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The European Banking Authority (EBA) has informed Finantsinspektsioon that it has started a formal investigation into the Estonian and Danish financial supervisory authorities concerning their supervisory work over Danske Bank. This follows after preliminary inquiries into the supervisory institutions in both Estonia and Denmark.

The investigation marks the start of a process through which the EBA wants to reach a conclusion in the context of a possible breach of European Union law about activities that started more than 10 years ago. Finantsinspektsioon has always been open in its answers to the EBA about Danske Bank and will continue to be open in future in order to help reach the truth and a fair decision about the case.

The investigation has been started because of the violations of money laundering and terrorist financing prevention obligations by Danske Bank and its breaches of requirements for management and risk-control framework.

The final outcome will clarify any possible violations by the member states, after which those member states will be given recommendations to avoid such breaches being repeated in the future.

“Finantsinspektsioon has given the European Banking Authority a thorough presentation of our supervisory work for several years at Danske Bank and we are ready to keep working together in full transparency in future”, said chairman of the management board of Finantsinspektsioon **Kilvar Kessler**. “We are sure that the EBA will treat the supervisors equally and that the same thorough process will be conducted vis-à-vis other similar cases that are currently known about and other financial supervisors of those countries that have discovered such cases”.

Combating money laundering has been one of the strategic priorities of Finantsinspektsioon since 2016, and an area of focus since 2014. The role of Finantsinspektsioon in preventing money laundering and terrorist financing is to ensure that the risk-control frameworks of financial institutions are in line with the legal requirements and with their risk appetite.

On-site inspections by Finantsinspektsioon in 2014 showed that Danske Bank’s organisational framework did not coincide with its business model, and in 2015 Finantsinspektsioon issued a precept forcing Danske Bank to close its business serving high-risk non-resident customers in Estonia. In 2019 Finantsinspektsioon issued a precept to prohibit Danske Bank from operating in Estonia at all in light of new evidence that had emerged in the meantime.

Financial supervision works ceaselessly to ensure that the market in Estonia remains transparent and

sustainable. Finantsinspektsioon has significantly enhanced its supervisory methodology since 2014 and has substantially increased the number of on-site inspections, and it has received more resources from its supervisory board to make its anti-money laundering supervision more effective. The effectiveness of the supervision has led to a significant decrease in the risk of money laundering and terrorist financing in the Estonian financial sector, and has increased the ability of financial intermediaries to manage and mitigate inherent risks. It has also given a clear and strong message to the public that there is no place in Estonia for opaque financial services.

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