

Report on inspection of Jyske Bank (independent controls in the credit area)

Introduction

In April 2017, The Danish Financial Supervisory Authority (the FSA) conducted an inspection of Jyske Bank's independent controls in the credit area.

A bank must control all its material tasks in the credit area. The unit in the bank that solves the credit tasks must itself ensure sufficient control hereof. Moreover, one or more other units in the bank must perform independent controls of the tasks.

The purpose of the inspection was to assess the tasks, methods, independence, resources and planning of the independent credit control as well as the quality of the work performed. The purpose was also to assess the work of the compliance function and the internal audit department in connection with the performance of controls in the credit area.

The inspection formed part of a cross-functional inspection of this theme in major banks.

Summary and risk assessment

A bank must have business procedures for independent controls of all material activities in the credit area. To ensure sufficient control, the bank must make a risk assessment of the credit area.

At the inspection, the FSA established that the bank did not have general business procedures for the controls and the planning hereof. Also, the bank did not have any documentation of the risk assessment which should be used for the planning of the bank's independent credit controls. Moreover, the control of the bank's compliance with the credit policy and of the correct establishment of loans was not fully satisfactory.

Consequently, the bank was ordered to ensure that sufficient business procedures were established, to document its risk assessment and to have sufficient certainty of its assessment of the credit processes.

The bank has decided to organise its credit control function in its Credit Department, which is different from the other SIFI banks inspected. The bank has compensating measures. The FSA pointed out that the bank should continue regularly to assess and document the independence of the credit control.

The FSA had no comments on the work of the compliance function and the internal audit department concerning controls in the credit area.