Denmark.

BNP Paribas insights

- Please contact your BNP Paribas relationship manager for support and guidance on liquidity management.

<table>
<thead>
<tr>
<th>BNP Paribas Trade Finance Capabilities</th>
</tr>
</thead>
</table>

Trade payments

- Documentary credits: Supported by BNP Paribas
- Documentary collections: Supported by BNP Paribas
- Supported by BNP Paribas
- Not required / permitted in DENMARK or not supported by BNP Paribas

Guarantees
### Bank guarantees

<table>
<thead>
<tr>
<th>Bank guarantees</th>
<th>✔</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standby letters of credit</td>
<td>✔</td>
</tr>
</tbody>
</table>

### Supply chain management

<table>
<thead>
<tr>
<th>Item</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supported by BNP Paribas</td>
<td>✔</td>
</tr>
<tr>
<td>Not required / permitted in DENMARK or not supported by BNP Paribas</td>
<td>☐</td>
</tr>
</tbody>
</table>

### Trade channels

<table>
<thead>
<tr>
<th>Channel</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connexis Trade</td>
<td>✔</td>
</tr>
<tr>
<td>Connexis Supply Chain</td>
<td>✔</td>
</tr>
<tr>
<td>SWIFTNet Trade for Corporates</td>
<td>✔</td>
</tr>
<tr>
<td>Connexis Connect</td>
<td>☐</td>
</tr>
</tbody>
</table>

### Receivables

<table>
<thead>
<tr>
<th>Receivables</th>
<th>✔</th>
</tr>
</thead>
</table>

### Payables

<table>
<thead>
<tr>
<th>Payables</th>
<th>✔</th>
</tr>
</thead>
</table>

### Inventory

<table>
<thead>
<tr>
<th>Inventory</th>
<th>✔</th>
</tr>
</thead>
</table>
International trade

General trade rules

- As a member of the EU, Denmark follows the EU customs code and applies all associated regulations and commercial policies.
- Trade with countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.

Trade agreements

- The EU has a customs union with Andorra, San Marino and Turkey and has established trade agreements with over 50 partners, including European Free Trade Association (EFTA) member states, Albania, Armenia, Bosnia and Herzegovina, Canada, the Faroe Islands, Georgia, Macedonia, Moldova, Montenegro and Serbia, in addition to Algeria, Chile, Egypt, Israel, Jordan, Lebanon, Mexico, Morocco, Palestine, South Africa, Singapore, South Korea, Syria, Tunisia and Ukraine.
- The EU is currently in free trade negotiations with a number of countries, including the Association of Southeast Asian Nations (ASEAN), the Gulf Cooperation Council (GCC), India, Japan, Mercosur (the Southern Common Market) and Myanmar.

Imports / exports

<table>
<thead>
<tr>
<th>Imports</th>
<th>Machinery and equipment</th>
<th>Raw materials and semi-manufactures for industry</th>
<th>Chemicals</th>
<th>Grain and foodstuffs</th>
<th>Consumer goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Import sources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany (21.3%)</td>
<td>Sweden (11.9%)</td>
<td>Netherlands (7.8%)</td>
<td>China (7.1%)</td>
<td>Norway (6.3%)</td>
<td>Poland (4%)</td>
</tr>
<tr>
<td>Exports</td>
<td>Machinery and instruments</td>
<td>Meat and meat products</td>
<td>Dairy products</td>
<td>Fish</td>
<td>Pharmaceuticals</td>
</tr>
<tr>
<td>Export markets</td>
<td>Germany (15.5%)</td>
<td>Sweden (11.6%)</td>
<td>UK (8.2%)</td>
<td>USA (7.5%)</td>
<td>Norway (6.0%)</td>
</tr>
</tbody>
</table>

Import / export volumes

<table>
<thead>
<tr>
<th>Exports</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>- goods</td>
<td>USD m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>111,671</td>
<td>118,737</td>
<td>103,360</td>
<td>104,076</td>
<td>113,581</td>
</tr>
<tr>
<td>- services</td>
<td>USD m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>70,686</td>
<td>73,418</td>
<td>64,413</td>
<td>60,371</td>
<td>66,229</td>
</tr>
</tbody>
</table>

### Trade finance - imports

#### Documentation

- Documentation is not required for imports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to import goods into Denmark from outside the EU:
  - customs declaration
  - bill of lading
  - packing list
  - certificate of origin (in certain cases).

