



**NATIONAL RISK  
ASSESSMENT ON  
TERRORIST  
FINANCING IN  
DENMARK 2019**

# Preface

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This risk assessment has been prepared on the basis of the valuable feedback which Denmark received from the Financial Action Task Force (FATF) in the 2017 mutual evaluation report for Denmark.

The vision of the Danish Security and Intelligence Service (PET) is to be an analysis-based intelligence and security service. Thus, PET would like to emphasize the positive influence of the feedback on PET's methodological and analytical approach to the work of developing a risk picture for 2019. The feedback highlighted some recommended actions, which PET has noted and which form the basis of the analytical work put into the "*National risk assessment on terrorist financing in Denmark 2019*" (NRA TF). PET has learned many valuable lessons during the process. But we do not stop here – we have bigger ambitions. In the light of our vision, the lessons learned from the process must now be used to further develop and strengthen the analytical as well as preventive efforts.

## **Focal point: Sharing is essential**

The "*National strategy to combat money laundering and terrorist financing 2018-2021*" was presented in September 2018. The strategy provides a framework for the efforts of public authorities and private actors to prevent and combat terrorist financing. While preparing the risk picture for 2019, PET regularly provided information and discussed progress, subconclusions and main conclusions within the Money Laundering Forum and with selected private actors. PET would like to further develop this cooperation in 2020 and the years ahead in order to combat terrorist financing more effectively. An area which, in PET's assessment, has great untapped potential is that of dedicated operational decision-making forums set up to ensure that information held by public authorities, private actors and trade organizations is put to even better use.

## **Thank you for your participation**

PET would like to thank all parties involved in the preparation of NRA TF. PET looks forward to visiting authorities and private actors and thereby contributing to the risk picture for 2019 becoming a value-adding product.

Sincerely,  
PET

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# Chapter 1: Summary

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The purpose of the “*National risk assessment on terrorist financing in Denmark 2019*” (NRA TF) is to assess the risk of terrorist financing in Denmark and identify, analyze and assess the risks which affect it.

The risk picture for 2019 is an analytical snapshot, which reflects the issues and focus areas which currently dominate the field of terrorist financing in Denmark. The risk picture for 2019 identifies 30 risk areas. The 30 risk areas have been analyzed and prioritized, and PET has assessed the perspectives for these areas.

The risk picture for 2019 has been developed on the basis of an analytical review of collected data concerning terrorist financing inquiries and investigations between 2016 and 2018. In addition, the risk picture for 2019 is based on collected empirical data from risk meetings with selected public authorities and private sector stakeholders.

## **The ambition of the 2019 risk picture design is to:**

- Identify the areas that pose a minor or major risk of terrorist financing in Denmark.
- Ensure a risk-based approach to combating terrorist financing in Denmark.
- Create a risk-based and solution-oriented framework for future dialogue with public authorities and private actors, including trade organizations.

The identification and assessment of relevant risk areas are a step towards ensuring a risk-based and solution-oriented approach to combating terrorist financing in Denmark. The risk assessment may contribute to the relevant authorities initiating adequate and suitable measures to combat terrorist financing. At the same time, the risk assessment points to the areas where cooperation between relevant authorities and private actors is needed. In addition, the NRA TF may be presented to private actors in order to raise awareness of areas that are particularly vulnerable to terrorist financing.

## Main report: NRA TF

- An introduction to the national risk picture for 2019.
- The main report will be available to the public.
- It will be translated into English and distributed to relevant international organizations, such as the FATF.
- The main report is based on terrorist financing inquiries (TF inquiries), which cover:
  - Examinations of TFR/STR/SAR<sup>2</sup> submitted by the Money Laundering Secretariat under SØIK<sup>3</sup> (for an explanation of the abbreviations, see the section on underlying data in chapter 3).
  - Terrorist financing cases launched on PET's own initiative.

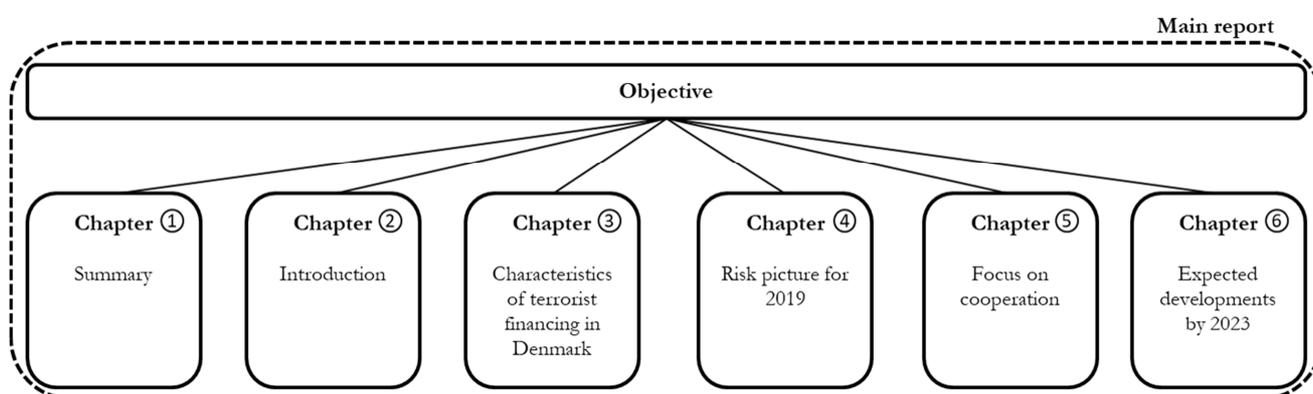


Figure 1: NRA TF structure

## Conclusions

- Combating terrorist financing is a task for society, involving public authorities as well as the private sector.
- Strategic and operational cooperation as well as knowledge and data sharing are key aspects in terms of minimizing the risk of terrorist financing.
- The risk areas are connected with the acquisition, transport and use of funds. In addition, a number of risk areas relate to cross-cutting and structural aspects. The risk areas that are directly centred around terrorist financing, cf. Section 114 b of the Danish Criminal Code, have a number of overlaps with high-risk areas within money laundering. For example money transfers and cash couriers.
- The reports on suspicion of terrorist financing received during the period help to strengthen the existing intelligence picture and increase PET's insight into groups and circles which were not previously known to the service.
- A considerable number of cases concerning suspicion of terrorist financing involve holders of business registration numbers. PET considers registration in the central business register a risk-increasing factor, as such registration allows for additional types of crime which are not

<sup>2</sup> Terrorism Financing Report (TFR), Suspicious Transaction Report (STR) and Suspicious Activity Report (SAR)

<sup>3</sup> SØIK is the acronym for the Danish State Prosecutor for Serious Economic and International Crime.

accessible to private individuals and also makes it possible to increase the criminal proceeds significantly. The use of business registration numbers in cases concerning suspicion of terrorist financing emphasizes the need for close cooperation between relevant ministries and authorities to ensure that strategy, analyses and operational information are coordinated and shared.

- The overall examination of the reports shows that several different modes of operation have been used and that, aside from money transfer, no single method is predominant. The reports often cover a number of methods, with electronic money transfer (typically via banks or money transfer agencies) forming part of half of the reports.
- In relation to associations, PET assesses that transfers of funds or goods/items to foreign countries involve an elevated risk of terrorist financing, and that this particularly applies to transfers made in connection with fundraising and in cases of inadequate statements of purpose and questionable observation of formalities. In future, PET expects major focus from the authorities on fundraising, and PET plans to publish a separate terrorist financing risk assessment for the area of non-profit organizations (NPOs) during the first quarter of 2020.
- PET assesses that operational cooperation between authorities, which allows relevant authorities to discuss specific cases, identify operational risks and coordinate measures to be taken, could reduce the risk of terrorist financing significantly.
- PET foresees no decisive changes in the risk picture over the next year or two. The traditional means of acquisition and transport are expected to remain prevalent. In the longer term, a division is expected between simple, cash-based methods and digital methods, such as cryptocurrency, online fraud etc.

# Chapter 2: Introduction

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The NRA TF presents the most up-to-date knowledge of terrorist financing in Denmark available at the time of publishing and thus creates the basis for a risk-based approach to combating terrorist financing in Denmark.

