

## **Report on thematic inspection of liquidity stress tests at Jyske Bank A/S**

### **Introduction**

In the spring of 2018, the FSA conducted an inspection of liquidity stress tests at Jyske Bank A/S. This inspection formed part of a thematic inspection covering four systemically important financial institutions (SIFIs).

The purpose was to inspect the institutions' own liquidity stress tests, also with a view to examining whether they sufficiently cover the liquidity risks that the individual institutions are exposed to. Hence the FSA inspected the methods and the assumptions that the individual institutions apply in their liquidity stress tests.

### **Summary and risk assessment**

The assessment of the FSA is that generally Jyske Bank A/S has appropriate methods for the preparation of its liquidity stress tests, but there is a need for specific adjustments.

Jyske Bank's combination stress scenario is not a combination of the bank's institution-specific and market-specific stress scenarios as less stress is applied to some elements. Consequently, Jyske Bank's combination scenario is not sufficiently tough.

In addition, Jyske Bank should determine and monitor the development of the statutory liquidity requirement (LCR) on a regular basis in its liquidity stress tests.

Moreover, Jyske Bank should apply a higher haircut in its liquidity stress tests of the holding of own mortgage credit issues than on the holding of mortgage credit issues from other institutions, as institution-specific stress will presumably also affect the value of the institution's own issues.

Finally, Jyske Bank applies a too simple segmentation of deposits when assessing the stability and hence potential run-off of the bank's own deposit financing, and Jyske Bank does not apply stress to all relevant off-balance sheet elements.