

Report on the market surveillance function of Jyske Bank A/S

The FSA has conducted an inspection of Jyske Bank A/S in relation to the bank's market surveillance function.

The inspection formed part of a cross-functional inspection where the same theme was inspected at selected securities dealers. The inspection took place over the period November 2018 to November 2019.

Background

A securities dealer is a business that, as part of its business activities, plans or executes orders and transactions involving financial instruments. The purpose of the thematic inspection was to examine whether selected Danish securities dealers meet the requirements as to market surveillance of trading activities according to current legislation.

Securities dealers are under the obligation to introduce and maintain efficient arrangements, systems and procedures with a view to detecting and reporting any possible market abuse. This is implied in 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 in Articles 2-5 of the Commission Delegated Regulation (EU) 2016/957 (the delegated regulation).

Summary

The FSA has inspected the bank's:

- Arrangements and systems (market surveillance and systems support)
- Procedures (business procedures)
- Training and education of employees
- Internal reporting and control (compliance and internal audit)
- Case handling and reporting to the FSA

The FSA found issues in the bank's arrangements, systems and procedures that are not compliant with the market abuse regulation and therefore prompt reactions from the FSA.

The FSA has ordered Jyske Bank A/S to introduce arrangements and systems to ensure that the bank's market surveillance will cover all orders and transactions involving financial instruments that Jyske Bank A/S executes.

Jyske Bank A/S was also ordered to introduce arrangements and systems to ensure that the market surveillance covers all orders irrespective of how the bank receives, forwards and places orders. This means that Jyske Bank A/S must systematically and on the basis of a proportionality and risk-based approach keep under surveillance the orders that it receives, forwards and places by telephone, by email, in chat rooms or similar.

The FSA also observed deficiencies in Jyske Bank A/S' training materials and documentation of training that has been completed, which results in insufficient training and education of employees at Jyske Bank A/S. In consequence of this, the FSA ordered Jyske Bank A/S to prepare satisfactory documentation in the form of user manuals, business procedures and/or task descriptions as well as training materials and plans regarding both manual and automatic market surveillance.

In addition, Jyske Bank A/S was reprimanded that the bank's internal audit had not to a sufficient degree conducted an annual internal audit of the arrangements, systems and procedures that Jyske Bank A/S applies in connection with its market abuse surveillance in 2016 and 2017.