## **This is achieved by:**

- Describing the characteristics of terrorist financing in Denmark based on the data collected.
- Describing the factors which PET assesses will have a future negative impact on the area of terrorist financing based on international experience and intelligence from partners.
- Describing the future trends and risk areas which key private actors and public authorities assess to have a negative impact on terrorist financing in Denmark.
- Including the NRA TF in the future dialogue between relevant authorities and representatives of the private sector about initiatives and cooperation for mitigating the risk of terrorist financing in Denmark.

## **The field of terrorist financing**

PET assesses that, on a national level, terrorist financing should be considered a less extensive area of crime than for example the field of money laundering. Terrorist financing within a Danish context is currently characterized by:

- Being a smaller area measured by the number of cases.
- The cases involve smaller amounts of money than the money laundering cases investigated by the police.
- A limited number of convictions.

Terrorist financing has been a topic of interest both nationally and internationally. On 19 September 2018, a wide range of Danish political parties reached an agreement regarding further initiatives to strengthen the efforts against money laundering and terrorist financing, comprising, among other initiatives, a national strategy to combat money laundering and terrorist financing from 2018 to 2021. On 27 March 2019, the same group of political parties agreed to enhance the efforts against financial crime. Also in March 2019, the United Nations Security Council unanimously adopted Resolution 2462 on combating the financing of terrorism.

The societal value of combating terrorist financing is ultimately very concrete. It is about depriving persons, groups or associations of the opportunity to scare or create fear among the general public through violent and destructive acts.

## **Knowledge must be better utilized**

This NRA TF sheds light on some important aspects of terrorist financing, which justify the increased focus on this area. In particular, the complexity of combating terrorist financing should be emphasized.

Combating terrorist financing is a complex task, which makes heavy demands on the parties involved, as terrorist financing typically cuts across remits, public and private sectors and national boundaries. It requires new solutions, for example in terms of how to best put into practice the knowledge held by the public and private sector. Thus, the international and national focus on better utilization of knowledge is an essential precondition for developing a shared framework of understanding, upon which future initiatives should be based.

## Methodology

This version of the NRA TF is inspired by the evaluation of Denmark by the Financial Action Task Force (FATF) published in the “*Mutual Evaluation Report for Denmark 2017*”. PET has endeavoured to incorporate the FATF’s recommendations to the widest extent possible, which means that the NRA TF is based on an entirely new approach to risk assessment of terrorist financing in Denmark (see figure 2). This has resulted in a range of products and activities, including a brand new methodological framework and a large number of interviews with a broad group of stakeholders from public authorities, non-governmental organizations and private businesses.

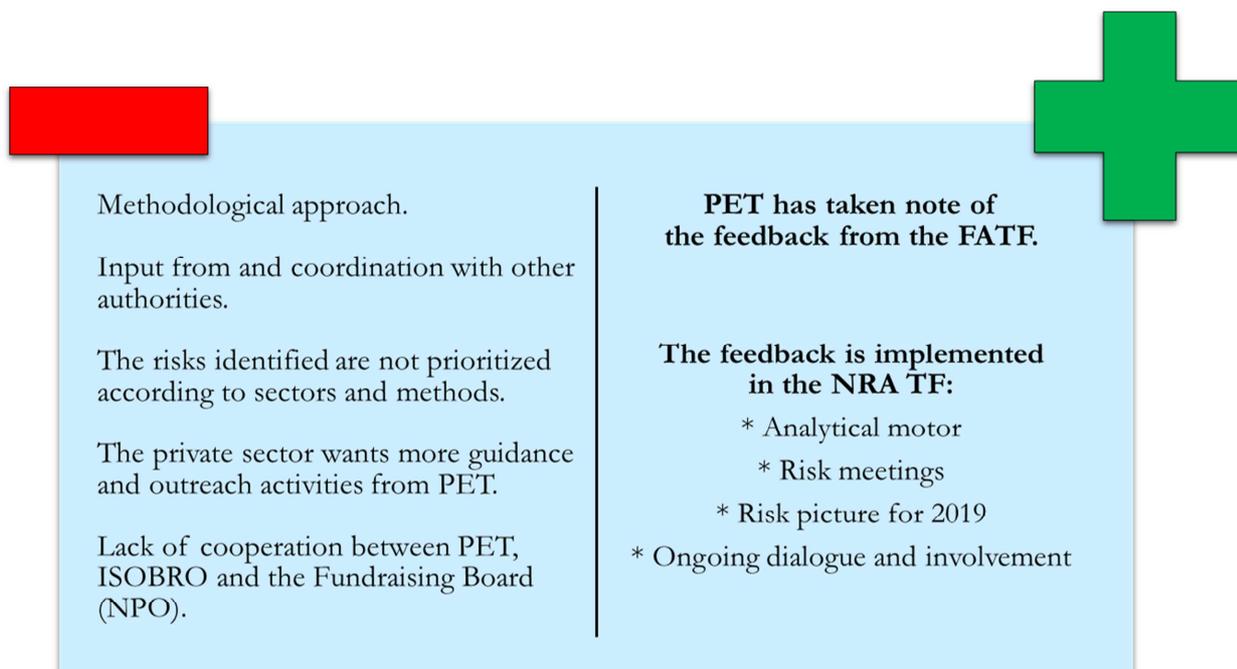


Figure 2: Summary of criticism put forward by the FATF

The methodological and analytical considerations behind each chapter are described in further detail in the appendix report (see figure 3).

## Project design

The NRA TF consists of three main products:

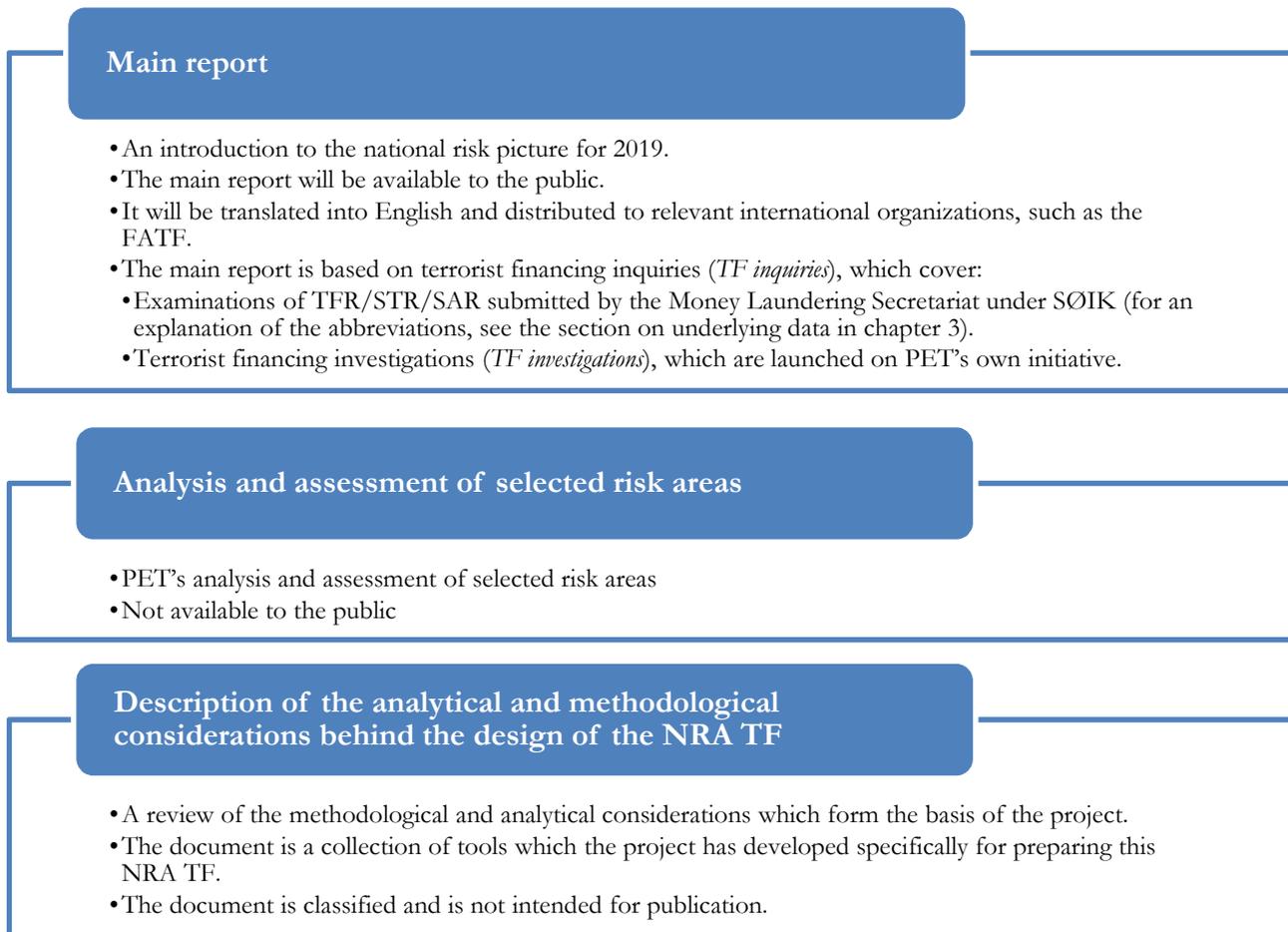


Figure 3: Project design

The primary aim of dividing the NRA TF into three deliveries (see figure 3) is to create clearly defined products, each with their own intended use.

