Danske Bank’s €200bn money laundering scandal

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The core of the money laundering regulation

- Know your customer, monitor the customers’ transactions
Danske Bank

- Denmark’s biggest lender.
- Dating back to 1871
- Net profit 2017: 2.7 bn euro
- Headquarters, central Copenhagen
- Bought Finnish Sampo Pank in 2006
- No a proper due diligence. Did not react to warnings.
THE RUSSIAN LAUNDROMAT EXPOSED
## Bank families receiving the most money

<table>
<thead>
<tr>
<th>Bank</th>
<th>Amount (Millions of USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trasta Komercbanka</td>
<td>$3,214,890.365</td>
</tr>
<tr>
<td>Privatbank</td>
<td>$1,955,889.763</td>
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<tr>
<td>Danske Bank</td>
<td>$1,208,886.397</td>
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<tr>
<td>Bank of China</td>
<td>$716,931.790</td>
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<td>Baltikums Bank AS</td>
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<td>Rosevrobank</td>
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<td>HSBC</td>
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<td>Hellenic Bank Public Company LTD</td>
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<td>BC Moldconbank S.A.</td>
<td>$436,876.122</td>
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<td>Emirates NBD Bank PJSC</td>
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<td>CBH Compagnie Bancaire Helvetique SA</td>
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<td>ABLV Bank AS</td>
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<td>Eurobank Cyprus LTD</td>
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<td>Versobank</td>
<td>$164,243.978</td>
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</tbody>
</table>

Values shown in millions of USD
First signs of suspicious transactions

Danske Bank Estonia:
1,554 transactions / Almost €1 bn
Analysing the data

- Non resident customers
- Companies offshore/offshore ownerships
- Beneficial owners – real or fake
- Real company?
- Adresses in office hotels in UK or NZ
- Do official figures fit?
- Suspicious transaction flows: money to and from offshores daily, very large, even sums, fake purposes, money to PEPs.
LCM Alliance LLP

- British office hotel – 2,158 other companies
- Real owners hidden behind companies in the Seychelles.
- Ali Moulaye, Iranian dentist, living here in Belgium. He had 127 positions as beneficial owner in the UK.
- Accounts = no activity
- Banking statements = hundred of millions of euros.
- No activity: No factory, no shops, no employees, website etc.
We haven’t had sufficient control over this type of customer and we have failed to monitor suspicious transactions in the Estonian branch. We have since corrected this, but it took too long to close down these activities. Status now is that all but one of these customer relationships have been settled,« said Flemming Pristed, General Counsel at Danske Bank.

"We reacted clearly and constructively when we noticed this in 2014.” CEO Thomas Borgen, March 2017
Two big questions

- What had been going on in Danske Bank Estonia? Who were the customers, how big the transactions, where did the money go?

- What did the bank and authorities suspect/know and do about this knowledge?
Contacting and protecting sources

- Knocking doors: Think of the traces you leave
- Prepare your speech, most important questions, research your source
- Bring a letter
- Educate your sources
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<th>Archive ID</th>
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<td>-10 000.00</td>
</tr>
</tbody>
</table>
First thoughts

1. Big international potential
2. A lot of work
Partners for the Azerbaijani Laundromat

- Berlingske
- OCCRP.org
- Süddeutsche Zeitung
- The Guardian
- Äripäev (Estonia)
- Le Monde
- De Tijd (Belgium)
- Barron’s (USA)
- Novaya Gazeta (Russia)
- České centrum pro Investigativní žurnalistiku
- Bivol (Bulgaria)
- Atlatszo (Hungary)
- Delo (Slovenia)
- Dossier (Austria)
- Tages-Anzeiger (Switzerland)
Money from the dictatorship

Directly from the regime:
- Ministry of Emergency Situations.
- Special State Protection Service (refers directly to the president).
- Bank accounts in the International bank of Azerbaijan.

