

Finantsinspeksioon has issued a precept requiring Danske bank to terminate its activities in Estonia

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[Factsheet – the position of Danske Bank Estonia Branch as at 31.12.2018 \(pdf, 86.05 kB\)](#)

The management board of Finantsinspeksioon issued a precept to Danske Bank on 19 February 2019 prohibiting the branch of the bank from operating in Estonia. The bank must cease its activities in Estonia within eight months from receipt of the precept, and it must consider the interests of its current customers in doing so.

Nothing changes at this moment for customers of Danske Bank Estonia Branch, and all customer contracts continue to be in force. The reorganisation of customer relationships will be carried out gradually over the next eight months. The bank will return all customer deposits in full. However, it may not force current borrowers to terminate their loan agreements or repay their loans to the bank early only because of the precept. Danske Bank must transfer all the loan contracts of its branch within eight months to some other unrelated bank or entity that is authorised to operate in Estonia and that will continue to serve those loans, or if it cannot do so after reasonable attempts, it will find another lawful solution for how those loan contracts may continue to be served, provided that customer interests are adequately protected. At the end of 2018, the branch had around 14,700 depositors in Estonia and 12,300 borrowers.

The actual extent and nature of the violations by Danske Bank became apparent in autumn 2018 from the internal investigation reports commissioned by Danske Bank, which were carried out under pressure from the public. After analysing this report thoroughly, together with the results of on-site inspections by Finantsinspeksioon at the branch and input received from the Estonian Financial Intelligence Unit, Finantsinspeksioon has concluded that the bank should not be allowed to operate in Estonia.

Chairman of the Management Board of Finantsinspeksioon Mr **Kilvar Kessler** said that the serious violations by Danske Bank over many years and the damage done to the credibility of the Estonian financial environment require unambiguous condemnation. This was only slightly alleviated by the admission by the bank of its violations, though even this admission came about only as a result of public pressure.

“We have every right to put an end once and for all to this very exceptional and unfortunate case, as serious and large-scale violations of the local rules have been committed in Estonia through the branch of a foreign bank, and this has dealt a serious blow to the transparency, credibility and reputation of the Estonian financial market, while the supervisory authority of the home country has handled the bank softly,” said Mr Kessler, adding that in the past Finantsinspeksioon was the only institution in Estonia or Denmark to react to the activities of Danske Bank, as it forced the bank to end its business serving non-resident customers in Estonia in 2015 in the light of the evidence that was available at that time.

“Our priority is to make sure that the customers of the bank are treated fairly and without unnecessary disruption, and so Finantsinspeksioon has decided to impose a substantive penalty of 100,000 euros per day for each breach of the precept until it has been executed in full, up to a maximum value of 10 per cent of the total net turnover of Danske Bank A/S, as this is upper limit in Estonian law”, Mr Kessler added.

Danske Bank must present an action plan for closing its branch in Estonia to Finantsinspektsioon within 20 days. Finantsinspektsioon will monitor the process of closure of the branch very carefully and is ready if necessary to take additional supervisory measures to protect the interests of the customers of the branch and the credibility of the financial sector.

See also:

- [**Factsheet – the position of Danske Bank Estonia Branch as at 31.12.2018**](#)