## The concept of terrorist financing

In Denmark, terrorist financing is a criminal offence under Section 114 b of the Danish Criminal Code:

*“It carries a prison sentence of up to ten years for anyone who*

- 1) directly or indirectly provides financial support to;*
- 2) directly or indirectly procures or collects funds to; or*
- 3) directly or indirectly places money, other assets or financial services or other similar services at the disposal of:*

*a person, group or association which commits or intends to commit acts of terrorism covered by Section 114 or 114 a of this Act.”*

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The above provision makes it a criminal offence to fund terrorist activities by way of financial support or other types of dissemination to individuals or groups involved in terrorism or terror-like activities.

- Section 114 b (i) deals with individuals who donate their own funds in support of a person, group or association which commits or intends to commit terrorism or terror-like activities covered by Section 114 or 114 a of the Danish Criminal Code.
- Section 114 b (ii) deals with the intermediary or go-between organization which collects or otherwise procures funds, for example by enabling loans to such a person, group or association which commits or intends to commit activities covered by Section 114 or 114 a of the Danish Criminal Code.
- Section 114 b (iii) deals with financial institutes and others who, in a business context or with the purpose of financial gain, provide money or other financial services or facilitate such services to terrorist groups.

It should be noted that not only is it punishable by law to provide funds or financial services for the illegal activities of a terrorist group. Any financing of legal activities of a terrorist group is also punishable if the donor knows that the group also engages in at least one terrorist activity. The donor does not have to transfer the funds directly to the group. As long as the donor is aware that the funds will ultimately benefit the terrorist group, it is considered a criminal act.

In cases concerning violation of Section 114 b, it is up to the court to assess whether a person, group or association commits or intends to commit terrorism pursuant to Section 114 or terror-like activities pursuant to Section 114 a of the Danish Criminal Code. In cases concerning financing of terrorism, it must also be proved that the specific financing of activities is punishable under Section 114 b, including that the defendant had the necessary intent to finance terrorism.

Funds for terrorist financing may have been obtained legally or illegally. Thus, it may be a matter of “blackwashing” money, which means that legally acquired money is used for financing illegal activities or is in other ways transferred from a legal to an illegal context, or the funds may come from one or more criminal acts and be used for financing terrorism.

**Activities related to terrorist financing may be divided into four stages:**

- 1) Raising funds, for example through collections or criminal activities.
- 2) Safekeeping of the funds.
- 3) Transfer of the funds to foreign-based recipients.
- 4) Actual use of the funds for terror-related activities.

## **PET efforts to combat terrorist financing**

In its capacity as national security authority, PET is responsible for preventing, investigating and countering threats to the freedom, democracy and security of Danish society. This applies to threats in Denmark as well as threats directed at Danish citizens and Danish interests abroad.

The work carried out by PET to identify, prevent and counter threats to national security increasingly takes place outside the borders of Denmark and in collaboration with the national authorities of other countries. This is a natural consequence of the fact that security-related threats to Denmark are often transnational in nature and involve groups, networks and persons abroad that constitute a threat to Danish interests both in Denmark and abroad.

In the ongoing intelligence efforts of PET, there is focus on the financial leads as part of the operational efforts, including violations of the Danish terrorism legislation. As for the efforts to combat terrorist financing, PET cooperates closely with Danish control and supervisory authorities, supporting their efforts against private individuals and businesses in violation of the Danish Money Laundering Act. In addition, the legal obligations applicable to the financial sector are also essential to the collective Danish efforts within this field.

Therefore, PET remains in regular contact with a broad spectrum of relevant authorities with a view to exchanging experience and information. Furthermore, PET is in close dialogue with the financial sector and relevant trade organizations on methods, trends and indicators of terrorist financing. Finally, PET offers counselling in response to specific enquiries.

## **Investigational scope of PET**

According to Section 6 of the PET Act, investigations and coercive measures (such as telephone interceptions, searches and seizures) conducted by PET are governed by the general provisions of the Danish Administration of Justice Act, which also apply to the rest of the Danish police. However, the Administration of Justice Act contains a few special rules governing the investigation of the offences that fall within the scope of Chapters 12 and 13 of the Danish Criminal Code.

PET is responsible for coordinating efforts to combat terrorism, including terrorist financing, in Denmark<sup>4</sup>. In order to fulfil this task, PET may request assistance from other police departments. It is emphasized that the entire police force, while conducting daily police business, should remain alert to indications of terrorism and other crimes covered by Chapters 12 and 13 of the Danish Criminal Code. PET runs an awareness programme called *“Police against Terrorism”*, which is offered to police employees. Furthermore, the individual police employees may report any suspicious matters relating to PET’s core tasks directly to PET.

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<sup>4</sup> Reference is made to the following two papers from PET and the Director of Public Prosecutions, respectively, both dated 27 March 2015: “The division of duties between PET, other departments under the Danish National Police and the police districts in terms of preventing and investigating crimes covered by Chapters 12 and 13 of the Danish Criminal Code etc.” and “Submission scheme for criminal cases covered by Chapters 12 and 13 of the Danish Criminal Code”.

## A new approach to working with terrorist financing

The approach to terrorist financing applied in the NRA TF is wider than the legal definition of terrorist financing (see figure 4). This extended approach to terrorist financing is a result of the data collection made by the project in connection with the identification of risk areas.

During the drafting of the NRA TF, it became clear that it would be practical to divide the identified risk areas into three analytical levels based on the nature of the risks. The levels comprise risks covered by Section 114 b of the Danish Criminal Code (blue risk areas), general and cross-cutting risks (red risk areas) and structural risks of a social nature (green risk areas).

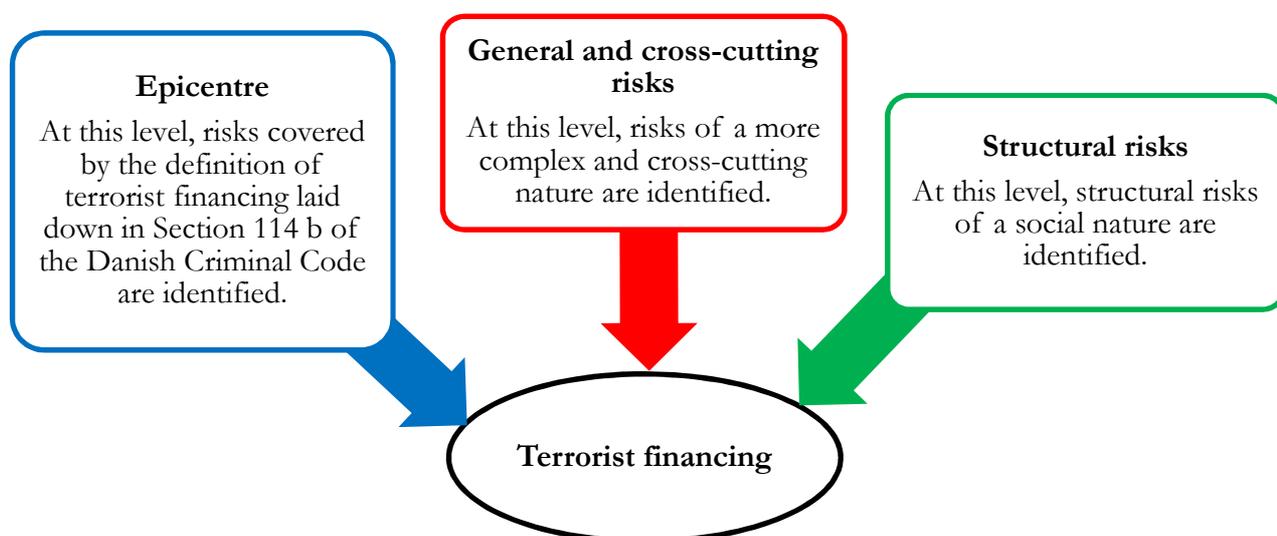


Figure 4: Broadly based efforts to combat terrorist financing

With the new approach to combating terrorist financing, all three analytical levels must be applied. This makes new and heavier demands in terms of ensuring continuous knowledge sharing and coordination between relevant public authorities and private actors in relation to, for example, operational coordination, identification of focus areas for the coming years and strategic planning of policy measures intended to combat money laundering and terrorist financing.

