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MARKETS

U.S. Probes Danske Bank Over Russian Money Laundering Allegations

Probes are ongoing and are related to transactions at Danske's tiny Estonian branch over several years through 2015



Danske Bank's headquarters in Copenhagen, Denmark. Danish and Estonian authorities have shared information with U.S. counterparts, according to several European officials familiar with the matter. PHOTO: KASPER PALSNOV/AGENCE FRANCE-PRESSE/GETTY IMAGES

By *Bradley Hope, Patricia Kowsmann and Drew Hinshaw*

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U.S. law enforcement agencies are probing Denmark's largest bank over allegations of massive money laundering flows from Russia and former Soviet states, according to a person familiar with the matter and documents reviewed by The Wall Street Journal.

The Justice Department, Treasury Department and Securities and Exchange Commission are each examining Danske Bank [DNKEY -0.07% ▼](#) after a confidential whistleblower complaint was filed to the SEC more than two years ago, the person familiar said. The probes are ongoing and related to transactions at Danske's tiny Estonian branch over several years through 2015. The Journal reported earlier this month that the bank is studying \$150 billion that flowed through accounts of non-Estonian account holders at the branch.

The whistleblower complaint identified Deutsche Bank AG [DB 1.10% ▲](#) and Citigroup Inc., both overseen by U.S. regulators, as involved with transactions into and out of Danske Bank's Estonian branch. Deutsche Bank acted as a correspondent bank for Danske, handling dollar wire transfers. Citigroup's Moscow office was involved in some of the transfers through Danske Bank's Estonian branch, the person familiar with the probes said.

A spokesman for Danske said the bank often talks to regulators. "However, as a general rule, we do not comment," the spokesman said.

Spokesmen for Deutsche Bank and Citigroup declined to comment. The SEC, Justice Department and Treasury Department declined to comment.

Danish and Estonian authorities have shared information with U.S. counterparts, according to several European officials familiar with the matter. “There is cooperation, they are watching it very closely,” one of these people said.

Estonian officials are investigating 26 former Danske employees, from low-level staff to the former branch CEO. They are accused of helping to launder \$230 million in money from an alleged fraud committed in Russia.

“In this particular case, it’s clearly dirty money from crime,” said Marek Vahing, Estonia’s state prosecutor.

Treasury Assistant Secretary for Terrorist Financing Marshall Billingslea visited Estonia in May. Russian illicit transactions into Europe were a particular concern, according to people aware of those discussions. Danske was mentioned only in passing. Mr. Billingslea and other top administration officials have jetted around Europe, pressing regulators to more aggressively police financial flows out of Russia. He visited Denmark in August.

“It is critical that they shore up their anti-money laundering regimes and that they clamp down and tighten down on how they regulate money coming out of Russia,” Mr. Billingslea told a Senate panel last month.

“There’s an enormous amount of money that is still being exfiltrated from Russia by both organized crime and cronies surrounding Putin,” he told senators, many of whom are seeking to levy new sanctions against Moscow.

U.S. involvement in the case greatly raises the stakes for Danske Bank. It is already facing investigations in Denmark and Estonia over the allegations.

Danske’s share price has dropped sharply this year as the extent of the money laundering probe has emerged. Costs to insure against Danske’s debt, some of which is issued in U.S. markets, has jumped in recent weeks.

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The U.S. Treasury can restrict the supply of U.S. dollars to foreign banks who are accused of laundering money, a rarely-used penalty known as the “death blow sanction” because it can send a lender into collapse. So far, the Treasury has mostly used that cudgel against small lenders, including a now-liquidating Latvian bank accused of handling billions of dollars for Russian arms traders and North Korea’s missile program.

The Treasury and Justice Department can also choose to fine banks, punishing the company but sparing its customers, who could lose their deposits if the bank collapsed.

Danske last year initiated an internal investigation into the activity of its Estonian branch and is scheduled to release its own report into money laundering issues on Sept. 19.

—*Ian Talley contributed to this article.*

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