Mutual Evaluation
Third Follow-Up Report

Anti-Money Laundering and Combating the Financing of Terrorism

Kingdom of Denmark

22 October 2010
Following the adoption of its third Mutual Evaluation (MER) in June 2006, in accordance with the normal FATF follow-up procedures, the Kingdom of Denmark was required to provide information on the measures it has taken to address the deficiencies identified in the MER. Since June 2006, the Kingdom of Denmark has been taking action to enhance its AML/CFT regime in line with the recommendations in the MER. The FATF recognizes that the Kingdom of Denmark has made significant progress and that Spain should henceforward report on a biennial basis on the actions it will take in the AML/CFT area.
Application to move from regular follow-up to biennial updates

Note by the Secretariat

I. Introduction

1. The third mutual evaluation report (MER) of Denmark was adopted on 22 June 2006. At the same time, Denmark was placed in a regular follow-up process. Denmark reported back to the FATF in May 2008 (first follow-up report), and June 2009 (second follow-up report). Denmark indicated that it would report to the Plenary again in June 2010 concerning the additional steps taken to address the deficiencies identified in the report, and apply to move from regular follow-up to biennial updates. At its meeting on 16 February 2010 the FATF/WGEI agreed that, considering that the next follow-up report from Denmark (October 2010) would be an application to come out of the follow-up process, there was no need to require Denmark to provide an interim follow-up report (previously planned for June 2010). This decision was endorsed by the FATF Plenary.

2. This paper is based on the procedure for removal from the regular follow-up, as agreed by the FATF plenary in October 2008 and subsequently amended. The paper contains a detailed description and analysis of the actions taken by Denmark in respect of the core and key Recommendations rated PC or NC in the mutual evaluation, as well as a description and analysis of the other Recommendations rated PC or NC, and for information a set of laws and other materials. The procedure requires that a country “has taken sufficient action to be considered for removal from the process – to have taken sufficient action in the opinion of the Plenary, it is necessary that the country has an effective AML/CFT system in force, under which the country has implemented the core and key Recommendations at a level essentially equivalent to a C or LC, taking into consideration that there would be no re-rating”. Denmark was rated partially compliant (PC) or non-compliant (NC) on the following Recommendations:

<table>
<thead>
<tr>
<th>Core Recommendations rated NC or PC</th>
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<tr>
<td>R.5, R.13, SR.II (all PC)</td>
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<tr>
<th>Key Recommendations rated NC or PC</th>
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<tr>
<td>R.23, R.35, SR.I, SR.III (all PC)</td>
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<tr>
<th>Other Recommendations rated PC</th>
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<tr>
<td>R.16, R.17, R.18, R.21, R.30, R.32, R.33, R.34, SR.VII, SRIX</td>
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<th>Other Recommendations rated NC</th>
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<td>R.6, R.7, R.8, R.9, R.11, R.12, R.24, R.25</td>
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1 For details regarding the follow-up process, please refer to the FATF mutual evaluation procedures dealing with the follow-up process (§35 and following).
2 Third Round of AML/CFT Evaluations Processes and Procedures, paragraph 39c and 40.
3 The core Recommendations as defined in the FATF procedures are R.1, SR.II, R.5, R.10, R.13 and SR.IV.
4 The key Recommendations are R.3, R.4, R.26, R.23, R.35, R.36, R.40, SR.I, SR.III, and SR.V. Such recommendations are carefully reviewed when considering removal from the follow-up process.
3. As prescribed by the Mutual Evaluation procedures, Denmark provided the Secretariat with a full report on its progress. The Secretariat has drafted a detailed analysis of the progress made for Recommendations 5, 13, 23, 35 and Special Recommendations I, II and III (see rating above), as well as an analysis of all the other Recommendations rated PC or NC. A draft analysis was provided to Denmark (with a list of additional questions) for its review, and comments received. Comments from Denmark have been taken into account in the final draft. During the process Denmark has provided the Secretariat with all information requested.

4. As a general note on all applications for removal from regular follow-up: the procedure is described as a paper based desk review, and by its nature is less detailed and thorough than a mutual evaluation report. The analysis focuses on the Recommendations that were rated PC/NC, which means that only a part of the AML/CFT system is reviewed. Such analysis essentially consists of looking into the main laws, regulations and other material to verify the technical compliance of domestic legislation with the FATF standards. In assessing whether sufficient progress had been made, effectiveness is taken into account to the extent possible in a paper based desk review and primarily through a consideration of data provided by the country. It is also important to note that these conclusions do not prejudge the results of future assessments, as they are based on information which was not verified through an on-site process and was not, in every case, as comprehensive as would exist during a mutual evaluation.

II. Main conclusion and recommendations to the Plenary

5. **Core Recommendations:** For R.5, most of the deficiencies identified in the MER have been addressed, principally through amendments to legislation. Two deficiencies remain, relating to the basis on which countries and products are identified as low risk for the purposes of exemptions from specific CDD requirements, but on the recommendation as a whole Denmark's compliance is essentially equivalent to a rating of LC. On R. 13, three of the four deficiencies identified by the MER relate to the same underlying issue of effectiveness, and of these Denmark has fully addressed one, and partially addressed another. The last deficiency, relating to Greenland and the Faroe Islands, has been addressed. Though some doubts remain regarding the effectiveness of the STR reporting regime, Denmark's compliance with R. 13 can be judged essentially equivalent to an LC. The deficiency on SR. II has been addressed through new legislation. Denmark has reached a satisfactory level of compliance with all of the Core Recommendations.

6. **Key Recommendations:** For R. 23, Denmark has made progress in most areas, e.g. in the frequency of inspections, and the extension of fit and proper tests. Some actions remain in order to fully address the deficiencies highlighted in the MER, but Denmark's overall compliance is equivalent to LC. Recommendation 35, has not technically been fully addressed, as Greenland and the Faroe Islands remain outside the UN conventions. Nevertheless, given the low risk posed by these jurisdictions and the significant progress made in reforming their AML/CFT legal frameworks, the Plenary may decide that a double-downgrade to PC on the basis of this deficiency is no longer merited. SR I has been largely addressed, and with the entry into force of new legislation (expected to be in mid-October) will have reached a satisfactory level of compliance.

7. On SR. III, at a national level Denmark has largely addressed the deficiencies identified in the MER. However there have been new developments at EU level since the adoption of the MER which appear to not fully comply with some requirements of Special Recommendation III (although at this time it is not totally clear how they impact on assessment). It is also not clear that the issue of EU Internals is adequately addressed through preventive confiscation. Therefore, despite the deficiencies addressed, it is not possible to reach a definite conclusion that Denmark is equivalent to an LC.
8. **Other Recommendations**: Denmark has made significant progress with the other 18 Recommendations that were rated PC or NC. Denmark has achieved a sufficient level of compliance with Recommendations 6, 7, 8, 11, 12, 17, 18, 21, 24, 25, 30, 32, SR VII, and SR IX. Denmark has also made efforts to improve its compliance with Recommendations 9, 16, 33, and 34, though deficiencies remain and implementation of these recommendations has not yet reached a level equivalent to an LC rating.

9. **Conclusion**: Overall, Denmark has reached a satisfactory level of compliance with all of the Core Recommendations; and eight of the ten Key Recommendations. It has not yet definitely reached a satisfactory level of compliance with SR. III. On R. 35 the Plenary may nevertheless decide that on a risk-sensitive basis R. 35 should be considered equivalent to LC. It should also be noted that though there are current concerns about compliance with SR. III, the deficiencies identified in the MER have been substantially addressed.

10. The mutual evaluation follow-up procedures indicate that, for a country to have taken sufficient action to be considered for removal from the process, it must have an effective AML/CFT system in force, under which it has implemented all core and key Recommendations at a level essentially equivalent to C or LC, taking into account that there would be no re-rating. The Plenary does, however, retain some limited flexibility with regard to the key Recommendations if substantial progress has also been made on the overall set of Recommendations that have been rated PC or NC.

11. Denmark has made significant overall progress since the MER. 25 Recommendations were assessed as PC or NC in 2006. To the extent that this can be judged in a paper-based review which does not examine effectiveness, Denmark has taken sufficient action to bring its compliance to at least a level essentially equivalent to LC on relation to 18 of those (five of the seven core and key Recommendations rated PC/NC, and 14 of the 18 other Recommendations). Of the other recommendations remaining, overall Denmark has made considerable efforts to strengthen its AML/CFT regime since 2006 across all areas of activity, though it can not be judged sufficiently compliant with recommendations 9, 16, 33 and 34. Consequently, it is recommended that this would be an appropriate circumstance for the Plenary to exercise its flexibility and remove Denmark from the regular follow-up process, with a view to having it present its first biennial update in October 2012.

### III. Overview of Denmark's Progress

#### A. Overview of the main changes since the adoption of the MER

12. The most significant change to Denmark's AML/CFT regime since the June 2006 MER has been the entry into force of the *Act on Measures to Prevent Money Laundering and the Financing of Terrorism* (known as the Money Laundering Act or MLA). At the time of the MER, the MLA had been enacted, but was not yet in force. Its entry into force on 1 March 2006 (some provisions on 1 January 2007) remedied several deficiencies, as indicated in the 1st follow-up report, in relation to Recommendations 5-8, 11, 12 and 18. Following the MER, Denmark has adopted several amendments to the MLA in order to address remaining deficiencies. A first set of amendments relating to R.5-8 came into force on 1 July 2008 (except provisions regarding clarification of the ownership and control structure of the undertaking and proof of the identity of the beneficial owners of the undertaking, which came into force on 1 January 2009). A second set of amendments, including new provisions in relation to R.21, R.23, R.5, was enacted in May 2009 and came into force on 1 July 2009 (except amended provisions regarding persons acting on behalf of another person, which came into force on 1 January 2010). Denmark has also issued three Regulations in this area since 2006:
- Regulation 712/2008 exempts certain customers and financial activities from the AML/CFT obligations and gives a definition of PEPs,

- Regulation 1197/2008 sets out provisions on registration of currency exchange providers, money remitters and certain business providers (amended by regulation 420/2010); and

- A series of Regulations issued since July 2009 which set out countries and territories which should be considered as high risk, on the basis of the FATF list, and where enhanced vigilance is required (most recently regulation 990/2010 issued in August).

