Translation from Danish prepared by Jyske Bank of a statement issued by the Danish Financial Supervisory Authority (Finanstilsynet). In the event of any discrepancy between the Danish version and the English version, the Danish version shall prevail.

Report on anti-money laundering inspection (transaction monitoring) at Jyske Bank A/S

Introduction

In the period from October to December 2019, the Danish Financial Supervisory Authority (FSA) conducted an inspection of Jyske Bank A/S' anti-money laundering transaction monitoring. The inspection was conducted by the consulting firm McKinsey & Company (McKinsey) on behalf of the FSA and formed part of a cross-functional inspection of transaction monitoring in the anti-money laundering area of a number of large Danish banks.

Employees from the FSA participated in parts of the inspection. On the basis of the final report from McKinsey the FSA prepared an inspection report including the reactions of the FSA on the background of the observations from the inspection.

Risk assessment and conclusion

The bank is one of the largest Danish financial institutions. The bank offers its clients a wide range of financial products, including international private banking activities.

In 2018, the FSA assessed, based on an inspection in 2017, that the bank's inherent risk of being abused for money-laundering purposes or financing of terrorism was high. The assessment of the FSA was based on the bank's size and business model, which includes a number of products and clients which are considered high risk. The FSA did not find any reason to change this assessment.

On the basis of observations and conclusions in McKinsey's report there were two areas that gave rise to reactions on the part of the FSA.

The bank's monitoring system includes a functionality used to suppress alarms for a client for a period of time. The bank was ordered to ensure that the suppression functionality of the monitoring system is only used to a reasonable degree and on a sufficient basis, and that sufficient control of the decisions to suppress is being made.

In addition, the FSA assesses that the bank has not established monitoring of its clients, which to a sufficient degree fulfils the requirement that the bank's knowledge about the client must be included in and can be used by the monitoring system. On this basis, the bank was ordered to ensure that the bank's monitoring system covers and can use changes to client behaviour and deviations from the bank's knowledge of the client for generation of alarms.