

## Danske Bank to pay \$2bn penalty for defrauding US banks

Denmark's largest lender pleads guilty to resolve one of the biggest money-laundering scandals in years



The US Department of Justice said Danske Bank had defrauded US lenders in relation to anti-money laundering measures in its Estonia branch © Ritzau Scanpix/AFP/Getty Ima

**Stefania Palma** in Washington and **Richard Milne** in Oslo DECEMBER 13 2022

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Denmark's largest bank, Danske Bank, has pleaded guilty to defrauding US banks and agreed to pay a \$2bn penalty to resolve one of the biggest money-laundering scandals in recent years.

The [bank](#) on Tuesday pleaded guilty in the US to one count of conspiracy to commit bank fraud and agreed to pay about \$1.2bn in criminal forfeiture to the US. It will also pay \$672mn to Danish authorities, as well as a civil penalty of roughly \$178mn to the US Securities and Exchange Commission, Wall Street's top regulator.

The \$2bn penalty is the largest forfeiture imposed by the US Department of Justice on a financial institution compared to its market capitalisation, Kenneth Polite, assistant attorney-general for the DoJ's criminal division, told the Financial Times.

The DoJ said in a statement [Danske](#) had defrauded US lenders in relation to anti-money laundering measures in its Estonia branch, allowing "high-risk customers", including some from Russia, to access the US financial system.

The move “demonstrate[s] that the Department of Justice will fiercely guard the integrity of the US financial system from tainted foreign money — Russian or otherwise”, Lisa Monaco, US deputy attorney-general, said in a statement.

Danske’s chair, Martin Blessing, said: “We offer our unreserved apology and take full responsibility for the unacceptable failures and misconduct of the past, which have no place at Danske Bank today.” The group had “taken the steps necessary” to help prevent similar failures from happening in future, he added.

According to court documents cited by the DoJ, Danske’s Estonia branch attracted foreign customers between 2008 and 2016 by allowing them to transfer large sums of money through it “with little, if any, oversight”.

The DoJ added the branch processed \$160bn through US institutions on behalf of these clients, and conspired with these individuals to mask the real nature of the transactions, sometimes via shell companies.

US authorities said that while the bank knew by at least February 2014 that some of these customers were involved in potentially criminal behaviour, it lied to US banks about the Estonia branch’s anti-money laundering programme.

As part of the resolution, Danske has agreed to measures including continuing to assist the DoJ with ongoing probes, and it will link compliance “directly” to executive pay, Polite said. Monaco said in September the department would [reward businesses](#) that recover pay from staff who break the law.

The SEC on Tuesday also charged Danske with fraud for misleading investors on anti-money laundering compliance shortcomings in the Estonia branch.

In 2018 Danske ousted its chief executive and chair after revealing that much of the €200bn of cash that flowed through its Estonian branch from 2007 and 2015 was suspicious.

While much of the money came from Russia and other ex-Soviet states, the Danish bank has never said how much proved to be actual money laundering.

Danske [booked a charge](#) of Dkr14bn (\$1.9bn) in October, on top of an initial provision of Dkr1.5bn from 2018, to resolve all money-laundering probes, leading its shares to rise 11 per cent.

The lender still faces several civil lawsuits from shareholders, and on Tuesday it said it would defend itself “vigorously” against them.

The bank lost its next chief executive, who was brought in to clean up the institution, when he was implicated in a separate money-laundering scandal at a Netherlands-based lender where he previously worked.

Thomas Borgen, Danske's chief executive from 2013 until 2018, last month won a court case against more than 100 institutional investors suing him for \$350mn over the scandal. But Danish media on Tuesday reported Borgen has said those investors are appealing against the judgment. Prosecutors in Denmark dropped all criminal charges against Borgen and other top executives in 2021.

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