

Danish Financial Supervisory Authority

Translation from Danish by the BANK of Greenland of a statement from the Danish Financial Supervisory Authority (Finanstilsynet) concerning a report on inspection of the anti-money laundering area at the BANK of Greenland. In case of discrepancies, the Danish version prevails.

Report on inspection of the anti-money laundering area at the BANK of Greenland

Introduction

In May 2018, the Danish FSA paid an inspection visit to Grønlandsbanken, Aktieselskab (the BANK of Greenland). The inspection was an investigation of the anti-money laundering area, as an element of the ongoing supervision of the Bank. The inspection included the Bank's risk assessment, policies and procedures, know-your-customer, and the internal control set-up.

1. Risk assessment and summary

The Bank is the largest bank in Greenland and has its head office in Nuuk. Besides the head office, the Bank has five branches in small towns in Greenland, and outside Nuuk, it is the only bank. In addition to the actual branches, in around 50 settlements it is possible to open accounts, and make cash deposits and withdrawals, and account transfers in KNI's settlement stores (Pilersuisoq), under the "ByBygd-Bank" system.

The Danish FSA assesses that, in relation to the average for financial enterprises in the Kingdom of Denmark, the Bank's inherent risk of being misused for money laundering or the financing of terrorism is normal to high.

Weight is hereby given to how the Bank predominantly offers customary bank products and mainly has customers in Greenland. Customer relationships with customers outside the Unity of the Realm are rarely established, and require the approval of the Bank's Executive Management. The Bank does not offer complicated financial products or private banking. The Bank states that many of the Bank's customers have a small business scope, and that apart from deposit accounts and card products, mainly low-risk products are offered. The Bank has customer relationships with almost all residents of Greenland, and the Bank is often the customers' only bank. The area of cash transactions, which entail an enhanced risk of money laundering and financing of terrorism, is seen to be large, on the other hand, since the special geographical conditions require the use of the "By-Bygd-Bank" system, of which the structure entails a potential risk.

The inspection gives rise to supervisory reactions in a number of areas. In view of the time that has passed since the inspection took place, the Danish FSA is aware that conditions in the Bank may have changed significantly.

The Bank is subject to a mandatory order to update its risk assessment so as to also consider the Bank's risk of contributing to the financing of terrorism.

The Bank is furthermore subject to a mandatory order to ensure that sufficient information is obtained concerning the purpose and scope of all customer relationships, and to draw up a timetable for updating the customer information in this respect.

The Bank is finally subject to a mandatory order to ensure that for all business customers, information is obtained concerning, as well as proof of identity of, the company's actual owners, and to draw up a timetable for updating the customer information in this respect.

In addition to this, the Danish FSA has remarks concerning the Bank's business via the "ByBygd-Bank" system, which supports account opening, cash deposits and withdrawals, and account transfers via the local KNI stores in around 50 settlements throughout Greenland. The system is based on an agreement between the Bank and the Government of Greenland, and is part of Greenland's infrastructure. Its structure has elements, however, that may entail a risk in relation to the prevention of money laundering and financing of terrorism. The Danish FSA finds that, for any future new agreement with the Government of Greenland, it should be considered how the aforementioned circumstances could be addressed.