Press release

09.11.2018

The Danish FSA's report on anti money-laundering inspection at Jyske Bank

Peter Schleidt, Managing Director, states:

> *"Jyske Bank takes note of the FSA's report on inspection in the money-laundering area in November 2017."*
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> *"We are satisfied that the FSA notes that the Bank has implemented material measures in the area and has given high-priority to measures preventing money laundering and the financing of terrorism. It is reassuring that the FSA's observations are about the strengthening of processes and control in the money-laundering area and not about specific instances of abuse of the Bank for money-laundering purposes."*
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> *"It is subject to the highest attention in the entire organisation to avoid that Jyske Bank is abused for money-laundering purposes. The Bank devotes approx. 200 man years to the prevention and control of money laundering, and in 2018 the Bank expects to submit approx. 3,000 reports on suspicion of money laundering to the Money Laundering Secretariat."*
>
> *"Since the inspection the Bank has continued its efforts on improving the Bank's measures to prevent money laundering and financing of terrorism, and several of the issues described in the report have now been solved."*

Please find the Bank's comments on the conclusions of the FSA below in continuation of the report.

Yours faithfully,

Jyske Bank

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Finanstilsynet
(Danish Financial Supervisory Authority)

8 November 2018

Report on inspection of Jyske Bank A/S (money laundering)

Introduction

In November 2017, the Danish Financial Supervisory Authority (the FSA) inspected Jyske Bank A/S. The inspection was an investigation of the money-laundering area as part of the ongoing supervision of the Bank. The inspection comprised, among other things, the Bank's risk assessment and overall governance in the money-laundering area, KYC procedures, including supervision of retail clients and corporate clients, establishment of business relations with and supervision of cross-border correspondent banks and management on group basis of branches and subsidiaries.

Summary and risk assessment

Jyske Bank A/S is the second-largest Danish financial institution. The Bank offers its clients a wide range of financial products, including international private-banking activities. Whereas the Bank's strategy is to focus on its core business, the Bank also has a branch in Hamburg and a subsidiary bank in Gibraltar. In addition, the Bank has a considerable number of cross-border correspondent bank relations.

The FSA assesses that the Bank's inherent risk of being abused for money laundering purposes or financing of terrorism is high. The assessment is based on the Bank's size and on the business model which includes a number of products and clients with high inherent risk.

The FSA noted that the Bank has devoted considerable resources to strengthening its measures against money laundering and the financing of terrorism, and that the Bank has implemented material measures in this area. It appeared that the Bank gives high priority to efforts preventing money laundering and the financing of terrorism which are anchored at management level at the Bank. On the basis of the inspection, there are, however, a number of areas that give rise to reactions on the part of the FSA.

The Bank is ordered to revise its risk assessment and its anti money laundering policy. The FSA noted that the Bank's risk assessment and anti money laundering policy do not to a sufficient degree provide the framework for the Bank's risk appetite in the area nor for the Bank's risk-limiting measures.

The Bank is ordered to ensure sufficient segregation between the MLRO and the compliance function. The FSA noted that organisationally the MLRO reports to the head of the Bank's compliance function.

In addition, the Bank will be ordered to ensure that there are sufficient controls in relation to the subsidiary bank in Gibraltar and the branch in Hamburg. The Bank does not have sufficient security that its international units comply with local legislation and that the Bank has an overview of the group's total money laundering risk.

Moreover, the Bank will be ordered to ensure that sufficient KYC procedures are implemented when establishing cross-border correspondent bank relations.

The Bank is ordered to ensure that its business procedures and systems ensure that the necessary information about a business relationship is obtained. A review of a selected random test showed that the Bank had not in all instances obtained sufficient information about the objective and intended scope of its business relations before the establishment of client relationships.

Finally, the Bank is ordered to ensure that electronic transaction monitoring includes information about the objective and scope of client relationships.

Jyske Bank's comments on the Danish FSA's conclusions

The FSA points out that the Bank must revise its risk assessment and its anti money-laundering policy. A revised risk assessment is now available, mirroring the FSA's practice concerning the rules on risk assessment and risk management in the money-laundering area, issued in February 2018, and the Bank's anti money-laundering policy will be updated accordingly.

To ensure sufficient segregation between the MLRO (money-laundering reporting officer) and the Bank's compliance function, a change has been made to the effect that the MLRO and his employees are now organisationally placed as an independent department reporting directly to the Head of the Legal Division.

The Bank agrees to the obligation that risk management of the money-laundering area should take place at group level as laid down in a new provision that came into force in June 2017. The Bank has on an ongoing basis controlled its subsidiary bank in Gibraltar. After the FSA's inspection, the Bank has adjusted the control of its international units even further, and most recently in the autumn of 2018 Jyske Bank (Gibraltar) was controlled for compliance with local legislation in the area.

In order to service the Bank's clients, primarily corporate clients, with international payments and other foreign transactions, the Bank has set up a network of foreign business partners, so-called correspondent bank relations. The business volume with the individual correspondent bank relations varies considerably ranging from one-off transactions to a significant daily business volume. The FSA points out that the Bank, irrespective of the volume of cooperation, must obtain sufficient knowledge of the correspondent bank relations with whom it cooperates and ensure that the relevant banks have efficient control procedures in the money-laundering area. The Bank takes note hereof and has initiated an upgrade of its efforts in this area.

In addition, the FSA points out that the Bank's business procedures and systems must ensure that the necessary information about the objective and scope of the individual client relationships is obtained. All new clients are controlled from central quarters, and measures have been taken to address these issues for existing clients as well.

Finally, the Bank must ensure that electronic transaction monitoring includes information about the objective and scope of client relationships. The Bank agrees to this and has endeavoured to solve this situation, among other things, by monitoring client transactions and comparing these with the stated objective and scope in the most risky areas.