

CIBOR Benchmark Statement

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1 Introduction

The Danish Financial Benchmark Facility (DFBF) is the benchmark administrator for CIBOR, which is interest rate benchmark.

This benchmark statement is published by the DFBF in compliance with Article 27 of the European Benchmark Regulation (BMR) and the accompanying EU Commission Delegated Regulation (CDR).

2 About the Benchmark

CIBOR is an interest rate benchmark as it meets the definition of an interest rate benchmark under BMR, which means a benchmark which is determined on the basis of the rate at which banks may lend to, or borrow from, other banks, or agents other than banks, in the money market.

No EU Climate Transition Benchmark or EU Paris-aligned Benchmark is available in DFBF's portfolio nor does DFBF have benchmarks that pursue ESG (environmental, social and governance) objectives or take into account ESG factors.

2.1.1 CIBOR®

CIBOR is an interest rate benchmark, calculated from submissions received from a select group of Panel Banks in Denmark. The benchmark has 5 tenors and is published at 11:00am local time, Copenhagen each Danish banking day.

3 Definition and determination of benchmark

CIBOR is the rate of interest, at which a Panel Bank would lend DKK for period of 1 week, 1, 3, 6, and 12 months maturity to a prime bank on an uncollateralized basis (i.e. unsecured interbank loan). The rate is calculated as the arithmetic mean of selected daily contributions provided by the Panel Banks according to a clearly defined input data methodology.

4 About the Danish financial market in the context of the Benchmarks

CIBOR is currently one of the key benchmarks rates for the Danish market that defines on-a-daily basis the average rate at which local Banks lend DKK funds to one another for varying short-term maturities. As such, the respective benchmark has been established as the most relevant reference rate, plus margin where relevant, for the settlement of financial contracts, most notably being commercial lending, mortgages and interest rate derivatives contracts. Naturally the benchmark is predominantly used by clients domestically in Denmark, but it should be noted that international users managing DKK exposure will rely on the benchmark. Clients will range from market professionals such as financial institutions and large sophisticated corporates to retail customers where CIBOR has been used as a reference for lending purposes.

Furthermore, as a crucial measurement of the DKK local interest rate market the daily benchmarks determination provides a good indication to the Central Bank and financial institutions in general on market expectations for the future direction of DKK interest rates.

5 The size of the Danish market

Product	Average daily nominal amounts (DKK billion)
Deposits	
Lending (banks located in DK)	0.7
Lending (banks located outside DK)	1.3
Borrowing (banks located in DK)	1.2
Borrowing (banks located outside DK)	2.8
Repo	
Cash lending / reverse repo (banks located in DK)	8.2
Cash lending / reverse repo (banks located outside DK)	2.1
Cash borrowing / repo (banks located in DK)	10.2
Cash borrowing / repo (banks located outside DK)	2.4
FX Swaps	
DKK is paid in short leg (banks located in DK)	0.8
DKK is paid in short leg (banks located outside DK)	27.3
DKK is received in short leg banks located in DK)	1.2
DKK is received in short leg banks located outside DK)	13.5
TN IRS (CITA)	
TN rate is paid (bank located in DK)	0.3
TN rate is paid (bank located outside DK)	0.1
TN rate is received (banks located in DK)	0.5
TN rate is received (banks located outside DK)	0.1
FRA	
Fixed rate is paid (banks located in DK)	0.0
Fixed rate is paid (banks located outside DK)	0.0
Fixed rate is received (banks located in DK)	0.0
Fixed rate is received (banks located outside DK)	0.1
*DNB Money Market survey Q2, 2021	

6 Potential limitations of benchmarks

Potential limitations of the CIBOR benchmark, in particular, the circumstances in which the measurement of the underlying market for the benchmark may become unreliable, are as follows:

- a) If there is lack of sufficient input data to determine the Benchmarks

The Benchmark's methodology and procedures are designed to ensure that the Benchmark can be published every day that banks are open in Denmark.

