

## **"Had the same thing happened in the US, many in the banking elite would have ended up in the finch"**

**"As long as we maintain the image of the banks as naive victims of foreign criminals, we will never see reality as it is, let alone be able to hold anyone accountable in the banking industry," says Torsten Fensby, International tax policy expert.**

So now it's the turn of Skandinaviska Enskilda Banken's (SEB) to be at the center of a new money laundering scandal in today's TV episode of *Mission: Investigate* (MI).

As was the case of Swedbank, tens of billions are suspected of having been laundered through shady SEB accounts and companies in tax havens for more than a decade.

Common to all MI revelations is that our prudential authorities have never produced any revelations of their own.

They never see anything.

Try to name a single scandal that has been disclosed at the government level. They always look away when the epicenter of suspected corruption is (too) high up at the political or economic level, something I myself have bitterly experienced in my own professional practice.

But now the wind has apparently turned in the money laundering area:

- The government will review whether new tools are needed to combat money laundering;
- The Swedish Financial Supervisory Authority (SFSA) has informed Swedbank – after looking a little more closely into its affairs – that they have found shortcomings in the bank's handling of money laundering issues;

- The Economic Crimes Authority has initiated investigations into certain peripheral crimes linked to the money laundering activities in Swedbank; and
- The National Audit Office will review how the SFSA handles conflicts of interest.

All this looks impressive on paper. Nevertheless, none of these measures will address the banking system's fundamental problem.

The reasons for this are two:

First, both public authorities and banks still refuse to recognize the real problems.

All the communication and all proposed measures from both the public sector and banks portray the banks as being “naive” and “exploited” victims of money laundering activities.

Leaked material, however, points in a different direction where banks appear as much as perpetrators as victims.

As long as we maintain the image of the banks as naive victims of foreign criminals, we will never see reality as it is, let alone hold anyone accountable in the banking field.

Had the same thing happened in the US, many in the banking elite would have ended up in the finch.

Secondly, in recent years we have witnessed in slow motion the integrity collapse of the Swedish financial system.

The founding fathers of the modern market economy understood that man almost always prioritizes his self-interest over the public interest.

Modern democracies therefore do not try to curb self-interest, but combat the latent risk of corruption by pitting different self-interests against each other.

Hence our adversarial power structures such as government and opposition, employers and workers' organizations, supervisors and supervised etc.

Corruption is considered to be combated most effectively by allowing conflicting and equally powerful self-interests permanently exercise control over each other.

However, these control structures have been dismantled in the financial field as politicians in increasing numbers have sought to translate their political experience into cash.

Today, both the SFSA (the supervisor) and the banks' owners, boards and management (the supervised) are populated by former politicians with close links to both each other and the government.

The opposing control structures that exist on paper have slowly merged into one single interest. The result is that the supervisors, depending on the circumstances, neither can, dare or want to perform their job with full integrity.

Adding more rules or resources to dysfunctional control structure will therefore not resolve anything, except to give the appearance that action is taken to address the problems.

If these issues are to be effectively addressed, those responsible in the banking sector must be held accountable in more than nominal terms.

Moreover, the restoration of the integrity of the banking system presupposes that politicians are kicked out - once and for all - from either the supervising institutions or, preferably, from the sector that is the subject of the SFSA's supervision, i.e., the financial sector.

Unfortunately, the political elite has its hand so far down in the cookie jar that such measures today appear to be a utopia.

Our best hope is therefore that MI continues to perform the work of the supervisory authorities also in the future.