



Report on enforcement order to Jyske Bank - Investigation of remuneration policy and remuneration practices

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1. Introduction

In connection with a thematic inspection of the remuneration area in 2023, the Danish Financial Supervisory Authority (the FSA) investigated Jyske Bank's remuneration policy and remuneration practices. The purpose of the investigation was to examine whether the remuneration policies and practices of the institutions comprised support sound and effective risk management.

2. Summary

The overall assessment of the FSA was that Jyske Bank's remuneration policy does not comply with remuneration regulations in several key areas. Consequently, the FSA issued four enforcement orders to Jyske Bank to adjust its remuneration policy and any associated guidelines accordingly.

Criteria for determining fixed remuneration

A financial institution must make it clear in its remuneration policy which factors are relevant for determining the fixed remuneration for all employees in the company. This helps ensure a clear and transparent remuneration policy. Relevant factors are, for instance, relevant experience, special skills and responsibilities.

The FSA assesses that Jyske Bank's remuneration policy does not establish criteria for the allocation of fixed remuneration to the Executive Board or other employees with managerial responsibilities who may not be comprised by collective agreements. Jyske Bank has been ordered to establish criteria in the remuneration policy for determining fixed remuneration for the Executive Board and other employees with managerial responsibilities.¹

Measures to prevent conflicts of interest

A financial institution must identify the remuneration risks associated with certain positions and control functions and set out specific measures in the remuneration policy to prevent conflicts of interest.

The FSA assesses that in its remuneration policy, Jyske Bank has not set up any specific measures to prevent conflicts of interest. This is particularly relevant as Jyske Bank can allocate variable remuneration to the Executive Board and other material risk-takers.

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¹ The order was issued pursuant to section 9(3) No. 5 of Executive Order No. 1242 of 10 June 2021 on remuneration policy and remuneration in financial institutions, mortgage credit institutions, stockbrokers, investment management companies, investment associations and certain holding companies (Executive Order on Remuneration).

Jyske Bank has been ordered to elaborate in the remuneration policy on the specific measures set up to prevent conflicts of interest.²

Clear criteria and guidelines for the allocation of variable remuneration

A financial institution's remuneration policy must establish clear and transparent criteria for the allocation of variable remuneration to ensure efficient risk management and transparency regarding the company's remuneration practices. In addition, the institution must establish guidelines for the allocation of variable remuneration.

The FSA assesses that Jyske Bank's criteria for allocating variable remuneration in the remuneration policy are inadequate, as it only states that variable remuneration can be awarded based on extraordinary results or efforts beyond the normal. However, it is not elaborated what is meant by extraordinary results or efforts beyond the normal. The criteria in the remuneration policy are therefore incomplete and do not provide a clear picture of Jyske Bank's actual remuneration practices regarding the use of variable remuneration. Jyske Bank has been ordered to update the specific guidelines in the remuneration policy so that the Bank has clear criteria for the allocation of variable remuneration.³

Deviation from the remuneration policy

A financial institution must have a remuneration policy in accordance with the institution's business strategy, values, and long-term goals, including a sustainable business model.

It is the Danish FSA's assessment that Jyske Bank's remuneration policy does not sufficiently define the framework for the use of variable remuneration, as it appears, for instance, that the Group Supervisory Board may under special circumstances deviate from the provisions on maximum amounts and payments in the policy if the long-term interests of the Group so require. It is not sufficient that the Supervisory Board may choose to deviate from the framework in the remuneration policy based on individual discretion, as this would mean that the framework in the remuneration policy is not tailored to Jyske Bank's needs. Jyske Bank has been ordered to adjust its remuneration policy to reflect the Bank's actual remuneration practices and the need for the use of variable remuneration, ensuring that the remuneration policy cannot be deviated from.⁴

² The order was issued pursuant to section 9(3) No. 3, of the Executive Order on Remuneration.

³ The order was issued pursuant to section 9(3) No. 5, of the Executive Order on Remuneration.

⁴ The order was issued pursuant to section 9(3) Nos. 1 and 5 of the Executive Order on Remuneration.