

January 2023

Statement on functional inspection at Danske Bank A/S of information on costs and charges

In 2022, the Danish Financial Supervisory Authority (the Danish FSA) conducted a functional inspection at Danske Bank A/S, which focused on the annual information provided to clients on the costs and charges they have paid for investment products and investment services. The functional inspection was part of a themed inspection, which covered six banks.

The requirement for banks to provide information to clients once a year creates transparency in the costs and charges actually paid and allows clients to consider the amount of costs and charges in their investment decisions.

Banks must have clear and adequate procedures for data validation and verify reports so that the bank identifies and reduces the risk that the information provided to clients is incomplete and incorrect.

Danske Bank has a number of data validation processes supporting correct data collection. However, the Danish FSA observed that the final verification of the report in the form of sampling was designed in a way that did not ensure a sufficiently high level of controls.

The reports showing the annual investment costs must be provided to clients as soon as possible and generally no later than three months after the end of the reporting year. The value of the information to the clients decreases in tandem with the time passing from the period which the costs concern to the time when the clients receive the information. The Danish FSA is of the opinion that the bank provides reports too late, as it does not provide complete reports until May. However, the bank provides the part of the reports concerning service costs to clients in January.

The Danish FSA has therefore ordered Danske Bank to strengthen its control procedures and to ensure timely provision of reports.

Banks must provide the information on costs and charges in a clear and understandable manner so as to allow the clients to make their investment decisions on an informed basis. Hence, the bank must use adequate terms for the individual items and describe what the individual item covers where this is relevant. Furthermore, the regulation sets out specific requirements for how to lay out the report. The Danish FSA observed that, in a few instances, the bank's definitions of terms do not give a clear picture of what the cost item covers. Finally, third-party payments are included in the report as product costs, and this is in violation of the regulation.

The Danish FSA has therefore ordered Danske Bank to adjust its reports so that the information on costs and charges is provided to the clients in a clear and understandable manner.