

The Money Laundering Secretariat

Annual report 2004



The Public Prosecutor for Serious Economic Crime

The Money Laundering Secretariat

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Foreword

With effect from 2004, the Danish Money Laundering Secretariat has decided to draw up an annual report and make it available to anyone interested in the Secretariat's activities. This first report is also published in an English version to accommodate our many international collaboration partners and the reporting institutions and individuals in Denmark who have English as their working language. The annual report, in Danish and English, is posted at www.rigsadvokaten.dk and www.politi.dk

The first part of the annual report presents a brief, general description of the Money Laundering Secretariat and the relevant types of reporting, followed by examples of indicators etc. aimed to serve as inspiration to the institutions and individuals subject to the duty of reporting. The next section describes the specific work carried out in Denmark in 2004, while the final section presents activities in relevant international fora in 2004.

The Money Laundering Secretariat would like to thank all the reporting institutions for their efforts and excellent cooperation in the past year. In particular, the Secretariat want to thank the banks for the considerable resources they devoted as part of the fight against terrorism.

Henning Thiesen /

Ulla Høg

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1 The Money Laundering Secretariat

1.1 Activities of the Money Laundering Secretariat

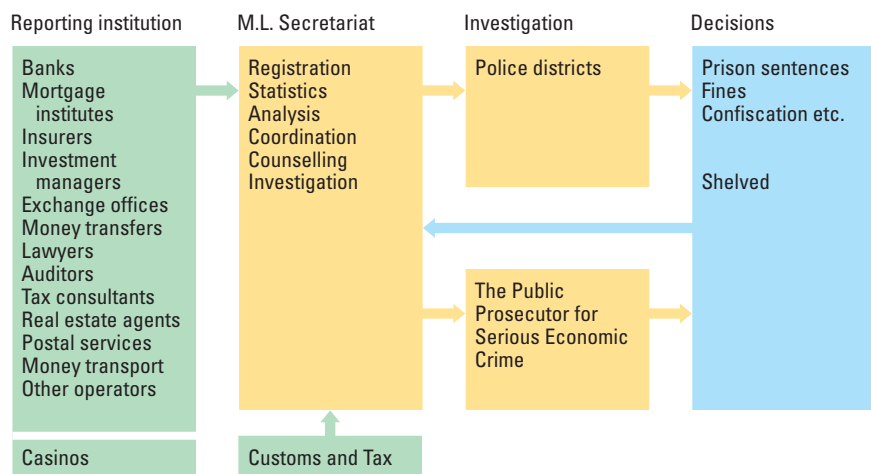
Denmark implemented the EU Money Laundering Directive in 1993 and set up the Money Laundering Secretariat the same year as a unit under the Public Prosecutor for Serious Economic Crime. The Secretariat is the Danish Financial Intelligence Unit (FIU). Today, FIUs have been established in most countries in the world (please refer to section 6 for international fora).

The Money Laundering Secretariat receives reports of suspected laundering of proceeds of crime or financing of terrorism from the institutions and individuals subject to the Danish Act on Measures to Prevent Money Laundering and the Danish Casino Act (see section 2.1) and from public authorities, the Central Customs and Tax Administration in particular.

The responsibilities of the Money Laundering Secretariat include collecting, registering, transferring, coordinating and processing information concerned with the laundering of proceeds of crime and, in collaboration with the Danish Security Intelligence Service, the financing of terrorism. The necessary staff resources are adjusted as required (see section 1.2).

When receiving suspicious transaction reports (STRs) the Secretariat generally passes on the information to the police district that will conduct the investigation, along with other relevant data from registers kept by the police, the Commerce and Companies Agency and other public authorities. The Secretariat provides extensive assistance to the police districts by obtaining additional information via Interpol or the FIUs of other countries. The police districts return information to the Money Laundering Secretariat about the outcome of their investigations into the reported transactions, thus enabling the Secretariat to update its information for the purpose of compiling statistics, analysis, case descriptions, etc.

Fig 1
Processing STRs



Reporting of suspicious transactions is not considered as the reporting of an offence to the police, but rather as general information about possible crime. The decision whether to proceed with specific investigations is therefore taken in the relevant police districts. Occasionally, reported information can be integrated directly into investigations already in progress.

Suspicious transaction reports in 'transit cases' are always handled by the Money Laundering Secretariat, as they have no personal or corporate links to Denmark (see section 5.3). In addition, the Money Laundering Steering Group (see section 1.3) has agreed that the Secretariat will handle reporting from lawyers for a transitional period. Together with the Danish Security Intelligence Service, the Secretariat deals with reports of suspected financing of terrorism (see section 1.4), while the Public Prosecutor's Investigation Section handles reports of transactions apparently related to the type of case that falls within the sphere of the Public Prosecutor for Serious Economic Crime.

The Public Prosecutor for Serious Economic Crime was established in 1973 to investigate and prosecute economic crime that is particularly extensive in scale, part of organised crime, uses characteristic business methods or otherwise qualifies for special attention. The Public Prosecutor's Office covers the country as a whole.

The Public Prosecutor's organisation comprises two investigating sections, a legal secretariat (under which the Money Laundering Secretariat is placed), an administrative section, an investigation support section (providing police support to investigations of extensive economic crime conducted in the police districts) and two small staff sections (IT support and innovation/operation).

