The English text below is a translation carried out by a professional translation agency on behalf of Arbejdernes Landsbank. See the original Danish report here:
https://finanstilsynet.dk/Tilsyn/Vurderinger-af-finansielle-virksomheder/2018/Arbejdernes-Landsbank-181018

18 October 2018

Report regarding on-site inspection of Aktieselskabet Arbejdernes Landsbank (money laundering)

Introduction

In March 2018, the Danish Financial Supervisory Authority (Danish FSA) made an on-site inspection of Aktieselskabet Arbejdernes Landsbank. The inspection was a money laundering investigation as part of ongoing supervision of the bank. Among other things, the on-site inspection comprised the bank's risk assessment, policies, procedures and internal controls, KYC procedures, including monitoring of private customers as well as corporate customers, and establishment and monitoring of cross-border correspondent banks and the bank's overall governance.

Summary and risk assessment

Arbejdernes Landsbank is the sixth largest bank in Denmark. The bank's business model is based on traditional banking services with a significant concentration in major Danish towns and cities. The bank focuses on private customers, small business undertakings as well as associations and organisations. More than 90% of the bank's customers are private customers, while corporate customers account for approx. 5%.

The bank states that it is generally reluctant to offer services to sectors and industries outside of the bank's traditional customer base, and further notes that, overall, the bank is unwilling to take part in speculative transactions. Private banking is a new business area for the bank and is offered only to a very limited extent, and only to existing customers.

The Danish FSA assesses that the inherent risk (i.e. the risk naturally following from the bank's business model) of the bank being misused for money laundering or to finance terrorism is normal to high compared with the average for financial undertakings in Denmark. In its assessment, the Danish FSA has taken particular note that the bank only provides traditional financial products and that the bank's customers primarily reside in Denmark. On the other hand, the bank is a nationwide bank, it provides a wide range of financial products and it has correspondents abroad.

The general assessment of the Danish FSA is that the bank is focused on strengthening its risk mitigation measures within money laundering, and that, since 2011, the bank has implemented major initiatives within money laundering. However, the on-site inspection has revealed a number of areas that give rise to supervisory reactions.

The Danish FSA ascertained that the bank's risk assessment largely fails to include the risk of the bank being misused for financing of terrorism. On this basis, the bank is ordered to address financing of terrorism in its risk assessment.

The bank is ordered to revise its risk assessment, policies and procedures to make sure that these are updated to comply with the current Money Laundering Act. Furthermore, the bank is ordered to change its policy for updating identity information for customers so that such information complies with the Money Laundering Act.

The bank is ordered to appoint a member of the executive management to be responsible for implementing the requirements of the Money Laundering Act and regulations issued pursuant to the Act.

The bank is ordered to conduct an assessment of the material obtained by the bank concerning its correspondent banks and to provide documentation in this regard. If, based on a risk assessment, the bank considers that more rigorous KYC procedures are required, the bank must collect and assess additional information.

Finally, the bank is ordered to ensure that customer information for customers who have been entered automatically is collected and updated, and to present a plan for how the bank will ensure that customer information for these customers is updated.