

## **Statement on inspection of the repo area at Danske Bank**

### **1. Introduction**

In June 2015, the Danish Financial Supervisory Authority (the FSA) conducted an inspection of the repo area at Danske Bank Group. The inspection covered functions and areas of responsibility associated with the management of and trading in classic repo agreements as well as sale and repurchase contracts.

### **2. Summary and risk assessment**

The inspection was conducted because Danske Bank is a systemically important participant in the Danish repo market.

The inspection included a review of the bank's procedures related to repo agreements, including associated processes, work procedures and the division of responsibility.

The FSA focused on the day-to-day management of counterparty, credit and liquidity risks associated with repo agreements. In addition, the FSA investigated the adequacy of the general management of risks related to the repo area.

Since Danske Bank is a systemically important market participant in the Danish repo market, the bank, more than other financial institutions that are not such large participants in the repo market, should take into consideration a stable financial sector when it determines its internal risk management and governance measures in the repo area.

It is also the FSA's impression that the repo area at Danske Bank is dependent on key persons. Danske Bank's executive board is aware of this. It is the FSA's assessment that it is important that the executive board continue to take into consideration these conditions when managing the area in future.

The FSA gave an order that the board of directors and the executive board must discuss and address the bank's activities in the repo area separately. This must take place on an ongoing basis, and the consequences of business restructurings and arrangements that have a significant effect on the bank's repo business should also be considered and followed closely.

On the basis of the inspection, it is our overall opinion that at present there is no need for Danske Bank to make any capital add-ons for the areas reviewed.