# Statement on inspection at Sydbank A/S (anti-money laundering area)

## Introduction

The Danish Financial Supervisory Authority (FSA) conducted an inspection at Sydbank A/S in March 2018. The inspection involved a review of the anti-money laundering area as part of the ongoing supervision of the bank. The inspection included the bank's risk assessment, policies and procedures, Know Your Customer (KYC) and its internal control set-up.

## Risk assessment and summary

The bank is the fourth largest financial institution in Denmark and has business activities in Denmark as well as Northern Germany. The bank has a differentiated customer portfolio and a wide range of financial products, including a private banking concept offered to high net worth customers. In addition the bank has a broad network of correspondent partners that the bank uses to execute cross-border transactions.

The Danish FSA has assessed that the bank's inherent risk of being used for money laundering and terrorist financing is high compared to the average of financial undertakings in Denmark. In its assessment the Danish FSA attached particular importance to the bank's many customers and its financial product offerings entailing a high risk of money laundering and terrorist financing as well as the bank's extended network of correspondent partners.

In recent years the bank has allocated additional resources to the anti-money laundering area and focuses on disseminating knowledge and experience in the anti-money laundering area throughout the organisation. In November 2017 the bank introduced new procedures regarding the onboarding of new customers and also initiated a project to ensure quality in the KYC procedure for existing customer relationships.

The inspection gives rise to supervisory reactions in a number of areas. Considering the time that has passed since the inspection was conducted, the circumstances at the bank may have changed significantly.

The bank is ordered to revise its risk assessment and risk policy. The Danish FSA found that the bank's risk assessment did not adequately identify and evaluate the inherent risk that the bank could be used for terrorist financing and did not include the bank's German branch. The Danish FSA also found that the bank's risk policy was not adequately based on its risk assessment and did not adequately limit the risks that the bank wishes to assume in the anti-money laundering area.

Furthermore the bank is ordered to ensure that adequate KYC procedures  are implemented as regards business relationships with customers established before 1 January 1999.

Finally the bank is ordered to ensure that the necessary independence between the anti-money laundering officer and the compliance officer exists.