

THE DANISH MONEY LAUNDERING SECRETARIAT

The State Prosecutor for Serious Economic Crime

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INDICATORS OF POSSIBLE MONEY LAUNDERING OR FINANCING OF TERRORISM

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**INDICATORS
OF POSSIBLE MONEY LAUNDERING
OR FINANCING OF TERRORISM**

The indicators mentioned below are especially meant as a help to the persons and businesses comprised by the Money Laundering Act who are obliged to report to the Money Laundering Secretariat in the Office of the Public Prosecutor for Serious Economic Crime if they have a suspicion of money laundering or financing of terrorism and this suspicion cannot be disproved. However, many indicators are also of interest to others who under legislation are obliged or permitted to give such a report.

It should be noted that some of the indicators are also of relevance in relation to the UN Security Council Resolutions (implemented through EU Regulations) containing prohibitions concerning financial assistance etc. in relation to different countries, persons, entities and bodies. Furthermore some are of relevance to the work of the customs and tax authorities, including in relation to exports and to the control of declaration of currency and bearer-negotiable instruments of a value of EUR 10,000 or more from persons entering or leaving the country.

The indicators encompass various features which may give cause to considerations as to whether there is a case of money laundering or financing of terrorism and in case of doubt obtain further information.

Transactions may of course be fully legal even though several of the indicators are present.

Most of the indicators are deduced from cases from the whole world and may serve as inspiration to "think in money laundering terms" or to consider if it may be financing of terrorism. As for examples of actual cases and concrete money laundering methods see the following websites:

1. www.fatf-gafi.org (Methods & Trends under Publications)
2. www.egmontgroup.org (Sanitized Cases under Library)
3. www.politi.dk and www.rigsadvokaten.dk (The annual reports from the Money Laundering Secretariat in Danish and English versions)

**The most important indicator is that one sees a
relation to a customer as being more or less atypical**

The knowledge of "normal customers" – that provides the background for noticing the atypical features – cannot be exemplified. It is the individual person's experience with customers that causes possible surprise and makes him examine further.

Some indicators are relevant for many of those who are required to report. Such indicators are described under "General Indicators". Other indicators are relevant for a more limited number of those required to report. Such indicators are described under separate headings.

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1. GENERAL INDICATORS

1.A. The Customer's behaviour, situation, etc.

1.A.1. Reluctance to provide information

- 1) Unwillingness to provide identity information and references.
- 2) None or limited information about the origin of funds.
- 3) Unwillingness to provide documentation that funds derive from inheritance, gaming, etc. as stated by the customer.
- 4) The lender of a large loan from abroad is stated to insist on anonymity or wanting not to be contacted.
- 5) The customer will not provide further information until he knows what is disclosed to public authorities.
- 6) Reluctance to provide information about contemplated use of an account and/or prospected activities.

1.A.2. Matters related to identification, etc.

- 1) The customer's address is a P. O. Box or a c/o address.
- 2) The customer's address is that of a provider of services for businesses.
- 3) The customer's address information is difficult to verify.
- 4) The postal address for correspondence differs from the customer's official address.
- 5) The stated address does not exist.
- 6) A large number of persons are registered at the stated address or there is a very large number of changing occupants, or other information is available indicating that it is not the real address of residence or domicile.
- 7) The address of residence or domicile does not correspond to the customer's financial arrangements.
- 8) The customer changes address frequently.
- 9) The customer is a business whose name and purpose do not correspond with its transactions.
- 10) The customer cannot immediately provide additional identification documents.
- 11) Identification documents appear to be unused.
- 12) Identification documents are soiled making it difficult to read the necessary information.
- 13) The customer does not want his passport verified by the embassy without any good reason for this.