#### Import licences

- Import licences are required for items with quantitative restrictions from outside the EU and for items from within the EU that are deemed to be of national interest or of a strategic nature.

#### Import taxes and tariffs

- Tariffs are set according to the EU customs code for all imports from outside the EU, with higher tariffs for agricultural imports.

#### Financing requirements

- None

#### Risk mitigation

- None

#### Prohibited imports

- Denmark prohibits the import of certain items in line with EU regulations and UN Security Council resolutions.
- Specific imports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.
**Documentation**

- Documentation is not required for exports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to export goods from Denmark outside the EU:
  - customs declaration
  - bill of lading
  - packing list
  - certificate of origin (in certain cases)

**Export licences**

- Licences are required when exporting goods subject to international controls, certain items subject to strategic controls and certain metals in waste or scrap form.

**Export taxes and tariffs**

- None

**Financing requirements**

- None

**Risk mitigation**

- Denmark has implemented the EU directive on export credit insurance.
- Eksport Kredit Fonden (EKS), Denmark's national export credit agency, provides state-supported export credit.
- Export credit insurance is also available from private institutions.
- Export financing is available privately from commercial banks.

**Prohibited exports**

- Denmark prohibits the export of certain items in line with EU regulations and UN Security Council resolutions.

**Regulatory requirements**

**Reporting regulations**

- Companies are selected by the Danmarks Nationalbank to report annually on transactions between resident accounts and accounts held by non-residents.
- Companies with high volumes of transactions between resident and non-resident accounts are required to report on both a monthly and an annual basis.
Exchange controls

- Denmark has been in the ERM II since 1 January 1999.
- Denmark does not apply exchange controls.

Anti-money laundering / counter-terrorism financing

- Denmark has enacted anti-money laundering and counter-terrorist financing legislation, including legislation implementing the four EU anti-money laundering directives (Act on Measures to Prevent Money Laundering and Financing of Terrorism 2017 (The Money Laundering Act)). A series of linked Executive Orders has also been published by the Danish Financial Supervisory Authority.
- A Financial Action Task Force (FATF) member, Denmark observes most of the FATF–49 standards.
- Denmark has established a financial intelligence unit, the Money Laundering Secretariat or SØK/Hvidvasksekretariatet (HVIDVASK), within the Public Prosecutor's Office. The HVIDVASK is a member of the Egmont Group.
- Account opening procedures require formal identification of the account holder. This must include name, address, a national registration number (CPR number) or a business registration number (CVR number) or similar documentation if the person in question does not have a CPR or CVR number.
- The identity of the beneficial owners of legal entities must be established.
- Relationships with shell banks are prohibited.
- All credit and financial institutions have to identify non-account holders for transactions exceeding DKK 100,000 or the equivalent in foreign currency.
- Financial institutions in the broadest sense are required to report suspicious transactions to the HVIDVASK. They must also record and report the identity of customers involved in significant transactions.
- The import or export of money exceeding DKK 100,000 must be reported to the customs authorities.
- Records of identity as well as records sufficient to reconstruct transactions must be kept for five years.

* Data as at February 2018.

Taxation

Resident / non-resident

- A company is considered to be resident if it is incorporated in Denmark or is managed and controlled in Denmark.

Financial instruments

- With certain exceptions, gains and losses on financial instruments are taxed in accordance with the mark-to-market principle. This treatment departs from general principles under Danish tax law, which follow the principle of realisation.

