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[Precept to Swedbank AS on a request to bring their practice into line with the legislation regulating the activity of credit institutions \(pdf, 0.85 MB\)](#)

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Swedbank AB has had serious deficiencies in its management of the risk of money laundering in its Baltic operations. This is the conclusion of parallel investigations into parent company Swedbank AB and its subsidiary bank Swedbank AS in Estonia that were conducted by Swedish Finansinspektionen and Estonian Finantsinspektsioon.

FI has therefore decided to issue Swedbank AB a warning and an administrative fine of four billion Swedis Krona.

[Finantsinspektsioon has issued a precept to Swedbank AS](#) to take measures to improve its anti-money laundering risk control systems since they have not been in line with anti-money laundering requirements. A criminal investigation in Estonia will determine whether money laundering or other criminal acts have taken place.

The Swedish investigation concludes that Swedbank AB has had large deficiencies in its governance of anti-money laundering measures in its Baltic subsidiaries. The bank's awareness of the risk of money laundering and its processes, routines and control systems were insufficient. The Baltic operations were also lacking adequate resources to combat money laundering.

The investigation shows that Swedbank AB has been aware of suspected money laundering activities in the Baltics. Despite several internal and external reports warning about deficiencies in the Baltic subsidiaries and the risk of money laundering, the bank did not take proper and sufficient action.

Swedish Finansinspektionen also found a number of examples of how the bank withheld documentation and information from Finansinspektionen that in retrospect reveal the seriousness of the situation. Finantsinspektsioon made the same discovery in the course of its investigation.

“Our investigation shows that the Swedish management did not efficiently address the risk of money laundering in the Baltics,” says Finansinspektionen Director General Erik Thedéen. “It is also deeply concerning that the bank on a number of occasions withheld information from Finansinspektionen that would have revealed the seriousness and scope of the problems.”

Swedish Finansinspektionen has also investigated how Swedbank AB’s Swedish operations adhered to anti-money laundering requirements. The investigation concludes that the bank has had deficiencies in its risk classification of customers and its transaction monitoring. Finansinspektionen therefore concludes that the bank has not lived up to the anti-money laundering requirements in its Swedish operations.

On the basis of findings in both investigations, Finansinspektionen has decided that Swedbank AB should receive a warning and an administrative fine of four billion Swedis Krona. The sanctions and the precept imposed on Swedbank in Swedish and Estonian Finansinspektionen’s and Finantsinspektsioon’s assessments will not jeopardise the bank’s current business or customers. The bank is well capitalised and has a good liquidity ratio.

The Estonian investigation concludes that the Estonian subsidiary has had severe deficiencies in its anti-money laundering risk control systems and that the bank failed to live up to the anti-money laundering requirements.

“Swedbank has not invested enough in preventative measures to combat money laundering risks,” says Kilvar Kessler, Chairman of Finantsinspektsioon. “The banking group made choices that allowed it to service higher risk clients without proper anti-money laundering systems and controls and without knowing to the fullest extent the money laundering risks posed from servicing these clients.” Finantsinspektsioon has therefore issued a precept that obliges Swedbank AS to take comprehensive measures to properly understand and mitigate the risks it faced in the past and those it faces now. Swedbank AS must also review and amend its organisational framework to manage risks more effectively. The bank needs to change its practices in understanding the activities of its clients and to review practices for reporting suspicious transactions to the Financial Intelligence Unit and operational risk to Finantsinspektsioon. Finantsinspektsioon also found a number of examples of how the Estonian subsidiary has withheld information that in retrospect reveal the severity of the problems in the bank.

The issue of whether money laundering or other criminal acts took place in the bank are currently being investigated by the Estonian Prosecutor’s Office. As in many other countries, double jeopardy is not permitted in Estonia, and therefore Finantsinspektsioon terminated its own misdemeanour investigation into Swedbank AS in November 2019 to allow the prosecutor to continue with its criminal investigation.

Background about the investigations

The investigations into Swedbank AB were conducted separately but with close cooperation between Finansinspektionen and Finantsinspektsioon. Finansinspektionen investigated Swedbank AB’s governance of anti-money laundering measures in its Baltic operations and how Swedbank AB’s Swedish operations adhered to anti-money laundering requirements.

Finantsinspektsioon conducted a parallel investigation into how Swedbank's Estonian subsidiary, Swedbank AS, adhered with local anti-money laundering requirements. The Swedish investigation into Swedbank AB's governance of anti-money laundering measures in the Baltic operations was opened in April 2019. The investigation covered the period 2015–Q1 2019 and encompassed a very large number of internal reports from the bank's control functions, meeting minutes from board and management meetings, a number of special investigations conducted by both the bank and external consultants, interviews with staff, and data collection.

The Swedish investigation regarding the bank's compliance with Swedish legislation within anti-money laundering and financing of terrorism was initiated in November 2018. The investigation covered the period April–November 2018 and focused on the business risk assessment, risk classification of customers, policies and instructions, know-your-customer files, transaction monitoring, and reporting of suspicious activities to FIUs (Financial Intelligence Units). The investigation was limited to traditional high-risk customer categories such as politically exposed persons and private-banking customers.

As from 2014 anti-money laundering has been one of key priorities for Finantsinspektsioon, the risks of money laundering in Estonian banking sector have been greatly reduced since then.

The Estonian investigation was conducted during the period April–mid-November 2019. During the investigation, Finantsinspektsioon reviewed a significant amount of internal documents and had numerous meetings with Swedbank AS's management, Board members, and employees. Finantsinspektsioon closely followed the everyday routines of the employees, sample-tested client files, and assessed the work of IT systems and the business continuity of these systems. Based on this information, Finantsinspektsioon assessed the set-up of the bank's anti-money laundering organisation, the activities of the management and staff in combatting money laundering and terrorist financing, the identification, analysis, management and mitigation of risks, and the application of due diligence measures during the establishment of business relationships and the provision of services.

The precept and additional materials are available on the website of Finantsinspektsioon.

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