## From partial results to final approval

Figure 5 below illustrates the most important signposts, which PET initially picked out and subsequently gave particular focus during the different phases of the project approval process.

The selected signposts represent minimum requirements/guidelines, which PET has taken into account when designing the overall process for drafting the NRA TF.

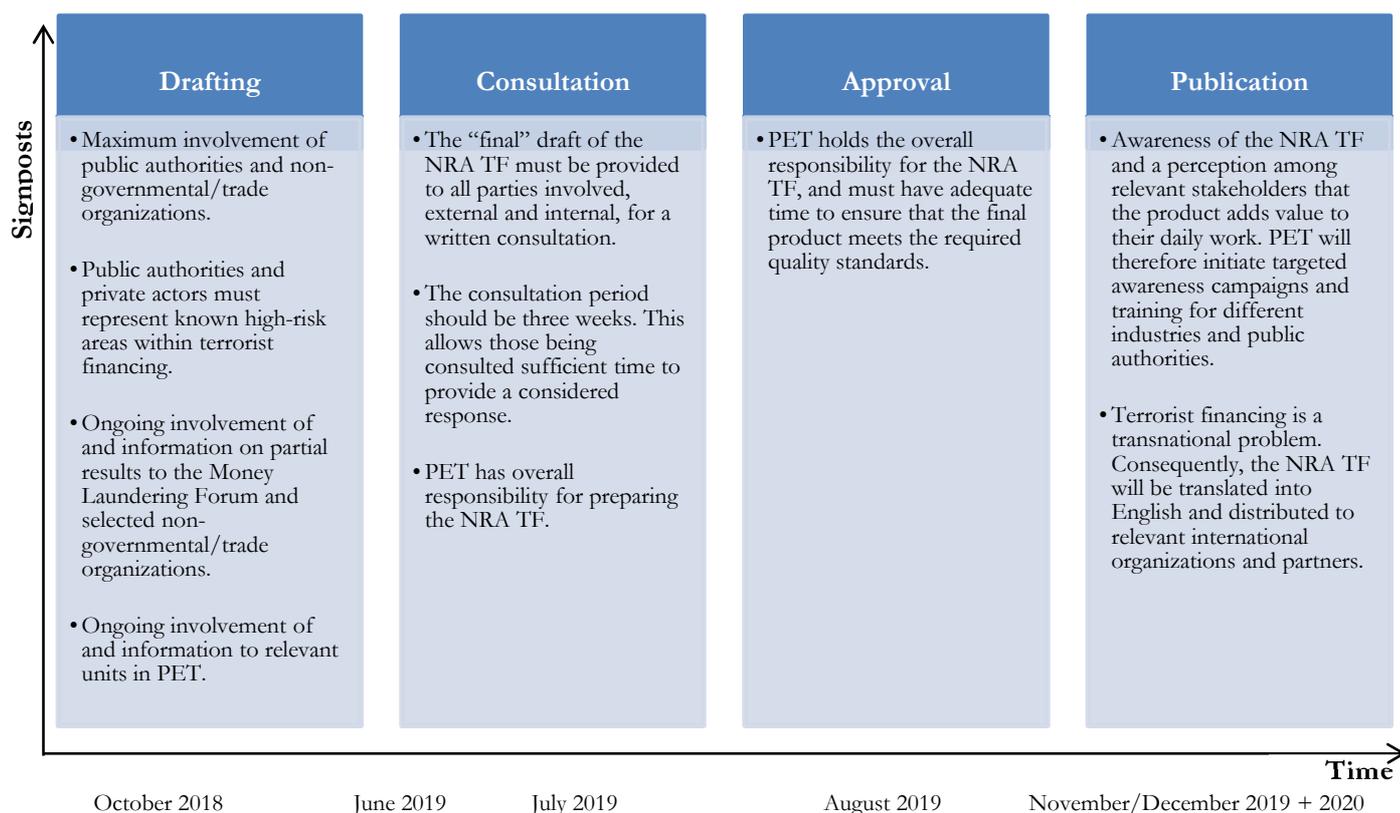


Figure 5: Signposts of the approval process

The aim has been to design an approval process starting from the launch of the project in October 2018. The purpose of basing the four stages on cooperation, coordination and knowledge-sharing was to create a continuous, transparent and progressive process, which incorporated input and feedback from the involved public authorities and private actors on an ongoing basis.

### The Danish Realm

PET wishes to be in close and ongoing dialogue with Greenland and the Faroe Islands in relation to terrorist financing.

In connection with the drafting of this NRA TF, PET enquired Greenland and the Faroe Islands as to their assessment of and approach to the field of terrorist financing. It should be noted that, like PET, the Greenlandic and the Faroese authorities assess it as currently unlikely that terrorist financing occurs within their jurisdictions.

Moreover, during the second half of 2019, PET carried out awareness activities in Greenland and the Faroe Islands and has additional activities planned for the first half of 2020. Based on these activities, an assessment is made in dialogue with Greenland and the Faroe Islands, respectively, of whether there is a need for targeted training for key individuals and industries in Greenland and the Faroe Islands during the first half of 2020. The aim is to ensure up-to-date knowledge and continued awareness of the risk of terrorist financing.

# Chapter 3: Characteristics of terrorist financing in Denmark

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The purpose of this chapter is to provide a summary of what has characterized the field of terrorist financing in Denmark between 2016 and 2018.

## Underlying data

This chapter rests on a considerable number of cases, comprising PET's own terrorist financing cases and terrorist financing inquiries based on reports from the Money Laundering Secretariat of SØIK. There are three categories of reports from the Money Laundering Secretariat of SØIK, which typically concern suspicious transactions or behaviour: Terrorism Financing Report (TFR), Suspicious Transaction Report (STR) and Suspicious Activity Report (SAR). Thus, the information received often consists of a description of what is being reported and relevant transactions and/or a description of the behaviour that is being reported.

When received by PET, the reports are screened, subjected to a risk assessment and categorized according to a danger assessment. The data comprise all reports received between 2016 and 2017 and some reports from 2018<sup>5</sup>.

## Four markers that have characterized the field of terrorist financing in 2016-2018

### 1. Groups of persons

- **Situation:**

Reports on suspicion of terrorist financing received during this period help to strengthen the existing intelligence picture and increase PET's insight into groups and circles which were not previously known to the service.

- **Considerations:**

Reporting matters.

- **Future efforts**

PET will maintain its close dialogue with partners in order to substantiate assessments of risky behaviour, including in particular its close cooperation with the Money Laundering Secretariat of SØIK regarding criteria for suspicion and reporting. In addition, PET will take an active part in the operational forum for authorities, where relevant authorities can, for example, share information concerning suspicion of terrorist financing at an operational and tactical level.

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<sup>5</sup> The work was commenced in 2018, and thus not all cases had been fully processed.

## 2. Business registration numbers

- **Situation:**

A considerable number of cases concerning suspicion of terrorist financing involve holders of business registration numbers.

- **Considerations:**

PET considers registration in the central business register a risk-increasing factor, as such registration allows for additional types of crime which are not accessible to private individuals and also makes it possible to increase the criminal proceeds significantly. This applies for instance to cases concerning tax evasion and VAT carousel fraud. Business registration numbers often allow better concealment of the criminal activity and the group of individuals involved. The risk of terrorist financing is therefore higher when business registration numbers exist, just as it will elevate the risk if an already suspected person seeks to obtain a business registration number. It should be noted that PET also sees a significant number of cases involving business registration numbers in its own terrorist financing investigations, which supports the above.

- **Future efforts:**

The use of business registration numbers in cases concerning suspicion of terrorist financing emphasizes the need for close cooperation between relevant ministries and authorities to ensure that strategy, analyses and operational information are coordinated and shared.

## 3. Financial methods

- **Situation:**

The overall review of the data shows that several different modes of operation have been used and that, aside from money transfer, no single method is predominant.