Interest and financing costs

- The costs incurred to enter into financial contracts are financial costs. Unless certain restrictions apply, such costs are deductible.
- Loan costs (fees) connected with obtaining loans with a term of more than two years must be deducted concurrently with the repayment of the loan. Please see section on Net financing expenses (under Thin
Foreign exchange

- As a rule, exchange gains and losses on foreign currency are treated separately from the underlying transaction: they are taxed under the mark-to-market principle.
- Currency hedging contracts that are not attached to a specific transaction are treated as financial instruments and are taxed under the mark-to-market principle. If however the currency contract is attached to a specific transaction, gains/losses on the contract are taxed in the same way as the underlying transaction.

Advance tax ruling availability

- In certain cases, taxpayers may request a binding advance statement from the local tax authorities. This statement will not be binding for the tax authorities if the assumptions on which the statement has been based change, for example, if there is a change in legislation, or where incorrect or incomplete information has been provided by the taxpayer. A binding advance statement may be appealed in the same way as a tax assessment.
- Binding advance rulings for five years on specific proposed transactions may be obtained from the local tax assessment office. Persons not subject to Danish tax are also entitled to ask for a binding advance ruling.

Capital gains tax

- Capital gains are taxed at the ordinary corporate income tax rate of 22%. Gains are calculated by deducting acquisition costs and costs of sale from sale proceeds.
- Gains and losses realised on inter-company balances are in general tax-free/non-deductible (depending on the tax treaty for the debtor/creditor).
- Capital gains on shareholdings are divided into two groups depending on the ownership percentage. Tax exemption is granted for capital gains realised on the transfer of shares in companies where the shareholding amounts to at least 10% or more of the share capital (‘subsidiary shares’). Losses are non-deductible.
- Where the shareholding constitutes less than 10% of the share capital (‘portfolio shares’), capital gains realised on the transfer of shares are subject to tax at the ordinary corporate income tax rate of 23.5%. Certain anti-avoidance rules exist to prevent investors from pooling their shareholdings together in holding companies.

Withholding tax (subject to tax treaties)

<table>
<thead>
<tr>
<th>Payments to:</th>
<th>Interest</th>
<th>Dividends</th>
<th>Royalties</th>
<th>Other income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident entities</td>
<td>None</td>
<td>0% / 28%</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Non-resident entities</td>
<td>0% / 22%</td>
<td>0% / 15%/27%</td>
<td>0% / 22%</td>
<td>None</td>
</tr>
</tbody>
</table>

- No withholding tax is generally levied on interest paid to residents and non-residents. However, interest paid by a Danish company or a foreign company’s Danish permanent establishment to a foreign group company can, in special limited circumstances, become subject to Danish withholding tax of 22%.
- Dividends paid to a non-resident company are, as a general rule, subject to a 27% withholding tax. For companies, the final rate is 22%, i.e. 5% can be reclaimed.
- The rate is 15% if the recipient holds less than 10% of the company distributing the dividends, and the tax authorities in the country where the recipient is resident are required to exchange information with the Danish tax authorities under an applicable tax treaty or other international treaty or convention, or according to an
administrative agreement in tax cases.

- Dividends paid to a non-resident company are exempt from withholding tax if the recipient is the beneficial owner of the dividends and owns at least 10% of the share capital of the payer, and the withholding tax would be reduced or eliminated under the EU parent-subsidiary directive or an applicable tax treaty.
- Certain group-related transfers of shares, where the remuneration is fully or partly not in the form of shares, may trigger Danish withholding tax.
- A rate of 22% (levied on gross payments) applies to industrial royalties paid to non-residents. Non-residents may be eligible for a lower rate of withholding tax, or be able to avoid it altogether, provided that their parent company is located in a country with which Denmark has a tax treaty.

**Tax treaties / tax information exchange agreements (TIEAs)**

- Denmark has exchange of information relationships with 124 jurisdictions through 71 double tax treaties, 54 TIEAs.
- Denmark, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, has signed a multilateral co-operation agreement with 30 other countries (‘the MCAA’). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).
- With country-by-country reporting, tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA will start in 2017–18 on 2016 information. There are currently 103 signatory countries.