13. The Kingdom of Denmark consists of three jurisdictions (Denmark, Greenland, and the Faroe Islands), each with a different set of laws relevant to AML/CFT. At the time of Denmark’s Evaluation, the MLA and a number of other pieces of AML/CFT legislation applied in Denmark proper, but not in Greenland and the Faroe Islands. This situation impacted on a number of ratings. The Danish Government has taken steps to bring the Greenlandic and Faroese AML/CFT legal systems into alignment with that of Denmark proper, described below in paragraphs 17-22. Despite considerable progress, there are some planned pieces of legislation which are not in effect at the time of writing, but which will be necessary in order to bring the Faroese AML/CFT systems into compliance with the relevant Recommendations. The planned legislation still to be concluded is to implement UNSCRs 1267 and UNSCR 1373 on the Faroe Islands. Some elements of this have been enacted by the Faroese parliament and are expected to enter force at the end of September 2010; others have been introduced to the Faroese Parliament and are expected to be adopted by the end of September, and would enter force by mid-October 2010.

14. Denmark has strengthened the Guidance available to the financial sector, issuing FSA Guidance on Measures to prevent Money-Laundering and the Financing of Terrorism at the end of 2006. Guidance has also been produced in 2007 by the DCCA for money remitters, currency exchanges, and company service providers; and in 2009 by the DBLS for lawyers. Work to update and consolidate this guidance has been underway since April 2010, through a contact group of private sector and competent authorities. The FSA expects to publish revised guidance applicable to all relevant sectors on 11 October.

15. Denmark has also taken steps to improve the coordination of its national AML/CFT activities, with the establishment of the MoneyLaunderingForum in January 2006, including all relevant competent authorities, in a coordinating group with a mandate specifically related to Recommendations 31 and 32. There has also been some reallocation of responsibility: supervision of payment service providers was transferred from the DCCA to the FSA in November 2009.

B. The legal and regulatory framework

16. Denmark's legal and regulatory scheme is based primarily on the MLA. This transposed the European Union 3rd Money Laundering Directive (Directive 2005/60/EC), into Danish national legislation, and came into force in March 2006, with subsequent amendments enacted in 2008 and 2009. The MLA is supported by three national regulations (listed in paragraph 12, above). Several elements of Denmark's AML/CFT legal system come from European Union regulations, which are directly enforceable in EU Member States; principally those relevant to SR.VII, implemented through the EU Wire Transfer Regulation (1781/2006); and to SR.III, implemented through EU regulations transposing relevant UNSCRs. Other legislation relevant to FATF Recommendations includes the Criminal Code; the Gambling Casino Act; and the Customs Act.

17. Greenland and the Faroe Islands are crown dependencies of the Kingdom of Denmark with significant autonomy. The self-governance agreements between Denmark and Greenland, and between Denmark and the Faroe Islands, allocate some regulatory and supervisory responsibilities to Denmark.
(realm regulation); and others to Greenland or the Faroe Islands (self governance regulation). This means that both Greenland's and the Faroes' AML/CFT legal systems comprise both realm regulation and self governance measures, each applicable within the areas of responsibility set out in the relevant self-governance agreement. In addition, neither Greenland nor the Faroe Islands is a member of the EU, and hence EU regulations are not directly enforceable there; any relevant provisions must be enacted through both realm-regulation and self-governance regulation in order to have effect in the jurisdiction. Within the UN, the Kingdom of Denmark comprises Denmark, Greenland, and the Faroe Islands; and ratification of UN instruments by the Kingdom of Denmark encompasses both Greenland and the Faroe Islands. However, in some cases a declaration is submitted at the time of ratification which limits the territorial application of the instrument, in accordance with international law and established practice. Such declarations, which restrict the territorial application of the Vienna, Palermo and Terrorist Financing Conventions, have been submitted according to which the conventions should not, at least for the moment, apply to Greenland and the Faroe Islands. Danish authorities indicate that they are looking into ways and means to lift these territorial declarations.

18. The Kingdom of Denmark has made significant progress in the last year in updating the AML/CFT legal system of Greenland. The principal elements of Greenland's current legal and regulatory scheme are:

- Regulations duplicating most elements of the MLA in force in Denmark proper, through both realm regulation (the Royal Decree on measures to prevent money laundering and the financing of terrorism No 1034 of 30 August 2010) and self-governance regulation (the Act on measures to prevent money laundering and the financing of terrorism No. 5 of 19 May 2010), which entered into force in August 2010.

- Laws corresponding to the EU Wire Transfer Regulation, through realm regulation (Act No.399 of 21 April 2010) and self-governance regulation (Act No.6 of 19 May 2010).

- Regulations implementing UNSCR 1267, through realm regulation the Royal Decree for Greenland on the introduction of certain restrictive measures against certain persons and units, linked to Osama bin Laden, members of the Al Qaida organisation and the Taliban (No. 1003 of 16. August 2010), which came into force 16 August 2010 and self-governance regulation on the introduction of certain restrictive measures against certain persons and units, linked to Osama bin Laden, members of the Al Qaida organisation and the Taliban(Act no. 3 of 19 May 2010), which came into force 1 June 2010.

- Laws implementing UNSCR 1373, through realm regulation the Royal Decree for Greenland on specific measures to combat terrorism (No. 1004 of 16. August 2010), which came into force 16 August 2010 and self-governance regulation Act on specific measures to combat terrorism (No.4 of 19 May 2010, which came into force 1 June 2010).

- Greenland's legal and regulatory scheme also includes the Criminal Code, containing the relevant provisions of the Danish criminal code; Administration of Justice Act, and the Customs Act.

19. Some elements of Denmark's scheme are not replicated in Greenland. The three FSA regulations noted above (Regulations 712/2008; 1197/2008; and 990/2010) are not applicable in Greenland. Danish authorities indicate that the need for similar regulation adjusted to the local environment will be discussed with the local authorities based on risk assessment. There is no Greenland equivalent to the Danish Gambling Casino Act; however, hazard gambling is prohibited by the Greenland Criminal Code, effectively prohibiting casinos altogether. Greenland is also subject to territorial exclusions from the UN
conventions. Finally, some elements of the Danish MLA are not reflected in the Greenlandic equivalent, including the prohibition on large cash transactions above DKK 100,000.

20. There has also been recent progress in the Faroe Islands to complete their AML/CFT legislation. The principal elements of the Faroe Islands' current legal and regulatory scheme are:

- Laws duplicating most elements of the MLA in force in Denmark proper, through both realm regulation (the Royal Decree on measures to prevent money laundering and the financing of terrorism, which came into force in July 2008, and was amended in January 2010) and self-governance regulation (the Act on measures to prevent money laundering and the financing of terrorism No. 56 of 9 June 2008, amended in May 2010).

- Laws corresponding to the EU Wire Transfer Regulation, through realm regulation, and cross-references in self-governance regulation (included in the MLA - Act No. 56 of 9 June 2008). Both of these entered force on 15 June 2010, following legislative corrections.

- Draft legislation implementing UNSCR1267 and 1373 has been presented to the Faroese authorities and is expected to enter force in September and October 2010. The provisions of UNSCR 1267 will be implemented through a Royal Decree for the Faroe on the introduction of certain restrictive measures against certain persons and units, linked to Osama bin Laden, members of the Al Qaida organisation and the Taliban (realm regulation), and amendments to The MLA /Act on Measures to Prevent Money Laundering and Financing of Terrorism, Act No. 56 of 9 June 2008 (self governance regulation). The provisions of UNSCR1373 will be implemented through a Royal Decree for the Faroe Islands on specific measures to combat terrorism (realm regulation), and amendments to The MLA /Act on Measures to Prevent Money Laundering and Financing of Terrorism, Act No. 56 of 9 June 2008 (self governance regulation). The Royal Decrees have been approved by Faroese authorities, and are expected to receive royal assent and enter force at the end of September 2010. The self-governance regulation has been introduced to the Faroese parliament (Lagting) and is expected to be adopted by the end of September, and would enter force in mid-October 2010.

- A Faroese Regulation (551/2010) was enacted in June 2010 corresponding to Danish Regulation 990/2010, which sets out countries and territories which should be considered as high risk, on the basis of the FATF list.

- The Faroese Criminal Code was amended in December 2009 and the relevant sections are now equivalent to the current Danish criminal code.

21. Some elements of Denmark's scheme are not replicated in the Faroe Islands. Regulations 712/2008 and 1197/2008 are not applicable to the Faroes. Danish authorities indicate that the need for similar regulation adjusted to the local environment will be discussed with the local authorities based on risk assessment. There is no Faroese equivalent to the Danish Gambling Casino Act; however, hazard gambling is prohibited by the Faroese Criminal Code, effectively prohibiting casinos altogether. The Customs Act does not apply to the Faroe Islands, meaning that measures related to cash controls and declarations are not currently applied there. Danish authorities indicate that they expect the Faroese tax administration to present a revised Faroese Customs Act, containing the same cash control provisions as the Danish Customs Act, during this assembly of Parliament. The Faroe Islands are also subject to territorial exclusions from the UN conventions. Finally, some elements of the Danish MLA are not reflected in the Greenlandic equivalent, including the prohibition on large cash transactions above DKK 100,000.
22. The status of Greenland and the Faroe Islands, and in particular the gaps in their AML/CFT legal frameworks, was a significant factor in the Kingdom of Denmark's Mutual Evaluation. Overall sixteen deficiencies relating specifically to Greenland and the Faroe Islands were identified by the MER. Addressing these gaps in their AML/CFT regimes was therefore a high priority in the Action Plan. There have been significant improvements in the AML/CFT legal frameworks of both jurisdictions since 2006, including the entry into force very recently of several key pieces of legislation, as set out above, and the legislation due to enter force in the Faroe Islands in September and October. These legislative changes have addressed most of the deficiencies identified in the MER. Nevertheless, after recent legislation enters force, some problems still remain to be addressed; notably the territorial exclusions of Greenland and the Faroe Islands from the relevant UN Conventions; the lack of local equivalents to key AML/CFT regulations; and the absence of controls on cash movements in the Faroe Islands.

