

DENMARK Country Profile

1. Introduction and country background	3
1.1 Key Facts	
1.2 Economic Performance	
1.3 Government	
2. The banking environment	5
2.1 Overview	
2.2 The Central Bank	
3. Financial authorities	7
3.1 Ministry of Finance	
3.2 Ministry of Economic and Business Affairs	
3.3 Danish Financial Supervisory Authority	
3.4 The Danish Banker's Association	
4. Legal and regulatory issues	9
4.1 Introduction	
4.2 Resident and Non-resident Status	
4.3 Account Ownership	
4.4 Cash Pooling Regulations	
4.5 Account Types and Charges	
4.6 FX Controls	
4.7 Central Bank Reporting Requirements	
4.8 Money Laundering	
4.9 Regulations Applicable for Electronic Transactions	
5. Market dominant banks	12
5.1 Danske Bank Group	
5.2 Nordea Bank Group	
5.3 Jyske Bank	
5.4 Sydbank	
5.5 Nykredit Group	
6. Clearing systems	15
6.1 Overview	
6.2 High Value Clearing - KRONOS	
6.3 Low-value / Net Clearing	
6.4 Sum Clearing	
6.5 The VP System for Securities	
6.6 FUTOP	
6.7 CLS - Continuous Linked Settlement	
7. Payments and collection methods and instruments	18
7.1 Introduction	
7.2 Credit Transfers	
7.3 Direct Debits	

Disclaimer: These publications were prepared by Danske Bank and CaRisMa Consulting solely for information purposes.

The information, calculations, estimates and judgements in the publications do not replace the customer's own judgement of how and whether to act in the market/area concerned. In the Bank's opinion, the information in the publications is correct and fair. The Bank does not, however, accept any responsibility for how accurate or comprehensive the publications are. Furthermore, the Bank is not liable for any loss resulting from actions taken on the basis of the publications. Further and/or updated information can be requested from the Bank.

Danske Bank A/S holds the copyright to the publications, which are intended for the customer's personal use and may not be published elsewhere.

7.4	Cheques	
7.5	Card Payments	
8.	Electronic banking	20
8.1	Introduction	
8.2	General Functionality of EBS Offerings	
8.3	EDIFACT / Host-to-Host Solutions	
8.4	E-payments	
8.5	E-invoice / EBPP	
9.	Cash pooling solutions	22
9.1	Introduction	
9.2	Notional Pooling	
9.3	Cash Concentration	
9.4	Multicurrency and Cross Border Pooling	
10.	Tax Issues	23
10.1	Tax Liability	
10.2	Tax Base	
10.3	Tax Consolidation	
10.4	Inbound and Outbound Taxation of Dividends	
10.5	Taxation of Capital Gains and Losses on Shares, Bonds, Debts, Receivables and Financial Contracts	
10.6	CFC Taxation	
10.7	Withholding Tax	
10.8	Transfer Pricing and Thin Capitalisation	
10.9	Capital or Stamp Duties	
10.10	VAT and Payroll Duty	
10.11	Employer Obligations - Tax and Social Security Withholding	
11.	Sources and useful contacts	27
11.1	Sources	
11.2	Danske Bank Contact Details	
11.3	Tax Contacts	
11.4	Country Research	

1. Introduction and country background

1.1 Key Facts

Capital - other major cities	Copenhagen - Aarhus, Odense, Aalborg
Area	43,094 km ² (excluding Greenland and Faroe Island)
Population	5.435 million (06-2006)
Languages	Danish (Faroese, Greenlandic, and small German minority)
Currency	DKK (Danish Kroner)
Country telephone code	+45
National / bank holidays	2006 – 24-26 Dec 2007 – 1 Jan; 5-6, 8-9 Apr; 4, 17, 27-28 May; 5 Jun; 24-26 Dec
Business / banking hours	9:00-16:00 (Mon-Fri) / 10:00-16.00 (Mon-Fri, Thur to 18.00)
Stock exchange	Copenhagen Stock Exchange Part of the OMX Group
Leading share index	OMXC20, OMX Copenhagen 20
Overall share index	OMXC, OMX Copenhagen

1.2 Economic Performance

	2001	2002	2003	2004	2005
Exchange rate - DKK per EUR, period average	7.45	7.43	7.43	7.44	7.45
Exchange rate - DKK per USD, period average	8.32	7.88	6.59	5.99	6.00
Money Market Rate - %, period average (tomorrow/next)	4.70	3.49	2.44	2.16	2.15
Consumer Inflation - %, year on year *	2.3	2.4	2.0	0.9	1.7
Unemployment rate - %, per annum (seasons adjusted)	5.2	5.2	6.2	6.4	5.0
Gross Domestic Product (GDP) - DKK billions	1,326	1,361	1,398	1,432	1,481
GDP - USD billions @ per.avg. exch. rate	158.2	172.7	212.1	239.1	246.8
GDP - volume growth year on year, %	1.56	1.02	0.51	2.40	3.40
GDP, per capita, USD	29,838	32,208	39,573	44,181	45,482
Balance of Payments Surplus as % of GDP **	3.1	2.5	3.2	2.3	3.4

* The EU Harmonised Index of Consumer Prices, HICP.

** Balance on goods, services and income. Restructured at the beginning of 2005, making comparisons with previous years subject to some uncertainty. Balances on goods, services, and income is equivalent to the Current Account

Sources: International Financial Statistics, IMF
Central Bank of Denmark
Statistics Denmark

1.3 Government

Legislature Regime: Constitutional Monarchy. The parliamentary structure is uni-cameral: The Parliament (Folketinget) consists of 179 members elected for a four year term via a proportional representation system.

Head of State: Queen Margrethe II, since 1972

Political Leader: Prime Minister Anders Fogh Rasmussen, Head of the Liberal Party (Venstre), since November 2001. Re-elected 8 February 2005. The Prime Minister leads a minority government

coalition of the Liberal Party and the Conservative People's Party (KF), supported by the right wing Danish People's Party (DF). The next parliamentary election is due in February of 2009.

Member of the European Union: Since 1973. A referendum in 2000, however, rejected the adoption of the EUR in Denmark.

2. The banking environment

2.1 Overview

The Danish financial sector is heavily concentrated with only a few dominant market players. The two biggest banks have a combined average market share of around 70% and even more when it comes to larger corporations and multinationals. In addition, the building society market is dominated by 2 major players- one of them owned by the biggest Danish bank - Danske Bank.

The past few years have seen a few, but significant mergers and acquisitions: Effective 2001 Danske Bank bought RealDanmark with its subsidiaries BG Bank (at that time the 3rd biggest bank) and RealKredit Danmark (2nd largest building society), which made Danske Bank by far the largest bank in Denmark. In 2003 the building society TotalKredit owned by a large number of local banks was acquired by the Nykredit Group, the 2nd biggest player on the financial services market and now the biggest building society. In 2004 FIH Erhvervsbank (6th biggest bank) was bought by the Icelandic Kaupthing Bank, the 7th biggest banking group in the Nordic Region.

