

**ADMINISTRATIVE CENSURE PURSUANT TO ARTICLE 91 OF THE
REGULATORY LAW (DIFC LAW NO 1 OF 2004) (REGULATORY LAW)**

1. Censure of Saxo Bank Dubai Limited (SBDL)

The DFSA hereby censures SBDL for committing the contraventions set out in 1.1 to 1.12 below.

The DFSA considers that SBDL has contravened:

- 1.1 The *DFSA Rulebook, Conduct of Business Rules (COB)* 2.3.1 by failing to determine that a client is a Professional Client before carrying on a Financial Service with or for a Person;
- 1.2 COB 2.3.2 by failing to carry out the analysis of its clients specified in Rule 2.5.1;
- 1.3 COB 3.3.2(1) by carrying on a Financial Service with or for a Person without entering into a Client Agreement;
- 1.4 The *DFSA Rulebook, Anti Money Laundering Rules (AML)* 3.4.1(1) by failing to establish and verify the identity of any customer with or for whom the Authorised Firm acts or proposes to act;
- 1.5 AML 3.4.1(2) by failing to obtain sufficient and satisfactory evidence of clients' true identity, permanent addresses and sources of wealth;
- 1.6 AML 3.4.1(3) by failing to update as appropriate customer identification policies, procedures, systems and controls;
- 1.7 AML 3.4.2(1) by failing, when it came into contact with a customer with or for whom it acts or proposes to act, to establish whether the customer is acting on his own behalf or on the behalf of another Person;
- 1.8 AML 3.4.2(2) by failing to establish and verify the identity of both the customer and any other Person on whose behalf the customer is acting;
- 1.9 AML 3.4.4(1) by failing to:
 - 1.9.1 Ensure that information and documentation concerning a customer's identity remains accurate and up-to-date; and
 - 1.9.2 Conduct ongoing due diligence on its business relationship with, and ongoing scrutiny of, Transactions undertaken by a customer throughout the course of the relationship;



- 1.10 AML 3.7.2(1) by failing to have systems and controls to determine whether a customer is a Politically Exposed Person (PEP);
- 1.11 AML 3.7.2(2) by failing to have specific arrangements to address the risks associated with corruption and PEPs; and
- 1.12 AML 3.7.3 by failing to establish and maintain policies, procedures, systems and controls in order to monitor and detect suspicious Transactions.

2. The Facts Giving Rise to the Contraventions

The particulars of the facts giving rise to the contraventions are as follows:

- 2.1 SBDL is a 100% subsidiary of Saxo Bank A/S (SBank Denmark).
- 2.2 SBDL was licensed by the DFSA on 19 April 2009 to provide Financial Services as a Category 3 firm.
- 2.3 Between 19 April 2009 and the date of this Censure, SBDL operated its business in the following manner:
 - 2.3.1 SBDL considered that SBank Denmark was its only client;
 - 2.3.2 All Professional Clients of SBDL were referred to SBank Denmark and were not considered to be clients of SBDL. SBDL did not consider that it provided Financial Services to any of these clients. In fact, SBDL provided Financial Services to these persons including but not limited to Arranging Deals in Investments and was therefore required to treat them as clients;
 - 2.3.3 SBDL referred approximately 110 such clients to SBank Denmark during this period;
 - 2.3.4 SBDL did not enter into any Client Agreements with these clients;
 - 2.3.5 Though SBDL obtained documents from clients, it did so on behalf of SBank Denmark to assist SBank Denmark in complying with the relevant Danish Laws and Rules;
 - 2.3.6 SBDL did not carry out sufficient classification or identification checks on these clients;
 - 2.3.7 By agreement between SBDL and SBank Denmark, the responsibility for carrying out client classification and identification checks fell to SBank Denmark; and



- 2.3.8 SBank Denmark then completed client classification and identification checks pursuant to Danish requirements rather than DIFC requirements.
- 2.4 By operating in the manner specified in 2.3 above, SBDL did not carry out the following activities to the standards required in COB and AML. SBDL failed to:
 - 2.4.1 Classify clients;
 - 2.4.2 Enter into Client Agreements with clients;
 - 2.4.3 Obtain evidence of the true identity, permanent addresses and sources of wealth of clients;
 - 2.4.4 Establish whether a client was acting on his own behalf or on behalf of another Person and, if the client was acting on behalf of another Person, verify the identity of both;
 - 2.4.5 Conduct ongoing due diligence on clients;
 - 2.4.6 Adequately monitor Transactions, or have policies, procedures, systems and controls in place to monitor Transactions;
 - 2.4.7 Determine whether a client is a PEP; and
 - 2.4.8 Have specific arrangements to address the risks associated with corruption and PEPs.
- 2.5 SBDL has admitted that it was providing Financial Services to clients, and that it failed to comply with applicable DFSA Laws and Rules in respect of those clients, including but not limited to the specified Rules in COB and AML.

3. Mitigating Factors

The DFSA acknowledges that there are certain mitigating factors in connection with the contraventions:

3.1 Advice given to SBDL

SBDL obtained and followed external professional advice regarding the manner in which it operated its business. It also outsourced its compliance function. However, ultimate responsibility for compliance with the applicable law and rules rests with SBDL and it retains liability for any contraventions thereof.



3.2 Co-operation with the DFSA

SBDL has co-operated fully with the DFSA's investigation.

3.3 Remedial action undertaken by SBDL

SBDL has taken the following steps to remedy the contraventions:

- 3.3.1 SBDL appointed professional advisers experienced in financial services regulatory matters to conduct an independent evaluation of SBDL's client classification and identification procedures and compliance arrangements, and has reported to both SBDL and the DFSA.
- 3.3.2 SBDL has updated its Compliance Manual to ensure that client classification and identification is undertaken in accordance with the DFSA Rules.
- 3.3.3 SBDL has either entered into Client Agreements with all existing clients, or terminated the relationship. SBDL now requires prospective clients to sign Client Agreements.
- 3.3.4 SBDL has amended its policies, procedures, systems and controls to require SBDL to undertake full client classification and identification due diligence in addition to any client classification and identification checks carried out by SBank Denmark. This includes the following:
 - (a) Suitable and satisfactory documentary evidence of proof of identity and residence is required, and either original or certified copies of documents, for prospective clients must be sighted;
 - (b) Clients must indicate source of funds and provide suitable and satisfactory documentary evidence of same;
 - (c) Corporate clients must provide a list of shareholders holding more than 5% of the company and, where reasonable, documentary evidence of identity and address;
 - (d) A corporate client's directors and authorised signatories must be properly identified; and
 - (e) Corporate clients must provide financial accounts, if audited annual reports are not yet published.
- 3.3.5 Policies and procedures have been implemented to identify and monitor PEPs. The Client Agreement has also been modified



to require clients to certify whether they consider themselves to be a PEP or to be closely associated with, or controlled by, a PEP.

3.3.6 SBDL will conduct further training for its staff on client classification and identification obligations.

3.3.7 SBDL has implemented several risk mitigation strategies to comply with the applicable DFSA Laws and Rules.

3.4 Appointment of permanent compliance function

SBDL has appointed a permanent compliance officer and no longer outsources this function.

4. Costs

SBDL has agreed to pay a proportion of the DFSA's regulatory costs. For the avoidance of doubt, the DFSA has not imposed a financial penalty on SBDL.

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Name: Stephen Glynn
Delegate of the DFSA

17 March 2011
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Date