1.2
The Public Prosecutor for
Serious Economic Crime,
organisation

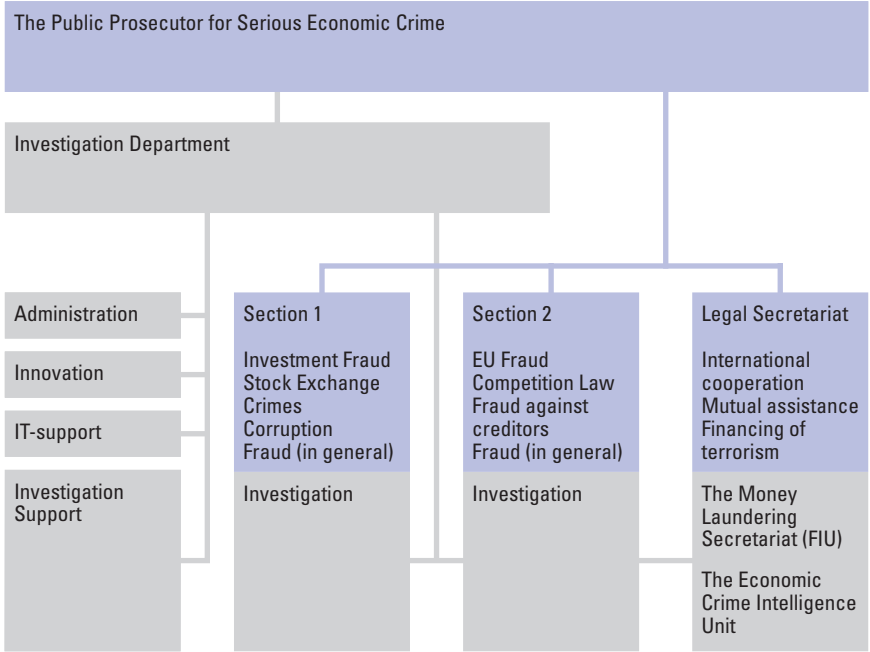


Fig 2
Organisational diagram

At the end of 2004, the Public Prosecutor's staff consisted of 23 prosecutors, 53 investigators and 10 administrative officers. Two prosecutors, seven investigators and one administrative officer are permanently affiliated with the Money Laundering Secretariat. Some also handle tasks for the Economic Intelligence Unit or the administrative section. The general staff assist the Money Laundering Secretariat with case work, analyses and interrogation support as required.

Close cooperation at national level to combat money laundering and financing of terrorism is crucial to ensure that Denmark achieves effective results and generally satisfies current international requirements in these areas.

The Ministry of Justice appointed a Money Laundering Steering Group in 1993, comprising representatives from the Association of Chiefs of Police, the Copenhagen Commissioner, the National Commissioner and the Public Prosecutor for Serious Economic Crime. The Steering Group meets twice a year to consider issues of general importance for the activity of the Money Laundering Secretariat and its interaction with police districts and other bodies. In addition, the Public Prosecutor has set up a contact scheme with the police districts, also covering money laundering issues.

The Money Laundering Secretariat also maintains close, ongoing collaboration with other public authorities and has frequently meetings with the Financial Supervisory Authority, which is the competent authority under the Money Laundering Act that supervises the majority of the reporting institutions. Furthermore, the Secretariat cooperates with the Commerce and Companies Agency, the authority responsible for registering company information and registering and supervising money remittance operations. Another key partner is the Central Customs and Tax Administration, which holds extensive financial data about persons and business enterprises and oversees the special duty under the Customs Act to alert the customs authorities to inflows and outflows of cash, etc.

The Money Laundering Secretariat collaborates on anti-terrorism financing with the Danish Security Intelligence Service, the Ministry of Foreign Affairs and the National Agency for Enterprise and Construction, the authority administering the EU regulations on the freezing of terror funds (see section 1.4. for collaboration on anti-terror issues).

In the private sector, the Money Laundering Secretariat is a member of the Money Laundering Group of the Danish Bankers' Association. The Financial Supervisory Authority also attends meetings of this group, so does the Agency for Enterprise and Construction when financing of terrorism issues are on the agenda. The group meets twice every year and shares information electronically between meetings. Discussion issues include questions of interpretation, and the Money Laundering Secretariat presents information about decisions, trends, etc. In addition, the Secretariat is in continuous contact with the Danish Bar and Law Society, which may receive reports from lawyers under the Money Laundering Act. The Secretariat collaborates with other bodies subject to the Act or their representatives on a non-structured, ad hoc basis. The Secretariat also operates a telephone service open to all entities liable to report who may call to discuss questionable transactions without disclosing the facts of specific cases.

In certain contexts, money laundering and financing of terrorism issues are considered on an ad hoc basis in a framework of broad, inter-ministerial collaboration. A working group under the inter-ministerial Contact Committee on Economic Crime has dealt with money laundering indicators for use by public authorities and with the EU funds freezing regulations, for example. Moreover, the Ministry of Justice Commission on Economic Crime and Computer Crime (the Brydesholt Commission), composed of representatives from both public authorities and the private sector, has also reviewed a range of money laundering issues, and published its Report No. 1447/2004 on anti-money laundering legislation in 2004. The Commission's proposals form part of the current revision of the Money Laundering Act, which is also based on the FATF's revised recommendations (see section 6.4) and the forthcoming new EU Money Laundering Directive (see section 6.6).

For the Secretariat's international collaboration, see sections 5.4, 5.5 and 6.

The Money Laundering Secretariat cooperates particularly closely with the Danish Security Intelligence Service on the handling of information concerning suspected financing of terrorism. Overall cooperation takes place in a steering group, which considers investigated cases and general questions. This group is also the national contact point for cooperation with Europol on combating the financing of terrorism. To the extent that specific investigations are required, the steering group appoints a project group, composed of representatives from the Money Laundering Secretariat and the Danish Security Intelligence Service, to conduct investigations based on guidelines determined by the steering group. The project group reports its results to the steering group at agreed intervals.

The steering group considers general issues such as the best way to inform various population groups of the rules applying to money remittance operations and the financing of terrorism. For example, the Danish Security Intelligence Service and the Public Prosecutor have worked with a number of special interest organisations to publish a leaflet in several languages entitled 'Your contribution can be misused'. It describes the Criminal Code provisions on the financing of terrorism and explains what citizens can do to make sure they do not donate contributions to non-profit organisations that are in reality used to finance terrorism. Work is also in progress to publish a similar leaflet for persons who are responsible for special cash transfers, see section 2.

A special aspect of the national collaboration effort to combat the financing of terrorism is the focus on international lists issued by the UN and the EU as well as public and classified lists from the USA and other countries concerning terror organisations, etc. All states are obliged to ensure that fund flows from their territory are not channelled into financing terrorism. In Denmark, this obligation is administered concretely by stipulating that funds detected in the financial system must be frozen if they belong to individuals or organisations figuring on the EU regulation lists (which do not include EU organisations or individuals). Such freezing measures are administered by the National Agency for Enterprise and Construction. In all other cases, funds are seized under the general rules of the Administration of Justice Act. The Money Laundering Secretariat, the Danish Security Intelligence Service and the Agency for Enterprise and Construction coordinate all activities related to the lists.

1.4
National collaboration on issues related to the financing of terrorism

The Money Laundering Secretariat distributes all terror lists to the financial sector (provided that they are in the public domain or the issuing country has sanctioned distribution) to promote reporting to the Secretariat, in case any customers' names match those on the lists. When information about suspected financing of terrorism is reported, the Secretariat determines if any funds have to be seized – which can be done instantly by telephone contact to the bank – and considers the investigative steps called for.

Funds have been seized in three cases in Denmark. One case is still pending, while investigations in the other two disproved the suspected financing of terrorism. In addition, in a fourth case, the Public Prosecutor for Serious Economic Crime made an agreement with an association under which bank deposits cannot be moved. Some of the reports are still being investigated, primarily to obtain better identity information.

