

## **Clarification on the question about processes put in place after the AML fine which Nordea received in 2015**

May 18 2015 Nordea was sanctioned and received a fine of 50 mSEK from the Swedish Financial Supervisory Authority for deficient processes to counteract money laundering and terrorist financing.

Although Nordea had taken measures in the past few years to strengthen this area, the fine proved that we had underestimated the complexity and the resources needed to meet all requirements. Nordea takes the SFSA's decisions very seriously. Being compliant with the AML regulation is ultimately about fulfilling our responsibility to ensure that banks are not used for illegal activities, and we are committed to this obligation.

Nordea has taken measures to improve processes. Initiatives are targeted both at strengthening regulatory implementation capability in the first line, and strengthening Group Compliance to ensure the second line role is executed in accordance with regulatory and internal requirements.

To specifically address the deficiencies in this area the bank has in June 2015 established a Financial Crime Change Programme, FCCP, which is a holistic approach to developing a group-wide and sustainable standard for the prevention of financial crime.

The FCCP is sponsored by Torsten Hagen Jørgensen, Chief Operating Officer. The programme steering committee includes senior executives from each Business Area and relevant Group Functions, including Johan Ekwall, Head of Compliance, as deputy chairman. The FCCP Plan includes more than 20 individual projects and is organised in six work-streams:

- Governance
- Know Your Customer (KYC)
- Sanctions Screening
- Transaction Monitoring
- Investigating and Reporting
- Financial Crime Intelligence

Within the Governance work stream, the first activity is to design a new Financial Crime operating model. The first level of the model was approved in December 2015. In 2016, the new operating model will be implemented.

Recognising the complexity of the area, the subject matter expertise has been strengthened. A global head of Financial Crime with international experience, including long experience as a UK regulatory executive, has been recruited. A new programme manager for FCCP started end March.

The daily processing activities have also been addressed to ensure right focus and resources. A new central shared services unit, "Group AML & Sanctions", was formed in November 2015 and is responsible for Transaction monitoring and Sanction screening. Staffing has been significantly strengthened and resources and competences are continuously assessed.

To conclude, Nordea has taken the fine and warning from the SFSA extremely serious. The approach taken will not only remediate the known regulatory and internally identified gaps but also ensure that Nordea build solutions that are long-term sustainable. This work is performed in phases and is risk based, i.e. important compliance gaps have the highest priority.

## **Clarification on the question of whether Nordea has a subsidiary on Guernsey**

Nordea Bank S.A. had a subsidiary in Guernsey – Dantrust Management (Guernsey) Limited – which was the management company for an alternative investment fund - Dantrust II Limited. Dantrust II Limited was liquidated end of December 2014 and the management company was liquidated with effect 30 June 2015.

This investment fund was set up in 1996 to allow investors an easy way to invest into the “carry trade” of Danish Mortgage Bonds as the Guernsey framework for investment funds allowed for a more flexible investment policy than the Luxembourg framework at that time and hence this was selected as the appropriate structure.

Dantrust II Limited was closed as the investment strategy was no longer attractive to investors and as a Guernsey fund was no longer an efficient structure for investment funds to be distributed to clients in Europe, following the implementation of the AIFMD. There are no plans to set up any new alternative investment fund in Guernsey. The bank has been transparent to the Luxembourg FSA about this structure.