The table below shows the contingency plans if one or more banks are unable to submit rates to the benchmark and how the benchmark is calculated.

CIBOR

Number of Submissions	Calculation Method and Contingency calculations
12 or more	Top and tail three (3) highest and lowest then arithmetic mean of remaining submissions
8 - 11	Top and tail two (2) highest and lowest then arithmetic mean of remaining submissions

4 - 7	Top and tail one (1) highest and lowest then arithmetic mean of remaining submissions
2 – 3 Contingency	In the case where the required quorum is not met and the DFBF receives Input Data from less than four (4) Panel Banks, but greater than one Panel Bank, contingency measures are enacted and the shortfall of one or two contributions will be replaced by using the previous day's CIBOR rates once or twice respectively, adjusted with the net change in CITA determination for the corresponding maturity.
0-1 Contingency	Publish yesterday's aggregate benchmark rate, adjusted for the net change in the corresponding maturity for CITA

b) If the degree of liquidity in the underlying market becomes insufficient to provide input data to determine the Benchmarks

Panel banks apply a priority to input data as described in the DFBF CIBOR Code of Conduct available on the DFBF website.

c) If a Panel Bank's transactions in the underlying markets described above are not sufficient from which to base its submission, its expert judgement in relation to the following information should be considered and applied:

If a Panel Bank's available information in the underlying markets are insufficient from which to base its input data submission, it can apply expert judgement in relation to determining its input data. The use of expert judgment or discretion by Panel Banks makes it highly unlikely that an insufficient degree of liquidity in the underlying market would endanger the integrity and reliability of the Benchmarks determination.

In the case an exceptional market event arose, such as either a natural disaster that would prevent Panel Banks from providing the required input data, or a totally unexpected financial market occurrence, an exceptional meeting of the DFBF Benchmarks Oversight Committee will be convened to consider the circumstances and make appropriate decisions in respect to the immediate future publication of the Benchmark rates.

7 CIBOR Methodology

The CIBOR Calculation Methodology is designed to provide the most accurate and reliable benchmark rate to reflect the underlying financial market it measures. To achieve this outcome a number of banks from within the DKK interbank deposit market have been selected to perform the role of Panel Bank for the purpose of providing Input Data to the DFBF for the calculation of CIBOR. Panel Banks provide the DFBF with the rate at which they would lend to a prime bank, as defined as the best 'credit rated' bank of the current panel, as determined by S&P, Moody's or Fitch, based on their 'long-term' rating, on an un-collateralised basis at the time of quotation. Input Data is provided to the DFBF between 10:30am and 10:45am every good business day (being defined as a day when banks are open in Denmark).

The CIBOR Calculation Methodology document describes in detail the calculation process, but in summary it is the mathematical arithmetic mean (rounded to four decimal places) of the Panel Bank submitted rates, with topping and tailing applied depending upon the number of contributions received. The receipt by the DFBF of a number of Panel Bank contributions ensures that there is a sufficiency of Input Data to produce an accurate and reliable CIBOR output.

The DFBF Benchmarks Oversight Committee has the responsibility to review the methodology. As described in the DFBF Benchmarks Oversight Committee Terms of Reference the committee must undertake a review of all aspects of the determination methodology at a minimum annually. In reviewing the methodology, the DFBF Benchmarks Oversight Committee considers the underlying market dynamics and the usage of CIBOR.

8 Criteria and procedures used to determine CIBOR

The CIBOR Calculation Methodology and the CIBOR Panel Bank Code of Conduct provide complete information on the criteria and procedures for the calculation of CIBOR. These documents are available on the DFBF website. A summary of the criteria and procedures are provided here for the convenience of readers and in accordance with the requirements of BMR. The Input Data for the calculation of CIBOR shall be submitted by Panel Banks to the DFBF every good business day (being defined as a day when banks are open in Denmark), between 10:30am and 10:45am local time. CIBOR shall be calculated for transactions that are to be settled on the second business day following the calculation date, with the act/360 convention. The DFBF shall check the formal correctness of the Input Data between 10:45am and 11:00am local time and resolve any discrepancies directly with the Panel Bank in question, should they occur. Panel Banks may, exceptionally, alter their Input Data at that time, but not later than 10:55am. local time. The calculation of CIBOR shall take place at 11:00am. local time.