Some of the risk areas that have attracted special attention in the international collaboration to prevent the financing of terrorism are money transmissions outside the regular banking system and cash couriers, etc. These areas were therefore subjected to special regulation in the Danish anti-terror law package in 2002.

All types of funds transfer activity were regulated in the Money Laundering Act, and a duty to register with the Public Prosecutor for Serious Economic Crime was introduced for all activities not overseen by the Financial Supervisory Authority. The Act has since been amended to transfer registration and to give supervision authority to the Commerce and Companies Agency. The Money Laundering Secretariat works with the Commerce and Companies Agency to identify money transmitters who are not yet aware of the rules and therefore have not registered.

A disclosure obligation has been incorporated into the Customs Act, requiring notification to the Customs and Tax Administration when cash sums etc. of a value exceeding EUR 15,000 are taken into or out of Denmark. The Customs and Tax Administration has also been authorised to control compliance with this requirement and to withhold undisclosed funds if they are suspected to be related to crime. The Money Laundering Secretariat cooperates with the customs and tax authorities and is informed continuously of funds withheld. It received 41 reports of such funds in 2004 (of which a total amount of approx. DKK 3.4 million had been seized).



2 Reporting in general

The following undertakings are now subject to the duty of reporting information under the Money Laundering Act or the Casino Act:

- 1 Individuals or credit and financial institutions exercising one or more of the activities set out in Appendix 1 as their main activity:
 - Acceptance of deposits and other repayable funds from the public,
 - Lending, including consumer credit, mortgage credit, factoring, discounting and financing of commercial transactions (including forfeiting),
 - Financial leasing,
 - Money transmission services,
 - Issuing and administering payment instruments (credit cards, travellers' cheques, banker's drafts),
 - Provision of security and guarantees,
 - Trading for own account or for account of customers in money market instruments (cheques, bills, certificates of deposit, etc.), foreign exchange, financial futures and options, exchange and interest rate instruments and transferable securities,
 - Participation in the issue of securities and the provision of services related to such issues,
 - Advice to undertakings on capital structure, industrial strategy and related questions, and advice and services relating to mergers and acquisitions,
 - Money broking.
 - Portfolio management and advice,
 - Safekeeping and administration of securities,
 - Safe custody services.
 - Investment funds (investment associations or special-purpose associations).
- 2 Life assurance companies and pension funds which fall within the scope of Danish Insurance Business Act.
- 3 Foreign credit institutions and financial institutions operating in Denmark through a branch office according to nos. 1) and 2) hereof, and
- 4 Danmarks Nationalbank, insofar as it exercises activities corresponding to those of the institutes specified in 1) hereof.
- 5 Lawyers, insofar as they
 - a) participate by providing assistance to clients or carrying out transactions for their clients in connection with purchase and sale of real property or companies, managing their clients' money, securities or other assets, opening or managing bank accounts, savings accounts, or securities accounts, raising the necessary capital for establishment, operation or management of companies, establishing, operating or managing investment associations, companies or similar structures, providing other business advice, or
 - b) on behalf of their client and at said client's expense carry out a financial transaction or a transaction concerning real property.
- 6 Auditors and tax consultants.
- 7 Real estate agents.
- 8 Insurance brokers.

2.1

Reporting institutions
and individuals

- 9 Retailers and auctioneers if the amount traded corresponds to EUR 15,000 or more and payment is made in cash.
- 10 Persons or undertakings who against payment provide services corresponding to those outlined in 5) – 8) hereof.
- 11 Undertakings that fall within the Danish Postal Services Act.
- 12 Undertakings that transfer money and other assets on a professional basis.
- 13 Undertakings that transport money on a professional basis.
- 14 Undertakings that are foreign exchange offices.
- 15 Casinos.

Information passed on in good faith to the police in connection with reporting is not considered a breach of any duty not to disclose information and does not impose any liability for such breach.

In a range of specified situations, reporting institutions and individuals are required to demand and file identity information along with the relevant transaction data.

The Money Laundering Secretariat also receives reports from public authorities, primarily the customs and tax authorities. In 1993, and again in 2000, the Central Customs and Tax Administration issued circulars to both central and local customs and tax authorities about their duty to report suspected money laundering transactions. As stated in section 1.4 above, the Money Laundering Secretariat is informed of contravention of the disclosure duty set out in the Customs Act, for example when large sums of cash are taken out of or into the country.

Currency exchange offices have been subject to the duty of reporting information since 1993, provided that exchange operations were their core activity. When the anti-terror law package was introduced in 2002, however, the application of this regulation was extended to all currency exchange operations, including the exchange activities of travel agencies, hotels and ferries.

Correspondingly, all money transfer operations were regulated in 2002, thus including the generally known alternative remittance systems like Western Union and MoneyGram. In addition, the regulation comprises other less known types of money remittance assistance, for example assistance provided to certain ethnic groups or remittance to one or several selected countries. In all probability, several money transmitting operations of this type have not yet been registered by the Commerce and Companies Agency, because they are unaware that they are subject to the Money Laundering Act. In international fora – particularly in relation to the financing of terrorism – there is great emphasis on ensuring that these alternative remittance systems (ARS) cannot be misused to launder money or finance terrorism. The member countries seek to provide mutual assistance by reporting information whenever they become aware of entities that carry out such operations in another country. The concern is not that such systems exist, but rather the lack of knowledge of them and thus the lack of access to control.

Alternative Remittance Systems (ARS)

Several ARS entities are associated with certain ethnic groups or countries and have special names like Hundi, Hawala, Fei-Chien, Al Baracat and Chitti, even though their operations are essentially the same. Expressions like 'underground banking' or 'parallel banking' are also used with about ARS.

However, the regulation applies not only to systems with a known name, but also to individuals, for example individuals who assist 20–30 persons with money remittance via that individual's own bank account (a so-called collection account), passing on the funds to an intermediary in another country, who is informed of the intended recipient(s).

The remittance may be carried out fully or partly through banks, by cash couriers, by exchanging claims, by under- or over-invoicing supplies of goods, etc. In a Danish case, for example, the funds were transmitted (via a bank or by a courier) to London, while the further transfer to Pakistan was made by an exchange of claims.

The core of all operations is a system whereby people pay money to a person in their country of residence informing him of the recipient in another country. Using his contact network, the intermediary then ensures that the funds reach the intended recipient.

It is a characteristic feature of forwarded information that the reporting institution or individual has become suspicious that the intention of a transaction is money laundering or terror financing. If this suspicion cannot be disproved, it must be reported. Thus, the suspicion of the reporting institution or individual is not normally corroborated or related to a specific type of crime.

