FINANSTILSYNET

The Danish Financial Supervisory Authority

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Report on liquidity inspection of Jyske Bank A/S

Introduction

In October-November 2018, the FSA conducted a liquidity inspection of Jyske Bank. The purpose was to assess the bank's liquidity risk management, to clarify the bank's allocation of responsibilities and division of work in the area of liquidity and to assess internal reporting in the area of liquidity.

The FSA reviewed the allocation of responsibilities and the division of work among the relevant organisational units in the area of liquidity, including and in particular the role and responsibilities of the risk-responsible unit.

In addition, the FSA reviewed Jyske Bank's liquidity risk profile and instructions and reporting as well as the contingency plan related to this.

The inspection only related to circumstances at Jyske Bank and did therefore not relate to circumstances pertaining to the Jyske Bank Group.

Summary and risk assessment

The FSA assessed that the bank's liquidity risk appetite was generally prudent. However, the FSA found that the bank's supervisory board has not to a satisfactory extent decided which material financial ratios are to be reported to the supervisory board and at which frequency the supervisory board wishes to see the material financial ratios. Moreover, the FSA assessed that not all limits in the area of liquidity determined by the supervisory board are reported at an adequate frequency to the supervisory board. Finally, one of the bank's targets has not been updated to a sufficient degree due to changes to business issues and legislation. Therefore the bank was ordered to ensure that liquidity targets will be reported to a sufficient degree and that the limits will be reassessed.

Generally the bank's risk management in the area of liquidity appeared to be well-functioning in actual practice. Yet, the FSA found shortcomings in the bank's business procedures relating to the allocation of responsibilities between the first and the second line of defence in the area of liquidity, as these business procedures did not reflect the common practice at the bank. Therefore the bank was ordered to ensure that business procedures reflect the actual division of work and allocation of responsibilities between the first and the second line of defence.