Panel Banks are to provide Input Data to the DFBF, as follows:

- a) Quotes for the rate at which Panel Banks would lend to a prime bank, as defined as the best 'credit rated' Bank of the current panel, as determined by S&P, Moody's or Fitch, based on their 'long-term' rating, on an un-collateralised basis at the time of quotation;
- b) Input Data shall contain quotes for the 1 week, 1 month, 3 months, 6 months, and 12 months tenors
- c) Input Data shall take into account the requirements as specified in Clause 3.3.1 of the CIBOR Panel Bank Code of Conduct;
- d) Each tenor rate shall be a positive or negative number to 2 decimal places, or zero;
- e) Input Data shall be entered into the Calculating Agent system according to the contribution procedures provided to them by the DFBF;
- f) Input Data for all tenors shall be provided by Panel Banks each day on which commercial banks are open for general business in Denmark.
- g) Input Data shall be entered into the Calculating Agent system after 10:30am and before 10:45am each day. Panel Banks may, exceptionally, alter their submissions at that time, but not later than 10:55am local time.

Panel Banks shall apply the following priority of use of input data:

The priority of use of input data shall be as follows:

- a) The Panel Bank's own interbank lending transactions concluded with a prime bank in the Unsecured Danish Money Market with a minimum transaction value of DKK 5 million and in the following order:

I. Volume Weighted Average Price (VWAP) of multiple transactions;

II. Single transactions.

If no valid interbank lending transactions have been concluded, then submissions should be made on-the-basis of the following level b) criteria:

b) VWAP of Fixed Rate transactions, where qualifying trades should be directly referenced and an appropriate adjustment factor duly applied, so that the final derived rate would fit the criteria of a 'Level a' submission. For this priority, the following trades are eligible and should be considered in the following order:

I. Loans in other unsecured Money Markets denominated in DKK;

II. Loans with a transaction value lower than DKK 5 million that would be ineligible for a 'Level a' submission;

III. Securities financing transactions as defined by Regulation (EU) 2015/2365 art 3(11), where panel banks are giving DKK funds and taking General Collateral. Transactions of this type concluded with the Central Bank should also be included;

If no valid transactions have been concluded against the criteria set out in b), then submissions should be made on-the-basis of an application of market expertise as detailed in level c):

c) Use of market expertise based, where available, in consideration of the following criteria and in the following order:

I. other correlated markets such as the CITA interest rate swap market, medium term interest rate swaps, forward rate agreements, repurchase agreements, local Govt. Bonds, short term mortgage bonds, foreign exchange forwards, interest rate futures and options;

II. committed quotes;

III. indicative quotes or expert judgement.

CIBOR shall be calculated as the mathematical arithmetic mean rounded to four decimal places for the following maturities: 1 week, 1, 3, and 6 months, and 1 year, in the following manner:

a) if the DFBF receives Input Data from twelve (12) or more panel banks, the rate for the relevant maturity shall be the arithmetic mean of the rates, net of the three highest and three lowest rates;

b) if the DFBF receives Input Data from between eight (8) and eleven (11) panel banks, the rate for the relevant maturity shall be the arithmetic mean of the remaining rates net of the two highest and two lowest rates;

c) if the DFBF receives Input Data from between four (4) and seven (7) panel banks, the rate for the relevant maturity shall be the arithmetic mean of the remaining rates net of the highest and lowest rate;

d) if the DFBF receives Input Data from less than four (4) panel banks, but greater than one panel bank, then the shortfall of one or two contributions will be replaced by using the previous day's CIBOR rates once or twice respectively, adjusted with the net change in CITA fixing for the corresponding maturity.

e) If the DFBF receives Input Data from only one panel or zero (0) banks, then yesterday's aggregate benchmark rate will be published, adjusted for the net change in the corresponding maturity for CITA.