IV. Review of the measures taken in relation to the Core Recommendations

**Recommendation 5 - rated PC**

R5 (Deficiency 1): The new MLA is not yet applicable in Greenland and in the Faroe Islands which remain subject to the 1993 MLA.

23. Denmark has addressed this deficiency by enacting realm and self-governance laws to give effect to the new MLA in both Greenland and the Faroe Islands, as described in paragraphs 17-22, above. The new legislation adequately addresses this deficiency.

R5 (Deficiency 2): There are no identification requirements in the case of wire transfers under the circumstances covered by SR VII (i.e., the identification requirements apply only in the case of wire transfers of 15,000 EUR or more).

24. The European Union’s Regulation 1781/2006 implements SRVII throughout the European Union. The Regulation applies directly in Denmark, without further implementation being required by national legislation. According to Article 5 of the Regulation the Payment Service Provider has to ensure that transfers of funds are accompanied by complete information on the payer, except if the value of the transfer is less than EUR 1,000. Greenland and the Faroe Islands are not EU members so Regulation 1781/2006 does not apply to them. However a local equivalent has been adopted in each jurisdiction. This deficiency has been addressed.

R5 (Deficiency 3): There is no indication of the types of documents, which are to be verified during the identification process.

25. The Guidance on measures to prevent money laundering and the financing of terrorism issued by the Danish FSA in December 2006 includes a section on Checking information by means of identification documents (paragraphs 124-148). This section lists the types of documents which should be verified and the manner in which this should be done. This deficiency has been addressed.

5 Recommendations 1, 3, 5, 12, 13, 16, 33, 35, 36, 38, and 39; and Special Recommendations I, II, III, IV, and V.

6 It should be noted that normal CDD measures, including regarding beneficial ownership, are required for wire transfers over EUR/USD1,000; according to the clarification of the requirements of R5 and SRVII by WGEI Expert Group A in April 2010. Such measures are not required by EU Regulation 1781/2006.
R5 (Deficiency 4): In the case of a legal person, there is no requirement to verify that the individual purporting to act on behalf of the legal person or arrangement is so authorized nor to identify and verify the identity of that person.

26. Amendments to the MLA in 2008 set out requirements in relation to transactions for a third party (MLA 15(1) - 15(4)). This applies where the third party is a person or an undertaking (defined as companies and other similar legal arrangements), and so applies to legal persons. Regulated entities are required to determine whether the person with whom they are in contact is acting on behalf of another, and to ensure that any person or undertaking acting on behalf of another is authorised to do so. The MLA gives an exemption from the requirement to ensure the individual purporting to act on behalf of another is authorised to do so, in cases where that individual is a regulated financial institution or a lawyer with a practising certificate within the EU/EEA. Danish authorities indicate that according to Danish legal tradition, lawyers with a practising certificate are authorised to act on behalf of a client without further documentation. This deficiency has been addressed.

R5 (Deficiency 5): The conditions under which a financial institution is required to determine whether the customer is acting on behalf of another person and to take reasonable steps to obtain sufficient identification data to verify the identity of that other person are too restrictive (this is required only if the institution has knowledge or presumption).

27. Amendments to the MLA in 2008 set out requirements in relation to transactions for a third party (MLA 15(1)- 15(4)). Regulated entities are required to determine whether the person with whom they are in contact is acting on behalf of another, and to ensure that any person or undertaking acting on behalf of another is authorised to do so. This requirement applies regardless of whether the institution has knowledge or presumption. This deficiency has been addressed.

R5 (Deficiency 6): In the case of beneficial owner there is no specification of the information or data required for identification, nor is there a clear obligation of verification.

28. Amendments of the MLA in 2008 added (as MLA 12(3)) a specification of the information required as proof of identity of an undertaking (including the name, address, business registration number); and obligations to clarify the ownership and control structure of the undertaking; and for the beneficial owners of the undertaking to provide proof of identity. The FSA Guidance on measures to prevent money laundering and the financing of terrorism provides further details on how these obligations should be met, including the types of documents which should be presented. This deficiency has been addressed.

R5 (Deficiency 7): The requirements regarding ongoing due diligence and all those related to the enhanced due diligence are not currently applicable. (They will enter into force as of January 1, 2007).

29. The relevant sections of the MLA (§12(5) and §19) entered force on January 1 2007. MLA §12(5) requires, among other things, ongoing due diligence including regular monitoring of transactions undertaken throughout the course of the customer relationship, to ensure that the transactions being conducted are consistent with the customer's business and risk profile; and including, where necessary, the source of the funds; and that documents, data or other information about the customer shall be kept up to date. MLA §19 requires enhanced due diligence in circumstances consistent with FATF Criterion 5.9. This deficiency has been addressed.
R5 (Deficiency 8): No assessment has been undertaken of whether or not individual countries of the EU or those with which the Community has entered into an agreement for the financial area are in compliance with and have effectively implemented the FATF Recommendations for purposes of exempting from proof of identity customers that are financial institutions located in these countries.

30. Denmark has not prepared an assessment of this issue. Danish authorities note that the implementation of the 3rd Money Laundering Directive by Member States of the European Union; and Mutual Evaluation reports prepared by the FATF or Moneyval, are considered and discussed by the EU Committee on the Prevention of Money Laundering and Terrorist Financing, which meets 4 times a year. However, as noted in the Mutual Evaluation of Germany (FATF/ME(2010)2, paragraphs 531ff) there is no presumption by the FATF that the treatment of all member states as being equivalent is appropriate in terms of a country fulfilling the requirements of the standards. In the German evaluation, assessors noted that no independent risk assessment of the countries on the list had been undertaken by the German authorities outside the assessment by representatives of the EU-member states; and that the generic categorization of all EU member states, EEA states and other FATF member jurisdictions as adequately applying the FATF standards is unreasonable, in the absence of a proper risk assessment by the authorities that takes into account the specific risks for the German environment. Denmark is in the same position as Germany regarding this issue, so this deficiency cannot be judged to have been met.

R5 (Deficiency 9): The exemption from the CDD requirement in the case in which the beneficial owner has funds in a client’s account of a notary or a lawyer is not limited to pooled accounts but applies also to individual accounts.

31. Following amendment of the MLA (§21(2)) in 2008, the exemption applies only to pooled client accounts. This deficiency has been addressed.

R5 (Deficiency 10): The simplified due diligence requirements applied in the insurance sector also in the case of customers who are not physically present at the time of identification (set forth in the ambit of the exemption from the CDD requirement applying in low risk situations) do not appear to be consistent with the international standard because they are not supported by an evaluation of low risk of ML.

32. No specific evaluation has been undertaken on this question by Danish authorities. The simplified requirements applied to certain insurance products in Denmark are provided for specifically in the EU 3rd Money Laundering Directive. Danish authorities note that their approach is consistent with the EU risk assessment implicit in the Directive. They note also the absence of any observations of higher risk elements in Denmark; and that since the low risk assessment relates to the product itself, that the non-face-to-face appearance of the customer was not deemed significantly relevant. As noted for Deficiency 8, above, this is not a sufficient basis for the application of reduced or simplified due diligence measures. This deficiency has not been addressed.

R5 (Deficiency 11): Since the new CDD requirements either have only entered into force recently or will enter force on January 1, 2007, it cannot be concluded that the CDD requirements have been effectively implemented.

33. It is difficult to ascertain through a paper-based off-site review that effectiveness has improved. The CDD provisions of the MLA entered into force in July 2006 or January 2007, and have now been in place for 3½ or 4 years. It is therefore no longer appropriate to presume that they are not effectively implemented on the basis that they were recently enacted. However, without reviewing indicators of effectiveness or conducting an on-site assessment, it is not possible to reach a conclusion that they are being implemented effectively. This deficiency has not been assessed.
**Recommendation 5, Overall conclusion**

34. Denmark has made significant progress in improving its compliance with R. 5. A number of technical deficiencies in the legislation were addressed with the entry into force of the relevant provisions of the MLA. Others have been addressed through additional legislation, including specific amendments of the MLA; the entry into force directly of EU Regulations, or the enacting of new legislation in Greenland and the Faroe Islands.

35. There are two identified deficiencies which cannot be assessed to have been addressed for the purposes of this report: Deficiency 8, because the exemption from proof of identity requirements for specified customers in EU or equivalent countries is not based on an independent risk assessment by Danish authorities; and deficiency 10, because the simplified due diligence requirements are not based on an appropriate evaluation of risk. It is beyond the scope of this follow-up exercise to assess the overall effectiveness of CDD measures.

**Recommendation 13 - rated PC**

36. The Mutual Evaluation Report identifies four deficiencies in relation to Recommendation 13. It should be noted that the first three deficiencies relate to the same underlying issue of effectiveness.

**R13 (Deficiency 1): Low level of reporting raises effectiveness questions.**

37. The Mutual Evaluation Report indicated concerns that Danish reporting entities had filed significantly fewer STRs than other jurisdictions assessed at that point under the 2004 methodology. The report considered the level of STR reporting taking place in Denmark, and compared this with other jurisdictions, with regard to a range of different bases for comparison. It found that in relation to all the measures used, reporting in Denmark was very significantly lower than in comparator countries. While this was not a conclusive indicator, it did raise concerns about whether Denmark’s reporting regime was effectively implemented.