1.A.3. Indications of acting on behalf of a third party

- 1) The customer is accompanied by others who keep a low profile or stay just outside.
- 2) The customer reads from a note he apparently did not write himself.
- 3) The customer receives instructions from others.
- 4) The customer appears to be in doubt when asked for further details.
- 5) The customer represents a business but seems to have no business experience.
- 6) Authority for others to withdraw does not seem to be well-founded.
- 7) Correspondence is to be sent to another person than the customer.
- 8) The customer needs information on what has been deposited in the account before a large cash withdrawal or transfer to abroad.

1.A.4. Appearance

- 1) The customer's clothes and behaviour do not correspond to the transaction.
- 2) The customer tries to avoid eye-contact.
- 3) Clothes and body posture will hamper recognition by means of video surveillance.
- 4) The customer appears nervous and uncertain.

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5. Knowledge of the customer's situation

- 1) The customer is on transfer income that does not correspond to the transaction.
- 2) The customer is known to have a criminal past.
- 3) The customer is close to a person who is known to have a criminal past.
- 4) The customer is known as a defaulter but suddenly has a lot of money.
- 5) A wage-earner's account suddenly has atypical transactions.
- 6) The customer is known as a defaulter and suddenly redeems his overdue debt.
- 7) The customer suddenly redeems large non-due debt that has been periodically serviced.
- 8) Sudden change in the customer's life style.
- 9) The customer drives very expensive cars that do not correspond to his income situation.
- 10) The customer hires or leases costly assets (e.g. real estate or cars) that do not correspond to his income situation.

1.A.6. The customer's behaviour or situation otherwise

- 1) The customer shows no interest in costs or interests.
- 2) The customer does not choose the simplest way to carry out a transaction.
- 3) The customer has no connection with the area where the customer relationship is established.
- 4) Denmark is a price-raising link in a transaction with no obvious reasons for the choice.
- 5) The customer has many accounts in his own as well as businesses' name and/or has power of attorney to many accounts.
- 6) The customer gives a rather detailed explanation that appears to be rehearsed concerning the reasons for the customer relationship or the transaction.
- 7) The customer does not respond to letters to the stated address.
- 8) The customer has many newly established companies.
- 9) The customer contracts a loan secured on lodging of equivalent security.
- 10) The customer has companies abroad that are not motivated by the customer's business.
- 11) The customer explains that expensive assets are a loan from or financed by a third party.
- 12) The customer uses a payment card from a country which is not his country of residence.

1.A.7. Geographical relations

- 1) The transactions involve countries covered by UN- or EU-sanctions.
- 2) The transactions involve risk territories (e.g. drug producing countries, tax havens, conflict areas, off shore jurisdictions).
- 3) The transactions involve countries identified as having significant levels of corruption or other criminal activity.

1.B. Large cash amounts

- 1) The customer pays for goods or services with large cash amounts.
- 2) The customer deposits cash amounts that do not correspond to his occupation.
- 3) The customer deposits cash amounts that do not correspond to normal payment methods in his line of business.
- 4) The customer pays with/deposits/lodges cash amounts that apparently are just collected in a bank.
- 5) The customer pays large amounts with small, perhaps crumpled, notes.
- 6) The customer's information on why he pays in cash appears hesitant or rehearsed.
- 7) The customer has a business with many cash payments but the turnover appears to be atypically large, based on the volume of cash the customer brings.
- 8) Small notes (perhaps soiled or crumpled) are to be changed into larger notes.
- 9) The customer brings cash that are bundled or wrapped up in a way that is unusual for the customer.
- 10) The customer visits his safe-deposit box immediately before he deposits large cash amounts.

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1.C. Atypical payments

- 1) Repayment of a loan shortly after contracting the loan.
- 2) Payment to or via countries that are atypical for the item being paid for.
- 3) Payment to countries with no connection whatsoever with the deal or the seller.
- 4) Atypically many or large deposits in the form of winnings, inheritance, etc.