Once announced and published, the CIBOR rates shall be final subject to the Post Publication Redetermination policy.

This shall not rule out the possibility for the DFBF to publish a re-determined CIBOR rate before 3:00pm local time at the latest, having announced the intention to republish corrected CIBOR by 2:00pm local time.

In the event that the DFBF Business Continuity Plan is initiated the methodology applied for the calculation of CIBOR will be unchanged.

Adjustments to Input Data

Panel Banks may adjust their Input Data to correctly reflect the Benchmark's definition, by application of the following criteria:

- a) proximity of transactions to the time of provision of the Input Data and the impact of any market events between the time of the transactions and the time of the provision of the Input Data;
- b) interpolation or extrapolation from transactions data;
- c) adjustments to reflect changes in the credit standing of the Panel Banks and other market participants (e.g. to meet the definition of a "prime" bank)
- d) if correlated market transactions are used in the determination of a submission, then the Panel Bank should apply a method of calculating their equivalence to the underlying market.

9 Expert judgement

DFBF does not exercise any expert judgement or discretion in the determination of CIBOR.

Rules which govern any exercise of expert judgement and ex-post evaluation process of any discretion of Panel Banks are described in the CIBOR Panel Bank Code of Conduct. Only adequately trained Submitters from Panel Banks may exercise an expert judgement in their contribution in circumstances described.

Panel Banks are required to establish policies on the use of discretion that specify at least the following:

- a. the circumstances in which it may exercise discretion
- b. the persons within the Panel Bank that are permitted to exercise discretion
- c. any internal controls that govern the exercise of the Panel Bank's discretion in accordance with its policies
- d. any persons within the Panel Bank that may evaluate ex-post the exercise of discretion

Where the contribution of input data relies on expert judgement, the policies of a Panel Bank in relation of the use of judgement or the exercise of discretion shall include:

- a. a framework for ensuring consistency between different submitters, and consistency over time, in relation to the use of judgement or the exercise of discretion
- b. identification of the information that can be used to support expert judgement or discretion, and of any information that should not be taken into account
- c. procedures for the systematic review of any use of expert judgement

Each Panel Bank is required to maintain records of the input data source that was considered for each contribution and any related exercise of discretion.

DFBF also carry out post publication analysis of all input data (including where discretion may have been applied) to identify suspicious or anomalous data and investigate further as appropriate.

10 Public consultation and material changes

The DFBF has developed procedures for the review of the Benchmarks methodology. In circumstances where a material review of the Benchmarks is being considered the DFBF will conduct a public consultation to gather feedback from key stakeholders, including users of the Benchmarks. Users will be advised that any proposed change or cessation of the benchmark(s) may have an impact on financial contracts and instruments that reference said benchmark(s) and/or the measurement of other related financial products.

The DFBF has developed a Consultation Policy, which describes the circumstances under which a consultation will be undertaken and the process applicable for the conduct of a consultation. The policy is a public document available on the DFBF website at www.dfbf.dk.

11 Transition or the cessation of the Benchmarks

The Benchmarks have very few appropriate substitutes, and in the event it ceased to be provided or was to become no longer fully representative of the underlying market there may be degrees of adverse impact on market integrity and financial stability.

The DFBF has developed clear written policies and procedures to address the need for the possible transition or cessation of the Benchmarks, which could be the result of market structural change, product definition change, or any other condition which could make the Benchmarks no longer representative of the underlying market it measures. These policies and procedures are proportionate to the estimated breadth and depth of contracts and financial instruments that reference the Benchmarks and the economic and financial stability impact that might result from the cessation of the benchmark.

The DFBF has taken into account the views of stakeholders in determining what policies and procedures are appropriate for the Benchmarks.

12 Transition

The DFBF provides the Benchmarks to users on the basis that there are a number of factors that may affect the production of the benchmark, including factors outside the control of the DFBF. Users are made aware that, while the DFBF has developed business continuity plans and fall-back provisions for the production of the Benchmarks, they should have in place their own fall-back provisions in the case that there was a material change in the nature of the Benchmarks.