- **Considerations:**

Cases and reports often cover a number of methods, with electronic money transfer (typically via banks or money transfer agencies) forming part of half of the reports from the Money Laundering Secretariat. In addition, cases of fraud, tax and duty evasion, quick loans, fundraising, identity theft and benefit fraud are represented. Only a very limited number of the reports involve insurance fraud and cryptocurrency. It is remarkable in itself that the field, based on the available information, is not marked by and does not support specific themes, such as hawala or cryptocurrency (although mandatory reporting duty does not yet apply to cryptocurrency exchanges).

- **Future efforts:**

PET will be in ongoing dialogue with the Money Laundering Forum and the Money Laundering Forum+ in order to ensure coordination of analyses of specific risk areas to monitor the developments as well as the implementation of preventive measures. In addition, within the context of the operational forum for authorities, PET may be kept informed of the modes of operation employed.

## 4. Associations and fundraising

- **Situation:**

Associations and the entire non-profit area make up a risk area with a high level of focus internationally, and this area also has particular focus within PET.

- **Considerations:**

In relation to associations, PET assesses that transfers of funds or goods/items to foreign countries involve an elevated risk of terrorist financing, and that this particularly applies to transfers made in connection with fundraising and in cases of inadequate statements of purpose and questionable observation of formalities. Some associations have a business registration number and are thereby eligible to apply for a number of government grants, some of which can be misused. For instance applications for local government grants, VAT exemption and similar.

- **Future efforts:**

PET intends to prepare a separate risk assessment for the non-profit area in cooperation with relevant public authorities and private actors. In addition, PET plans to implement a number of preventive initiatives. These targeted measures are scheduled to be implemented from the second half of 2019 onwards, based on the FATF Recommendation 8.

### Summary

The data have shown that PET often has prior knowledge of the individuals, organizations and businesses that are subject to suspicion of terrorist financing. They also show that reports to the Money Laundering Secretariat and enquiries to PET are important in order to create awareness of new and unknown actors – not least when new methods and technologies are employed. The meetings between stakeholders have shown that actors other than PET also see a distinction between “traditional suspects” and “new suspects” and that actors are quite familiar with existing suspects.

It is also clear that the risk of terrorist financing in any given case increases with the organizational and legal complexity. Organizations or businesses with business registration numbers have a wider range of opportunity to commit more complex, more profitable and undetected financial crimes than private individuals, which is evident within the field of terrorist financing. It is mainly seen in relation to newly established or relatively new businesses/associations, where the risk is assessed as smaller than for actors which have existed for a long time and have a predictable financial pattern. Legal business structures also constitute a high-risk area within money laundering, in particular in relation to subcontractor fraud and VAT carousel cases<sup>6</sup>, which emphasizes the need for increased focus on this area.

As for modes of operation, electronic money transfer is a highly prevailing method. The same is illustrated in the national risk assessment for money laundering, where money transfer agencies and alternative money remitters make up a high-risk area<sup>7</sup>. In relation to the acquisition of funds, the data

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<sup>6</sup> Money Laundering in Denmark, National Risk Assessment 2018, Danish State Prosecutor for Serious Economic and International Crime, p. 5.

<sup>7</sup> Money Laundering in Denmark, National Risk Assessment 2018, Danish State Prosecutor for Serious Economic and International Crime, p. 4.

show large variations, which also appears from the risk picture described in the next chapter. Here, it also becomes evident that the NPO area represents an important risk area in terms of likelihood as well as consequence.

# Chapter 4: Risk picture for 2019

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Terrorist financing is a complex and multi-faceted problem, which has been confirmed in the process of forming this risk picture, with PET consulting a variety of public authorities, private actors and trade organizations. The data material available to PET points to the same conclusion.

The challenge for PET and other relevant stakeholders in relation to combating terrorist financing is therefore to minimize the complexity of the current and future risk areas by way of coordinated collaboration between public authorities and private actors. This is a fundamental condition and “mindset” which is absolutely critical for PET to stress and to ensure is implemented. Planning, coordination and implementation of initiatives are essential for public authorities and private actors to perceive the work related to this risk picture as a value-adding process with regard to prioritizing and targeting counter-terrorist financing initiatives using a risk-based approach.

With this risk picture, PET aims to provide a knowledge base that structures and prioritizes the terrorist financing risks that exist in Denmark. Identified within the risk picture for 2019 are 30 risk areas, which, as previously mentioned, are colour-coded and categorized into the following three analytical levels: Epicentre, General and cross-cutting risks, and Structural risks. The target group of the NRA TF is very wide, and the three levels are therefore bound to be of varying significance and interest depending on the recipient.

The three levels illustrate a continuum from a clearly defined focus on a single element of terrorist financing to a more holistic approach to combating terrorist financing (see figure 6).

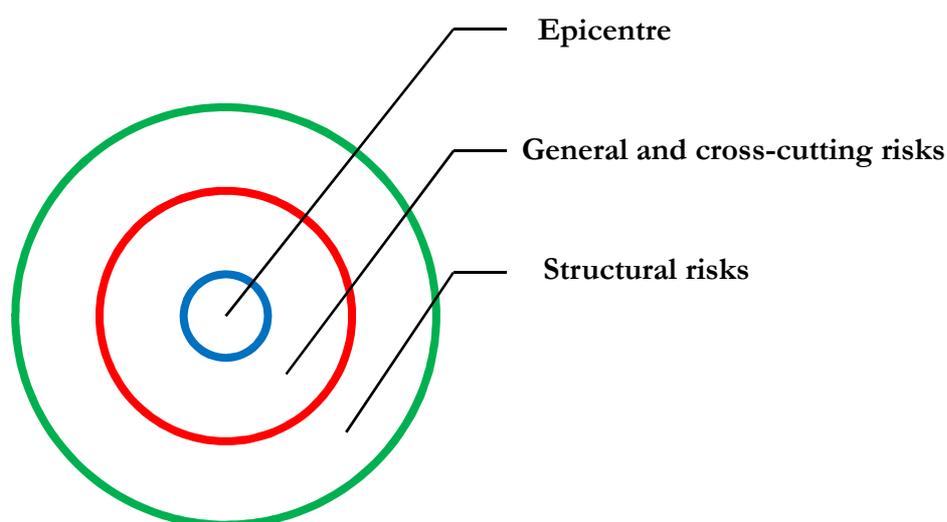


Figure 6: Analytical levels

The three analytical levels represent three ideal ways of approaching the fight against terrorist financing. There are overlaps between the levels, meaning that a given risk area may not fully belong under one level. The aim is to categorize the identified risk areas and point out their key characteristics.

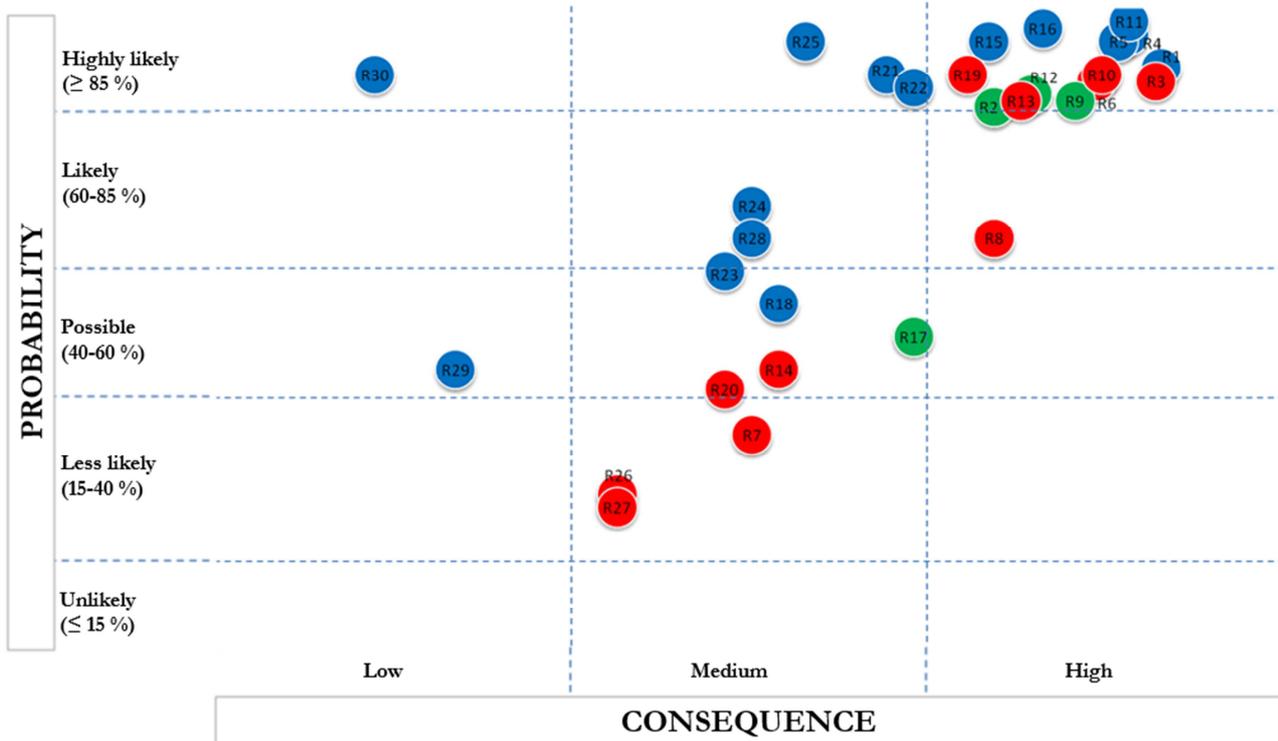
The risk picture for 2019 serves as a visualization of the risk areas (see table 1 and figure 7) which have been identified on the basis of an analytical review of collected data concerning terrorist financing inquiries and investigations between 2016 and 2018. In addition, the risk picture is based on empirical data from risk meetings with selected stakeholders. The risk picture is an analytical snapshot, which reflects the issues and focus areas which were dominant during the period in question.