38. Statistics show STR filing has increased significantly since the 2005 data reviewed in the MER. The overall number of STRs received by the FIU has increased to more than four times the 2005 level, with significant increases in both major reporting sectors. The number of STRs filed by sector is set out in the table below:

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<th>Reporting institution</th>
<th>2005</th>
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<tr>
<td>Money remittance operators</td>
<td>105</td>
<td>266</td>
<td>482</td>
<td>711</td>
<td>797</td>
</tr>
<tr>
<td>Lawyers</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Auditors and Tax Advisors</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Real Estate Agents</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>
39. However, though STR reporting in Denmark has increased significantly relative to the very low levels of reporting seen in 2004 and 2005; the overall level remains significantly lower than expected in a country in Denmark’s position. By way of comparison, in broadly similar countries rated as Compliant or Largely Compliant for this recommendation, the number of STRs filed is between three and twelve times higher than in Denmark relative to either GDP or population (using 2008 data). Among Denmark’s neighbours, the levels of reporting were as follows:

<table>
<thead>
<tr>
<th>Comparative STR filing, 2008</th>
<th>Denmark</th>
<th>Sweden</th>
<th>Norway</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total STRs submitted</td>
<td>1 529</td>
<td>13 048</td>
<td>6 082</td>
</tr>
<tr>
<td>STRs per $1 billion in GDP</td>
<td>4.48</td>
<td>27.24</td>
<td>13.46</td>
</tr>
<tr>
<td>STRs per million population</td>
<td>278</td>
<td>1 415</td>
<td>1 276</td>
</tr>
</tbody>
</table>

40. It is of course not possible to reach definitive conclusions about the effectiveness of Denmark’s reporting regime on the basis of statistics or through a desk-based review, and without also considering the scope and quality of STRs, or comparing other possible indicators of over- or under-reporting. The increase in the level of reporting seen in Denmark since the MER, while a positive development, is not yet sufficient to fully dispel the concerns about effectiveness raised by the MER. This deficiency has been only partially addressed.

**R13 (Deficiency 2): Negligible reporting from insurers and investment managers.**

41. As the statistics in the table above demonstrate, there has been no change in the level of reporting from insurers and investment managers, which remains negligible and has seen no reports at all submitted by the sector since 2006. Danish Authorities report that the FSA intends to issue guidance on this matter, drawing on FATF RBA guidance for the insurance sector, and to enhance its outreach to the relevant firms following the issuance of revised AML/CTF guidance this year, but no action has yet been taken. This deficiency has not been addressed.

**R13 (Deficiency 3): Insufficient monitoring of financial institution participation in the system.**

42. The 2006 MER noted that the authorities were unable to report which banks the STRs they had received had come from, which would indicate a severe inability to monitor and assess the effectiveness of the STR system. This information is now routinely generated and is used as a basis for engagement with and supervision of reporting entities. Since the start of 2008 the FIU has generated statistics on STRs submitted by different reporting institutions and shares this information with the FSA for supervisory purposes. The FIU also use this information to select institutions for special information or feedback meetings. This information is also used when the FIU meets with compliance officer from banks. This deficiency has been addressed.
R13 (Deficiency 4): Greenland/Faroe Islands reporting requirements do not meet standards for Terrorist Financing and attempted transactions.

43. In Greenland, both Realm and Self-governance components of the MLA were enacted or adopted on 19 May 2010, and entered force in August 2010, as noted in paragraph 18. The reporting requirements set out in §7 of the Greenland MLA do include a requirement to report suspicions of terrorist financing. The requirement to report attempted transactions is established indirectly, through the MLA's definition of "money laundering", which includes "attempting or participating in such actions". This is the same approach to indirect transactions that applied in Denmark proper.

44. In the Faroe Islands, both Realm and Self-governance components of the MLA were enacted or adopted in 2008, and amended in 2010, as noted in paragraph 20. The reporting requirements they establish are the same as those in force in Greenland and in Denmark proper. This deficiency has been addressed.

Recommendation 13, overall conclusion

45. There has been some positive progress on this recommendation; notably the relevant laws have been extended to Greenland and the Faroe Islands, and the level of STR reporting has increased by 350%. However, even after this significant increase the level of STR reporting remains very low in comparison with other countries, particularly neighbouring Nordic countries, and so cannot fully dispel the questions about effectiveness which the low level of reports suggested in the MER. No effort has been made to date to address the lack of reporting by insurers and investment managers. Monitoring of FI participation in the system has improved, with relevant information now generated and used for supervisory purposes. Overall, Denmark still has some way to go in order to fully address the deficiencies identified in the MER. However, the two deficiencies which remain unaddressed or partially addressed relate to the same issue: the effectiveness of the reporting regime. In view of this, effectiveness is the only concern remaining to be addressed on Recommendation 13, and Denmark's compliance could be considered to be at a level broadly equivalent to LC.

Special Recommendation II - rated PC

SRII (Deficiency 1): The criminalization of the financing of terrorism by Denmark is fully compliant, but Greenland and the Faroe Islands have not yet adequately criminalized the financing of terrorism, terrorists and terrorist organizations.

46. Changes have been made to both Greenland's and the Faroe Islands' Criminal Codes which criminalise the financing of terrorism on the same basis as the Danish Criminal Code. These changes took effect from 1st January 2010. This deficiency has been addressed.

V. Review of the measures taken in relation to the Key Recommendations

Recommendation 23 - rated PC

R23 (Deficiency 1): Overall the FSA’s inspection policies and procedures, and practice for AML/CFT are not sufficient as regards scope and frequency. Similarly for the DCCA, inspection policies and procedures, and practice are not sufficient as regards scope.

47. The specific concerns identified by the MER underlying this deficiency were that, for FSA inspections, supervisory programmes for large banks were designed to cover a four-year period, within which examinations would concentrate on specific aspects deemed to be of high priority. The inspections would therefore not always focus on AML/CFT, resulting in a low frequency of inspections. The MER
also noted\(^7\) concerns that inspections did not include sample testing of transactions. For the DCCA, the issue identified was that inspection policies and procedures were rudimentary and not comprehensive, omitting inspection of policies and procedures or guidance on assessing the adequacy of measures. With respect to both scope concerns, the MER noted that the FSA and DCCA planned to update their inspection manuals in the light of the expansion of the MLA.

48. With regard to the frequency of FSA inspections, the FSA’s inspection procedures are as follows. In general, on-site inspections of financial institutions cover all issues under supervision, including AML/CFT. The expected frequency of assessments varies according to the type of institution, with medium-sized banks inspected every 4 years, small banks every 4-6 years, and with the inspection cycle for niche banks determined on the basis of size and risk. The level of depth of the inspection varies according to the level of risk, with *sample or expanded* inspections used according to the level of risk and the level of compliance. The FSA introduced a self-assessment scheme in 2008 under which prior to all on-site inspections the financial institution completes an AML/CFT self-assessment questionnaire, explains any cases of non-compliance, and (in expanded inspections) must document its compliance.

49. For the six banks categorised as large banks, AML/CFT inspections may be carried out as stand-alone AML/CFT inspections. For institutions classed as large banks, AML/CFT inspections are always conducted on an *expanded* basis, which includes examination of all relevant AML/CFT issues and spot-checks of compliance. Such banks are inspected for AML/CFT at least every four years and in practise more frequently. In the 4½ years since the MER, ten AML/CFT inspections have been conducted of the six large banks - every 32 months on average.

50. The following table outlines the number of inspections conducted by the FSA and DCCA, and administrative orders issued:

<table>
<thead>
<tr>
<th>AML/CFT: Inspections conducted / administrative orders issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial institutions (FSA-supervised)</td>
</tr>
<tr>
<td>Banks</td>
</tr>
<tr>
<td>Mortgage-credit institutions</td>
</tr>
<tr>
<td>Investment companies and investment management companies</td>
</tr>
<tr>
<td>Life assurance companies &amp; multi-employer occupational pension funds</td>
</tr>
<tr>
<td>Insurance Brokers - firms</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>DNFBP (DCCA-supervised)</td>
</tr>
<tr>
<td>Money exchanges &amp; money remitters</td>
</tr>
<tr>
<td>Public Accountants</td>
</tr>
<tr>
<td>Real Estate Agents</td>
</tr>
<tr>
<td>Tax Advisers &amp; Bookkeepers</td>
</tr>
<tr>
<td>Company Service Providers</td>
</tr>
</tbody>
</table>

\(^7\) in para. 678.
51. With regard to the scope of FSA inspections, it is not normal procedure to conduct sample testing of transactions, though examinations do review MLA obligations relating to financial institutions’ ongoing monitoring of customer relationships, and the attention paid to unusual or suspicious transactions. The FSA is currently in the process of updating its inspection manual, and the revised manual will give further guidance on when and how to include such action.

52. The DCCA inspection regime has been revised since the MER. The DCCA has updated its inspection manual, which now includes guidance on procedures, sample testing and on assessment of the inspected entity’s compliance with MLA requirements. The DCCA’s inspection manual is being reviewed on an ongoing basis. Prior to an on-site inspection, the DCCA requests detailed information on how the inspected entity is handling AML/CTF measures. The DCCA also requests a customer list and further information about specific customers to the DCCA for control purposes. At on-site inspections the DCCA examines more thoroughly the entity’s handling of customers, including policies and procedures, and sample testing of transactions to ensure that the entity complies with the MLA. The DCCA also inform the entity about the indicators published by the FIU and provide both DCCA and FSA guidance.

53. In cases where an entity does not comply with the MLA the DCCA issues an order to the entity to comply with MLA. The DCCA indicates that in almost all on-site inspections the DCCA has given oral orders for minor offences. The DCCA has also given some written orders - as noted in the table above for 2009 (the DCCA did not collect these statistics prior to 2009). The DCCA also orders to persons to stop operating as service providers, because they are not properly licensed by the DCCA. Seventeen such orders were issued in 2009 (and 21 in 2008). In cases of severe non-compliance, the entity is reported to the FIU.

