FINANSTILSYNET

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DANISH FINANCIAL SUPERVISORY AUTHORITY
Århusgade 110
DK-2100 Copenhagen Ø

Tel. +45 33 55 82 82
Fax +45 33 55 82 00
Business Reg. No. 10 59 81 84
finanstilsynet@ftnet.dk
www.finanstilsynet.dk

ERHVERVSMINISTERIET (Danish Ministry of Industry, Business and Financial Affairs)

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

Introduction

In the autumn of 2021, the Danish Financial Supervisory Authority (the FSA) inspected Jyske Bank A/S. The inspection covered the anti-money laundering area in a department responsible for the phasing out of a portfolio of customers with home loans in Southern Europe, which inspection was supplemented with an inspection of private banking customers, primarily focusing on foreign private banking customers - including inactive customer relationships. The inspection covered the bank's customer due diligence and monitoring of customers as well as an inspection of alarms and reporting to the Money Laundering Secretariat (the Danish FIU). Moreover, the inspection covered the bank's organisation, risk assessment, policy, written business procedures, and internal controls in the anti-money laundering area.

Risk assessment and conclusion

Jyske Bank is one of the largest Danish financial institutions. Jyske Bank offers its clients a wide range of financial products, including international private-banking activities.

The FSA assesses that Jyske Bank's inherent risk of being abused for money-laundering purposes or financing of terrorism is high. The assessment of the FSA was based on the bank's size and business model, which includes a number of products and customers that must be considering posing a high risk.

On the basis of inspection of the two departments, there are some areas that gave rise to reactions on the part of the FSA. The orders are primarily aimed at the department that handles the foreign home loans in Southern Europe.

The bank has been ordered to revise its written business procedures so these include descriptions of the specific activities that employees must carry out in relation to the customers, relative to the department with the portfolio of loans to be phased out. The business procedures must include risk management, customer due diligence procedures, the duty of checking, notification, reporting and archiving duties, and internal control. Moreover, the bank must revise its business procedures so they clearly state when the bank must obtain documentation of the origin of funds as well as the customers' explanations in connection with the examination of alarms. It must also be stated which documentation the bank must require from its customers.

In respect of the department with the portfolio of loans to be phased out, the bank has been ordered to take appropriate steps to counter the risk of money laundering and financing of terrorism, including considerations whether the business relationship is to be terminated if the bank obtains information to the effect that the data that have been obtained about the customer are insufficient and cannot be updated.

The bank has been ordered to carry out sufficient internal controls so the bank ensures that the department with the portfolio of loans to be phased out meet the bank's internal business procedures and that the bank complies with the requirements of the Danish Act on Measures to Prevent Money Laundering and Financing of Terrorism, including those relating to customer due diligence.

As regards the two departments, the bank has been ordered to update customer-due-diligence data that are insufficient or not up-to-date, including the identification of beneficial owners and the introduction of reasonable measures to check the identity of the beneficial owner(s), as well as an assessment of, where relevant, the obtaining of data about the business relation's purpose and intentional nature, as well as the origin of the funds.

As regards the department with the portfolio of loans to be phased out, the bank has been ordered to carry out the requisite monitoring of its customers, including if necessary to obtain documentation of the origin of the funds.

The bank has been ordered to prepare sufficient procedures for risk classification of customers, so that all relevant risk factors will be involved with a view to the bank's compliance with the requirements of the Danish Act on Measures to Prevent Money Laundering and Financing of Terrorism on risk management.

As regards the department with the portfolio of loans to be phased out, the bank has been ordered to apply enhanced customer due diligence measures for the customer relationships where the bank assesses that there is a heightened risk of money laundering or financing of terrorism.

The bank has been ordered to examine suspicious transactions and also to secure that the results of these examinations are recorded and archived.

As regards the department with the portfolio of loans to be phased out, the bank has been ordered to notify the Money Laundering Secretariat (the Danish FIU) in the event of suspicion or when the bank has reasonable grounds to assume that a transaction, funds, or an activity relating to specific customers are related to money laundering or financing of terrorism.

The bank has received a comment on risk to the effect that it may be misleading for the bank's employees if outdated customer due diligence information is not deleted or updated.