In the case of suspected money laundering, the reporting duty under the Money Laundering Act takes effect as soon as an amount is suspected to be the proceeds of crime. In practice, it is rather a question of reacting to non-typical aspects of a customer relationship. This was also indicated in the preparatory notes to the Money Laundering Bill, which – in addition to describing some specific indicators – expressed the purpose as follows:

“Situations may arise in which it will be difficult for the particular employee to assess whether a transaction involves money laundering.

The intention is not, however, to make the particular employee assess the type of underlying crime involved. Such an assessment will require legal (criminal law) expertise and, in addition, fall significantly outside the tasks and functions performed by the staff of financial institutions.

2.2

Content and timing of
suspicious transaction reports

In the concrete situation, the suspicion and possible reporting of a transaction should be based on assessments of the character of the transactions and their deviation from normal customer transactions, concealment and other peculiar, non-typical conditions of the customer, which may as a whole attract attention to a potential attempt to disguise the origin of the funds, which may be assumed to be of a criminal nature.”

In relation to the financing of terrorism, the reporting duty takes effect when it is suspected (for example due to name matches with a terror list, see section 1.4) that such financing is the purpose, regardless of whether the funds in question are believed to originate from lawful or unlawful activity.

As regards the duty to report suspected money laundering, it follows from section 10 of the Money Laundering Act that the transaction has to be suspended until the Public Prosecutor for Serious Economic Crime has been informed, in case the suspicion cannot be disproved. In case it seems impossible to refrain from carrying through the transaction, or suspension may obstruct the prosecution of the persons who stand to benefit from the transaction, the case must be reported immediately after completion of the transaction.

This possibility of completing a suspicious transaction does not exist if the transaction is suspected to be related to the financing of terrorism. In that case, section 10(a) of the Money Laundering Act prescribes that a transaction from the account or person in question may only be carried out subject to the consent of the Public Prosecutor for Serious Economic Crime. The Money Laundering Secretariat can therefore be contacted around the clock.

Reports to the Money Laundering Secretariat are forwarded directly in most cases. Lawyers may decide to report through the Danish Bar and Law Society, however. Casinos forward reports via the local police service, using special controllers.

3 Money laundering and examples of indicators and cases

Money laundering is defined in the Money Laundering Act as the conversion, transfer, acquisition, possession or other use of assets, or suppression or concealment of their nature, origin, location, movements and ownership, and attempts at or participation in such activities with the knowledge or presumption that the assets originate from activities that violate the Danish Criminal Code. The Act also encompasses the perpetrator of the crime from which the proceeds derive.

Money laundering is covered in criminal law by section 290 of the Danish Criminal Code on the acquisition of proceeds obtained by punishable violation of the law. The criminal law regulations do not extend to the person committing the crime from which the proceeds derive.

Money laundering is often mentioned in connection with drug crime because originally, the target of money laundering regulation was combating this type of crime. Today, the regulation applies to all types of serious crime. A look at the Danish reports shows that more than half of the related decisions concern economic crime (including tax, customs and excise crime).

A characteristic feature of many types of money laundering, regardless of the underlying type of crime, is that their purpose is to alter the identity of the proceeds so, at some point in time, they may gain the appearance of lawful funds or assets. This type of money laundering can be divided into three stages:

Placement

- I The physical disposal of the cash proceeds derived from illegal activity.

Layering

- II Separation of the illicit proceeds from their origin through complex financial transactions to hide the audit trail and achieve anonymity. The process may entail the purchase and sale of securities, real estate or goods.

Integration

- III Return to the perpetrator's assets in a form in which the proceeds have been converted into funds that appear to be lawful.

The following examples illustrate the process:

Placement	Layering	Integration
Cash is deposited in a bank (possibly mixed with funds generated through lawful activities).	International wire transfers (often using shell companies (with no true activities), or the funds are masked as proceeds of lawful dealings).	Repatriation as payment for (fictitious) loans or payment of (fictitious) invoices.
Cash is taken out of the country.	Cash is deposited in a foreign bank.	A complex network of national and international transfers that makes it almost impossible to trace the original source of the funds.
Cash is used to buy high-value goods, real estate or assets for business activities.	Resale of the purchased goods/assets.	Income from real estate or legal activities appears to be lawful.

Fig 3
The three stages of money laundering

Cash moved to another country or exchanged into foreign currency is an example of the first stage of money laundering. A complex process of concealment is thus not necessary for a transaction to be considered money laundering.

There are countless ways of laundering money. A few examples from money laundering processes are listed below:

- Proceeds can be used to buy foreign currency, which is transferred to offshore banks worldwide.
- Money can be deposited abroad and used to pay for overpriced goods.
- A number of front men/middlemen are used for complex financial transactions.
- Cars, boats and real estate are purchased in cash in the names of the front men and subsequently borrowed/leased.
- Money is smuggled out of the country by courier and then returned as fictitious loans.
- Proceeds are transported by courier and as transfers of small sums and collected in a foreign account.

The concept of money laundering indicators encompasses various features typical of money laundering cases, and to which special attention should therefore be paid. Many of these indicators will also feature in fully legal transactions. The purpose of the indicators is thus not to identify money laundering transactions, but to pinpoint situations where there is reason to be extra alert and to think 'in money laundering terms'.

The following are just a few examples of indicators:

Reluctance to supply information

- 1 Unwillingness to provide identity information and references.
- 2 None or limited information about the origin of the funds.
- 3 Unwillingness to provide documentation that the funds derive from an inheritance, gaming, etc., as stated.
- 4 In cases of large loans from abroad, the lender allegedly wishes to remain anonymous.

Atypical person

- 1 The manager of a company appears to be totally lacking in business experience. The authorised representative of a company is always accompanied by a person
- 2 who stays in the background. The transacting person reads everything from a piece of paper and cannot
- 3 answer supplementary questions.

Atypical payments

- 1 Cash used to pay for expensive goods or services or to settle large tax and VAT payments.
- 2 Sudden payment of non-due debt or long-overdue debt.
- 3 Payment via countries that are atypical relative to the item being paid for.
- 4 Payment to countries with no connection whatsoever to the deal or the seller.

Large cash sums

- 1 Large cash sums paid for foreign currency purchases.
- 2 Deposit of numerous cash amounts not commensurate with the person's occupation.
- 3 Atypically high revenues recorded by a company that often pays in cash.

Miscellaneous

- 1 Indications that a company is under- or over-invoicing.
- 2 Sudden changes in countries from which the company receives money, with no explanation.
- 3 Invoicing in atypical currencies or via atypical intermediaries.
- 4 Many transactions with drug producing countries, tax havens or similar.
- 5 Income from undocumented foreign activities (companies, consulting fees, etc.)
- 6 Substantial transactions involving securities in which the buyer or seller is unknown, or where the size, nature or frequency of transactions seems unusual.