In 2004, the Danish Competition Authority expressed concern that the domestic banking market is too concentrated. Hence, national mergers or acquisitions among the biggest banks will probably not be allowed. Still, the Danish banks are in play with regards to further European and Nordic consolidation of the banking industry, the latest example being when the Swedish bank, Svenska Handelsbanken, acquired the medium-sized bank, Midtbank as of January 2002.

There are 2 main types of banks on the Danish market: commercial banks and savings banks; the co-operative banks are not a factor. At the end of 2004, the latest years for which the Danish Bankers Association has statistics, Denmark (incl. Greenland) had 175 domestically incorporated banks with 2,025 branches across the nation. As regards the rest of Scandinavia, Denmark is considered to be in the forefront with regards to development of the banking sector. Hence, a wide variety of banking products and services are being offered.

In 2005, the number of foreign banks in Denmark totalled 17. The foreign banks are primarily targeting the larger corporations and multinationals although in recent years a few of them have changed business strategy to also offer personal loans (eg GE Money).

Bank profits continued to see substantial increases in 2005, driven by considerable growth in lending, historically low losses, and an increase in fee driven income. The very low losses are attributable to the favourable economic situation, but also to the introduction of new accounting rules (the International Financial Reporting Standards) as of 1 January 2005.

In 2005, the EU reached political agreement on the proposed directive for new capital-adequacy rules, known as Basel II. The directive is to be transposed into national legislation of the member states effective from the beginning of 2007. However, up to the end of 2007 it will still be possible for credit institutions to apply the existing rules. The most advanced methods for calculation of the minimum capital requirement cannot be applied before 1 January 2008.

The banking supervisory authorities, central banks and finance ministries of the European Union in 2005 concluded a memorandum of understanding (MoU) on cooperation in financial crisis situations. The Danish authorities have also entered into an MoU on financial supervision, supplemented by a bilateral MoU between the Danish Financial Supervisory Authority and Danmarks Nationalbank.

2.2 The Central Bank

As early as 1936 the Danish Central Bank (Danmarks Nationalbank or Nationalbanken) gained its independency from the political system. The legal framework that currently regulates the tasks of Nationalbanken was outlined the same year. The decision making body of Nationalbanken is the Board of Directors. The day-to-day management, including interest rate decisions, is conducted by

the Board of Governors (consisting of three individuals), chaired by Mr. Nils Bernstein, Governor by Royal Appointment since 2005.

Nationalbanken is responsible for monetary policy. Denmark is part of the European System of Central Banks (ESCB) - but not part of the Euro. Still, monetary policy focuses on keeping the Danish Kroner stable against the Euro within the framework of the ERM2-system¹ (the fixed-exchange-rate policy). The main goal of monetary policy within the Euro-zone is to keep inflation low, which also provides for stable prices in Denmark.

The bank has a number of other tasks, including:

- To ensure efficient and secure production and distribution of banknotes and coins of high quality.
- To contribute to efficiency and stability in the payment and clearing systems and in the financial markets.
- To act as banker to the central government.
- To prepare reliable and relevant financial statistics.
- To prepare and communicate credible standpoints on economic and financial issues with relation to Danmarks Nationalbank's objectives.
- To maintain its financial strength by means of consolidation and risk management.

Source: Central Bank of Denmark

¹ The Exchange Rate Mechanism 2 is an agreement between a number of EU countries (Estonia, Lithuania and Slovenia were included in June 2004; Cyprus, Latvia, Malta in May and Slovakia in November 2005) and the European Central Bank (ECB) to keep the rate of the national currency within a fluctuation span of +/-15% vis-à-vis an agreed central rate. The central rate for Denmark is 746.038 DKK per 100 Euros and in fact the ECB has agreed on a tighter band of +/-2,25% with the Kroner.

3. Financial authorities

3.1 Ministry of Finance

The Ministry of Finance has the overall responsibility, among others, for the management of the Danish government's debt. However, as mentioned above, Nationalbanken handles the administrative tasks, while the Ministry of Finance is responsible for borrowing and debt management, including relations with the parliament.

3.2 Ministry of Economic and Business Affairs

The Ministry of Economic and Business Affairs' responsibility covers several matters that have a bearing on the general business environment. This includes business regulations, e.g., covering the financial sector. The Danish Financial Supervisory Authority (Finanstilsynet) is an Agency under the responsibility of the Minister for Economic and Business Affairs. Other selected agencies are the Danish Competition Authority (Konkurrencestyrelsen), the Danish Commerce Companies Agency (Erhvervs- og Selskabsstyrelsen) and Statistics (Danmarks Statistik).

3.3 Danish Financial Supervisory Authority

The Danish Financial Supervisory Authority (Finanstilsynet) has a mission to "help maintain confidence in the financial sector - both in relation to society and to individuals - by:

- Ensuring that financial legislation is observed. This includes the prevention of offences that may arise in specific areas, for instance the areas of solvency and liquidity
- Participating in the elaboration of financial legislation, and
- Collecting and publishing information relating to the financial sector".

Furthermore it is an objective to "focus on efficient markets, internationalization and consumer aspects in its supervision and regulation work".

More specifically, as an agency under the Ministry of Economic and Business Affairs, the tasks of Finanstilsynet take place within three core areas: supervision, regulation and information.

Supervision covers surveillance, auditing and licensing of financial institutions as well as monitoring the financial market including companies licensed to operate securities exchanges, various brokers and clearing institutions. The regulation area covers policy making with regards to drafting of bills and issuing executive orders. Further, Finanstilsynet under its information objective collects and publishes statistics e.g. in support of evaluating the risk profile of each financial institution.

Finanstilsynet also has the task of being the secretariat for three councils: the Financial Business Council (Det Finansielle Virksomhedsråd), the Danish Securities Council (Fondbørserådet) and the Danish Pension Market Council (Pensionsmarkedsrådet).

3.4 The Danish Banker's Association

The Danish Bankers Association (Finansrådet) represents the interests of the private commercial banks. As such, Finansrådet is the trade organisation for Danish banks, covering the entire banking sector. The objectives of the Association are to promote proper conditions for Danish credit institutions. To that end, Finansrådet protects the interests of its members against the Danish Government, the Parliament and public authorities. It cooperates closely with other Danish industry and trade organisations both within the area of personal financing and with respect to the Danish economy as a whole.

The focal point for the work of Finansrådet is to influence the political processes and decisions. This takes place directly through contacts with politicians, the Government and the authorities as well as through participation in the public debate.

The 150 members (as of October 2006) include banks, savings banks and Danish branches of foreign banks. The rules of Finansraadet also allow building societies to become members, however, they are still organised in a separate organisation, The Association of Danish Mortgage Banks, Realkreditraadet.

