

Act on Measures to Prevent Money Laundering and Financing of Terrorism – sections 12, 13, 19 and 25

Danske Bank

The Danish Financial Supervisory Authority's decision of 15 June 2012.

Danske Bank – Orders concerning money laundering

In 2011-12, the Danish Financial Supervisory Authority (FSA) conducted an inspection at Danske Bank to examine whether the bank complies with current anti-money laundering regulations.

Danske Bank is the largest financial institution in Denmark, and the Danske Bank Group is a leading Northern European banking group. The Danske Bank Group conducts all types of banking operations, asset management, investment, pension, mortgage finance, insurance, real estate agency and leasing – focusing on retail banking and having one shared IT platform. The Group has substantial international activities.

Consequently, the Danish FSA considers Danske Bank's risk of being misused for money laundering or financing of terrorism to be high compared with the risk to which the average Danish financial undertaking is exposed.

In recent years, Danske Bank has taken substantial action to strengthen measures to mitigate the risk of money laundering, including risk assessment and risk management measures. The extent of internal controls has been increased, and new control systems have been or are being implemented. At its own initiative, the bank has reviewed all personal and business customers established in the period from 1 January 1999 to 1 November 2011 for the purpose of obtaining proof of identity in those cases where the bank considered the documentation to be insufficient.

The Danish FSA's inspection in 2011-12 did, however, give rise to comments, including comments on the following areas:

Training programmes for selected employees.

Customers without adequate proof of identity.

Remote customers.

Documentation of the bank's information about the ownership and control structure of business customers and verification of the identity of beneficial owners as well as information on the purpose and intended nature of the business relationship.

Cross-border correspondent banking relationships

Monitoring of customer transactions within specific business areas.

In accordance with to section 25(1), cf. (4), of the Danish anti-money laundering act, the bank must have adequate training and instruction programmes for its employees. The Danish FSA is of the opinion, however, that the bank does not use sufficiently relevant training material for employees servicing specific customer groups, including employees trading in financial instruments.

The bank's own review of customer relationships showed that a substantial number of customer files did not include adequate documentation that the bank had obtained adequate proof of identity when the customer relationship was established. Against that background, the bank has taken substantial action to obtain proof of identity where missing.

However, adequate proof of identity is still missing for a large number of customers, and the Danish FSA has therefore ordered the bank to ensure that its exposure to these customers is not increased and that the customer relationships are terminated if it is not possible to obtain the required proof of identity within a short time limit set by the bank.

In accordance with section 19(1-2) of the Danish anti-money laundering act, the bank must, on the basis of a concrete risk assessment, obtain relevant additional proof of identity for customers who are not physically present for identification purposes (remote customers). In the opinion of the Danish FSA, the bank's current procedures do not provide adequate security that the requirements for enhanced customer due diligence are complied with when customer relationships are established for remote customers. The Danish FSA has therefore ordered the bank to introduce procedures to ensure that when personal customer relationships are established documentation is available establishing whether the customer was physically present or not, and to adjust its written internal rules to clarify the bank's policy for accepting remote customers and the proof of identity required in this connection, in accordance with section 25(1) and section 19(1-2) of the Danish anti-money laundering act.

When the Danish FSA examined samples of business customers, the bank informed us that, on the basis of a risk assessment, it had obtained adequate proof of identity from the business customer and the beneficial owners and had recorded information about ownership and control structure. However, the bank had not recorded in its customer files the documentation it had received as the basis for this nor that a risk assessment had been made.

Moreover, in the opinion of the Danish FSA, in most cases the information available on the purpose and intended nature of the business relationship was inadequate. The bank has informed us that the customer adviser processing the file records additional information about the purpose and nature. This practice was not documented towards the Danish FSA, however.

Consequently, the Danish FSA has ordered the bank to ensure that the bank's procedures for business and institutional customers adequately describe the requirement for transparency and availability of documentation of ownership and control structure, enhanced customer due diligence and requirements in relation to foreign customers in accordance with section 25(1) and that, as regards businesses, adequate information about the purpose and intended nature of the business relationship is obtained as a basis for regular monitoring in accordance with section 12(4) of the Danish anti-money laundering act.

According to section 19(1) and (3) of the Danish anti-money laundering act, cross-border correspondent banking relationships with banks and institutions from countries outside the European Union and the European Economic Area must be considered high-risk relationships that require special examination procedures and monitoring. This requirement is in accordance with international standards (FATF). It is the opinion of the Danish FSA that, with a substantial number of correspondent banking relationships all over the world, Danske Bank has not sufficiently focused on limiting the related money laundering risk. The Danish FSA has therefore ordered the bank to introduce adequate procedures in this area.

According to section 12(5) of the Danish anti-money laundering act, customer transactions must be monitored on a regular basis to ensure that the transactions being conducted are consistent with the undertaking's knowledge of the customer and the customer's business and risk profile, including, where necessary, the source of the funds. The Danish FSA is of the opinion that the bank's monitoring of customer transactions does not adequately cover the bank's trading division, export and import finance and its cross-border correspondent banking relationships. The Danish FSA has therefore ordered the bank to implement procedures that adequately ensure the monitoring of customer transactions in these areas.