As mentioned earlier, the above are just a few examples of indicators, and the relevance of indicators may vary greatly for the different groups of reporting institutions and individuals.

Cases in which proceeds have been laundered or laundering attempts made can differ as greatly as any other type of crime. Some Danish and international cases are described below and in sections 5.2 to 5.4. Frequently, money laundering is discovered as soon as the person committing a criminal offence wishes to exchange, deposit or transfer the proceeds. In others, money laundering is not detected until later, as in the following examples:

Over a five-year period, T invested approx. DKK 1.5 million in real estate and restaurant businesses. Investigation revealed that on several occasions, T had paid large cash sums into his bank account and to his lawyer. However, the sums did not appear to derive from T's salary or from other lawful income. The investigation also showed that a close relative of T had previously been convicted of serious smuggling. There was a reasonable suspicion that the relative, who had died, had smuggled drugs.

The district court found T guilty of serious handling of stolen goods as regards the DKK 1.5 million that had been invested (and a further attempt at handling stolen goods as regards 400 kg of cannabis). T was sentenced to three years imprisonment. The case is being appealed.

A conviction for handling stolen goods (money laundering) does not depend on the origin of the proceeds of the crime being established, but obviously, information must exist to indicate that the money is presumably the proceeds of crime. The following is an example of such a case:

T was convicted of attempted particularly aggravated receiving of stolen goods after trying to launder the amounts stated below by transporting cash sums, making deposits in Danish and international bank accounts, and storing money. The sums were presumed to be the proceeds of crime about which T, who was to have received a considerable commission, had knowledge or a definite presumption:

- 1 X transferred approx. USD 65,000 to T's Danish account via a bank in Peru, and approx. USD 90,000 was forwarded to T's Danish account from a bank in Latvia. The sums were to be passed on by intermediaries, including Y from England, whom T was to meet at Copenhagen airport and hand over USD 73,000 USD to him.
The hand-over was prevented when T was arrested.
- 2 T was preparing to travel to Germany, where he was to receive approx. EUR 85,000 from a person, after which T was to pass on the money after further instruction. The arrest of T prevented this.
The USD 73,000 in T's possession on arrest was confiscated.

The Money Laundering Secretariat has handled several cases in which a series of complex international money transactions were intended to conceal the origin of the funds. In the majority of cases, the link with Denmark was victims in Denmark who had made payments, typically in connection with investment fraud. These are therefore normally cases in which the Secretariat provides mutual assistance to the foreign authority handling the case, or in which the Secretariat itself opens a fraud case and seizes the proceeds while they are still deposited in a known account. The Secretariat may have received information about the account from the victim or a foreign FIU that has been informed by a bank involved in the transactions. These cases are not typically dealt with in Denmark, but integrated at some point in a case in the country where the perpetrators are.

The following is an example of this type, in which it has not yet been decided who is to handle the interrelated cases, or whether they are to be split up for prosecution separately:

A Spanish-based company approached European investors regarding investment in foreign shares. Payment was made to an account in Austria to which two US citizens resident in Spain had signing authority. Over a two-year period, USD 43 million was paid into the account and transferred to various tax havens. A new company started contacting investors, including Danes, and, under the pretext that it was acting on behalf of a potential buyer, offered to buy the shares allegedly invested in for a favourable price against the deposit of USD 250,000 to cover a (non-existing) fee. One investor then paid approx. USD 100,000 into an account in an East European country. The Money Laundering Secretariat was informed by the FIU of the East European country that had initiated a laundering investigation concerning the use of the account, and subsequently seized the USD 100,000 as proceeds of fraud.

At present, the three suspects in the first part of the case have been extradited from Spain to Germany, which will probably only prosecute the part of the fraud that relates to German investors. The issue of the further handling of the case is being discussed at Interpol meetings.

Another pending case concerns Danish accounts opened and used by a professional money laundering unit. Fortunately, several Danish and international banks reacted when they discovered atypical elements in the sequence of events and submitted reports to their respective FIUs. The case is described section 5.3 on pending transit cases.

In some cases, money laundering is introduced primarily as an ordinary part of the evidence. The following are examples of cases in which the Secretariat has only offered practical assistance for obtaining information about money transfers:

- 1 In a case involving six people convicted of procuring and human trafficking, the Secretariat obtained information about two persons' money transfers made to and received in an East European country for use as evidence relating to the extent of the crime.
- 2 In a case involving two people convicted for extensive drug crime, the Secretariat obtained information about international money transfers by certain people. It proved that over a period of time, transfers had been made to regions such as South America and Africa.
- 3 In a case in which one person to date has been convicted of fraudulent Internet trading and forging identity cards, the Secretariat obtained information about money transfers, including some to East Europe. One discovery was that false names had been used for some transfers.



4 Financing of terrorism and examples of indicators

Terrorists need money to operate. The financing of terrorists thus directly or indirectly enables terrorism. Terrorist organisations need to secure available funds for everything they need to carry out terror activities. To succeed, terrorist organisations have to build and maintain an efficient financial infrastructure by developing funding sources and methods to conceal the link between these funds and the activities they support.

Sources of funds for financing terrorist activities can be payments from a state or wealthy individual. Funds can also take the shape of proceeds of crime (drug trafficking, robberies, smuggling or the sale of counterfeit goods). Another source can be money allegedly collected for a good cause but applied partially or wholly towards terrorist activities.

Financing of terrorism is a punishable offence under the terms of section 114a of the Danish Criminal Code. According to this provision, it is forbidden directly or indirectly to provide financial support to, procure or collect funds for or place money, other assets or financial or other similar services at the disposal of terrorists.

Normally, it is very difficult to detect and investigate the financing of terrorism. In the past few years, international focus has been particularly directed at achieving greater transparency of the systems known to be used. Examples of such systems are Alternative Remittance Systems (cf. section 2.1), fund-raising campaigns for charities and similar non-profit organisations (NPOs) and the issue of including sender information in electronic transfers.

Several of the indicators that have been drawn up are to a certain extent identical with the money laundering indicators, see the examples in section 3.

The following are examples of indicators drawn up by the members of FATF (see section 6.4):

Accounts

- 1 Opening an account on the basis of information that is misleading or difficult to verify.
- 2 An account, for which several persons have signature authority, yet these persons appear to have no relation among each other (either family ties or business relationship).
- 3 An account opened in the name of a recently formed legal entity and in which a higher than expected level of deposits are made in comparison with the income of the founders of the entity.