The 30 risk areas are listed in table 1 below. All 30 risk areas are assessed in terms of probability and consequence (see figure 8). It should be noted that the numbers do not represent a ranking of the risk areas.

**Table 1: The 30 risk areas**

Risk	Risk description	Probability	Consequence
R1	Tax evasion	Highly likely	High
R2	Insufficient FIU independence (A)	Likely	High
R3	Insufficient coordination and cooperation between authorities (A)	Highly likely	High
R4	Benefit fraud	Highly likely	High
R5	NPOs	Highly likely	High
R6	Insufficient prevention (A)	Highly likely	High
R7	Private independent schools	Less likely	Medium
R8	Mosques	Likely	High
R9	Insufficient data sharing between authorities (A)	Highly likely	High
R10	Insufficiently data-driven administrations (A)	Highly likely	High
R11	Duty evasion	Highly likely	High
R12	Inadequate legislation and sanctions (A)	Highly likely	High
R13	Insufficient capacity with the authorities (A)	Highly likely	High
R14	Repatriation benefits etc.	Possible	Medium
R15	Unauthorized money transfer agencies	Highly likely	High
R16	Identity fraud	Highly likely	High
R17	Insufficiently deterrent terrorism legislation (A)	Possible	Medium
R18	Corporate funds	Possible	Medium
R19	Insufficient capacity among those with a duty to notify (A)	Highly likely	High
R20	Cryptocurrency	Possible	Medium
R21	Export of goods and materials	Highly likely	Medium
R22	Authorized money transfer agencies and/or exchange agencies	Highly likely	Medium
R23	Leasing	Possible	Medium
R24	Quick loans	Likely	Medium
R25	Cash couriers	Highly likely	Medium
R26	Insurance fraud	Less likely	Medium
R27	Pension fraud	Less likely	Medium
R28	Organized crime	Likely	Medium
R29	Precious metals	Possible	Low
R30	Spoils of war	Highly likely	Low

As mentioned, the risk areas listed in table 1 are colour-coded in accordance with their analytical level.



**Probability**

Probability denotes an assessment of the likeliness that a given risk area will occur in Denmark. The assessment is based on collected data from terrorist financing inquiries and/or investigations as well as risk meetings with key stakeholders. The question of probability is not determined on a quantifiable basis that supports a certain statistical probability.

**Consequence**

Consequence covers the effect which a given risk area may have in terms of increasing the risk of terrorist financing by way of acquisition, transport or use.

Figure 7: Risk picture for 2019

The risk score scale ranges from zero to 100, with probability assessed on a scale from zero to 100 percent, while consequence is assessed as either low, medium or high.

**Example: Cryptocurrency**

- Probability (Possible): Cryptocurrency is currently assessed to pose no major risk in relation to terrorist financing, but there is an inherent risk that it may remain undetected by the authorities.
- Consequence (Medium) Although the use of cryptocurrency for terrorist financing is probably quite limited in Denmark at the moment, the possible negative effect on terrorist financing in Denmark may be quite significant in the long term.

## Risk area characteristics

This section describes the characteristics of the individual risk areas under the three analytical levels. Five parameters are used for this description, as indicated in the three fact boxes on the following pages. The risk areas are addressed in the following order: 1) blue risk areas under the category “Epicentre”, 2) red risk areas under the category “General and cross-cutting risks”, and 3) green risk areas under the category “Structural risks”.

### Epicentre

Fact box	
①	Estimated time horizon for the activity level of the risk area.
②	To what extent does the area enable terrorist financing in Denmark?
③	What developments do we expect within the area?
④	How much knowledge/data is available about the area?
⑤	How easy is it for criminals to gain access to and acquire the area?

Risk areas	① Time horizon	② Potential (basis for terrorist financing here and now)	③ Potential (future potential for terrorist financing)	④ Empirical data/know- ledge	⑤ Accessibility
Tax evasion	Very short term	High	High	High	High
Benefit fraud	Very short term	Low	High	Low	High
NPOs	Very short term	High	High	Low	High
Duty evasion	Very short term	High	High	Medium	Medium
Unauthorized money transfer agencies	Very short term	High	High	Medium	High
Identity fraud	Very short term	High	High	Medium	High
Corporate funds	Short term	Medium	Medium	Low	Low
Export of goods and materials	Very short term	Medium	Medium	Low	High
Authorized money transfer agencies and/or exchange agencies	Very short term	High	High	Medium	High
Leasing	Short term	Low	Low	Low	High
Quick loans	Very short term	Medium	Medium	High	High
Cash couriers	Very short term	Medium	Medium	Medium	High
Organized crime	Very short term	Low	Medium	Low	Medium
Precious metals	Short term	Low	Low	Low	Medium
Spoils of war	Short term	Low	Low	Low	Low

### Epicentre – Main characteristics

- In the assessment of PET, it is less likely that the risk will deviate substantially from the above in the very short term. However, the risk areas in question are widely interchangeable and characterized by the fact that criminals may “wander” between different ways of transporting and acquiring funds if certain risk areas are rendered less attractive for the criminals as a result of regulatory intervention.
- PET aims to review the risk area characteristics annually to ensure that all relevant stakeholders are basing their efforts on the same up-to-date risk picture.

- Tax and duty evasion are high-risk areas in terms of acquiring funds. They represent traditional types of crime, also seen in relation to the worlds of (organized) financial crime and money laundering.
- Identity fraud can be used by designating identities as front men, who then become liable for the crimes committed, for example in connection with tax and duty evasion. The identities may be unlawfully obtained, but sometimes the identities – including ID documents and national secure login details (NEM-ID) – are voluntarily passed on to others for criminal use, for example in connection with departures for a conflict zone.
- Identity fraud is also used in connection with quick loans, where multiple loans are taken out by an identity controlled by criminals. Quick loans are a potential source for swift acquisition of funds – especially if the considerable risk of exposure is disregarded. There are several examples where non-Danish citizens have taken out multiple quick loans from different providers before leaving Denmark on a permanent basis. Such funds may find their way to conflict zones, which makes it very difficult for Danish authorities to pursue the matter. The European Commission also addresses this area and considers the risk as “significant” in relation to terrorist financing<sup>8</sup> (consumer credit and low-value loans).
- Benefit fraud was a theme in the NRA TF 2016 and remains a topic of current interest. PET has efficient cooperation with other public authorities in relation to this issue, especially the Danish Agency for Labour Market and Recruitment.
- The NPO area is also a high-risk area, where new and newly established associations and unregistered fundraising activities are of particular interest. Typical risk factors include no or insufficient registration; focus on conflict zones and/or emergency relief; transnational transfer of goods and/or materials to conflict zones or countries bordering such zones, as well as inability or lack of will to communicate with relevant authorities. The NPO area is an area of particular focus for PET in relation to future efforts and is also an area of priority for the European Commission<sup>9</sup>.
- Export of goods and materials is somewhat connected to the NPO area, as the exported items may have been collected or purchased with collected funds. The risk typically relates to the end-user, who may be extremely difficult to identify. It may also be difficult to determine whether the exported items only include humanitarian goods or whether military equipment, goods suitable for military use or other items are also included. Export of goods and materials also carries a risk of individuals acquiring and exporting military equipment for use by militant Islamist movements abroad – such as uniform items, night vision goggles, armoured vests and similar.
- As described in chapter 3, money transfer is a widespread mode of operation, with money transfer agencies playing a central and risk-filled role. The ability of the companies to

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<sup>8</sup> Commission Staff Working Document. Report from the Commission to the European Parliament and the Council on the assessment of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities, COM(2019), p. 109-110.

