

DOW JONES, A NEWS CORP COMPANY

DJIA Futures **26282** -0.07% ▼S&P 500 F **2907.75** -0.14% ▼Stoxx 600 **378.72** -0.00% ▼U.S. 10 Yr **2/32 Yield** **3.050%** ▲Crude Oil **69.75** -0.14% ▼

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.

<https://www.wsj.com/articles/danske-banks-finds-more-than-200-billion-in-transactions-at-branch-suspected-of-money-laundering-1537345254>

## MARKETS

# Danske Flags More Than \$230 Billion in Transactions Related to Money-Laundering Probe

Bank's clients used Estonia branch to move money into Europe, often from Russia; CEO resigns



Thomas Borgen has resigned as CEO of Denmark's largest bank as a result of money laundering probe. PHOTO: RITZAU SCANPIX/REUTERS

By *Patricia Kowsmann and Drew Hinshaw*

Updated Sept. 19, 2018 8:34 a.m. ET

COPENHAGEN—The scope of an already massive Russia-linked money laundering case swelled Wednesday when Denmark's largest bank said more than \$230 billion in transactions flowed through its tiny Estonian branch, a larger amount than previously reported.

Danske Bank Chief Executive Thomas Borgen resigned as the bank published results of a year-long investigation into how its operation in the Baltic former Soviet Republic turned into a hub for illicit flows out of Russia and other ex-Soviet states into the West. The report said a "large portion" of the transactions are likely related to money laundering, but it said that after a year of studying the issue, it couldn't determine how much.

"It is clear that Danske Bank has failed to live up to its responsibility in the case of possible money laundering in Estonia," the company said, adding the investigation didn't find breaches of Mr. Borgen's legal obligations. It did however cite him for failing to inform its board of directors of an internal report about the matter as early as 2014, more than a year before the questionable accounts were shut down.

The Wall Street Journal reported earlier this month that as much as \$150 billion of transactions were being examined. The enlarged number disclosed in the report—€200 billion (\$233 billion)—included more than 6,200 client accounts "deemed suspicious," indicates that the problems facing the bank are more serious than previously thought. Danske Bank shares fell as much as 7% in European trading and have lost a third of their value this year.

U.S., Danish and Estonian authorities are all probing the case. The Danish and Estonian banking supervisors separately said Wednesday they will look into the latest findings to decide whether to take further steps against the bank. In May the Danish supervisor told Danske to set aside \$800 million in capital to handle any risks.

The biggest risks for Danske could come from the U.S. Under U.S. rules, the Treasury could fine the bank, or order U.S. regulated banks to cut Danske's access to U.S. dollars, particularly if it finds the lender violated U.S. sanctions. The bank declined to comment on ongoing

investigations in a press conference, but the report said so far there were no findings of sanction violations.

The sum of €200 billion, while not all having been identified as illicit, is a significant amount of money, equal to nearly half of all Russian central government spending in 2015 or 26 times the rate of overall government spending in Estonia in 2015, the year most of the accounts were shut. It's also equivalent to two years of exports from Denmark.

The report didn't identify who the clients were. Many were Russian residents and companies that Danske inherited upon buying the branch in 2007 when it acquired Finland's Sampo Bank PLC.

---

#### MORE COVERAGE ON DANSKE

---

- Bank at Center of Money-Laundering Probe Knew of Russian Blacklist Clients
- U.S. Probes Danske Bank Over Russian Money Laundering Allegations
- Russia-Linked Money-Laundering Probe Looks at \$150 Billion in Transactions

Employees at the branch were meant to ask basic, due diligence questions about these customers and others that came in over the next nine years. Instead, several dozen employees may have colluded with those customers to

circumvent background checks, the investigation said. It has reported some employees and ex-employees to Estonian authorities, including the police.

"There is suspicion that there have been employees in Estonia who have assisted or colluded with customers," the bank said.

Danske has been slow to respond to the growing scandal, and it only launched an in-depth investigation into the matter in September of last year.

The report found that in 2010, the bank's executive board raised the issue of the many Russian transactions at the Estonian branch. Mr. Borgen, then the head of the bank's international operations said at the time he hadn't "come across anything that could give rise to concern."

Mr. Borgen rose to Danske's CEO in 2012. In 2014, the report said he failed to communicate to the bank's board the results of an internal audit about the Estonian operations. "Insufficient information was shared," the report said.

The bank's chairman, Ole Andersen, who wasn't found in breach of his duties and is staying in his role, called the case "a deplorable matter."

Write to Patricia Kowsmann at [patricia.kowsmann@wsj.com](mailto:patricia.kowsmann@wsj.com) and Drew Hinshaw at [drew.hinshaw@wsj.com](mailto:drew.hinshaw@wsj.com)

Copyright &copy;2017 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.