1.D. Atypical movements on accounts

- 1) Opening of an account for a newly established company with larger deposits than expected based on the available information.
- 2) Large and unusual cash withdrawals from a company account.
- 3) Deposits in different branches of the bank.
- 4) An account receives sudden deposits from abroad and is emptied by frequent small cash withdrawals.
- 5) Large cash deposits that do not correspond to the information on the customer's economic situation.
- 6) The customer's account starts having larger cash deposits than normally.
- 7) The customer has several accounts and without special reason cash amounts are deposited in several of these the same day.
- 8) There are many or large transfers from a business to account holders who have apparently no relation to the business.
- 9) A newly established company receives large amounts from abroad that shortly afterwards are sent on to one or more companies abroad.
- 10) A private account, where there is no information about it being an extra account for a specific purpose, does not have the usual transactions for a private account.
- 11) There are several transactions with offshore banks that are not related to the customer's business.
- 12) The only movements on an account are transfers to or from abroad.
- 13) A newly opened account receives a moderate deposit from abroad that is transferred to abroad shortly afterwards and shortly thereafter receives a large amount from abroad that also is to be transferred.
- 14) A predominantly inactive account suddenly has many transactions.
- 15) A private account is used for business related transactions.
- 16) The account is especially used for depositing of cash amounts and transfers to abroad.
- 17) An account receives atypically large transfer(s) and similar amount(s), perhaps e.g. 10 % less, is withdrawn in cash shortly afterwards.

2. CURRENCY EXCHANGE

- 1) Currency purchases with large cash amounts.
- 2) Exchange of large amounts or frequent exchanges that are not related to the customer's business.
- 3) Large exchanges between foreign currencies.
- 4) The customer apparently does not know the exact amount being exchanged.
- 5) The customer looks around all the time and does not watch the counting of money.

3. TRANSFER AND REMITTANCE OF MONEY

- 1) Transfers paid by large cash amounts.
- 2) Transfers to countries that have no ordinary relation to the customer's personal or professional situation.
- 3) Transfers that do not correspond to the customer's economic situation.
- 4) The customer seems only after the counting to know which amount is being transferred.

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- 5) The customer shows no interest in the transfer costs.
- 6) The customer has no relation to Denmark and cannot sufficiently explain why money is transferred from Denmark.
- 7) The customer has a note with information about payee but is hesitating if asked whether to mention the purpose of payment.
- 8) Large or repeated transfers between the account of a legal person and a private account, especially if the legal person is not a Danish one.
- 9) Large amounts are transferred to companies abroad with a service provider address.
- 10) Large or frequent transfers of money.
- 11) Frequent value sending that is not related to the customer's business.