<sup>9</sup> Report from the Commission to the European Parliament and the Council on the assessment of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities, COM(2019). (EU supranational risk assessment)

adequately register and risk assess their clients therefore has to meet certain standards. This issue is also relevant in relation to money laundering, as illustrated by SØIK's statement that: *"Adherence to the anti-money laundering obligations is particularly challenging in relation to small money transfer agencies and alternative money remitters, which are more difficult to control and oversee than major chain operators and their agents. This area is currently categorized as high-risk, partly because the criminal activities are difficult to uncover, as many remitters fail to register with the authorities as prescribed by law, and partly because the likeliness of prosecution and conviction is low, particularly in cases with an international element"*<sup>10</sup>. PET assesses that the risk of unauthorized money transfer agencies being used for terrorist financing is significant, considering the absence of an oversight and control regime.

- Cash couriers are highly linked to unauthorized money transfer agencies and the NPO area. Physical cash transportation may for example occur as part of business activities or as transport of collected funds to a conflict zone. Cash remains an attractive asset in terms of avoiding countermeasures instigated by the authorities or the financial sector, and physical cash transportation is also a high-risk area in relation to money laundering<sup>11</sup>. The European Commission also considers the level of terrorist financing threat related to this area as "very significant" and places particular emphasis on the physical transport of cash (especially high denomination banknotes) from the EU to third countries<sup>12</sup>.
- Leasing is a risk area which scores medium in relation to both probability and consequence. PET is not in possession of significant data in relation to this area. Known modes of operation within this area include leasing with the purpose of transport out of Denmark and leasing with the purpose of resale in order to obtain funds for terrorist financing. As with quick loans, lessees will often be aware that they will be reported to the police, but with limited deterrent effect.

## General and cross-cutting risks

Fact box	
①	Estimated time horizon for the activity level of the risk area.
②	1) To what extent does the area enable terrorist financing in Denmark? 2) Administrative structures (A): To what degree do the weaknesses of the area affect the risk of terrorist financing?
③	1) What developments do we expect within the area? 2) Administrative structures (A): To what degree do the weaknesses of the area affect the risk of terrorist financing?
④	How much knowledge/data is available about the area?
⑤	1) How easy is it for criminals to gain access to and acquire the area? 2) Administrative structures (A): How easily can the area be adjusted to help combat terrorist financing?

<sup>10</sup> Money Laundering in Denmark, National Risk Assessment 2018, p. 4.

<sup>11</sup> Money Laundering in Denmark, National Risk Assessment 2018, p. 5.

<sup>12</sup> Commission Staff Working Document. Report from the Commission to the European Parliament and the Council on the assessment of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities, COM(2019), p. 10-11.

Risk areas	① Time horizon	② Potential (basis for terrorist financing here and now)	③ Potential (future potential for terrorist financing)	④ Empirical data/know- ledge	⑤ Accessibility
Insufficient coordination and cooperation between authorities (A)	Very short term	High	High	Low	Low
Insufficient prevention (A)	Very short term	High	High	Medium	Medium
Private independent schools	Short term	Medium	Medium	Low	Low
Mosques	Very short term	Medium	Medium	Low	High
Insufficiently data-driven administrations (A)	Very short term	High	High	High	Low
Insufficient capacity with the authorities (A)	Very short term	High	High	Low	Medium
Repatriation benefits etc.	Short term	Low	Low	Low	Medium
Insufficient capacity among those with a duty to notify (A)	Very short term	High	High	Low	Medium
Cryptocurrency	Short term	Low	Medium	High	Medium
Insurance fraud	Short term	Low	Medium	Low	Medium
Pension fraud	Short term	Low	Low	Low	Medium

### General and cross-cutting risks – Main characteristics

- Five risk areas relate to the administrative structures (marked with an A). In the assessment of PET, it is less likely that the risk will deviate substantially from the above in the very short term.
- Cryptocurrency is an area which, in the short term, is assessed to present no major risk in relation to terrorist financing. Cryptocurrency is assessed to be a tool which, in the long term, may become more widely used, and the areas of organized and financial crime may have a spillover effect on terrorist financing. In addition, the introduction of stronger regulatory measures on more analogue areas of retention and transit could lead to an increase in the use of cryptocurrency.
- The risk areas of insurance and pension fraud are partly based on estimates. It has not been possible for PET to collect the data required to achieve a sound and scientific elaboration and substantiation of issues specific to these two risk areas.
- As far as repatriation benefits are concerned, PET assesses that additional knowledge and analysis are required. Any departure from Denmark to a conflict zone or countries neighbouring such a zone carries an intrinsic risk of the repatriation benefits, fully or in part, falling into the hands of militant Islamist movements.
- Private independent schools and mosques share several common features which make them relevant in a terrorist financing context. Such organizations are often financed via multiple, simultaneous sources, including collections and transnational transfers, which makes their financial situation less transparent. In addition, the organizational structure may lack transparency in terms of daily management, actual ownership and possible transnational influence. As far as this area is concerned, legal and financial transparency would have a considerable risk mitigating effect in relation to the public and financial sector.
- PET assesses that a number of the existing case processing procedures applied by the authorities ought to be digitalized and thus rendered more efficient, for example in relation to

the reception of data – accounts, documentation etc. – but also in relation to case processing. Increased digitalization would also create a stronger foundation for data sharing between authorities.

- Development and retention of capacity is an independent risk area. Counter-terrorist financing is a specialized discipline which requires a considerable level of training and experience for everyone in the relevant authorities, especially in complex cases or in cases where private companies or individuals are unwilling to cooperate with the authorities. Furthermore, the initiated measures, the modes of operation and the applied technologies are ever-evolving, which means that further training is regularly required. This is also partly true for those with a duty to notify, who must possess and be able to maintain the qualifications required to identify and substantiate any suspicion of terrorist financing or financial crime.

## Structural risks

Fact box	
①	Estimated time horizon for the activity level of the risk area.
②	Administrative structures (A): To what degree do the weaknesses of the area affect the risk of terrorist financing?
③	Administrative structures (A): To what degree do the weaknesses of the area affect the risk of terrorist financing?
④	How much knowledge/data is available about the area?
⑤	Administrative structures (A): How easily can the area be adjusted to help combat terrorist financing?

Risk areas	① Time horizon	② Potential (basis for terrorist financing here and now)	③ Potential (future potential for terrorist financing)	④ Empirical data/know- ledge	⑤ Accessibility
Insufficient FIU independence (A)	Very short term	Medium	Medium	Low	Low
Insufficient data sharing between authorities (A)	Very short term	High	High	High	Low
Inadequate legislation and sanctions (A)	Very short term	High	High	Medium	Low
Insufficiently deterrent terrorism legislation (A)	Medium term	Medium	Medium	Low	Low

### Structural risks – Main characteristics

- Three out of the four risk areas are assessed to be of current interest. The challenge in this regard is that the administrative structures are assessed to be difficult to adjust for the purpose of combating terrorist financing.
- PET receives a considerable part of its data on suspected terrorist financing from the Money Laundering Secretariat under SØIK. The Money Laundering Secretariat, which is the Danish financial intelligence unit (FIU) plays a very central role in the collective Danish efforts to combat money laundering and terrorist financing and is a key partner for PET. The secretariat screens and corroborates incoming money laundering reports involving suspicion of terrorist financing, and PET therefore relies on the Money Laundering Secretariat to possess the

required resources and operational autonomy to manage its tasks relating to terrorist financing, like other authorities rely on them in relation to money laundering.

