

The Danish Financial Supervisory Authority
12 February 2024

Statement on inspection of Danske Bank A/S's management of data quality

1. Introduction

In October 2023, the Danish Financial Supervisory Authority (the Danish FSA) conducted an inspection of Danske Bank A/S's management of data quality.

2. Summary and risk assessment

The Danish FSA reviewed the bank's policies, standard operating procedures and management reports, etc. on the management of data quality. The inspection was conducted in the form of meetings with the bank's chief data officer function, risk management function, model development function and Group Internal Audit.

For a number of years, the bank has been working to improve its data quality and set up a framework for this work. However, the bank has not taken adequate measures to ensure preparation of and compliance with policies, guidelines and standard operating procedures for the management of data quality. Since 2018, the Danish FSA has been expressing concern as to whether the bank's data controls are sufficient. Apart from the IRB area, progress is yet to be achieved in the roll-out.

In 2023, the bank therefore decided on additional measures for the purpose of ensuring full compliance by end-2025. These measures include appointment of a new chief data officer, upgrading of the data risk to the top level in the bank's risk taxonomy, which, for instances, entails increased involvement of the Board of Directors, adoption of a policy on data risk management and recruitment of more specialists.

The bank's reporting on data risk to the Executive Leadership Team and the Board of Directors does not provide sufficient information about the bank's current risk and uncertainties associated with assessing the risk.

Inadequate reporting may result in an underestimation of the risk and thus in failure to make the necessary improvements. The Danish FSA has therefore ordered the bank to ensure that the assessment of data risk, including significant uncertainties associated with the assessment, is clearly specified in the reporting to the Board of Directors and the Executive Leadership Team.

The weaknesses in the bank's current management of data risk entail an increased risk. The Danish FSA has therefore ordered the bank to reassess the solvency need in order to ensure an adequate capital coverage of data risk. Initially, the Danish FSA estimates that a Pillar II add-on, as a minimum, must amount to DKK 2 billion, or about 0.25% of the REA at end-2022.

The Danish FSA has pointed out that it is important that management ensures the bank's full compliance with policies, guidelines and standard operating procedures for the management of data quality by end-2025.