The DFBF Board is responsible for the DFBF Transition Policy and will take into consideration recommendations in regard to the policy or any actions associated with the policy, made by the DFBF Oversight Committee.

The DFBF Board will consider a number of issues in relation to this policy, including:

- Criteria for selection of credible alternate benchmarks
- Practicality of operating parallel benchmarks
- Procedures if no alternate benchmark is available
- Stakeholder engagement for any transition arrangements

- DFBF's inability for any reason to continue to operate as the administrator of the Benchmarks leading to the cessation of the benchmark.

13 Cessation

The DFBF Cessation Policy outlines the processes that the DFBF will undertake in the case that there is a requirement for the cessation of the Benchmarks in entirety or any individual tenor. The scope of the policy is only for the cessation of a tenor or the entire benchmark and does not include the transition to alternate benchmarks which is covered in the DFBF Transition Policy.

The key steps that the DFBF will undertake in regards to cessation of the Benchmarks are;

- Consult and assess
- Decision to cease calculation of the benchmark or an individual tenor
- Inform users
- Implement a process of cessation

Potential reasons for discontinuation may include;

- Change in the underlying market that the Benchmarks represent
- Regulatory action
- Lack of demand for the benchmark generally by stakeholders
- Inability of the DFBF to produce the Benchmarks for commercial or logistical reasons i.e. inability to obtain sufficient input data from Panel Banks
- Cessation of the DFBF as an entity

Should the decision be taken to implement the cessation of the Benchmarks, or individual tenors, the DFBF will consider a range of factors prior to informing the market of a cessation. Consideration will be given to:

- Sufficient notice to stakeholders of the cessation date and the timing of the cessation
- Any transition measures that can be implemented
- Stakeholder engagement and the timing required for them to consider alternative options, modify documentation, seek legal and compliance advice and modify any materials referencing the Benchmarks
- Identification of alternate benchmarks and plans for migration

Once these issues have been considered, the DFBF will notify the market via press release, its website and other communication tools, including details of the cessation and any other information that would assist stakeholders to understand and take appropriate action.

The Transition and Cessation policies will be made available to stakeholders upon request to the DFBF.

14 Procedures for dealing with errors in input data to CIBOR

The Post Publication and Re-Determination Policy details the procedures for reviewing a published rate in circumstances where DFBF personnel, Panel Bank employees or any end-user of CIBOR believes that a published rate may be materially incorrect. The policy is publicly available on the DFBF's website.

15 Updates to this benchmark statement

The DFBF will review and, where necessary, update this benchmark statement in the event of any changes to the information within it and at least every two years. An update will be provided whenever the information is no longer correct or sufficiently precise and at least where:

- there is a change in the classification of the Benchmark
- there is a material change in the methodology for determining the Benchmark

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16 Appendix 1 - The specific requirements of BMR Annex I for CIBOR.

Under Annex I of Regulation (EU) 2016/1011 additional regulatory regime is applicable. The requirements and arrangements that have been put in place by DFBF to comply with it are as follows:

16.1 Accurate and sufficient data used in a hierarchy

BMR requires the input data contributed by Panel Banks to be accurate and sufficient and the priority of use of input data shall be as follows:

- I. a contributor's transactions in the underlying market that a benchmark intends to measure or, if not sufficient, its transactions in related markets
- II. a contributor's observations of third-party transactions in those markets
- III. committed quotes
- IV. indicative quotes or expert judgements

The DFBF has developed a calculation methodology and hierarchy of inputs for CIBOR. In the case of the interest rate benchmark CIBOR there is a “waterfall” hierarchy for submitting rates for the Panel Banks, which states the priority of use of input data that shall be followed. Panel Banks are required to abide by these rules under the DFBF CIBOR Panel Bank Code of Conduct.