4. PAYMENT PATTERNS, COMMODITY TRADE AND ACCOUNTS

- 1) Sudden changes in countries from which the business receives money, with no explanation.
- 2) Invoicing in atypical currencies or via atypical intermediaries.
- 3) Transactions involving risk territories (e.g. drug producing countries, tax havens, conflict areas, off shore jurisdictions).
- 4) The transactions involve countries identified as having significant levels of corruption or other criminal activity.
- 5) Income from undocumented foreign activities (companies, consulting fees, etc.).
- 6) The background for expenses is difficult to verify (payments to agents, to consultants, for know-how, etc.).
- 7) Indications that a company is under- or over-invoicing.
- 8) Income is difficult to verify.
- 9) Bank accounts have entries, which indicate that a third party has been permitted to use them.
- 10) The transaction pattern indicates that credit cards are used by a third party abroad.
- 11) The income is atypically good for that kind of business.
- 12) Some invoicing routes are atypical.
- 13) Some payment routes are atypical.
- 14) Some trading partners are atypical.
- 15) Transactions indicate that the customer is the beneficial owner of a business that appears to be unrelated to the customer.
- 16) Some goods are bought or sold at atypical prices.
- 17) Trading in commodities that have not entered Denmark and where the existence cannot or can only with difficulties be verified, without this being due to the type of commodities which are normal for that business.
- 18) Invoicing is not to the buyer's country of residence.
- 19) Payments are not to the buyer's country of residence.
- 20) Atypically expensive means of transportation has been chosen compared to the contents according to the transport documents.
- 21) The expenses are atypically small compared to the stated business turnover.
- 22) A normally large stock of goods is suddenly reduced before the statement of account.
- 23) Invoiced purchases or sales do not correspond to storage capacity or storage costs.
- 24) The total financial standing of the business differs noticeably from that of similar businesses.
- 25) There are unsecured advanced payments to new trading partners.
- 26) Trade with foreign countries has suddenly increased significantly.
- 27) Invoices and transport documents do not correspond.
- 28) Debit or credit advices are not entered into the accounts.
- 29) Assets are not entered into the accounts.
- 30) Atypically large income from the payment of compensation/fines related to breach of contracts.
- 31) Many transactions with countries from where it can be difficult to verify information.
- 32) Indication of loans from abroad being loan back-arrangements.
- 33) Movements on bank accounts do not correspond to the activities of the business.
- 34) There are apparently many payments into an account from buyers, but no payments for commodities etc.
- 35) There are asset sales presumably at a loss and purchase of largely similar assets at a premium in a company with a problematic financial situation.
- 36) Atypically large profits in a business from transactions where it has only been an intermediary.
- 37) Atypical non-capital contributions or capital increases in companies.

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- 38) The business normally trades at a loss.
- 39) The annual reports of the company are not published.
- 40) The company trades in products that may require export authorisation to countries covered by UN- or EU-sanctions or are known as transit countries for such countries (e.g. encryption products to Iran).
- 41) The turnover of the company is unreasonably high considering the number of employees and assets used.

5. REAL ESTATE BUSINESS AND MORTGAGE

- 1) A large cash amount constitutes a part of the payment.
- 2) The buyer will not pay everything by bank transfer or by cheque.
- 3) Real estate is bought sight unseen.
- 4) Real estate is bought on behalf of a third party with no apparent connection between buyer's representative and buyer.
- 5) Payment is transferred from a country that the buyer has no known connection to.
- 6) Payment or part of this is made by a third party.
- 7) Buyer and/or seller show no interest in the amount of costs.
- 8) Real estate is sold at a considerable premium.
- 9) Real estate is sold at a considerable loss.
- 10) The purchase price of real estate seems not to correspond to the buyer's income situation.
- 11) A buyer deposits the down payment in cash or by transfer from a third party's account but the deal is cancelled and the buyer asks to be paid back by cheque or transfer.
- 12) Buyer and/or seller have requirements concerning payment etc. that are atypical for a normal deal.
- 13) Information on financing is vague or atypical.
- 14) Real estate is paid wholly or in part with assets that are difficult to value.
- 15) Loan to finance the deal is provided by an atypical source – e.g. a company abroad.
- 16) A normal mortgage is repaid shortly after it was set up.
- 17) Mortgage instalments are paid in cash.
- 18) Mortgage instalments are paid from a country that the buyer has no known connection with.
- 19) Mortgage instalments are paid by a third party.
- 20) Special relations between buyer and seller are indicated by the fact that the future buyer finances renovation, uses the real estate etc. before there is a final agreement on transfer of title.
- 21) The buyer or persons closely associated with the buyer are known to be connected with criminal activities.
- 22) There are indications that the buyer acts as a front for the real owner.
- 23) Real estate is resold shortly after being purchased at a significantly higher or lower price.
- 24) There are indications (e.g. due to prices or ways of payment) of atypically trade between related parties.
- 25) A major part of the sales price is financed by private mortgage deeds and not through the normal loan market for real estate.