4. Legal and regulatory issues

4.1 Introduction

Under the European Single Market's objective of free movement of capital the Danish financial environment and the rules regulating it have been harmonised with the rest of the EU, e.g. within Money Laundering. As such the market for financial services is deregulated. Still, Central Bank reporting requirements for transactions between residents and non-residents are maintained. This should be one of the factors in the decision for any (Danish) corporation with plans to set-up e.g. in-house banking schemes within the country.

4.2 Resident and Non-resident Status

- A resident company is defined as a company, which is incorporated with the Danish Commerce and Companies Agency (Erhvervs- og Selskabsstyrelsen) or has its place of effective day-to-day management in Denmark.

4.3 Account Ownership

- Any type of account can be owned by a resident as well as a non-resident company.

4.4 Cash Pooling Regulations

- Cash concentration and notional pooling are allowed domestically as well as cross-border
- Cash pooling across legal entities, but within the same group, is permitted. A company is considered being part of a group if the parent company directly or indirectly owns more than 50% of the subsidiary or has a decisive influence
- Cross-guarantees for all pool participants (if across legal entities) may apply
- Resident and non-resident companies domiciled in the EU/EEA can participate in the same cash pool, but Central Bank reporting requirements must be adhered to and withholding tax regulations must also be observed
- Danish legislation permits multicurrency cash pooling, which is offered by the leading cash management banks in the market as notional pooling
- Loans to shareholders: The regulations in section 115 of the Danish Act on Public Limited Companies (similar rules for Private Limited Companies applies) generally prohibits Danish companies from providing loans (or security) to its shareholders. However, the rule exempts loans to parent companies within the European Union / European Economic Area. Further, the authorities' official view is that in practice the exemption can be applied beyond the above group of countries, i.e. to the whole world. Another practical exception to the rule (not stated directly in the Bill) is that "loans or security provided by companies are not subject to section 115 of the Bill if the transactions involved are commercially justified and of a usual nature both to the company and to the industry in general". Cash concentration under a cash pool is not in itself commercially justified. However (when adhering to transfer pricing rules, considering distribution of benefit to all participants etc.), Danish companies can normally participate in such set-ups without conflicting with section 115.

4.5 Account Types and Charges

- Current accounts can be held in all exchangeable currencies and are offered with or without overdraft limits
- DKK accounts are convertible into foreign currency
- Interest rates can be either fixed using a basic rate of the bank or based on a market rate (e.g. CIBOR) less a spread. For larger corporations the latter method is the most common
- Account maintenance fees will normally not apply

- Lifting fees (per mille of transferred amount) on foreign payments are not a factor for medium-sized to large corporations. However, for customers with smaller business volumes such fees could still apply on some international payments
 - Following the EU regulations on cross-border transfers in EUR, from 1 January 2006 the charge for a cross-border transfer of up to €50.000 EUR must be equivalent to the charge for a domestic payment in EUR.
 - The payer must provide the receivers International Bank Account number (IBAN) and the receiving bank's Bank Identifier Code (BIC, the SWIFT code). If such information is not provided – or the information is invalid – an additional charge will be levied.
- A flat fee will be charged for domestic payments – a per mille charge (see above) could be charged for some foreign payments, but the standard is a flat fee as well.

4.6 FX Controls

- The Danish Krone flows freely. The Danish Central Bank, in coordination with the European Central Bank, can intervene or coordinate an intervention with other European Central Banks in order to stabilise the exchange rate (see the aforementioned comments under the Central Bank). There are no exchange controls.

4.7 Central Bank Reporting Requirements

Reporting of commercial payments between residents and non-residents as well as payments received or made on a resident's bank account abroad was eliminated as at December 31, 2004. Reporting of bank accounts opened and maintained outside Denmark by a resident was also eliminated from reporting requirements.

However, to replace all companies' reporting of cross border payments, netting of payments with foreign companies, etc., new reporting requirements were established for a number of selected companies. The companies are selected on the basis of historical "significant" cross border transactions and/or balances. Whether the flow/balances are "significant" or not, is decided by the Danish Central Bank. Approximately 800 enterprises/groups are required to report information on a monthly basis to the Central Bank electronically, via the Central Bank's reporting system STINA (STatistisk Indberetning til NAationalbanken = Statistical reporting to the Central Bank). Approximately 300 enterprises/groups that hold significant accounts with non-residents report on an annual basis.

Where as it was previously required that companies reported each transaction separately, it is now a monthly reporting of summarised balances. The ambition of this change is among other things to ease the administrative burden for companies, as many of the required balances can be extracted directly from the companies' accounting systems. As at January 1, 2005, no company in Denmark is required to report to the Danish Central Bank, unless they are asked directly to do so by the Central Bank itself.

In addition, Statistics Denmark gathers information on cross border goods and services.

Source: Central Bank of Denmark

4.8 Money Laundering

The EC Money Laundering Directive (Council Directive 91/308/EEC of 10 June 1991 as amended by directive 2001/97/EC of 4 December 2001) has been implemented in Denmark. The most recent development is that the Ministry of Justice in August 2004 has set out some recommendations for changes in the Danish laws on Money Laundering and Fight against Money Laundering. Part of the recommendation concerns involving a larger group of natural and legal persons in the legislation hereunder various brokers and casinos. The recommendation also considers including payment in excess of 15,000 EUR when the payment is made by means of high-value commodities.

The headlines of the Money Laundering Regulations are:

- The banks must put adequate internal security and control systems against money laundering in place
- Adherence to identification procedures. Any person must produce satisfactory evidence of his identity when entering into a business relationship with a bank or when carrying out one-off transactions in excess of 15,000 EUR.
- Take measures to ensure that the banks understand the economical background of the current business and account relationship with the customers
- Record-keeping procedures. A record must be kept for 5 full calendar years containing a copy of the evidence of identity and details relating to all transactions carried out, and finally
- Internal reporting procedures must be in place to ensure that any employee knows when, how and whom to report to in the event of that the employee suspects that a person is engaged in money laundering.

Following the vote by the European Parliament on 26 May 2005, the Council reached an agreement on a text for a third directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (the "Third Directive"). It builds on existing EU legislation and incorporates into EU law the June 2003 revision of the Forty Recommendations of the Financial Action Task Force (FATF), the international standard setter in the fight against money laundering and terrorist financing. The Directive is applicable to the financial sector as well as lawyers, notaries, accountants, real estate agents, casinos, trust and company service providers. Its scope also encompasses all providers of goods, when payments are made in cash in excess of 15.000 EUR. Those subject to the Directive need to:

- Identify and verify the identity of their customer and of its beneficial owner, and to monitor their business relationship with the customer;
- Report suspicions of money laundering or terrorist financing to the public authorities -usually, the national financial intelligence unit; and
- Take supporting measures, such as ensuring a proper training of the personnel and the establishment of appropriate internal preventive policies and procedures.

The Directive introduces additional requirements and safeguards for situations of higher risk (e.g. trading with correspondent banks situated outside the EU). For the sake of clarity, the existing 1991 Directive, as amended in 2001, will be repealed and replaced by this Directive, upon its effective entry into force. EU Member States have agreed to implement the Directive within two years after its publication in 2005.