54. The concerns about the frequency of FSA inspections, particularly for large banks, have been addressed. The concerns about the scope of inspections appear to have been addressed in the case of the DCCA, but only partially addressed in the case of the FSA, which still does not conduct sample testing of transactions. Overall this deficiency has been significantly but not fully addressed.

R23 (Deficiency 2): Absence of fit and proper tests for credit card companies, leasing, factoring and finance/consumer credit, and money remitters in business prior to March 1, 2006.

55. Following amendments and the addition of an annex, the MLA now applies more widely to companies carrying out specified activities, including those noted above. The MLA requires such companies to register with the FSA, and requires the FSA to refuse registration in the event that management or beneficial owners have been convicted of a criminal offence which gives reason to believe that there is immediate danger that the position or business may be abused. Managers and beneficial owners of such companies, which are required to register with the FSA but which are not prudentially regulated and not subject to the core principles, are required to meet the above test of propriety, that they are not criminals. Payment service providers (including credit card companies and money remitters) are also subject to a test of their fitness for such positions based on ability and expertise. Managers and owners of companies which are not prudentially regulated, and which are not classed as payment service providers, are not subject to tests of fitness. However, according to the methodology such tests are required only for core principles institutions, and hence this issue is not a deficiency for the purposes of assessing Denmark’s compliance.

R23 (Deficiency 3): Limited regulation-making authority to set out more detailed requirements for preventive measures.

56. The MER noted that the MLA gives the FSA regulation-making authority only in specific areas, and that these do not include powers to specify the detailed requirements for the of preventative measures. The MLA empowers the FSA to "lay down more detailed regulations on the requirements... to prepare
written internal rules about customer due diligence, reporting, record-keeping, internal control, risk-assessment, risk-management, management controls, and communication as well as training and instruction programmes...". However, the MER's specific concern was that the FSA could not issue legally enforceable guidelines regarding the implementation of such rules, and hence could not directly sanction failure to implement written rules.

57. The FSA has made extensive use of the regulation-making authorities which are contained in the MLA, as noted above in paragraph 12. In 2006 the FSA issued its Guidance on Measures to prevent money laundering and the financing of terrorism, and is currently updating the guidance prior to issuing a revised version later this year. The guidance sets out comprehensive details on preventative measures. Although the guidance is not enforceable, it offers the FSA's interpretation of the AML/CFT requirements, including how to "administer" the risk-based approach. Although it goes some way to addressing the MER's underlying concern that the detailed requirements for preventative measures were not explicit, this guidance is not enforceable. The FSA's regulation making authority does enable it to lay down detailed requirements for undertakings to prepare written rules, and it has issued executive orders in cases where these internal rules were deemed insufficient. But the FSA's authority has not been expanded to include the specific gap identified by the MER on enforcement regarding undertakings' implementation of those written rules, so this deficiency has not been specifically addressed.

R23 (Deficiency 4): The additional supervisory responsibilities (FSA: insurance brokers, credit card companies, leasing, factoring and finance/consumer credit companies; DCCA: particularly for currency exchangers but also money remitters) – is too recent to be effectively implemented.

58. The DCCA conducts regular on-site AML/CFT inspections of currency exchangers and (until 1 November 2009) money remitters (responsibility for supervision of money remitters was transposed to the FSA by 1 November 2009). as part of its supervision regime, and has issued a number of administrative orders to firms in these categories. Statistics on these supervision activities are detailed in the table above. As mentioned the DCCA has no detailed statistics about written orders given before 2009 (see paragraph 53).

59. The FSA's AML supervision of insurance brokers, credit card companies, leasing and factoring and finance/consumer credit companies (and since 2009 of money remitters) takes place according to the same procedure used for other financial institutions, and includes a modest number of on-site AML/CFT inspections, conducted according to a risk-based inspection-plan. A number of administrative orders have also been issued to companies in these categories in relation to breaches of AML/CFT requirements, as set out in the table for deficiency 1 above. The relevant companies are included within the scope of FSA Guidance.

60. These supervisory responsibilities have been in place for several years, so they are no longer too recent to be effectively implemented. It is difficult to ascertain through a paper-based off-site review whether effectiveness has improved. However, the information available regarding their inclusion within guidance and supervision regimes, and the activity by Danish authorities in correcting deficiencies in these sectors, give some reason to believe these supervisory responsibilities are being effectively implemented.

61. The FSA and DCCA have made progress on several of the issues raised in the MER, though this progress is not yet complete and does not fully address all the deficiencies. The frequency of the FSA's inspection regime has improved, as has the scope and overall sophistication of the DCCA regime, however sample testing remains limited. Fit and proper tests are applied to payment service providers. Leasing, factoring, and finance/consumer credit companies remain subject only to a proper test, but these are not core principles institutions. The specific gap in the FSA's regulation-making authority identified in the MER - to issue legally enforceable guidelines regarding the implementation of internal written rules - has
not been filled, though the FSA does make use of related authorities, and argues that its published Guidance on AML/CFT compliance achieves substantially the same outcome as such powers. Finally, to the extent that can be judged through this review, the additional supervisory responsibilities appear to be exercised effectively. Overall, it appears that the progress Denmark has made is sufficient for its overall compliance with R. 23 to be assessed at a level equivalent to LC.

**Recommendation 35 - rated PC**

*R35: The Vienna, Palermo and Terrorist Financing Conventions have not been extended to the Faroe Islands and Greenland.*

62. Denmark has ratified the Vienna, Palermo and Terrorist Financing Conventions, but as set out above in paragraph 17, has submitted declarations which limit the territorial application of all three conventions. The Vienna, Palermo, and Terrorist Financing Conventions therefore do not extend to the Faroe Islands or Greenland. Specific provisions of the conventions have been addressed through the process of bringing Greenland's and the Faroe Islands legal systems into line with Denmark's, including the amendments to Greenland's Administration of Justice Act and Criminal Code, and to the Faroe Islands Criminal Code. Danish authorities indicate that they are looking at ways and means to lift these territorial declarations. However as the territorial exclusions of Greenland and the Faroe Islands from the conventions have not been lifted, the deficiency has not been addressed. It would therefore be abnormal to consider any change in how Denmark's level of compliance with R. 35 is viewed. Nevertheless, there has been significant progress made in reforming the AML/CFT legal frameworks in both Greenland and the Faroe Islands. In view of this, and of the small size and low level of ML/TF risk posed by both jurisdictions, the Plenary may decide that a double-downgrade on the basis of this deficiency is no longer merited.

**Special Recommendation I - rated PC**

*SRI (Deficiency 1): Greenland and the Faroe Islands have not yet fully implemented the UNSCRs.*

63. As noted in paragraphs 17-22, above, Greenland passed legislation implementing UNSCRs 1267 & 1373 in May 2010, and this entered force in August. In the Faroe Islands, draft legislation implementing UNSCRs 1267 &1373 is expected to be enacted by the Faroese Parliament in September 2010; and is expected to enter force in mid-October. When both sets of legislation are in force, this deficiency will have been addressed.

*SRI (Deficiency 2): The Terrorist Financing Convention is not applicable in Greenland and the Faroe Islands.*

64. The Terrorist Financing Convention is not applicable in Greenland and the Faroe Islands, for the reasons detailed in paragraph 62 above.

*SRI (Deficiency 3): Denmark has not fully implemented SR 1373 in that in non-UN list or EU designation matters, there is a limitation on the assets of a terrorist or terrorist organization that authorities are prepared to freeze (only assets intended for use for terrorism purposes).*

65. This is the same as deficiency (1) identified for SRIII, and is discussed in detail below. This deficiency has been addressed in principle, although its practical application as a standalone asset freezing mechanism has yet to be tested.

66. Denmark has made progress in addressing the deficiencies identified in relation to Special Recommendation I: Greenland and the Faroe Islands will have fully implemented UNSCRs 1267 and 1373
as of mid-October; but remain outside the UN Terrorist Financing Convention. Denmark's approach to implementation of UNSCR1373 with regard to non-EU and UN designations is unchanged, though the scope of alternative freezing mechanism which Denmark would propose to use in such circumstances has broadened. Overall, once legislation enters force in Greenland and the Faroe Islands, Denmark's compliance with SR I will be at a level consistent with an LC rating.

**Special Recommendation III - rated PC**

67. There have been new developments at EU level in relation to S/RES/1267(1999) since the adoption of the MER. Following legal challenges in 2008-9, the Council of the European Union adopted Council Regulation No. 1286/2009 on 22 December 2009, amending Regulation (EC) No.881/2002. Regulation 1286/2009 sets out revised listing and review procedures at EU level. These new procedures appear to not fully comply with some requirements of Special Recommendation III, notably the requirement to freeze without delay. At this time it is not totally clear how the new EU Regulation impacts on assessment of SR III. It should be noted that this potential deficiency was not raised in Denmark’s MER, and affects the EU common freezing mechanism. The Secretariat will continue to discuss the issue with the European Commission. In the light of this, it is not possible to reach a definite conclusion that Denmark is equivalent to an LC.

**SRIII (Deficiency 1): In contrast to freezes related to EU regulations, authorities are not prepared under their domestic framework to freeze non-terrorism-related assets of terrorists and terrorist organizations.**

68. As described in the MER, Denmark’s approach to asset freezing varies according to the basis for the freeze. For persons and entities designated for freezing purposes through the EU regulations, Denmark has a full capacity to freeze funds in accordance with UNSCRs 1267 and 1373 directly through the EU regulation mechanisms (EU Regulations 2580/2001 and 881/2002, and more recently Regulation 1286/2009 and Council Decision 2009/1004/CFSP). For persons and entities not on lists for which freezing is required - including EU internals (covered by common position 2001/931 but not Regulation 2580/2001) and persons and entities who do not appear on any lists, but for which Denmark receives a direct freezing request from other jurisdictions, as well as circumstances where a freeze is necessary because of other information which indicates a possibility of terrorist financing, the EU regime is not available. In such circumstances, Denmark has a court based mechanism for seizure and confiscation of such funds.

