

## **The Danish Financial Supervisory Authority**

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/KLAS

# **Statement on inspection of Danske Bank A/S's management of operational risk**

## **1. Introduction**

In April 2022, the Danish Financial Supervisory Authority (the Danish FSA) conducted an inspection of Danske Bank A/S's management of operational risk.

The purpose of the inspection was to assess whether the bank's management of operational risk complies with the Danish Executive Order on Management and Control of Banks etc. (the Danish Executive Order on Management) and whether it is effective for the purposes of determining the bank's risk appetite and monitoring risk reporting.

## **2. Summary and risk assessment**

The Danish FSA reviewed the bank's policies, guidelines, business procedures, organisation, descriptions of functions, management reports, etc. The inspection was carried out in the form of meetings with the bank's risk management and internal audit functions.

The bank had initiated an extensive process to strengthen its management of operational risks. The bank had a considerable amount of work to do in implementing its methods and governing documents in practice in all parts of the business. The bank had yet to

- consider the need to implement risk tolerances for a significant part of its operational risks
- complete the mapping of its processes that forms the basis for the bank's identification of operational risks
- complete its assessment of the identified operational risks and the related risk mitigation controls
- describe the types of controls used for mitigating operational risks

The bank was in the process of carrying out these tasks, but had no overall plan for their completion. The non-existence of an overall plan with objectives, interim objectives, allocated resources and timetables for the outstanding work entailed a risk that the bank's management and the business would lose focus on the work and that the bank would consequently not achieve a sufficient degree of maturity in its practices in the area within an appropriate period of time.

The Danish FSA has ordered the bank to draw up an overall plan for implementing policies and guidelines for operational risk management. The plan must contain specific objectives, interim objectives, allocated resources and timetables.