**Thin capitalisation**

- Interest deductions may be limited by three sets of rules (but the disallowed expense is not re-characterised as a dividend):
  - The thin capitalisation test imposes a debt-to-equity ratio of 4:1;
  - The asset test limits the deduction of interest expense to 4.2% of the tax basis in the assets; and
  - The EBIT test limits the deduction of interest expense to 80% of earnings before interest and tax.

**Net financing expenses**

- In addition to the thin capitalisation rules, net financing expenses may also be restricted under the ‘asset test’ and the ‘EBIT model test’, which apply to both inter-company debt and debt owed to unrelated third parties. Three tests have to be made to determine the deductibility of net financing expenses, which are applied in the following order:
  - The thin capitalisation test;
  - The asset test; and
  - The EBIT model test.
- Under the asset test, net financing expenses exceeding DKK 21.3 million are deductible only to the extent that the expenses do not exceed a cap calculated as a standard rate of return (currently 3.2%) on the tax base of the group's assets minus certain of its financial assets.
  - Net financing expense for these purposes would include the aggregate of (in terms of tax value):
    - Interest income and interest expenses;
    - Commission for loans;
    - Capital gains and capital losses on claims, debt and financial contracts;
    - The interest income and interest expenses component of financial leasing arrangements; and
    - Taxable gains and deductible losses on shares, as well as taxable dividends.
- The following, however, would be excluded from net financing expenses:
  - Losses and claims forming part of a financial trading activity;
  - Gains and losses on borrowings if the taxpayer is trading in claims or is conducting a financing business and the debtor is not an affiliated company; and
\begin{itemize}
\item Gains and losses on financial contracts used to hedge operating income and expenses, unless the taxpayer is trading in financial contracts or is conducting a financing business and the counterparty is not an affiliated company.
\item The cap on net financing expense is then calculated on the basis of the taxable value of all assets less shares, claims, financial contracts and cash. However, 10% of the tax basis of shares held in directly owned affiliates not forming part of a Danish tax consolidation is included in the tax basis. The inclusion of shares held in directly owned foreign affiliates will be phased out by 2.5% annually over the years 2010–17. Tax loss carry-forwards are normally recognised as an asset. Restricted net losses on claims and debts can be carried forward and deducted in net gains on claims and losses in the following years.
\item Net financial expenses restricted under the asset test are not eligible to be carried forward to future years.
\item According to the EBIT model test, if the deductible net financial expenses exceed 80% of the EBIT, the excess net financial expenses are not deductible in that tax year but are eligible to be carried forward to future years.
\item Affiliated companies covered by tax consolidation must, according to the rules, calculate taxable income and net financing expense on an aggregate basis. The DKK 21.3 million ceiling is calculated on a group basis.
\end{itemize}

**Transfer pricing**

\begin{itemize}
\item The transfer pricing rules apply to transactions with affiliated companies. Controlled transactions are subject to the arm's length principle.
\item Denmark generally follows the OECD transfer pricing guidelines. Transfer pricing documentation must be prepared.
\item The Danish tax authorities can require certain businesses that are obliged to prepare transfer pricing documentation to obtain an assurance report from an independent auditor.
\item Multinational groups with a consolidated turnover of at least DKK 5.6 billion must prepare and submit a country-by-country (CbC) report to the Danish tax authorities.
\end{itemize}

**Stamp duty**

\begin{itemize}
\item The registration of the transfer of certain assets is subject to a duty of 0.6% to 1.5% plus a fee of DKK 1,660.
\end{itemize}

**Cash pooling**

\begin{itemize}
\item Denmark has no specific rules relating to cash pooling arrangements. However, the cash pooling arrangement should be based on the arm's-length principle, and proper transfer pricing documentation must be prepared.
\end{itemize}

**Financial transactions / banking services tax**

\begin{itemize}
\item Denmark has no specific financial transactions and/or services tax.
\end{itemize}

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2018 (www.deloitte.com).