- Insufficient data sharing between authorities is a risk area of fundamental importance in combating money laundering and terrorist financing. The keywords in this regard are cooperation and coordination. The area is assessed to be very critical in terms of achieving a measurable improvement and effect in relation to the fight against terrorist financing, which is also reflected in the national strategy. The establishment of an operational forum for authorities is an example of an initiative aimed at ensuring coordination and sharing of operational information. This area is described in further detail in chapter 5 of this assessment.
- In its 2017 evaluation of Denmark, the FATF noted that sentences for violations of Section 114b of the Danish Criminal Code limited the deterrent effect of the Act<sup>13</sup>. It is difficult to assess whether this is the case. For instance, PET assesses that the lack of deterrence is evident within the fundraising area, where the existing sanctions are assessed to insufficiently reduce the number of illegal and unregistered fundraising campaigns.

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<sup>13</sup> FATF, Denmark Mutual Evaluation Report, August 2017, p. 4.

# Chapter 5: Focus on cooperation

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This chapter focuses on cooperation between authorities and between authorities and private actors. PET has decided to make this area a theme because it represents an inter-connected and serious risk, but also an opportunity to critically reduce the terrorist financing risk for several risk areas. Finally, coordinated efforts by the authorities and cooperation across public and private sectors are critical elements of the national strategy to combat money laundering and terrorist financing.

The chapter primarily addresses the highest scoring general risk area: *Insufficient coordination and cooperation between authorities*, but also: *Insufficient data sharing between authorities*, *Insufficient prevention* and *Insufficient capacity among those with a duty to notify*.

## Cooperation and coordination between authorities

There is widespread international consensus that efficient inter-agency cooperation and the establishment of a coordination mechanism between authorities are of key importance to national counter-terrorist financing and anti-money laundering efforts<sup>14</sup>. This issue was also directly addressed in the 2017 FATF evaluation of Denmark<sup>15</sup>. The efforts to combat terrorist financing involve a wide range of authorities, which, in different ways and often with a very different focus, contribute to the overall risk picture. In Denmark, the regulatory responsibility lies with departments and agencies under the Ministry of Justice, the Ministry for Industry, Business and Financial Affairs, and the Ministry of Taxation, which are also responsible for developing the national strategy within this field<sup>16</sup>.

## Money Laundering Forum

In chapter one of the national strategy, concerning inter-agency cooperation, it is emphasized that the level of coordination and cooperation needs to be strengthened and that this should be achieved through the Money Laundering Forum<sup>17</sup>. PET assesses that the Money Laundering Forum holds a considerable potential for mitigating the risk of terrorist financing, which could be realized by developing, coordinating and implementing a number of initiatives through this forum. Furthermore, the Money Laundering Forum serves as a platform for presenting new legislative ideas, identifying shared interests, joint agency initiatives and so on.

## Operational forum for authorities: Added cooperation on common challenges

In early November 2019, the Government decided to set up an operational forum for authorities with the aim of strengthening the inter-agency cooperation on preventing and combating money laundering and terrorist financing. PET assesses that such operational cooperation between authorities, which allows relevant authorities to discuss specific cases, identify operational risks and coordinate measures to be taken, could reduce the risk of terrorist financing significantly.

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<sup>14</sup> FATF Recommendation 2, The FATF Recommendations updated October 2018, p. 2.

<sup>15</sup> FATF, Denmark Mutual Evaluation Report, August 2017, p. 3.

<sup>16</sup> National strategy to combat money laundering and terrorist financing 2018-2021, p. 5.

<sup>17</sup> National strategy to combat money laundering and terrorist financing 2018-2021, p. 8.

## Money Laundering Forum+

Money Laundering Forum+ is a forum where relevant private actors can discuss issues and exchange experience with the authorities in the Money Laundering Secretariat in so-called public-private partnerships. In the national strategy, the efforts to combat money laundering and terrorist financing are described as *"an important social task for public authorities and private actors alike"*<sup>18</sup>. The strategy emphasizes the importance of cooperation between public and private actors and introduces the Money Laundering Forum+ as a new forum to serve this purpose, which PET considers a positive risk mitigation measure.

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<sup>18</sup> National strategy to combat money laundering and terrorist financing 2018-2021, p. 4.

# Chapter 6: Expected developments by 2023

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This final chapter is dedicated to the future challenges relating to terrorist financing in Denmark.

**The scope of terrorist financing by Danish individuals and how this will develop over the coming years generally rely on two factors:**

1. The need for external financing among foreign terrorist groups.
2. The intent and capacity of Danish individuals to fund such groups.

In addition, the presence of operational networks, the possibility for financial services misuse and other logistical factors will, to a large extent, affect the ability of individuals in Denmark to transfer funds to terrorist groups, while taking into account the risk of detection and criminal liability.

In the years to come, the level of terrorist financing in Denmark may be significantly affected by developments in existing or emerging conflict zones where militant Islamist terror groups are present.

**Specifically, the effect of such developments will primarily depend on:**

- The physical and monetary access from Denmark to the affected areas.
- The size of relevant Danish diaspora groups.
- The level of sympathy for militant Islamist groups among such diaspora groups.
- The presence of relevant operational and family-based networks.

PET assesses that the specific risks relating to terrorist financing will not change significantly over the next year or two. Traditional types of financial crime will remain a key source for generating funds, while (un)authorized money transfers and physical cash transportation will also constitute key pathways. Furthermore, it is expected that the digitalization and use of businesses and associations will remain an amplifying risk factor because it increases the potential criminal proceeds while making it easier for the perpetrators to appear legitimate or without involvement. The NPO and fundraising area as a whole is expected to grow additionally, which underlines the need for a targeted, coordinated effort. Further to this, PET plans to publish a separate risk assessment for the NPO area in the first quarter of 2020.

In light of the national strategy to combat money laundering and terrorist financing 2018-2021 as well as the establishment of an operational forum for authorities, it is likely that the added focus by the authorities and the increased social involvement will reduce the long-term risk of terrorist financing and that criminal behavioural patterns will therefore change. For these reasons inter alia, and in light of the above supply and demand factors, it is difficult to assess the risk of terrorist financing in, for example, a three to five-year perspective. Nevertheless, PET expects a long-term split towards more primitive and cash-based methods on the one hand and significantly more complex and digital/encrypted methods

on the other. Thus, the trends are increasingly moving away from the legitimate and traditional financial actors.

## **Technological developments**

Technological developments can both positively and negatively affect the level of terrorist financing in Denmark and, thus, the ability of the authorities to combat terrorist financing.

Fundraising and calls for financial support of terrorist groups frequently occur on social media. However, it is doubtful whether such initiatives are instigated by the groups themselves and whether they actually benefit the groups. Also, such initiatives have major weaknesses in terms of regulatory intervention and criminal prosecution of donors. Technological developments within the fields of cryptographic verification and anonymization in connection with online fundraising will have a significant effect on the future scope of terrorist financing in Denmark.

Militant Islamist propaganda regularly calls for terrorist financing via bitcoin and other cryptocurrencies. Although the use of cryptocurrency for terrorist financing is probably quite limited in Denmark right now, the use of such currencies may have a severely negative effect on the long-term ability to combat terrorist financing in Denmark.

## **Terrorist financing should be countered by society, not one single authority**

It is a task for society to combat terrorist financing, and a task for the authorities to organize and manage the efforts. The authorities must jointly coordinate and structure their way towards solutions which tap into the vast potential and competencies available in Denmark and which involve and inform actors outside public authorities. Individuals involved in terrorist financing should find that there is no support to be gained among the general population and potential donors, that financial services are unfit for pursuing their criminal objectives and that the authorities stand ready to interfere with and disrupt their activities. The task of authorities is to detect and prevent by way of targeted collaboration.

Many countries, across geographical boundaries and financial differences are facing the same challenges, i.e. meeting the threat of terrorist financing as a society, not just a single authority. The countries therefore also have to prepare and improve their international cooperation – especially in relation to information sharing and common ability to disrupt criminal activities. Terrorist financing is an international phenomenon, which must be combated across national borders and in a joint effort between public authorities and private actors.

## **Post publication**

With this NRA TF, PET has sought to provide an overall picture of the terrorist financing risk in Denmark and to provide a number of perspectives for the continued efforts to counter this risk. Following the publication, PET is going to disseminate, present and provide additional information on the risk assessment to a broad circle of private actors, for example within the Money Laundering Forum and the Money Laundering Forum+.

In addition, PET looks forward to ensuring the continued implementation of the national strategy to combat money laundering and terrorist financing in collaboration with the public and private actors involved, many of which have actively contributed to this risk assessment.