69. The Danish Criminal Code provides for *preventive confiscation* of any assets, including funds and objects, which may be used to commit crimes, including acts of terrorism. Seizures are authorised if there are reasonable grounds to suspect an individual of an offence liable to public prosecution (including acts of terrorism according to the Danish Criminal Code) and seizure is necessary to secure evidence or the claim for confiscation. This also includes seizure in preparation of preventive confiscation. Police may therefore seize the assets of a person or an organisation if this is regarded as necessary to prevent a criminal offence, including acts of terrorism. Seizure can be initiated at once without awaiting a court order.

70. Denmark’s MER considered this alternative asset freezing mechanism broadly adequate to meet Denmark’s SRIII obligations in the circumstances where the EU Regulation is inapplicable. However, the MER highlighted as a deficiency that there is not a basis for seizing funds not intended to support terrorist acts by terrorists or terrorist organisations. This alternative mechanism could therefore not freeze all funds and assets, but only those that will be used for terrorist acts. Danish authorities explained at the time of the MER that they viewed the freezing requirements of UNSCR1373 as covering only assets which would be used one way or another for terrorism purposes. They stated that, outside situations where there is a direct legal basis in a UN resolution or EU regulation, freezing assets that are beyond those intended for use for
terrorist purposes might conflict with the Danish Constitution or the European Convention for the Protection of Human Rights and Fundamental Freedoms. The deficiency relates to this limitation in how Denmark’s alternative freezing mechanism may be applied.

71. The scope of the terrorist financing offence included within Denmark's Criminal Code was set by the Anti-Terrorism Act of 2002 and 2006, but was not fully reflected in the MER. It is a criminal offence to provide or arrange for financial support to a terrorist organisation or otherwise to contribute to the promotion of its criminal activities, including the possible non-violent activities of such an organisation. On this basis, Danish authorities indicate that the preventative confiscation mechanism outlined above can be applied with regard to violation of the relevant paragraph of the Danish Criminal Code regarding terrorist financing.

72. The changes to the scope of the offence corresponding to terrorist financing appear sufficient to address the technical deficiency noted in the MER, although its practical application has yet to be fully tested as a standalone asset freezing mechanism. However, the FATF's understanding and application of SRIII has developed since 2006, and it is not clear that the preventive confiscation mechanism should be considered an adequate substitute for asset freezing powers in those cases to which the EU regulation does not apply. In particular, the confiscation mechanism does not appear to have associated procedures for de-listing, un-freezing procedures, authorising access to funds, or challenging its application.

SRIII (Deficiency 2): Denmark has issued some but not sufficient practical guidance to institutions or other persons or entities that may be holding funds or other assets concerning obligations and procedures including those to authorize access to funds.

73. Comprehensive guidance on financial sanctions was issued by the Danish Enterprise and Construction Authority (DEACA) in 2008, and has been updated since. The DEACA Guidelines covers all aspects of sanctions and their implementation, for all entities involved. The Guidelines describe the obligations and rights that proceed from imposition of freezing. The Guidelines provide a step-by-step description of the measures that entities implementing freezes are obliged to take, in relation to both terrorism- and third-country sanctions. The guidelines include material on practical implementation e.g. of matching names, and contact information for relevant agencies. The guidelines also include advice for those subject to sanctions. These guidelines are also supplemented by EU guidance on the implementation of sanctions and freezes. This deficiency has been addressed.

SRIII (Deficiency 3): In the case of Greenland and the Faroe Islands, to which the EU Regulations 881/2002 and 2580/2001 do not apply, all the necessary legal and practical arrangements to enable the jurisdictions to comply in each instance with the freeze requirements of relevant UN resolutions are not in place.

74. As noted in paragraphs 17-22, above, Greenland has passed legislation implementing UNSCRs 1267 & 1373 in May 2010, and this entered force in August. In the Faroe Islands, draft legislation implementing UNSCRs 1267 &1373 is in progress and is expected to enter force at the end of September (realm regulation), and in mid-October (self-governance).

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8 Provision 114B of Denmark's Criminal Code: reads:

A person who (1) provides financial support directly or indirectly to, (2) procures or collects funds directly or indirectly to, or (3) places money, other assets or financial or similar benefits at the disposal, directly or indirectly, of a person, a group or an association which commits or intends to commit acts that are covered by sections 114 or 114A of this Act, shall be liable to imprisonment for any term not exceeding ten years.

SRIII (Deficiency 4): Procedures for dissemination of lists forwarded by countries are not sufficient to ensure all institutions and others have notice.

75. The MER notes that lists received from other jurisdictions are not available publicly, and therefore require special effort to ensure they are fully and carefully disseminated, beyond only banking institutions. Danish Authorities state that in practise most such lists are for use by law enforcement; and those which are also relevant to banks have been distributed to them via the Danish Bankers Association. They note that no relevant list has been received since the MER, but that a distribution list is ready should a foreign list for general distribution be received. This deficiency has been addressed.

SRIII (Deficiency 5): Institutions have not always received feedback regarding possible name matches.

76. Danish FIU procedures aim to give feedback on possible name matches at once, or in the event that this is not possible, to notify the reporting entity that more time is needed and instruct them on how to proceed in the interim. The relevant file records whether feedback has been given. This procedure has not changed since the time of the MER.

77. However, Danish authorities note that they are aware of only two occasions when feedback has not been given, in 2003 and 2004, both prior to the MER, and they are not aware of any further cases since the MER. It is not possible for a desk-based review to verify whether there may be recent cases in which financial institutions have not received feedback. While the FIU’s procedures have not changed since the MER, it seems, based on the information provided by Denmark, that their implementation has improved, possibly as a result of improvements in the FIU’s staffing and IT. This deficiency has therefore been met.

SRIII: Overall conclusion

78. Denmark has addressed deficiencies on this recommendation, including amendments to the Criminal Code; further amendments to legislation in Greenland and the Faroe Islands; and the publication of guidance on financial sanctions. Practical implementation of existing procedures appears to have prevented the recurrence of past failures to give feedback to financial institutions. Some action has been taken on the process for dissemination of foreign lists, though this has not been tested in practise. There have been new developments at EU level since the adoption of the MER which appear to not fully comply with some requirements of Special Recommendation III (although at this time it is not totally clear how they impact on the assessment). Furthermore, in light of more recent FATF consideration of SR III, the preventive confiscation mechanism may not be adequate to meet the requirements of SR III in cases not covered by EU regulations. Therefore, despite Denmark’s commendable progress in addressing the identified deficiencies, it is not possible to reach a definite conclusion that Denmark is equivalent to an LC.

VI. Review of the measures taken in relation to other Recommendations rated NC or PC

Recommendation 6 - (NC)

R6: The provisions regarding PEPs are not currently applicable. (They will enter into force as of January 1, 2007).

Although not a factor underlying the rating, the following should be noted: There is no requirement to obtain senior management approval to continue already established business relationships with a PEP.

79. The relevant sections of the MLA entered force on January 1 2007, addressing this deficiency. FSA Regulation 712/2008 provides a legal definition of PEPs, to supplement the MLA. The MER was able to review the provisions regarding PEPs, and did not identify any other deficiencies, with the exception of the absence of a requirement to seek senior management approval to continue already established business
relationships with a PEP. This requirement is now specifically included within the MLA, as section 19(5). It should be noted that FSA Regulation 712/2008 does not apply in Greenland and the Faroe Islands, and does not have a local equivalent in either jurisdiction. Despite this ongoing deficiency, Denmark has nevertheless reached an overall level of compliance with R6 that is essentially equivalent to LC.

Recommendation 7 - (NC): The provisions regarding cross border correspondent banking are currently not applicable (They will enter into force as of January 1, 2007).

80. The relevant sections of the MLA entered force on January 1 2007, addressing this deficiency.

R7: Although not a factor underlying the rating, the following should be noted: There are some inconsistencies between the legislation and FATF requirements:

(i) the obligation for the correspondent institution to gather sufficient information in order to determine the reputation of the respondent institution and the quality of supervision does not specifically mention the obligation to determine whether the respondent institution has been subject to an ML or TF investigation or regulatory action.

(ii) while there is an obligation for the correspondent institution to assess the respondent institution’s AML/CFT controls, there is no obligation for the correspondent institution to ascertain that these controls are adequate and effective

(iii) there is no requirement to document the respective AML/CFT responsibilities of each institution

81. Inconsistency (iii) has been addressed through amendment of the MLA, which has added §19(3)(5), which requires institutions to "document the stipulation of the division of responsibilities between the institution and the correspondent bank.". No amendments have been made to the relevant sections of the MLA (§19(3) (1) and (2)) which are relevant to inconsistencies (i) or (ii).

82. The entry into force of the relevant provisions of the MLA addresses the main concern with regard to Recommendation 7. Denmark's overall level of compliance with this recommendation is therefore essentially equivalent to LC. Nevertheless, Danish authorities should act to correct or clarify the two remaining inconsistencies identified in the MER between the MLA and the FATF requirements.

Recommendation 8 - (NC): The requirements set forth for non-face-to face transactions are not currently applicable. (They will enter into force as of January 1, 2007.)

83. The relevant sections of the MLA entered force on January 1 2007, including a specific requirement to undertake additional due diligence for non face-to-face transactions. The MLA (§19(7))

10 MLA §19(2) requires that: When the customer has not been physically present for identification purposes, the undertaking or person shall take further measures to ascertain the customer's identity. This may be effected, for example, by taking one or more of the following measures:

1) Ensuring that the customer's identity is established by additional documentation.

2) Checking or verifying the documents supplied, or requiring confirmatory certification by one of the undertakings or persons mentioned in section 1(1), nos. 1-11.

3) Requiring that the first payment in connection with the transactions is carried out through an account opened in the customer's name with a bank. This deficiency has been addressed
also requires regulated entities to be particularly aware of ML/TF threats arising from products that might favour anonymity, and taking measures to prevent their misuse. This deficiency has been addressed and Denmark’s compliance can be judged equivalent to LC.

