

The Danish Financial Supervisory Authority

22 January 2016

Statement on inspection on product development at Danske Bank A/S

Introduction

In November 2015, the Danish Financial Supervisory Authority (the FSA) conducted an inspection at Danske Bank A/S.

The nature of the inspection was a themed functional inspection based on the rules on product development and product management contained in the Danish Executive Order on Management. The inspection had particular focus on Danske Bank's Flexinvest Fri portfolio management product.

Summary and risk assessment

The inspection was conducted as part of the FSA's preparatory work in establishing a product supervision programme on the basis of the MiFID II directive's future rules on product development and product management. At the inspection, the FSA had a discussion with Danske Bank on the extent to which the bank could comply with the new rules.

The rules on product supervision contained in the MiFID II directive order securities dealers who develop financial instruments to have product development and product management processes in place to ensure, among other things, that a product matches the investment needs of a defined target group, that the risks of the product have been assessed and considered to be appropriate for the target group, that the product has been sufficiently tested, and that the costs of the product are transparent and reasonable in relation to the expected return on the product.

The rules are expected to enter into force from 3 January 2018.

The FSA finds that Danske Bank has made arrangements to ensure that it is in compliance with the rules on product development contained in the Danish Executive Order on Management. The inspection thus did not give rise to any supervisory reactions.