

**BUSINESS NEWS**

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## U.S inquiry deepens Danske money-laundering crisis

Teis Jensen



COPENHAGEN (Reuters) - Danske Bank ([DANSKE.CO](https://www.danske.co)) faces a U.S. criminal investigation into a 200 billion euro (\$230 billion) money laundering scandal at its Estonian branch which has rocked investor faith in Denmark's biggest lender and forced its chief executive to quit.



Shares in Danske Bank have lost a third of their value this year on fears of a U.S. inquiry because of the potential for significant penalties such as fines or being frozen out of dollar funding.

[Swedbank says its anti-money laundering procedures not being investigated](#)

[Danske money laundering scandal widens with DOJ inquiry](#)

Danske Bank said it had “received requests for information from the U.S. Department of Justice (DOJ) in connection with a criminal investigation relating to the bank’s Estonian branch”.

The bank, which this week appointed Jesper Nielsen as interim CEO to handle the crisis in the short term after Thomas Borgen resigned last month, said on Thursday it was cooperating with the U.S. authorities.

Danish business minister Rasmus Jarlov has said Denmark wants to avoid a repeat of the case of ABLV in Latvia, where the bank was accused by U.S. authorities of covering up money laundering. ABLV was denied dollar funding and collapsed.

Shares in Danske Bank fell by 4.6 percent to 158.70 Danish crowns, their lowest level since January 2015 as its investors and customers digested the U.S. inquiry and the bank’s decision to halt share buybacks to bolster its capital.


The mayor of Copenhagen, Frank Jensen, said the Danish capital was looking into ending its cooperation with Danske Bank as a result of the unfolding scandal.

Investors have fretted for months over the possibility of U.S. authorities investigating whether Danske Bank broke U.S. rules and at least one shareholder litigation company says it is looking closely to see whether it can bring a damages claim.



The DoJ, Denmark’s state prosecutor for financial crime (SOIK), the Financial Services Authority (FSA) and the central bank all declined to comment.

“We think a fine of \$6 billion, unlikely in our view given no sanctions/terror violations have been



Slideshow (2 Images)

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uncovered as yet after investigating high-risk customers, is already reflected in the price,” Jefferies analyst Kapilan Pillai said in a note.

France’s BNP Paribas ([BNPP.PA](#)) reached a record \$8.9 billion settlement with U.S. authorities in 2015 to resolve claims that it violated sanctions against Sudan, Cuba and Iran.

Many of the non-resident accounts at Denmark’s Estonian branch were held by entities or individuals in Russia, which is the subject of U.S. sanctions.

## WIDENING NET

Danske Bank’s troubles are having a ripple effect across the region and on Wednesday Estonia’s central banks said banks there handled more than \$1 trillion in cross-border flows between 2008 and 2017.

### Danske Bank A/S

DANSKE.CO COPENHAGEN STOCK EXCHANGE

131.25  
+0.05 (+0.04%)



a 12 page follow-up report published by Danske Bank.

The FSA said in May that Danske Bank’s Pillar II capital requirements should rise by 5 billion Danish crowns but has now ordered it to double this to a minimum of 10 billion crowns.

The bank raised its CET1 capital ratio target to around 16 percent from 14-15 percent and its total capital ratio to above 20 percent from an earlier target of above 19 percent.

By end of the second quarter the bank’s CET1 ratio stood at 15.9 percent and its total capital ratio stood at 21.6 percent.

“It is a signal from our side that we would rather be on the safe side, rather than being seen on the other side, when it comes to capital,” Morten Mosegaard, Danske Bank’s interim chief financial officer and chief of staff told Reuters.

Last month a Danske Bank report said that payments totaling 200 billion euros, many of which were “suspicious”, had moved through its Estonian branch between 2007 and 2015.

Borgen took “ultimate responsibility” for the findings of the report, which prompted renewed action by regulators, although he said he was cleared from a legal point of view.

The Danish bank’s board has asked Denmark’s FSA to approve the appointment next week of its head of wealth management Jacob Aarup-Andersen as its new chief executive, Danish online media Finans reported, citing several unnamed sources.

The FSA and Danske Bank declined to comment.

Politicians in Europe are calling for stricter measures after Dutch financial group ING ([INGA.AS](#)) was fined 775 million euros last month after admitting criminals had been able to launder cash through its accounts.

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