4.9 Regulations Applicable for Electronic Transactions

Electronic invoices are allowed by law subject to that the origin and integrity of the invoice is secured via electronic signature or electronic data interchange (EDI). As market standards have evolved today, this also includes XML.

Electronic signatures are equivalent to handwritten signatures under Danish law. Denmark has implemented EU Directive on electronic signatures into national law.

5. Market dominant banks

As at year end 2004, the latest years for which the Danish Bankers Association has statistics, there are 196 banks in Denmark (incl. Greenland), of which 17 are foreign banks, and 4 are based on the Faroe Islands.

Denmark has 3 dominant players in the market for financial services. The Nykredit Group, however, is primarily a building society, although the banking division of the group has been rapidly growing the past few years.

Market dominant banks:

Bank	Total assets, 31 Dec. 2005 (USDm)	Rank, top 50 world banks
Danske Bank Group	384,604	44
Nordea Bank Group	383,993	45
Jyske Bank	23,555	N/A
Sydbank	16,483	N/A
Nykredit Group *	148,335	N/A

*Nykredit Bank assets equal USDm 14,077

Note: Figures are total group assets and rankings

Source: BankersAlmanac.com available at 26 July 2006. Asset data from banks' annual reports if the bank is not in the top 50.

5.1 Danske Bank Group

The Danske Bank Group, which conducts a wide range of financial services, has long been one of the largest in Denmark. In the mid 1990s it expanded its operations into Northern Europe, and in 2005 via acquisition in the Republic of Ireland and Northern Ireland, marking its first move out of Scandinavia. The majority of the Group's pretax profits from Q1 2006 derived from Danish retail banking (48%), bond, equity and foreign exchange trading (22%), and mortgage finance (15%). Year on year, income derived outside of Denmark has increased from 29% to 35%.

The Group's mission is to be the best local financial partner. Its banking model consists of one shared platform - from IT to HR and everything in between, enabling local branding strategies for all cross-border activities.

In Denmark, the Group is a market leader with a market share of about one third within banking, mortgage finance and life insurance. The Group has reached this position by merging with BG Bank and Realkredit Danmark (the second largest building society) in 2000 and with Handelsbanken and Provinsbanken in 1990 - and by acquiring Danica Pension in 1995. Together Danske Bank and BG Bank offer nation-wide coverage through their 465 branches and corporate banking centres.

In Sweden and Norway, the Group's market shares of about 5% were achieved through the acquisition of Östgöta Enskilda Bank in 1997 and Fokus Bank in 1999 and through organic growth. In the Republic of Ireland and Northern Ireland, the Group owns National Irish Bank, which has a market share of 3%, and Northern Ban, which has a market share of 20%. Both these banks were acquired in 2005.

The Group serves 3.5 million retail customers and a significant part of the corporate, public and institutional sectors in Denmark, Norway, Sweden, Northern Ireland and the Republic of Ireland. It also has a large number of international corporate clients, particularly in the northern European markets. Some 850,000 customers use the Bank's online services.

On Nov. 9, Danske Bank Group signed an agreement to purchase Sampo Bank of Finland from Sampo Group. The completion of the deal is subject to the approval of relevant regulatory authorities. These approvals are expected in the first quarter of 2007. More will follow in the next country update.

Danske Bank also has branches in London, Hamburg and Helsinki. A subsidiary in Luxembourg specialises in private banking services, and another in Warsaw caters to Nordic corporate customers' banking needs in Poland. The Bank also maintains representative offices in France and Spain.

5.2 Nordea Bank Group

Nordea is the biggest Nordic banking group, primarily present in Denmark, Finland, Norway and Sweden. It is the result of the successive mergers and acquisitions of the Swedish, Finnish, Danish and Norwegian banks of Nordbanken, Merita Bank, Unibank and Kreditkassen (Christiania Bank), respectively, that took place between 1999 and 2000.

The bank targets all customer segments and is organised along three main business areas (sources of revenue in 2005): asset management and life (10%), corporate and institutional banking (17%), and retail banking (71%). Nordea has 9.3 million retail and 1 million corporate customers, of which 4.4 million are net-banking users, and more than 1,100 branch offices. The bank has 1,180 branches. In 2005 there were 348 branches in Denmark and Nordea had an estimated 25% market share of Danish retail banking.

Nordea has a significant presence across the Nordic, and is also present in the Baltic Sea countries (Estonia, Latvia, Lithuania) and Poland. The bank recently expanded further into the latter in August 2005 through the purchase of Sampo's Polish life and pension companies, which was merged into Nordea's Polish life company. Besides banking it provides insurance, mortgage banking and real estate agency services to its customers.

The bank's mission is "making it possible" and part its vision is to be the leading financial services group in the Nordic and Baltic markets with substantial growth potential.

5.3 Jyske Bank

Jyske Bank is the third largest bank in Denmark, with 109 branches in Denmark and subsidiary banks and branches in other countries, among them Switzerland, Gibraltar, France and Poland to primarily service its private banking clients. The target customers are private clients and small and medium sized corporations.

The bank aims to be "Denmark's most customer-oriented bank". To realise this vision, Jyske Bank presents itself as a visible and distinct alternative to more traditional providers of financial services, with regard to distribution channels, products, branch layout and communication forms. For example, the bank takes pride in having its headquarters located outside of Copenhagen, and in being the "second largest independent bank in Denmark".

5.4 Sydbank

Even though Sydbank has 111 branches and 14 part-time branches (to maintain a presence in small suburban communities) in Denmark it is a bit more regionalised than Jyske Bank. The bank is headquartered in the southern part of Jutland, which is where it has its most significant presence. The bank has 5% market share in Denmark and recently established a subsidiary in Switzerland. Main customer segments are private clients and small and medium sized corporations, 335,000 and 20,000, respectively.

Sydbank's vision is based on the one-liner 'What can we do for you' - and in this respect the bank wants to be 'perceived as competent, accountable, available and competitive'.

5.5 Nykredit Group

Nykredit is first and foremost a building society. After the merger with Totalkredit in 2003 its market share comprises 40.6% of total Danish mortgage lending at end-2004. The Nykredit Group is also the second largest lender and the largest mortgage provider in Denmark as well as one of the largest private bond issuers in Europe. The group also provides real estate agent, bank and insurance services.

Within banking the group has its focus on private clients, agricultural clients, small and medium sized corporations and asset management. The bank has a very limited branch network and is consequently, largely built on e-banking. Nykredit's mission is "to be a dominant factor in securing and developing a professional and smooth running capital market to the benefit of the individual and society".

6. Clearing systems

6.1 Overview

The Danish Central Bank, Nationalbanken, is the cornerstone in relation to settlement of payments between banks; the majority of all payments are effected via the commercial banks' accounts with Nationalbanken. Nationalbanken supports two main types of clearing systems: gross settlement and net settlement. The Real Time Gross Settlement (RTGS) system is called KRONOS (owned by Nationalbanken). The latter type of clearing system is also referred to as netting systems, of which there are three:

- The Sumclearing for ordinary payments (owned by the Danish Bankers Association, operated by Danish Payment Systems Ltd, PBS)
- The VP system for securities (owned by VP Securities Services), and
- The FUTOP system for payments related to trading in futures and options (owned by the Copenhagen Stock Exchange).