Account deposits and withdrawals

- 1 A dormant account containing a minimal sum suddenly receives a deposit or series of deposits, followed by daily withdrawals until the transferred sum has been removed.
- 2 Large cash withdrawals made from a business account not normally associated with cash transactions.
- 3 Deposits in different branches of a bank.

The customer

- 1 Stated occupational status of the customer is not commensurate with the level or type of activity (for example, a student or an unemployed individual who receives or sends large numbers of wire transfers, or who makes daily maximum cash withdrawals at multiple locations over a wide geographic area).
- 2 The financial transactions of non-profit organisations for which there appears to be no logical economic purpose, or in which there appears to be no link between the stated activity of the NPO and the other parties in the transaction.
- 3 Unexplained inconsistencies arising from the process of identifying or verifying the customer (for example, country of residence, country of issue of the passport, countries visited according to the passport and documents furnished to confirm name, address and date of birth).

As can be seen, the majority of reports are submitted by banks, foreign exchange offices and money remittance operators. There was apparently a large increase (about 30 %) compared with 2003, but the graph also shows great fluctuations in the number of annual reports submitted.

As regards lawyers and auditors in particular, it should be noted that the above figures relate only to reports pursuant to the Money Laundering Act. Information about potential criminal offences is also received from lawyers in their capacity as trustees (under section 10 of the Danish Insolvency Act) and from auditors concerning serious economic crime committed by executive staff in connection with duties performed for their company (under section 10 of the State Authorised Public Accountants Act).

The Money Laundering Secretariat registers the geographic affiliation of the reports received (country and region), in terms of the countries of the sending and receiving parties and the nationality of the transacting party. One of the purposes is to identify any significant differences in order to urge further investigation of reports relating to the area in question.

The following are the regional figures for the past five years:

Region	2000	2001	2002	2003	2004	Total
Western Europe	29	56	97	89	103	374
Eastern Europe	20	17	17	16	25	95
North America	3	8	17	14	8	50
Central and South America	0	3	0	11	8	22
Africa	6	56	37	37	23	159
Middle East and Asia	23	119	111	104	33	390
Australia	1	1	1	2	2	7

Fig 6
STRs 2000–2004,
geographical distribution

The high figures for the Middle East and Asia in 2001 should be seen in light of the numerous initiatives against terrorism and terrorism financing launched in 2001. In that year, the many lists containing partially incomplete identity information could give rise to questions of doubt.

On the basis of the information received, the Money Laundering Secretariat also registers reports that have led to or formed part of decisions. The following figures relate to Danish decisions only. Limited feedback is received on reports leading to or used in decisions made in other countries.

The figures are consolidated figures from 1994 onwards:

Type of decision	Persons	Reports
Judicial decisions	99	91
Fines imposed	3	3
Administrative fines	3	3
Other administrative decisions	8	13
Total	113	110

Fig 7
STRs 1994-2004,
Danish decisions

Of the reports received, 110 led to Danish decisions involving 113 persons.

At 31 December 2004, the Money Laundering Secretariat had received feedback about charges (but not yet about decisions) or had not yet received feedback concerning 890 reports (approx. 26.7% of all reports). In approximately 5.3% of fully investigated reports, the police concluded that the reported circumstances were lawful.

About 4.5% of the fully investigated reports resulted in Danish decisions. Additionally, in some cases, the investigation led to the detection of crime not directly related to the report, plus an unknown number of international cases, as mentioned earlier.

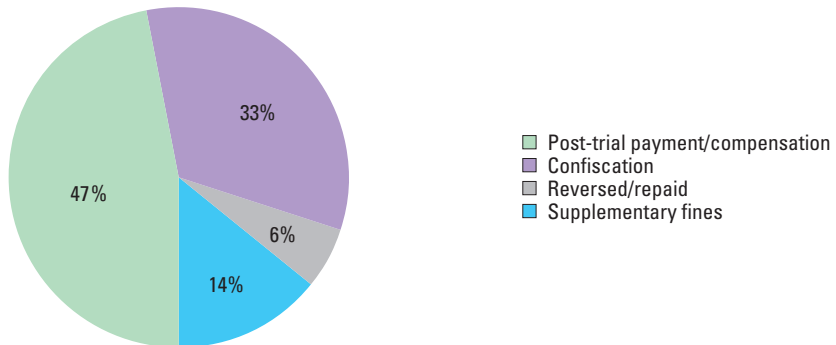
The decisions relate to the following types of crime:

Fig 8
STRs,
types of crime

	Persons
Drugs	35
Acquisitive (excl. fiscal)	38
Fiscal (incl. section 289 of the Danish Criminal Code)	33
Other	7
Total	113

Some of the 113 persons had their gains confiscated or were sentenced to supplementary fines instead of confiscation. Other supplementary fines were imposed for intentional but not achieved enrichment or in addition to post-trial payment corresponding to the gains. The statistics show only the confiscation of proceeds and therefore include only supplementary fines that recover the gains actually achieved. In all, DKK 180.4 million of the confiscated proceeds was recovered in some way. The percentage distribution is as follows:

Fig 9
Distribution of decisions



Other notable cases from 2004 in addition to those referred to in section 3 include:

5.2
Case examples
from 2004

The Money Laundering Secretariat received a report from a bank concerning T, into whose account a series of unusual electronic payments had been made, amounting to DKK 200,000 in total. The payments, made over several months by the same entity, had been transferred from an account held by a company in which T was in charge of the bookkeeping and accounting functions, etc. T was known from another case of fraud, embezzlement, etc., in the amount of approx. DKK 2 million, committed at a previous place of employment. T was also known in connection with an earlier report by a casino. T was convicted of forgery, embezzlement and fraud.

The Money Laundering Secretariat received a report from a bank concerning a company that had gone into receivership. It was ascertained that payment of an amount running into millions did not originate from the stated source. The sum was paid in cash and transferred to another bank the following day. The report formed part of an investigation that led to the conviction of T for extensive VAT and excise duty fraud.

The Money Laundering Secretariat received a report from a bank concerning an accounting manager who transferred various sums from the company to his own account in another financial institution via the company's home banking system. The amounts were transferred as prizes. False accounting records for the transfers were prepared and booked in the company. Over a period of about six months, the accounting manager transferred about DKK 1.5 million. The accounting manager admitted to embezzlement. The case is still pending.

In connection with a pending investigation concerning numerous incidents of pickpocketing and shop thefts, plus withdrawals from cash dispensers following PIN code detection, at the request of the police district, the Money Laundering Secretariat obtained information about money transfers by certain persons to a certain area of Eastern Europe. The information showed that the persons had carried out money transfers and it could thus be proved that they had been in possession of funds.

