

MEMORANDUM

The Danish Financial Supervisory Authority

6 December 2019

File no. 6252-0200

Statement on the market monitoring function at Danske Bank A/S

The Danish Financial Supervisory Authority (the FSA) has conducted an inspection at Danske Bank A/S in relation to the bank's market monitoring function.

The inspection formed part of a cross-sector review of the same theme at selected securities dealers. The inspection took place in the period from November 2018 to November 2019.

Background

A securities dealer is a company that professionally arranges or executes orders and transactions in relation to financial instruments. The purpose of the themed review was to examine whether selected Danish securities dealers met the requirements for market monitoring of trading activities set out in applicable legislation.

Securities dealers are obliged to establish and maintain effective arrangements, systems and procedures to detect and report possible market abuse. This follows from article 16(2) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (MAR) and articles 2-5 of Commission Delegated Regulation (EU) 2016/957 (the delegated regulation).

Summary

The FSA examined the bank's

- arrangements and systems (market monitoring and system support)
- procedures (business procedures)
- training and education of employees
- internal reporting and controls (compliance and internal audit)
- processing and reports to the FSA

The FSA has identified extensive and material deficiencies in the bank's market monitoring and system support that are subject to criticism and lead to supervisory reactions.

The FSA identified significant deficiencies in Danske Bank A/S's market monitoring since the scope and coverage of the bank's market monitoring are not commensurate with the volume and size of its business activities. Consequently, the FSA has ordered Danske Bank A/S to establish arrangements and systems that ensure that market monitoring covers all orders and transactions made by Danske Bank A/S in relation to financial instruments.

Danske Bank A/S was also ordered to establish arrangements and systems to ensure that its market monitoring covers all orders and transactions, irrespective of how the bank receives, transmits and issues orders. This means that Danske Bank A/S must systematically monitor orders that the bank receives, transmits and issues by telephone, email, chat forum or the like on the basis of a proportionality- and risk-based approach. This may be done on a spot check basis depending on the volume of business activities.

The FSA also identified deficiencies in Danske Bank A/S's automated alert monitoring of possible market abuse. The FSA has therefore issued two orders to Danske Bank A/S to implement effective alert-based monitoring by changing two of its alerts.

The inspection has caused the FSA to initiate further examination of the bank's market monitoring function on the basis of the extensive and significant deficiencies found in the bank's market monitoring and system support.