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Statement on AML inspection at Danske Bank A/S – transaction monitoring

Introduction

During the period from 18 August to 18 December 2020, the Danish Financial Supervisory Authority (the Danish FSA) conducted an inspection regarding transaction monitoring in the AML area at Danske Bank A/S (the bank).

The inspection was conducted in collaboration with the consulting firm Duff & Phelps (D&P). The inspection was conducted in continuation of a cross-sector review of transaction monitoring in the AML area in a number of large banks in Denmark, which was initiated in 2019.

D&P submitted its final report (the D&P report) to the Danish FSA on 18 December 2020.

The D&P report contains an assessment of the suitability and effectiveness of processes, systems and frameworks for transaction monitoring at the bank on the basis of current legislation and international best practice and is, among other things, based on D&P's knowledge of industry practices at the European level for effective transaction monitoring.

Summary

Danske Bank is the largest financial institution in Denmark. The bank provides all types of banking services, including simple deposit accounts for personal customers, complex financial products for investors, full-service banking solutions for business customers as well as asset management and investment services. The bank has a very large number of personal, business and institutional customers, and many customers have complex group structures and/or financial arrangements. The bank has subsidiaries, branches and representative offices in a number of foreign jurisdictions. Many of the bank's Danish and non-Danish business units, especially in the Nordic region, have joint procedures and share the same technical solutions. Transaction volumes, including cross-border funds transfers, are substantial. A significant number of customer transactions are executed through online banking or cash handling solutions.

The bank has considerable activities in securities trading, trade finance and private banking and cooperates with a large number of cross-border correspondent banks.

This being the case, the Danish FSA assesses that the bank's inherent risk of being used for money laundering and terrorism financing is high.

In recent years, the bank has taken various steps to strengthen its measures to prevent money laundering and terrorism financing, and in May 2020, the bank prepared a comprehensive plan in this respect known as the Financial Crime Plan (FCP).

On the basis of the observations and conclusions in the D&P report together with current legislation and the Danish FSA's practice, the Danish FSA has identified a number of issues that give rise to supervisory reactions. It should be noted that observations and conclusions relate to the conditions prevailing at the time of inspection, and they may have changed since then.

The Danish FSA notes that there are significant weaknesses in the bank's systems and procedures for risk assessment of customers. An order was previously issued in relation to this area, and follow-up is currently taking place in this respect. The area is covered by the FCP. However, the Danish FSA finds it crucial that the remediation of the deficiencies in this area be accelerated as much as possible. Against

this background, the bank is ordered to submit a timetable with milestones to ensure acceleration in this area.

The bank is ordered to ensure that its customers are monitored already from the date on which the individual customer relationship is established and that all new transaction types are covered by the monitoring system.

In addition, Danske Bank is ordered to ensure adequate monitoring of its trade finance, including preparing adequate business procedures for investigating transactions in the area.

Finally, the bank is ordered to ensure adequate monitoring of customer transactions at Danske Invest Management (the Luxembourg branch) and to prepare adequate business procedures in the area.