In addition, since the adoption of DKK in the Continuous Link Settlement (CLS) system - mainly used for FX trading - in September 2003 the majority of all FX trading in DKK has been settled via the commercial banks' accounts with Nationalbanken.

Further, Nationalbanken supervises the payment systems in order to ensure that transactions are carried out in a secure and efficient manner 'to maintain confidence in the payment systems and limit the risk that a problem experienced in one system or by one bank affects the other systems or banks'.

6.2 High Value Clearing - KRONOS

The Real Time Gross Settlement (RTGS) system, KRONOS, was implemented in November 2001 subject to the European System of Central Banks' (ESCB) requirement to have a clearing system that could provide domestic clearing of the home-currency as well as EUR. Further, KRONOS is linked to the high value, cross-border settlement system of the EU, TARGET², enabling individual, real-time settlement of foreign payments in EUR as well. The commercial banks use KRONOS as their 'e-banking system' to transfer amounts to each other and keeping track of payments received and sent in real time.

- Participants: 124 direct participants (as of 2005) in the DKK clearing and 31 (as of 2005) in the EUR clearing (TARGET). The participants must adhere to the technical and financial standards set out by Nationalbanken at all times
- Transaction types: Individual, urgent, same-day-value domestic payments in Danish Kroner and Euro unlimited in amount. In addition, individual, urgent, same-day-value cross-border Euro payments
- Operating hours: For DKK the operating hours are 7.00 (changed from 8.00 with the introduction of CLS - see below) until cut-off at 15.30. For EUR the operating hours are the same as for TARGET; 7.00 - 18.00 CET. However, during the last hour inter-bank payments only are allowed
- Clearing cycle details: The clearing takes place with immediate finality for each individual payment instruction. Payments can be instructed via SWIFT or via the KRONOS 'e-banking'

² ECB has taken a strategic decision as to the future of the TARGET system. The system should migrate to a single shared platform (SSP) making the RTGS systems of the individual countries obsolete. The central banks of Germany, France and Italy has offered to develop the SSP. TARGET 2 is scheduled to commence live operations earliest at the beginning of 2007 with requirements being defined in 2005 and testing carried out in the course of 2006. All Eurosystem central banks will participate in TARGET2. Danmarks Nationalbank has confirmed its participation; while Sveriges Riksbank (the Swedish Central Bank) and the Bank of England will not connect to TARGET2. Some new Member States central banks will only participate when they adopt the euro. TARGET2 is planned to go live in the second half of 2007.

solution. The larger banks usually transact via SWIFT to avoid re-keying of data. The banks must have sufficient funds in their accounts with Nationalbanken, or they can provide collateral in the form of securities approved by Nationalbanken.

- Scandinavian Cash Pool (SCP): In 2003, a Scandinavian agreement was made, allowing branches or subsidiaries in Denmark of Swedish or Norwegian banks to use balances (in SEK or NOK) in the Central Banks of Sweden or Norway as collateral for KRONOS clearing in Denmark.

6.3 Low-value / Net Clearing

In Denmark there are three netting systems whereby net amounts are settled via banks' accounts with Danmarks Nationalbank. Net amounts cannot be settled unless there are sufficient funds on the banks' accounts with Danmarks Nationalbank.

6.4 Sum Clearing

- Participants: Sum clearing has around 70 direct participants. In addition, close to 150 indirect participants clear through the direct participants. The participants must adhere to the technical and financial standards set out by Finansraadet at all times
- Transaction types: The Sumclearing handles all low-value payments in DKK e.g. credit transfers, debit cards (Dankort), cheques and direct debit (BetalingService). Further, the Sumclearing handles low-value payments in EUR, but such are restricted to credit transfers only. That is, a direct debit through BetalingService can not be debited in Euro. No amount limits exist
- Operating hours: The Sumclearing operates around the clock. The normal settlements via the participant's account with Nationalbanken takes place during the night and the last one for DKK is at 3.30 a.m. For EUR payments the last normal settlement run is at 7.30 a.m.
- Clearing cycle details: In a netting system payments between banks are accumulated stating the individual bank's claim or liability. Per bank a net amount is calculated and at a fixed time, normally once a day, the amounts are exchanged. In the two big netting systems the net amounts are settled via KRONOS. To settle the net amounts the banks must have sufficient funds in their accounts with Nationalbanken, or they can provide collateral in the form of securities approved by Nationalbanken. If all payments are not cleared through the normal settlements early in the morning (e.g. due to lack of funds on one of the participants accounts) extra settlements will be run:
 - Cut-off, EUR: Extra settlements can be run until 14.30 for same day settlement at the receiver's (client's) account
 - Cut-off, DKK. Extra settlements can be run until 9.00 for same day settlement at the receiver's (client's) account.

6.5 The VP System for Securities

The VP system for securities' two main functions are registering securities (typically shares and bonds), and clearing and settling securities trades. Participants exchange not only securities, but also interest and other payments, via their accounts with Danmarks Nationalbank. Interest payments are exchanged in euro, Danish kroner and Swedish kronor. Participants may also perform so-called gross settlement (known as spot trades), i.e. each trade is settled separately in real time.

6.6 FUTOP

Trading in futures and options is cleared and settled by the FUTOP Clearing Centre. FUTOP settlement is net settlement of trades in futures and options in Danish kroner. FUTOP settlement is handled by the FUTOP Clearing Centre, which is owned by Copenhagen Stock Exchange. Danmarks Nationalbank handles accounts in connection with the administration of margin requirements for trades. Net positions are calculated once a day, after which amounts are exchanged via the participants' accounts with Danmarks Nationalbank. The value of transactions flowing through this

system is limited as only the marginal changes in liability with regards to settlement of the instruments must be held at an account with the FUTOP Clearing Central.

6.7 CLS – Continuous Linked Settlement

CLS is an international currency settlement system, developed for the major currencies in the market to minimize settlement risk in currency trading. As of January 2006, a total of 56 international banks settled their foreign-exchange transactions via CLS, and 660 smaller banks, brokers, funds and large non-financial companies participated in the settlement indirectly via a direct participant. In the CLS system around 110,000 trades were settled on average per day, for a total value of more than 1,300 billion dollars.

DKK (and NOK and SEK) has been settled in CLS since September 2003.

Settlement is made between 7.00 and 12.00 CET.

Source: Central Bank of Denmark

7. Payments and collection methods and instruments

7.1 Introduction

Looking at the statistics listed in the table below compared to its population size, Denmark has an extraordinarily large number of debit card transactions. Part of the reason is that debit cards are used for paying for smaller amounts and that the nation-wide debit card, Dankort, backed by the entire banking industry was introduced more than 20 years ago. As expected, newer figures indicate that the trend is continuing: In 2005 the number of debit card transactions exceeded 586 million, whereas the number of cheque transactions decreased to 30 million.