The Secretariat simultaneously received reports from several money remittance operators about money transfers to the same area in Eastern Europe. The individual transfers varied in size but were generally under DKK 10,000. Some people had made several transfers on the same day. Different people had made transfers to the same receiving party abroad. Several senders had disclosed fictitious addresses or addresses of public institutions, companies or hotels which they typically had not used consistently through that year.

Quite a few names coincided with those of people from the particular area in East Europe who were known in connection with convictions of theft and had previously received entry prohibitions in Denmark. This information forms part of the pending investigation.

The Money Laundering Secretariat received a report from a bank concerning a sum of foreign currency equal to several million kroner. The amount had been transferred to the bank with a request for it to be paid into T's account with the bank. It had been transferred from an Asian bank to a company that was not a customer of the bank, and accordingly the bank initially refused to accept the amount. The bank was unaware that T and X co-owned the company. At the company's request, the amount was accepted and deposited in T's account. Information provided by T to the bank and the police about the origin of the funds was highly inconsistent. The company has subsequently gone into receivership. According to information in the case, the name of a public person had been misused in an attempt to trick a person abroad into depositing a significant sum of money into T's account. The foreign currency has been seized. The case is still pending.

The Money Laundering Secretariat received a report from a bank concerning an expatriate Dane (T) resident in Western Europe who had had minor dealings with the bank. T now had millions of US dollars transferred from a company in Asia to his account. The bank had requested documentation and information about the underlying transactions, which T promised to supply as soon as possible. T immediately started passing on the transferred funds, transferring sums of varying amounts to a number of people and companies in various countries worldwide. T did not produce documentation. When the report was received, the remaining balance of approx. USD 24 million was seized. The subsequent investigation turned up information and documentation proving that the transferred funds were a loan from an Asian company whose board of directors and management board were persons resident in the Middle East. The investigation has shown that the funds presumably derive from the fraudulent sale of securities in the US. The funds had been transferred from the US to the company in Asia and from there to T's account on the basis of a loan agreement. Collaboration has been established with the US, where the fraud and forgery case is being investigated. The funds have been seized in Denmark on suspicion of money laundering of the proceeds of the crime. The case is still pending.

5.3
Transit cases

The Money Laundering Secretariat handles all transit cases; that is, cases where neither the persons nor the company involved have any association with Denmark. These cases also comprise currency exchanges carried out by people temporarily resident in Denmark, including tourists, etc. In 2004, 31 transit cases were reported.

The following geographic distribution is based on the main transaction criteria. Other countries may be involved, for example, the country of citizenship of the transacting person or the country where the transacting company is domiciled. Depending on the nature of the transaction, some transit cases are registered under more than one country.

The percentage distribution (1997-2004) by Western Europe, Eastern Europe, the USA and other countries is as follows:

- Western Europe 57 %
- Eastern Europe 14 %
- The USA 7 %
- Other countries 22 %

The number of transit cases varies greatly. Distribution by year is shown graphically below:

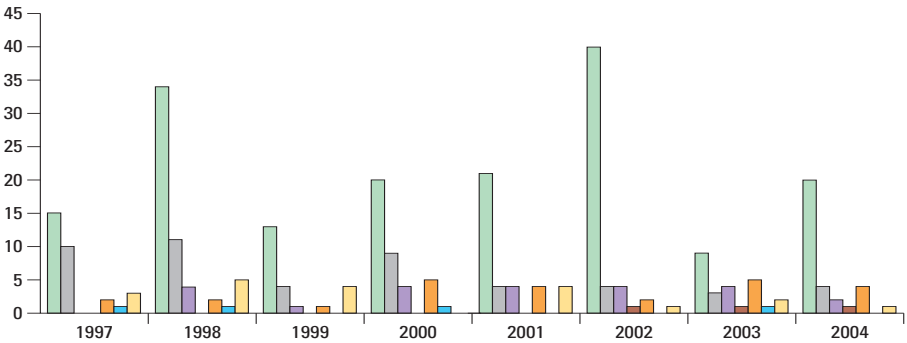


Fig 10
Transit cases,
geographical distribution

Denmark is used in a professional money laundering system in one of the transit cases handled by the Money Laundering Secretariat, as mentioned in section 3.

This particular case involves two Israeli citizens (a middle-aged married couple) who almost simultaneously opened accounts in two different Danish banks, referring to the fact that they intended to buy real property in Denmark. At one point, a third Israeli citizen had signing authority for one account and he was present with the other two account holders when the second account was opened. Subsequently, EUR 400,000 was transferred from the Ukraine to one of the accounts. Furthermore, an amount of EUR 1.4 million was transferred to the second account from the Ukraine but via the Netherlands. Following transfer requests from Cyprus and other countries, the money was transferred to the Netherlands (to one bank), Austria (to two banks) and Germany (to four banks). The Danish banks forwarded reports, and the Money Laundering Secretariat has worked on the case with several countries (whose FIUs have also received national reports). Many more countries are involved in investigating other transactions unrelated to Denmark. Apparently the purpose was to professionally launder the proceeds of organised crime in East Europe, controlled by a company in Israel formally engaged in ordinary commercial activities.

5.4

International case
collaboration

Every year, the Money Laundering Secretariat receives numerous money laundering and/or financial of terrorism-related enquires from abroad, a total of 143 in 2004. The Secretariat itself submits many enquiries to authorities abroad, and in 2004 its enquiries included all the transit cases mentioned in section 5.3. In addition, the Secretariat handles a substantial number of enquiries to and from the Public Prosecutor's Economic Intelligence Unit relating to the placement of proceeds of crime. In 2004, as in previous years, some of the enquiries – particularly those relating to terrorism financing – concerned a significant number of persons and companies and were very time consuming.

Some enquiries lead to investigation in Denmark. Others relate to persons who have been the subject of a previous Danish money laundering report, but where the police were unable to make further progress in the case investigations at the time.

In other cases, collaboration arises in connection with Danish investigations following receipt of a report, as in the case outlined in section 5.2, in which the Public Prosecutor for Serious Economic Crime seized about USD 24 million and a fraud case is pending in the USA. In other instances, collaboration arises when the FIUs of several other countries receive national money laundering reports, like the transit case mentioned in section 5.3.

International collaboration on money laundering cases is crucial because money laundering is widely carried out in a cross-border context. Enquiries from abroad are accorded high priority.