16.2 An independent oversight committee

BMR states the following requirements for the oversight function of an interest rate benchmark:

- I. the administrator of an interest rate benchmark shall have in place an independent oversight committee. Details of the membership of that committee shall be made public, along with any declarations of any conflict of interest and the processes for election or nomination of its members
- II. the oversight committee shall hold no less than one meeting every four months and shall keep minutes of each such meeting
- III. the oversight committee shall operate with integrity and shall have all of the responsibilities provided for in Article 5(3) of BMR

The DFBF has established an oversight committee known as the DFBF Oversight Committee. The Committee meets at a minimum quarterly with redacted minutes available on the DFBF's website. The Committee has the primary governance oversight of the methodology, determination and dissemination of the Benchmark. The Committee's purpose is to support the integrity, accuracy and reliability of the Benchmark to the benefit of all users of the benchmark and reliant market participants. It achieves this through regular meetings to review, endorse or challenge decisions of the DFBF Board that impact the Benchmark.

Details of the membership of the DFBF Oversight Committee, along with any declarations of any conflict of interest are published on the DFBF website (www.dfbf.dk)

The responsibilities of the Committee and the processes of membership nomination are described in the DFBF Oversight Committee Terms of Reference document published on the DFBF website (www.dfbf.dk)

16.3 An independent external audit of compliance with the benchmark methodology and BMR

The DFBF confirms that an external audit to review and report on DFBF's compliance with the benchmark methodology and BMR was carried out consistent to BMR as stated in the CIBOR Panel Bank Code of Conduct. The first external audit was carried out six months after the introduction of the CIBOR Panel Bank Code of Conduct and subsequently will be carried out every two years.

The DFBF Oversight Committee may require an external audit of a Panel Bank if dissatisfied with any aspects of its conduct. The audit will be conducted within three months of such a request being made and the Panel Bank will provide all necessary assistance in regard to these enquiries as required by the Panel Bank Code of Conduct.

16.4 Contributor systems and controls

Under the Annex I of BMR, a contributor's systems and controls shall include following:

- I. an outline of responsibilities within each firm, including internal reporting lines and accountability, including the location of submitters and managers and the names of relevant individuals and alternates
- II. internal procedures for sign-off of contributions of input data
- III. disciplinary procedures in respect of attempts to manipulate, or any failure to report, actual or attempted manipulation by parties external to the contribution process
- IV. effective conflicts of interest management procedures and communication controls, both within contributors and between contributors and other third parties, to avoid any inappropriate external influence over those responsible for submitting rates. Submitters shall work in locations physically separated from interest rate derivatives traders;
- V. effective procedures to prevent or control the exchange of information between persons engaged in activities involving a risk of conflict of interest where the exchange of that information may affect the benchmark data contributed
- VI. rules to avoid collusion among contributors, and between contributors and the benchmark administrators
- VII. measures to prevent, or limit, any person from exercising inappropriate influence over the way in which persons involved in the provision of input data carries out those activities
- VIII. the removal of any direct link between the remuneration of employees involved in the provision of input data and the remuneration of, or revenues generated by, persons engaged in another activity, where a conflict of interest may arise in relation to those activities;
- IX. controls to identify any reverse transaction subsequent to the provision of input data

In addition, a contributor to an interest rate benchmark shall keep detailed records of the following:

- I. all relevant aspects of contributions of input data
- II. the process governing input data determination and the sign-off of input data
- III. the names of submitters and their responsibilities
- IV. any communications between the submitters and other persons, including internal and external traders and brokers, in relation to the determination or contribution of input data

- V. any interaction of submitters with the administrator or any calculation agent
- VI. any queries regarding the input data and their outcome of those queries
- VII. sensitivity reports for interest rate swap trading books and any other derivative trading book with a significant exposure to interest rate benchmarks in respect of input data

All above-mentioned requirements are included within the CIBOR Panel Bank Code of Conduct. Each contributor's submitter and the direct managers of that submitter acknowledge in writing that they have read the CIBOR Panel Bank Code of Conduct and that they will comply with it.