Regarding business-to-business transactions, electronic credit transfers have been the preferred means of payment for more than a decade.

Indicators of Use of Various Cashless Payment Instruments:

	Volume of Transactions (millions)				Value of Transactions (DKK billions)			
	2002	2003	2004	% change	2002	2003	2004	% change
Debit cards	492	522	611	24	171	190	212	24
Credit cards	14	15	37	164	13	13	27	107
Credit transfers	227	242	245	8	2,982	3,126	3,284	10
Direct debits	146	151	158	8	411	429	453	10
Cheques	42	38	30	-28	708	617	522	-26
Total	921	968	1,081	17	4,285	4,375	4,498	5

Note: Percentage change calculated from 2002-2004

Sources: ECB Blue Book, March 2006 Addendum
Danish Bankers Association (Finansraadet)

7.2 Credit Transfers

Non-urgent credit transfers are extensively used for person-to-business and business-to-business payments heavily supported by the rapid adoption of home / e-banking solutions both for persons and corporations. From a client's perspective the payment float is day + 1 (debit sender's account day 0, credit recipient's account day 1). The cut-off for transmitting non-urgent credit transfers to the banks is usually around 6 or 7 p.m.

Further, Denmark has a system of paper-based transfer forms: A giro form (GIK) and a bank form (FIK). Historically, the transfer form (giro) was offered solely by the postal service (the GIK). Nowadays, the two forms have the same functionality / sub-types and the same float (2 days). The functionality includes different payment advice possibilities; one sub-type of the form is without a unique identifier of the customer - this can somehow be compared to a credit transfer with remittance advice stating the payer's name, address and a message. The other sub-type of the form offers automatic reconciliation as it provides for a unique payment reference. The GIK transfer form is offered solely by Danske Bank (following its merger with BG Bank). The FIK form is offered by all banks.

Additionally, close to 100% of all salary and wages payments are effected via credit transfers.

Urgent credit transfers (same day settlement) are primarily used for high-value payments between banks and to a limited degree by larger corporations.

7.3 Direct Debits

In 2005, there was an increase of 6% in direct debits to 168 million transactions.

7.4 Cheques

Cheque payments are almost an unknown phenomenon for person-to-business payments: Debit cards, credit transfers via home-banking and BetalingsService has completely taken over. Statistics for 2004 confirm this, with volume transactions decreasing by 29% whilst the total value of cheque transactions was marginally lower at 26%.

The cheque still plays a role for business-to-business - including business-to-public - payments, at least in value terms. Especially, settlement of VAT and taxes is to some extent still done via cheques. Probably due to the fact that larger corporations can save a number of float days by submitting a cheque instead transferring the amount via a credit transfer. Activities to change the process are however ongoing, as both consumers and corporates in the future will have their account number registered for all payments from public authorities via a NemKonto (EasyAccount). The use of cheques is expected to decrease further, as a result of this development.

In 2005 there were 26 million transactions, a decrease of 13% from the previous year.

7.5 Card Payments

Most notable during the period 2002-2004 was the significant increase in the volume and value of credit card transactions. The number of credit cards in circulation increased by 34% to nearly 790,000 in 2004.

Debit card transactions saw a strong increase in 2004. Almost 95% of all Dankort transactions are made as electronic payment for purchases in shops in Denmark.

Compared to its size of population Denmark has an extraordinary large number of debit card transactions. Part of the reason is that debit cards are used for paying smaller amounts; the average value of a debit card transaction is approximately DKK 340.00 - 60% higher in Germany and 20% higher in the U.K. The major factor is however, that a nation-wide debit card, the Dankort, backed by the entire banking industry was introduced more than 20 years ago. This also accounted for credit cards' historically lower transaction volume and value, though this may be changing.

At the end of 2004 Denmark had more than 103,000 Point of Sales terminals and in 2005 more than 3,000 ATM-machines.

The Dankort was migrated to a Chip & Pin-code based system in 2004 to enhance security.

Until recently PBS marketed a micro-payment card called Danmønt ('Dancoin'). However, in May 2004 it was announced that Danmønt will be withdrawn from the market at the end of 2005.

8. Electronic banking

8.1 Introduction

In recent years almost all sorts of banking services suited for electronic processing have been migrated to the internet. There are no country-wide standards or any multi-banks offerings on the Danish market - besides the major Treasury Management Systems, which are only used by a handful of multi-national corporations.

As of July 2006, nearly 2.8 million private banking agreements were established in Denmark. An additional 226,603 thousand arrangements were registered to corporates.

8.2 General Functionality of EBS Offerings

Many banks have shifted the focus from PC based electronic banking systems to web-based platforms. The services offered through the World Wide Web include payment transactions, account information, inter-company netting solutions, FX dealings and information etc. Even though the web-based solutions are becoming more and more advanced, a number of banks still offer more sophisticated services via PC-based tools as well.

8.3 UN/EDIFACT / Host-to-Host Solutions

The corporations' growing efforts of streamlining payment processing is supported by a number of Danish banks. Host-to-host solutions are provided for domestic as well as international payments. Usually, the major cash management banks - i.e. Danske Bank, Nordea and the international players - will accept payment instructions in their own proprietary formats as well as in the EDIFACT format. The most common financial EDIFACT messages are supported.

In addition to providing standard host-to-host connections vis-à-vis the major ERP systems on the Danish Market the banks also provide standard PC-upload solutions - e.g. CSV file extract from the ERP-system and upload to the electronic banking solution for approval and processing. This service is also offered by the mid-sized Danish banks.

8.4 E-payments

In general, micropayments (electronic purse) are offered by a number of 'global' players. Such solutions usually rest on two important prerequisites: 1) Prepayment and 2) Settlement via debit or credit cards.

Valus is the dominant player on the Danish market for micro-payments on the internet - although the number of web-sites connected does not exceed 20! The payers need an e-mail address and can then choose whether to prepay or pay in arrears via a debit card, credit card or via home-banking (selected providers only). Valus is owned by DnB NOR, although the initiative is backed by around 50 of the biggest internet medias on the Danish market. The solution is developed by DnB NOR, Accenture and NetAxept.

Ewire is another provider of web-based micro-payments. The company is a stand-alone provider.

The CoinClick solution for internet based micro-payments backed by a major part of the banking industry was closed down in March 2004 due to disappointing customer adoption and transaction volumes. It should be noted, that the two dominant banks behind this product, Nordea and Danske Bank, offer internet medias via their own proprietary internet payment solutions.

A newer initiative is marketed as the 'eDankort'. This solution allows the customer, purchasing from a web-site, to select eDankort-payment. The website transfers the customer to the e-banking solution of the bank (therefore requiring the customer to already have established a net-banking agreement with their bank) that has issued the specific eDankort, and the payment is executed

through the bank's e-banking solution. All relevant fields will be automatically populated; the customer just needs to provide the usual password. This option, however, comprises less than 1% of online payments.