**Recommendation 9 - (NC)**

R9 (Deficiency 1): The requirements concerning reliance on third parties are not practically enforceable in the case where financial institutions being relied upon are outside Denmark. Rather than placing an obligation on institutions which are relying on third parties to immediately obtain the necessary information concerning the CDD process (as required by the FATF standard), the MLA places the obligation on the undertaking that is being relied upon to provide CDD-related information and to make immediately available the proof of identity upon request.

84. MLA §17(2) and §18 were amended in 2008. The additional clauses have the effect of making the recipient undertaking or person responsible for meeting the CDD requirements set out elsewhere in the MLA11. However, while the MLA states that “the recipient undertaking or person shall be responsible for meeting the requirements of section 12(1)-(4)...”, it does not include any specific requirement on that institution to obtain information concerning the CDD process, and this point is not addressed in elsewhere in regulations or guidance. This deficiency has not been fully addressed.

R9 (Deficiency 2): There is no obligation for institutions relying on third parties to take adequate steps to satisfy themselves that copies of the identification data and other relevant documentation that relate to the CDD requirements will be made available from the third party upon request without delay.

85. MLA §18 makes the recipient undertaking responsible for ensuring that the relevant proof of identity and control information as well as other documentation can be obtained quickly on request. This deficiency is addressed.

R9 (Deficiency 3): There is no requirement for financial institutions to satisfy themselves that a third party located within the EU or in a country with whom the Community has entered into an agreement for the financial area is regulated and supervised (in accordance with Recommendations 23, 24 and 29), and has measures in place to comply with the CDD requirements set out in R.5 and R.10.

86. The MLA, in clauses §17(1) and (2) also makes the relier responsible for "...taking reasonable measures to ensure that the countries mentioned in the 1st clause have implemented the requirements of the Third Money-Laundering Directive". The FSA guidance accompanying the MLA notes that in the case of countries within the EU or in a country with which the Community has entered into an agreement for the financial area, the requirements of the MLA are deemed to have been met. In the case of countries outside the EU and with which the Community has not signed an agreement, it is up to the relier to assess if there are equivalent requirements and if they are being supervised, but this additional requirement does not apply to EU or equivalence-list countries. The Statement of Equivalence published by the FSA and including the equivalence list, does include a note that "Firms should note that the list does not override the need for them to continue to operate risk-based procedures when dealing with customers based in an equivalent jurisdiction"12. However, this advice does not reach the threshold of other enforceable means. This deficiency has not been addressed.

11 In MLA §18 the following text was added: “The recipient undertaking or person shall be responsible for ensuring that the relevant proof of identity and control information as well as other relevant documentation can be obtained quickly on request.”

87. Despite some progress, Denmark has not yet taken sufficient steps to achieve a satisfactory level of compliance with Recommendation 9.

**Recommendation 11 - (NC)**

**R11 (Deficiency 1): The requirement to investigate the purpose of the complex/unusually large transactions and to keep record of the findings is not applicable as it will only enter into force on January 1, 2007.**

88. The relevant sections of the MLA (§6(2) and §23(2)) entered into force on January 1 2007, addressing this deficiency.

**R11 (Deficiency 2): The provision requiring special attention to be paid to customers’ activities and to complex unusually large transactions does not carry a sanction for failure to comply and has only recently been introduced such that it cannot be concluded that the provision has been effectively implemented.**

89. The requirement to pay special attention to complex or unusually large transactions seems to be sanctionable indirectly, using both criminal and administrative sanctions. Regulation 990/2010 has been issued by Danish authorities in relation to this requirement, and directs institutions to pay special attention to the countries on the FATF blacklist (though it should be noted that this regulation does not apply in Greenland and the Faroe Islands, though in the Faroe Islands a local equivalent has been adopted). Administrative sanctions can be applied by supervisors in relation to these requirements, including orders to regulated entities to take the necessary measures within a specified time limit, and fines for failure to comply with the regulations or with administrative orders. Danish authorities have provided some evidence that these sanctions are being effectively used: A niche bank, Saxo Bank A/S, has received an administrative order for not having policies and procedures in place to comply with section 6 of the MLA and the regulation regarding the FATF-list, and the FSA report has been submitted to the State Prosecutor.

90. On the criminal side, there are penalties for intentional or grossly negligent violation of MLA §6(2), which requires such transactions to be investigated and records of the investigation kept. There are also criminal penalties for intentional or grossly negligent violation of the MLA’s general requirement to monitor the customer relationship on a regular basis (MLA §12(5)) and for failures to prepare adequate written internal rules (MLA §25(1)). Though no sanction is attached specifically to the clause (MLA §6(1)) directly creating the requirement to pay special attention to complex or large transactions, it would be impossible in practice to violate that requirement without also violating one or more of the associated requirements which do carry sanctions for non-compliance. Danish authorities nevertheless indicate that they plan to propose an amendment of the MLA which will create a direct sanction for non-compliance with this obligation, later this year.

91. With regard to the MER's scepticism about effectiveness, given the recent introduction of this provision; the provisions entered into force in January 2007, and have now been in place for 3½ years. It is no longer appropriate to presume that they are not effectively implemented on the basis that they were recently enacted. This deficiency has been addressed.

92. Overall, Denmark's compliance with Recommendation 11 is essentially equivalent to an LC.
Recommendation 12 - (NC)

R12 (Deficiency 1): In the case of a legal person, there is no requirement to verify that the individual purporting to act on behalf of the legal person is so authorized nor to identify and verify the identity of that person.

R12 (Deficiency 2): There is no general requirement for DNFBPs to determine whether the customer is acting on behalf of another person and to take reasonable steps to obtain sufficient identification data to verify the identity of that other person.

93. These are the same deficiencies as identified for financial institutions in Recommendation 5 (Deficiencies 4 and 5) and are discussed above in paragraph 26 and 27. The relevant MLA provisions apply to both financial institutions and DNFBPs - with the exemption noted under R.5 (deficiency 4). These deficiencies have been addressed.

R12 (Deficiency 3): There is no obligation to verify the identity of the beneficial owner, nor is there a specification of the information or data required.

94. This deficiency for DNFBPs corresponds to Recommendation 5 (deficiency 6), and is discussed above in paragraph 28. The relevant MLA provisions apply to both financial institutions and DNFBPs. This deficiency has been addressed.

R12 (Deficiency 4): The FATF requirements regarding ongoing due diligence and all those related to the enhanced due diligence, PEPs, non-face-to-face transactions, and unusual transaction reporting are not currently applicable. (They will enter into force as of January 1, 2007).

95. The relevant sections of the MLA entered force on January 1 2007, addressing this deficiency.

R12 (Deficiency 5): The FATF requirements regarding identification of the beneficial owner and ascertaining a customer’s objectives in starting a business relationship have been recently established and not yet effectively implemented.

96. These provisions entered into force in 2006, and have now been in place for 4 years. It is no longer appropriate to presume that they are too enacted to be effectively implemented, although it is not possible to ascertain through an off-site review whether effectiveness has actually improved. To the extent that it can be judged in this review, this deficiency has been addressed.

R12 (Deficiency 6): Casino legislation and procedures not in conformity with FATF standards do not require identification of customers making transactions above the FATF-established threshold and do not comply with FATF record-keeping requirements.

97. Casino legislation and procedures remain as described in the 2006 MER: customer identification is conducted on arrival at a casino and this information is retained for five years. There is video monitoring of the registration and of all transactions, which is retained for two months, while video registrations from gaming tables are retained for one month. Under normal circumstances, no further identity checks take place on purchase or cash-out, and there is no separate registration of transactions above a certain amount. Video records, which could potentially be used to link specific transactions to customer identification data if required, are retained by the casino for only one to two months, though police may of course retain such records for longer.

98. A new Danish gaming act was adopted by the Danish Parliament on 4 June 2010. On basis of the Act, the gaming legislation and administration will be transposed from the Ministry of Justice to the
Ministry of Taxation. The new Act will come into effect via administrative order by the Minister of Taxation. A new regulation based on the Act is expected to include, inter alia, (1) Casino Inspectors monitoring compliance with AML/CFT Preventative Measures, (2) precise requirements for inspectors when carrying out day-to-day inspections, and (3) thorough requirements for casinos in developing written guidelines and training programmes, as recommended by AML/CFT. The Legislative Decree is expected to come into force by October 2010. This regulation will address some of the concerns underlying the deficiency, though not the central points regarding customer identification and record-keeping. At this time the deficiency has not been addressed.

R12 (Deficiency 7): DNFBPs in Greenland/Faroe Islands are not covered by AML/CTF laws and regulations

99. The MLA is now in force in both Greenland and the Faroe Islands, as described in paragraphs 17-22 above.

R12, Overall conclusion

100. Denmark has made substantial progress in improving compliance with recommendation 12, through amendments to the MLA and the entry into force of the relevant provisions in Denmark and its crown dependencies. However, the legislation and procedures applying to casinos still fail to meet FATF standards, and new regulations will not correct this. It is of course not possible for a desk-based review to judge the effectiveness with which this recommendation is implemented. Overall, to the extent that can be judged in this report, Denmark's level of compliance seems to be essentially equivalent to LC.

Recommendation 16 - (PC)

R16 (Deficiency 1): Low level of reporting raises concerns about effectiveness of reporting by DNFBPs

101. The MER highlighted the persistent low level of reporting by DNFBPs as raising a basic question about the effectiveness of implementation of the reporting requirement. Danish authorities have taken several steps to improve implementation of the reporting requirement within the DNFBP sector. These include the production of guidance by the DCCA; targeted information to specific sectors such as through an information letter to bookkeepers and tax advisors; and outreach to industry associations focused on STR reporting. The supervision regime for DNFBPs has also been strengthened, as discussed above in relation to Recommendation 23, in particular through the intensified inspection regime by the Danish Supervisory Authority on Accounting.

