

**The Danish Financial Supervisory Authority**  
July 2017

## **Statement on themed inspection in the market risk area at Danske Bank A/S (settlement of derivatives trades)**

### **Introduction**

In March 2017, the Danish Financial Supervisory Authority (the FSA) conducted a themed inspection at Danske Bank A/S of the settlement of derivative financial instruments (derivatives) with a focus on the handling of standardised derivatives.

In its assessment of whether the settlement of trades is handled satisfactorily, the FSA considered, among other things, whether settlement takes place independently of the units executing transactions and whether there are adequate systems to support settlement. In addition, the inspection looked into the daily processes for exchanging collateral in relation to trading in derivatives and into the banks' use of risk-mitigating approaches for derivatives traded on a bilateral basis. Finally, the inspection examined the banks' ongoing follow-up on reporting of trade details on derivatives to trade registers.

The inspection was conducted on the basis of a risk assessment at four selected banks.

### **Summary and risk assessment**

The FSA finds that Danske Bank A/S's organisation and system support for the settlement of standardised derivatives are in compliance with the legislative requirements applicable in the area. It was the FSA's assessment, however, that the bank's settlement reporting to the officer in charge of day-to-day operations must be improved, and the bank was ordered to make such improvement.