An increasing number of transactions are being completed via regular Visa, Eurocard and MasterCard, however, the vast majority of customers use their regular Dankort or Visa/Dankort. In March 2006 PBS (operators of the sumclearing payment system) announced a price reduction in fees charged for the use of the Dankort over the internet. Industry estimates point to an expected reduction of 10 million Danish krone yearly. In general, card payments over the Internet are increasing dramatically. For the first three quarters of 2005, more than 13.5 million card payments in Danish shops over the Internet were registered, an increase of 40% compared to the same period in 2004.

8.5 E-invoice / EBPP

The Danish banks do not offer proprietary electronic bill present and payment solutions. However, Danish Payment Systems Ltd, PBS (owned by the banking industry) markets a bank independent solution called 'E-faktura' (e-billing). E-faktura is based on transfer forms and is integrated with some medium scaled ERP-systems and the e-banking solutions from a number of banks. The E-faktura solution will convert invoices into e-mails, which can then be uploaded to the ERP-system of the recipient to be approved and paid following the standard procedures of the payer.

As of February 1, 2005 public authorities are by law entitled to postpone a payment, if the invoice was not forwarded by electronic means. This could be a generator for a more rapid increase in the use of e-billing solutions.

During 2005, E-faktura launched a new solution "E-faktura pro", which meets the demands of the public authorities. Furthermore, it offers customers a service to send all Danish invoices electronically to E-faktura, which will forward the invoices to the debtors either by E-invoice or paper-invoice.

9. Cash pooling solutions

9.1 Introduction

The leading Danish banks provide a wide variety of cash pooling solutions. Hence, in terms of products and services the environment for a smoothly running cash pool solution is in place. A drawback, however, is the Central Bank's reporting requirements for payments between residents and non-residents. The reporting requirements might have been a reason for development of the quite sophisticated notional, multi-currency cash pooling solutions offered.

9.2 Notional Pooling

Notional pooling on a domestic basis is offered by the major cash management banks only. The solutions offered to avoid co-mingling of funds include interest enhancement / interest apportionment schemes and more rarely, pure interest netting. Such solutions all retain the autonomy of the individual participant and distribute the benefit of the set-off of balances according to agreement with the bank. As the bank cannot set-off the account balances in its own books due to Capital Adequacy Regulations a spread between the debit interest rate and the credit interest rate will be charged.

9.3 Cash Concentration

Domestic cash concentration in the form of zero or more rarely target balancing is offered and used by larger corporations in Denmark.

Another instrument where funds physically are co-mingled is the Single Legal Account Pooling. This solution is based on a single, external bank account where all physical payments take place. Each participant (could be separate legal entities) will then have a virtual reference account, where the payments of that participant are mirrored. Hence, each legal entity will perceive the solution as if they have had their own physical bank account. The advantage for the bank compared to notional pooling schemes is that balances can be off-set for the purpose of calculating capital adequacy ratios.

9.4 Multicurrency and Cross Border Pooling

On a cross-border basis notional as well as cash concentrating pooling schemes are offered on a single currency basis. However, the primary tool for pooling is zero-balancing.

A few banks offer multi-currency zero-balance solutions on a cross-border basis by way of standing orders. These solutions however, do not include interest calculations, intercompany loans/deposits etc.

Multi-currency notional pooling schemes are provided by the major banks in Denmark, offering interest compensation / enhancement. These highly sophisticated products will normally target the larger Nordic multinationals or subsidiaries to international corporations with a significant Nordic presence.

Other means of optimising liquidity is via inter-company netting or leading and lagging of supplier payments.

10. Tax Issues

The information is updated as of October 2006 by PricewaterhouseCoopers. The information is general and individual advice should be sought.

10.1 Tax Liability

A company is considered resident and thus liable to tax in Denmark if it is either incorporated in Denmark or if its day-to-day management is carried out in Denmark. Resident companies are subject to tax on their Danish income only (territorial principle) and foreign companies are limited liable to tax only on Danish source income.

Under certain circumstances, Danish private limited liability companies may be classified as transparent entities for Danish tax purposes and thus not regarded as tax resident in Denmark. Limited and general partnerships are treated as transparent entities for tax purposes.

10.2 Tax Base

In general, taxable profits are determined on the basis of a profit and loss account prepared in accordance with Danish accounting principles, which follow international standard accounting principles, taking into consideration differences between accounting and taxation principles.

The corporate tax rate is 28%. Companies, branches and permanent establishments are subject to the same tax rules, while life insurance companies, pension funds, oil companies and shipping companies are subject to special tax regimes.

The income year corresponds to the calendar year unless a different income year is elected. Companies are required to prepay a part of the income tax during the income year in question corresponding to 50% of the average tax paid in the 3 preceding income years. Additional voluntary payments can be made. Any underpaid tax is payable in the following year and charged with an interest of 5.3% for 2006, which is not deductible for tax purposes. Any overpaid tax is compensated with a non-taxable interest of 1.8% for 2006.

Annual depreciations on assets are generally made under the declining method, but the straight-line method is used for e.g. buildings and acquired goodwill. Any depreciation recapture in connection with the sale of an asset will be subject to corporate income tax.

Restructuring, i.e. mergers, divisions, transfer of assets and share for share exchanges may be carried out tax exempt provided the conditions therefore are met.

Tax losses from 2002 onwards can be carried forward for an infinite period of time. There is no possibility for carry back of losses.

10.3 Tax Consolidation

Danish tax law provides for compulsory domestic tax consolidation for all Danish companies and Danish branches within a Group. However, cross-border tax consolidation with all Danish and foreign Group companies and branches can be elected, generally for a binding period of 10 years. The group definition for tax consolidation corresponds to the Group definition in the Danish accounting standards, which follow international standard accounting principles. The consolidated taxable income is calculated for the income year the companies and branches have been Group related. Danish tax consolidation provides for immediate loss utilization by means of pooling the taxable income and losses of the companies involved. The result is an offset of losses of one Group member against profits of another. Tax losses incurred before the tax consolidation cannot be utilized in the new tax consolidation.

When a foreign subsidiary leaves the tax consolidation, previous losses that have been offset against income in other Group companies will be recaptured to some extent.

10.4 Inbound and Outbound Taxation of Dividends

A Danish company is not taxed on inbound dividends received from Danish or foreign subsidiaries provided the Danish company holds at least 20% of the shares for a continuous period of 12 months and the dividend distribution takes place within that period. The holding requirement will gradually be reduced according to the rates stated below for outbound dividends. If these conditions are not met, an amount corresponding to 66% of the dividend will be taxed at a corporate income tax rate of 28%.