The following are further examples of cases worthy of mention, in addition to those referred to in sections 3, 5.2 and 5.3:

An enquiry was received from abroad concerning a sum deposited in a foreign business account opened by a person who had presented a Danish passport as proof of identity. The amount derived from a false payment into an account. A letter had been stolen while in the post and after various adjustments, including one to an enclosed payment order, it had been forwarded.

Another enquiry concerned the exchange of approx. DKK 2 million into euro by a foreign citizen, who had explained that the money derived from the sale of cars to Denmark. One of the persons involved was known from a previous Danish money laundering report. The stated car buyer was unemployed, and he was not registered as a car-owner.

5.5

International collaboration
in general

As part of ordinary international cooperation, the Money Laundering Secretariat received visits by two major delegations from the Ukraine and Bulgaria in 2004. The purpose was to inform them about the Secretariat's structure and activities as well as the legal regulations introduced by Denmark to ensure compliance with international requirements in the area. The parties also discussed bilateral collaboration and the problems of international cooperation in general.

In 2004, staff from the Money Laundering Secretariat attended several meetings of the Phare Twinning project 'Combating Money Laundering' in Bulgaria. In their capacity as experts, they explained about anti-money laundering measures in Denmark from the viewpoints of the police and the prosecution service.

In the autumn, the Secretariat furthermore reviewed the Commission's proposal for a third money laundering directive at the The Sofia Summit of FIUs in Bulgaria. Representatives of the Money Laundering Secretariat also took part in the EU expert working groups on the combat of the financing of terrorism and on illegal logging and money laundering. The presentations jointly prepared for the latter meeting by the Danish Nature and Forest Agency and the Money Laundering Secretariat considered this specific problem from a broader perspective, including how well the money laundering rules are suited to help prevent serious environmental crime, and whether indicators can be drafted.

Under the CARDS programme introduced by the Council of Europe and the EU Commission, the Money Laundering Secretariat conducted a horizontal analysis of the extent to which the systems of seven Balkan states complied with international standards of financial investigation and confiscation. The results were presented at a seminar in Albania.

An employee of the Money Laundering Secretariat who had been seconded to the Moneyval Secretariat of the Council of Europe for seven months in 2003 and had headed the evaluating delegation's visits to Azerbaijan, Armenia, Albania and Serbia and Montenegro, participated in three Moneyval plenary meetings, presenting and discussing the evaluation reports for these countries.

Furthermore, representatives of the Public Prosecutor for Serious Economic Crime take part in corruption evaluations, which also address money laundering in this area.



6 Participation in international fora in 2004

6.1

Interpol and Europol

The two special police cooperation fora – Interpol and Europol – are also involved in the effort to fight money laundering and the financing of terrorism.

Representatives of the Money Laundering Secretariat take part in the work of both these fora, contributing information to their initiatives, particularly to Europol's analyses of terrorism financing. The Secretariat's participation in money laundering analyses is expected to be expanded in 2005 in connection with Denmark's ratification of the protocols of the Europol Convention.

Further information about Interpol's activities can be found on www.interpol.int

Information about Europol is available on www.europol.eu.int

6.2

The Baltic Sea Task Force

The Baltic Sea Task Force is a cooperation forum for Estonia, Denmark, Finland, Iceland, Latvia, Lithuania, Norway, Poland, Russia, Sweden and Germany, with the EU Commission as observer.

Among other things, the task force implements a significant number of joint operations at bi- and multilateral level. The focus of cooperation is currently the following criminal areas:

- Controlled drugs
- Trade in stolen vehicles
- Trafficking in women
- Highly taxed goods
- Money laundering
- Illegal migration
- International gangs
- Environmental crime

The Money Laundering Secretariat takes part in the task force's money laundering initiatives, including sharing experience and training in analytical methods.

Further information about this cooperation is available on www.balticseataskforce.fi

6.3

The Egmont Group

The Money Laundering Secretariat is a member of the Egmont Group, a cooperation forum of 94 FIUs, see Appendix 2. Today, it is a recognised international requirement for all countries to have an FIU to handle the same general tasks as the Money Laundering Secretariat. New units continue to be established and apply for membership of the Egmont Group, and at their annual plenary meeting, the FIU heads decide whether to officially recognise new FIUs as members.

Appendix 1 The Money Laundering Act

The Act on Measures to Prevent Money Laundering and Financing of Terrorism

(Consolidated Act No. 132 of 1 March 2005)

This is an unofficial translation based on the latest official Consolidated Act No. 129 of 23 February 2004. Only the Danish document has legal validity.

1.-(1) This Act shall apply to the following undertakings:

- 1) individuals or credit and financial institutions exercising one or more of the activities set out in Appendix 1 as their main activity,
- 2) life assurance companies and pension funds which fall within the scope of the Danish Insurance Business Act,
- 3) foreign credit institutions and financial institutions operating in Denmark through a branch office according to nos. 1) and 2) hereof, and
- 4) Danmarks Nationalbank, insofar as it exercises activities corresponding to those of the institutes specified in no. 1 hereof.

(2) This Act shall also apply to

- 1) lawyers, insofar as they
 - a) participate by providing assistance to clients or carrying out transactions for their clients in connection with purchase and sales of real property or companies; managing their clients' money, securities, or other assets; opening or managing bank accounts, savings accounts, or securities accounts; raising the necessary capital for establishment, operation, or management of companies; establishing, operating, or managing investment associations, companies, or similar structures; providing other business advice; or
 - b) on behalf of their client and at said client's expense carry out a financial transaction or a transaction concerning real property,
- 2) auditors and tax consultants,
- 3) real estate agents,
- 4) insurance brokers,
- 5) retailers and auctioneers if the amount traded corresponds to EUR 15,000 or more and payment is made in cash,
- 6) persons or undertakings who against payment provide services corresponding to those outlined in nos. 1-4 hereof.

(3) Sections 4-6, 9, and 10-10 b shall also apply to undertakings which

- 1) fall within the Danish Postal Services Act,
- 2) transfer money and other assets on a professional basis,
- 3) transport money on a professional basis,
- 4) are foreign exchange offices.

(4) Undertakings which fall within the scope of section 1(1), nos. 1-3, and section 1(3) of this Act shall, insofar as their activities involve transfer of money and other assets, be registered with the Commerce and Companies Agency in order to be legally entitled to carry out such activity. The Commerce and Companies Agency shall ensure that the said undertakings comply with the obligations imposed on them by this Act. This shall not apply to undertakings which are subject to supervision by the Danish Financial Supervisory Authority.

(5) The Commerce and Companies Agency may engage external assistance for supervision according to subsection (4) above.

(6) The Commerce and Companies Agency may specify rules in respect of the undertakings set out in subsection (4) above concerning notification, registration and publication, including rules on the information they have to register, and the data which

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