



PERSPECTIVES

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Danish BDS-Supporting Bank Behind Vast Money-Laundering Scheme

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BESA Center Perspectives Paper No. 973, October 12, 2018

EXECUTIVE SUMMARY: Denmark's largest bank, Danske Bank, has admitted that its Estonian banking subsidiary has been involved in what is probably the largest dirty money-laundering scandal in Europe's history. In recent years, this deeply corrupt bank has boycotted several Israeli companies on "ethical grounds." Israel should use the Danske Bank case as a key example of fraudulent anti-Israeli moralists. Revelations from further investigations into the bank's misbehavior will likely result in many additional disclosures in years to come.

Somewhat surprisingly, Denmark has provided an example of a huge, morally corrupt, anti-Israel, BDS-promoting body. It was far more probable for such an organization to come to light in Norway or Sweden, where there are many more anti-Israel inciters.

It has recently become known that Denmark's largest banking group, Danske Bank, has been involved for years in a vast dirty money-laundering scandal. This criminal activity was conducted by its subsidiary in Estonia between 2007 and 2015. The amount of money transferred abroad and being currently investigated is a staggering \$234 billion. The bank estimates that a significant proportion of these payments was suspect.

Fifteen thousand accounts were reviewed. Of these, 6,200 had the most risk factors. The customers involved were primarily Russians and other Eastern Europeans non-resident in Estonia.

To carry out this scheme, Danske Bank's subsidiary needed the help of major foreign banking correspondents. It has not yet been ascertained to what extent those banks were aware of what was going on. Yet, in 2013, JP Morgan terminated its correspondent banking relationship with the Estonian bank over doubts about its activities. It was replaced by Bank of America. Deutsche Bank also continued to make US dollar wire transfers on behalf of the Estonian bank.

In 2014, when Danske Bank had already received warnings about the unethical activities in its Estonian business, it decided to add Bank Hapoalim to a list of companies in which it could not invest due to its corporate accountability rules. The bank claimed that the exclusion was for “legal and ethical reasons.” Danske Bank said Bank Hapoalim was funding settlement activities and was “acting against the rules of international humanitarian law.” Danske Bank had also withdrawn its investments from the Israeli companies Africa Israel Investments Ltd., Elbit Systems, Aryt, and Danya Cebus.

The boycott of Bank Hapoalim was not without consequences for Danske Bank. Several states in the US, including Colorado and New Jersey, ceased doing business with the bank and/or sold their investments in it. In 2016, Danske Bank reversed its decision concerning Bank Hapoalim.

A year ago, the British daily *The Guardian* revealed that, based on leaked data, Azerbaijan’s leadership had used the bank to fund a secret \$2.9 billion scheme to pay prominent Europeans through a network of British companies. The paper claimed that between 2012 and 2014, more than 16,000 covert payments were transacted through Danske Bank’s branch in Estonia. Part of this money appears to have been passed on to politicians and journalists within a lobbying operation framework.

The scheme was nicknamed “the Azerbaijan Laundromat.” Among those receiving payments were former members of the Council of Europe’s Parliamentary Assembly, as well as a board member of the European Bank for Reconstruction and Development (EBRD).

It has not been proven that all recipients knew the source of the money as it was disguised via intermediaries. Still, what was disclosed at the time was enormously shameful. But in view of what is now public knowledge about the extent of the money-laundering scandal, it is minor.

Danske Bank’s CEO, Thomas F. Borgen, recently tendered his resignation but said he would stay on until a suitable successor was found. He has since been ousted by the Board. A report on the scandal was prepared by a Danish law firm that had previously advised the bank – a choice that was criticized due to that prior relationship.

The report outlines how incompetent and negligent Danske Bank’s management was. It states *inter alia* that no adequate controls were put in place by the bank of its Estonian branch. Nor did it react to serious indications of wrongdoing over the years. There are also suspicions that some employees in Estonia assisted in the money laundering or colluded with clients.

Although the scandal has reached gigantic proportions, the full extent of its repercussions have not yet been fully exposed. Many more ramifications will take time to investigate. The UK National Crime Agency announced that it has begun an inquiry into the use of UK companies by the Danske Bank group involved in money

laundering activities. The organization Corruption Watch has requested that serious consideration be given to withdrawing the bank's UK license.

Danske Bank's money-laundering activities are probably the largest in European history. Danish Business Minister Rasmus Jarlov said he expected Danish authorities to fine Danske Bank the equivalent of more than \$600 million. Analysts expect that the bank may also be fined billions of dollars by US and European regulators. There are already voices urging the bank's Board to assess whether management breached its fiduciary responsibilities and can be held liable. If so, they should be sued.

Israel is subjected to a constant barrage of extreme hate propaganda and discrimination by morally corrupt individuals and organizations. If Israel had, as it should have, an anti-propaganda agency, the Danske Bank scandal could be used as a prime example of fraudulent ethics. This case would be all the more useful as revelations from further investigations into the bank's misbehavior will likely result in many additional disclosures in years to come.

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BESA Center Perspectives Papers are published through the generosity of the Greg Rosshandler Family