Companies with ties to the regime:
- Baktelekom MMC, connected to former minister.
- Goknur Baki.
- Azarbaycan Metanol Kompani.
- Arash Medical Company.
European politicians and officials:

- Eduard Lintner, CSU, German politician and election monitor.
- Kalin Mitrev, member of board of EBRD, married to head of UNESCO.
- Zmago Jelincic Pleminiti, Slovenian presidential candidate.
- Karin Strentz, Bundestag member, CDU.
- Alain Destexhe, Belgian politician and member of PACE.
- Luca Volontè, Italian politician and member of PACE.
September 2017
First wave of consequences

- European politicians stepped down from Council of Europe
- Thousands took to the streets of Baku
- Investigations in several countries (UK, Bulgaria, Belgium, Estonia)
- Danske Bank decided to start an investigation:
  »It will be a comprehensive investigation as the extent of the problems in Estonia is much bigger than we have had any comprehension of. *It is worse than we feared*,« Thomas Borgen, september 2017
- Regulator also started an investigation
The other big question

- What did the bank and authorities suspect/know and do about this knowledge?
Internal audit, February 2014

- »In relation to above, the Head of International Banking in the branch confirmed verbally (in the presence of all audit team) that the reason underlying beneficial owners are not identified is that it could cause problems for clients if Russian authorities request information,« the auditors wrote in their letter to the top management at Danske Bank.

- »According to this memo the Bank has no full information on the end-client of the Russia based intermediaries. This in our opinion leads to the conclusion that the Estonian Branch is not able to identify the actual source of funds and therefore acts against AML legislative principles,« the auditors wrote.

- Also stating that the customers were “highly profitable” earning the bank 7,5 million euro in income in 2013 alone.
Whistleblower alert: Putin family and intelligence used Danske Bank to launder millions, leaked report says

Denmark's biggest bank believes cash was laundered through British companies by people linked to Vladimir Putin's family and the FSB spy agency.
Whistleblower, December 2013

- Customers allegedly “included the Putin family and FSB”
- “may itself have committed a criminal offence”
- “has likely breached numerous regulatory requirements”
- likely was “helping to launder money”
- pointed to a “near total process failure”
The bank’s explanations fell apart

- They said that the banks "own surveillance" had noticed the suspicious payments. **Wrong:** A whistleblower did.

- The bank reacted "clear and constructively" in 2014 when they found out. **Wrong:** The cleaning took two years – the Estonian authorities has to remind the bank to speed up the process.

- "Nothing pointed towards" employees helping. **Wrong:** According to the bank’s own internal audit employees were deliberately hiding customers.

- The problem was "isolated to Estonia." **Wrong:** There was also suspicious transactions to Lithuania
Danske Bank’s own investigation

- In total 15,000 suspicious customers between 2007 and 2015

- Transactions worth 200 billion via non-residents. “Large part” was suspicious.

- Impossible to confirm the extent of actual money laundering, but “large part.”

- CEO Thomas Borgen steps down.
In 2007, the Estonian FSA came out with a critical inspection report, and at the same time Danske Bank at Group level received specific information from the Russian Central Bank, through the Danish FSA. This information pointed to possible “tax and custom payments evasion” and “criminal activity in its pure form, including money laundering”, estimated at “billions of rubles monthly”.
Consequences from authorities

- Financial/criminal police investigating in Danmark, Estonia, France, US.
- Several class action law suits coming up in US
- EU asked EBA to investigate role of Danish and Estonians authorities. Still questions to answer.
- Danish authorities opened investigation of audit firm E&Y.
- Laws changed for future cases. 8 doubling fines: €400 million today, longer jail sentences, cool of time etc.
- Also: Stock looses 47 percent of its value in 2018: €13 billion
Consequences for people

- CEO Thomas Borgen steps down
- Around 10 others in top management positions in Denmark and Estonian step down
- Henrik Ramlau Hansen, chairman of Financial Regulator steps down.
- Danske Bank thrown out of Estonia: Pack you stuff within 8 months (or daily fines of 100.000 euro)
Consequences last week

● First preliminary charges against 9-10 people in top management. Former CEO and former head of regulator. Homes searched.

● Preliminary charges against 12 people in Estonia: 11 for possible money laundering, 1 for bribery

● This week new CEO for Danske: former ABN AMRO banker Chris Vogelzang from Netherlands
“Integrity.” “Moral compass.”
“With positions entrusted with power comes a special responsibility and a special duty to do ones best. It makes me sad if moral is sliding. What will happen then to common decency? One should know the difference between yours and mine, between right and wrong”
Swedbank

- February 2019: Uppdrag Granskning/Mission Investigate reveal
- Suspicious cash flowed through Swedbank in Estonia. $4.30 billion.
- Case exploded. 135 billion euros poured through the banks high risc non resident portfolio
- CEO Bonnesen steps down, chairman as well
Questions?

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- Twitter: @EvaJung_