

14 August 2017

Reprimand for violation of section 78 of the Danish Financial Business Act

Background

In the spring of 2017, Realkredit Danmark informed the Danish Financial Supervisory Authority (the FSA) of several instances of violation of section 78 of the Danish Financial Business Act on the granting of loans to members of the board of directors.

The matter concerns a total of seven loans disbursed in the period from 2013 to 2017 to members of Realkredit Danmark's board of directors that had not been approved by the board of directors prior to disbursement.

A financial institution may not grant exposure to individual members of the board of directors and the executive board of the institution without the approval of the board of directors. This is stated in section 78(1) of the Danish Financial Business Act.

In addition, pursuant to section 78(3) of the Danish Financial Business Act, the executive board and the board of directors must monitor the appropriateness and the progress of exposure to members of the board of directors and the executive board.

Decision

Against this background, the FSA finds that the company has acted in violation of section 78(1) and (3) of the Danish Financial Business Act.

The FSA issues a reprimand as a result of seven instances of violation of section 78(1) and (3) of the Danish Financial Business Act in the period from 2013 to 2017.

The FSA notes that the board of directors and the executive board must pay special attention to the appropriateness and the progress of exposure to members of management (cf. section 78(3) of the Danish Financial Business Act). At least once a year, the board of directors must review exposure to the persons and undertakings mentioned in section 78(1) and (4) of the Danish Financial Business Act. Such review may be carried out in connection with the annual asset quality review. The minute book of the board of directors' meetings must state that the exposures have been reviewed, as well as the conclusions in this respect. This is stated in paragraph 17 of appendix 6 to the Danish Executive Order on Management and Control of Banks etc.

The institution has subsequently informed the FSA that a number of additional control measures have been introduced to ensure that the granting of loans to members of the board of directors complies with statutory requirements.

The FSA has noted this. It is expected that the institution will in future pay special attention to this area and that the measures taken are effective.