In principle, dividend payments to foreign companies are subject to a 28% withholding tax, unless the recipient is entitled to the benefits of a double tax treaty or the EU Parent-Subsidiary Directive and holds at least 20% of the share capital of the Danish company for a continuous period of at least 12 months. If these conditions are not met, dividends could be subject to a reduced withholding tax rate according to a double tax treaty. The holding requirement will gradually be reduced as follows:

- 20% from 1 January 2005 to 31 December 2006
- 15% from 1 January 2007 to 31 December 2008
- 10% from 1 January 2009 onwards.

10.5 Taxation of Capital Gains and Losses on Shares, Bonds, Debts, Receivables and Financial Contracts

A Danish company can dispose of shares tax-free after a 3 year holding period, irrespective of participation. Losses from the disposal of such shares cannot be deducted.

Losses from the disposal of shares held for less than 3 years can only be offset against gains realized from the disposal of other shares held for less than 3 years. Any losses incurred from 2002 onwards exceeding the gains can be carried forward infinitely and offset against such gains in later income years.

Special rules apply to shares in Danish and foreign companies, which are considered investment companies, i.e. companies that invest in financial instruments and the units of which are, at the request of the holders, repurchased or redeemed out of the company's assets. Capital gains or losses on such shares are taxed on a mark-to-market basis.

Capital gains and losses on bonds, debts, receivables and financial contracts are taxed at the ordinary corporate tax rate of 28%. Special rules apply with respect to the deductibility and taxation

of gains and losses on intra-group debts and receivables. Furthermore, special rules apply to certain financial contracts.

10.6 CFC Taxation

A Danish parent company has to include the CFC income of a foreign subsidiary in its Danish income tax return, if

- the Danish parent company directly or indirectly holds at least 25% of the share capital or controls more than 50% of the voting rights in the foreign subsidiary,
- the foreign subsidiary's total foreign income tax charged is less than 21% of the taxable income for the income year in question computed in accordance with Danish tax rules, **and**
- more than 1/3 of the subsidiary's CFC income computed in accordance with Danish rules derives from financial activities.

CFC income is taxed at a rate of 28% with relief for foreign taxes.

In light of the European Court of Justice Judgement of Cadbury Schweppes (C-196/04) the Danish Minister of Taxation has announced that the Danish CFC-rules will be changed.

10.7 Withholding Tax

Interest payments on intra-group debt (i.e. more than 50% direct or indirect ownership including shares held by other group companies) can be subject to a 30% withholding tax. However, in principle, withholding tax on intra-group debt is only imposed on interest paid or accrued to a non-EU/non-double tax treaty state creditor.

Royalty payments are subject to a 30% withholding tax on the gross amount. However, royalty payments to associated companies resident in the EU are exempt from withholding tax. By associated companies is meant that the payer has a 25% holding of shares or voting rights in the recipient or vice versa or that both the payer and the recipient are jointly held by the same parent company by at least 25% of the shares or voting rights. It is a condition that the holding period is at least 1 year and that the payment takes place within that period. Further, royalty payments can be subject to a reduced withholding tax rate according to a double tax treaty.

10.8 Transfer Pricing and Thin Capitalisation

According to Danish transfer pricing rules, which are mainly based on the OECD guidelines, all inter-company transactions must take place on an arm's length basis. Written documentation substantiating that transactions have been performed at fair market value must be prepared and presented to the Danish tax authorities on request.

The Danish thin capitalisation rules apply to Danish companies or Danish permanent establishments controlled by Group companies (i.e. more than 50% direct or indirect ownership including shares held by other Group companies) with debt to either Danish or foreign group companies ("controlled debt").

If the debt/equity ratio of the Danish entity exceeds 4:1, calculated at fair market value on the last day of every accounting year, part of the interest expenses (and to a certain extent capital losses) on the controlled debt may not be deductible for tax purposes. The limitation of interest deductibility only applies if the controlled debt exceeds DKK 10 million and only to the part of the controlled debt which should be converted into equity in order to meet the 4:1 ratio. However, a conversion of debt is not required.

If it is possible to justify that the interest rate and other conditions to the loan arrangement have been concluded on an arm's length basis, the thin capitalization rules would not apply.

10.9 Capital or Stamp Duties

There is no capital duty when establishing a Danish company or share transfer duty upon the transfer of shares in a Danish company. Nor is there stamp duty on the transfer of e.g. goodwill and assets.

10.10 VAT and Payroll Duty

VAT is levied on the supply of goods and services at a rate of 25%. All companies with an income exceeding DKK 50,000 are required to register for VAT. Certain services are VAT exempt, e.g. the transfer of real estate, insurance and reinsurance, certain financial services and passenger transport. VAT exempt activities reduce the right to deduct input VAT relating to the activities.

Most VAT exempt activities are liable to a specific payroll duty. The calculation of the payroll duty depends on the nature of the VAT exempt activity. Financial companies will be liable for 9.13% of the payroll covering the persons working with the VAT exempt activities. Other companies will be liable for 3.08% of the payroll plus/minus 3.08% of the profit/loss relating to the VAT exempt activities. Profit and losses do not include interest and foreign exchange gains and losses.

10.11 Employer Obligations - Tax and Social Security Withholding

Employers are required to withhold income tax on wages on a monthly basis. Employers are also liable for contributions to a supplementary pension fund and payment of work and accident insurance. These contributions are deductible for tax purposes. Danish social security annual rates for the employer are labour market supplementary pension of DKK 1,952 for 2006 and work and accident insurance. The contribution to the latter is determined by the nature of the specific employer's work, e.g. the annual rate for clerks is approx. DKK 3,000.

The information is updated as of October 2006 by PricewaterhouseCoopers. The information is general and individual advice should be sought.

11. Sources and useful contacts

11.1 Sources

Danmarks Nationalbank (Central Bank)	www.nationalbanken.dk
Danish Bankers' Association (Finansraadet)	www.finansraadet.dk
The Danish Financial Supervisory Authority	www.finanstilsynet.dk
Legal Information Online (Retsinformation)	www.retsinformation.dk
Ministry of Finance	www.fm.dk
Ministry of Economic and Business Affairs	www.oem.dk
The Danish Commerce Companies Agency (Erhvervs- og Selskabsstyrelsen)	www.eogs.dk
Danish Payment Systems Ltd	www.pbs.dk

11.2 Danske Bank Contact Details

www.danskebank.com

Contact persons for all countries can be found on the web page
www.danskebank.com/Link/ContactdetailsforGlobalCashManagement

11.3 Tax Contacts

Office address:	PricewaterhouseCoopers Strandvejen 44 DK-2900 Hellerup Denmark
-----------------	---

Contacts:

Birgitte Tabbert
Tax Partner
+45 39 45 9445
bta@pwc.dk

Torben Wolsted
Tax Partner
+45 39 45 94 02
two@pwc.dk

Arne J. Gehring
Senior Tax Manager
+45 39 45 94 60
age@pwc.dk

Ann-Christin Holmberg
Tax Manager
+45 39 45 94 31
ahm@pwc.dk

11.4 Country Research

This country profile was researched by CaRisMa Consulting. For contact information visit:
www.carismaconsulting.dk