6. STOCK MARKET TRANSACTIONS AND INVESTMENTS

- 1) Investment funds are paid wholly or in part in cash or from an account abroad or by a third party.
- 2) The customer seems less interested in profits and investment instruments than in the later realization and transfer into his account.
- 3) Profit/sales proceeds are to be paid into another account than the one from which the investment funds were paid.
- 4) Large or repeated transactions where buyer and seller are the same and one of them suffers considerable losses.
- 5) Large or repeated trading in securities that are not often traded and where it is difficult to determine the price.
- 6) Buying at a high price of securities that are not often offered for sale and has just been offered, and subsequent sale at a considerable loss.

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- 7) An investment that would normally be long-term is realized shortly after the investment.
- 8) The customer sells many shares in a company that according to not verified hearsay is to receive a big order.
- 9) The customer wants to dispose of profits from shares that are obtained under circumstances that give rise to consider insider trading.

7. ADVISING

- 1) The customer wants apparently for tax reasons advice that may also be of interest in money laundering contexts without rendering the need of tax advice probable.
- 2) The customer is especially interested in the regulations in other countries concerning banking secrecy and information to public authorities.
- 3) The customer wants information on the purchase of companies or other legal persons in countries where the beneficial owner can remain anonymous.
- 4) The customer wants information on the opening of accounts or founding of companies in countries where the customer has no personal or business connections.
- 5) The customer refuses to provide details of why the advice is sought.
- 6) The customer appears uncertain in several respects as if the advice is not for his personal use.
- 7) The customer shows no interest in the costs for the advising or future assistance.

8. FOUNDING, PURCHASE OR ADMINISTRATION OF LEGAL PERSONS

- 1) The customer wants to purchase/found a company for no apparent professional reason.
- 2) The customer wants to purchase/found a company in a country that allows professional shareholders to front as owners.
- 3) The customer wants to establish a fund or similar abroad without being able to explain the need for it.
- 4) The customer wants to purchase/found a company in a country with no accountability or tax liability if there are no activities in the country in question.
- 5) The impression of the customer raises doubts about whether he is the real buyer/founder or is paid to front as such.
- 6) The capital base of the company indicates that the owner's or a third party's proceeds from crime are included.
- 7) The management seems – e.g. due to information on addresses – atypical for the business.
- 8) The customer uses different firms of accountants for his businesses.
- 9) The business has frequent changes of accountants.
- 10) Members of the management are frequently replaced.
- 11) The business' use of a service provider does not correspond to that kind of business.
- 12) Atypical instructions to a service provider on what to do.
- 13) Signing rights or powers of attorney are atypical.

9. INSURANCE

- 1) Payment in cash of insurance premiums.
- 2) Repurchase too early with no apparent explanation.
- 3) The customer is more interested in surrender provisions than in conditions and costs.
- 4) Taking out a policy that is atypically large.
- 5) Premiums are paid from an account in a country the customer has no connection with.
- 6) The amount of the insurance does not correspond to the customer's appearance.
- 7) "By mistake" too much is paid as premium and is to be repaid into an account from where there has been no payment.

10. COLLECTIONS, ASSOCIATIONS AND “COLLECTION ACCOUNTS”

- 1) Several persons with no apparent family or business connection have access to withdraw from the same account.
- 2) Several persons with no apparent family or business connection deposit money in the same account (“collection account”).
- 3) Large amounts are transferred jointly to abroad from a collection account.
- 4) Financial transactions made by charitable organizations (NPOs) that have no apparent logical economic purposes or where there seems to be no connection between the purpose of the NPO and those involved in the transactions.
- 5) Non-transparent transfers to parts of the world with special problems with terrorism.
- 6) Vague information on the structure and activities of the NPO.
- 7) Problems with distinct information on an association when opening an account.
- 8) The use of an account as a collection account does not correspond to the information the customer has given on the purpose of the account.
- 9) The account of an association receives transfers from abroad.
- 10) An association has an amount deposited that differs from the normal pattern for the use of the account.
- 11) The name of an association/NPO and a name on the EU sanction lists or similar lists are wholly or partly identical.
- 12) The account of an association has no regular payments of membership fees.