102. However, despite this activity by Danish authorities, there has been no significant change in the level of STR reporting by DNFBPs, with the exception of casinos. In the case of lawyers, this may be due to the role of the Danish Bar and Law Society (DBLS) in filtering reports from lawyers before forwarding them to the FIU as appropriate, and in responding to queries from lawyers on AML procedures; both of which act to reduce the number of STRs from lawyers reaching the FIU. Reporting by auditors and tax advisors, real estate agents, and others remains negligible despite increased guidance and outreach, as shown in the table below.

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<th>STR reporting by DNFBPs</th>
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<tr>
<td>Reporting institution</td>
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<tr>
<td>Lawyers</td>
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<td>Auditors and tax advisors</td>
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103. Danish authorities have made some efforts to address the implementation of reporting obligations by DNFBPs, and the increase in reporting by casinos is encouraging. Further efforts are underway, including meetings with the FSA and DNFBP regulators to incorporate improved DNFBP-focused guidance within the FSA’s AML/CFT guidelines. Recent DCCA inspections of real estate agents, company service providers, and auditors are also expected to improve the number and quality of STRs from these sectors. However at this point the continued low level of reporting by other DNFBPs means that the MERs concerns about effectiveness have not been adequately addressed.

R16 (Deficiency 2): No Greenland/Faroe Islands coverage.

104. The MLA is now in force in both Greenland and the Faroe Islands, as described in paragraphs 17-22 above.

R16 (Deficiency 3): No TF reporting in casinos.

105. The Gambling and Casino Act was amended in May 2006 to add an obligation to report suspected terrorist financing, addressing this deficiency.

R16 (Deficiency 4): Indirect reporting for casinos.

106. The reporting system for casinos is structured as set out in the MER. A public casino inspector, under instruction from the police, is present on-site at all times the casino is operating. Casino staff are required to report any suspected money laundering or terrorist financing immediately to the inspector. The casino inspector would, if the suspicion cannot be disproved, notify the police; and the police are obliged to pass all such notifications to the FIU. Danish authorities report that the purpose of this arrangement is to ensure all relevant authorities are notified, and to avoid confusion and delay over whether local police or the FIU have priority. They note that the role of police in relation to AML/CFT STRs is to act as a post-box, and to forward all such reports to the FIU; and that the indirect route taken by reports from casinos does not hamper effective and timely reporting.

107. The indirect structure for STR reporting by casinos remains in effect, but there are sound reasons for this arrangement, and no evidence that it hinders effective implementation. This is borne out in part by the level of reporting from casinos, which are the only DNFBPs to show a marked increase since the MER. This deficiency has been partially addressed.

108. Overall, there has been some progress in relation to Recommendation 16, with the deficiencies affecting casinos largely addressed, and the provisions extended to the Greenland and Faroe Islands jurisdictions. However, the low level of reporting by non-casino DNFBPs persists, despite efforts by Danish authorities to improve guidance, outreach, and supervision. This means, that despite good progress,

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<th>STR reporting by DNFBPs</th>
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<tr>
<td>Real estate agents</td>
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<tr>
<td>Others covered by the MLA</td>
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<td>Casinos</td>
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<td>Total</td>
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Denmark has not yet taken sufficient steps to achieve a satisfactory level of compliance with Recommendation 16.

**Recommendation 17 - (PC)**

**R17 (Deficiency 1): No sanctions have ever been applied under the previous Act. In the absence of preset fines or range of fines and with no history of imposed fines it is not possible to conclude that sanctions are effective, proportionate or dissuasive.**

109. In the four years since the present MLA took effect, Danish authorities have prosecuted two cases of violation of section 2 of the MLA (which prohibits cash transactions above DKK 100 000). These cases have resulted in fines, and the first such case was used to set an expected tariff of fine (25% of the amount in excess of the threshold, for each violation). In the second case this expected tariff was not followed, though that decision is being appealed. We understand a number of other cases are under investigation. In 2010 the FSA has reported three cases to the State Prosecutor for gross violation of the MLA. This includes one large bank, Saxo Bank A/S, based on an inspection report, which included 11 administrative orders; a branch of a large foreign bank with a notable market share in the foreign exchange market; and a local payment service provider (a credit card/retail financing company in Copenhagen). While Denmark's case history of imposed fines remains limited, there is now an expected tariff resulting from those cases, and it is likely that this will become clearer as further cases are prosecuted. This deficiency is largely addressed.

**R17 (Deficiency 2): Not all the obligations set forth in the MLA are covered by a sanction.**

110. The MER noted six specific requirements in the MLA which were not covered by a sanction. The obligations for which there were no direct sanctions, and the current state of affairs with regard to each of them is as follows:

- **non-compliance with the obligation “to pay special attention to customers activities...”**. This deficiency is shared with R11, and is discussed above in paragraph 89. It would be impossible in practise to violate this requirement without also violating one or more of the associated requirements which do carry sanctions for non-compliance. Danish authorities nevertheless indicate that they plan to propose an amendment of the MLA which will create a direct sanction for non-compliance with this obligation, later this year.

- **failure of the obligation of the DBLS to report an STR to the FIU**. Danish authorities note that as the DBLS is the competent authority responsible for the supervision of lawyers. As such a specific sanction is not required.

- **failure to comply with the requirements set forth in the case of reliance upon financial institutions licensed in a non-EU country**. While no sanction attaches directly to this requirement (MLA §17(2)), the relevant section of the MLA is itself an exemption from the general CDD obligation (MLA §12) and non-compliance with it would result in non-compliance with those wider CDD obligations which is subject to sanctions.

- **failure to prevent the misuse of products that favour anonymity**. Danish authorities indicate that while no sanction attaches directly to this requirement (MLA §19(7)), non-compliance with it will result in non-compliance with wider CDD obligations, which are subject to sanction.

- **failure to obtain information in case of exemptions from CDD requirements**. Danish authorities note that the relevant section of the MLA (§21(3)) is itself an exemption from the general CDD
obligation (MLA §12), and that if the information referred to in MLA §21(3) were not available, then the wider obligation in MLA §12 would apply. Non-compliance with MLA §12 is subject to sanctions.

- regulation-making powers do not include the power to establish sanctions. The penalties section of the MLA (MLA §37) includes provision 37(3) which states: "In regulations issued pursuant to this Act, fines may be stipulated for violation of the provisions of such regulations".

111. Overall, it appears that even though there are obligations in the MLA which do not directly carry sanctions for non-compliance; there are sanctions available which could be applied in all actual cases of non-compliance with the obligations set out in the MLA. This deficiency has been largely addressed.

R17 (Deficiency 3): Limited range of administrative sanctions to enforce compliance: very limited authority to impose fines; ability to remove senior manager beyond board of management is fairly limited and, in practice, relatively few other actions have been taken to ensure compliance with AML/CFT.

112. Danish authorities indicate that administrative fines are not generally used in Denmark. All fines applicable under the MLA are criminal fines, and are handled by the SØK as the relevant public prosecutor. As set out in the MER, criminal fines are applied only to intentional or grossly negligent violations: simple negligent violations of the provisions are not subject to fines. Danish authorities note that this year the FSA has tighten its policy on referring AML/CFT violations to the SØK for possible criminal prosecution, and has informed the private sector of this change of approach. Three cases have been referred to the SØK in 2010 to date.

113. With regard to the ability to remove senior managers, the FSA has powers under the Financial Business Act to order the removal of a member of the board of directors or the board of management if that person is not fit and proper. It also has powers under the MLA to deregister an undertaking if management or beneficial owners is convicted of a criminal offence. The powers available in the MLA and FBA have not been extended since the MER. However, the transposition of the EU Directive on Payment Services (2007/64/EC) through the Danish Payment Services Act in May 2009 has extended these powers. The Act applies to "A member of the board of directors, member of the board of management, and where relevant persons responsible for the management of the payment services activities of the payment institution...". This means that the FSA may remove some non-board senior management if they are responsible for payment services activities.

114. On their wider actions to ensure compliance, Danish authorities refer to the significant number of administrative orders issued by the FSA and DCCA under the MLA, which are detailed in the table above related to Recommendation 23 (deficiency 1). This deficiency has not been fully addressed.

115. On Recommendation 17 overall, Denmark has made some progress. A growing track record of prosecutions and fines has largely addressed the first deficiency and will continue to strengthen the sanctions record as further cases are resolved. While technical inconsistencies remain in relation to the range of obligations covered by specific sanctions, and the range of administrative sanctions available; these do not appear to compromise effective supervision in practise. It is reasonable to conclude that Denmark's compliance with Recommendation 17 is essentially equivalent to LC.
Recommendation 18 - (PC): Measures not yet in force to prohibit the continuance or entry into correspondent relationship with shell banks and to avoid a connection with credit institutions that permit their accounts to be used by shell banks.

116. The relevant sections of the MLA (§19(6-7)) entered force on January 1 2007, addressing this deficiency.

Recommendation 21 - (PC): No broad requirement to pay special attention to business relationships and transactions with persons from countries which do not or insufficiently apply the FATF recommendations. Factors underlying the rating for R.11, also relevant here (re. EC 21.2).

117. MLA §6(1) sets out the general requirement to pay special attention to certain classes of transactions, including those "which have connection to countries or territories where, pursuant to declarations from the Financial Action Task Force, there is deemed to be a special risk of money laundering or financing of terrorism". The MLA also gave powers to the FSA to lay down more detailed regulations, and on this basis the FSA has issued Regulation 990/2010 (the "FATF list" regulation), which sets out countries and territories which should be considered as high risk, on the basis of their inclusion in the FATF statement. It should be noted that this regulation does not apply in Greenland or the Faroe Islands, though in the Faroe Islands a local equivalent has been adopted. Denmark's compliance is essentially equivalent to an LC on Recommendation 21.

Recommendation 24 - (NC): Major shortcomings in current supervision of all DNFBPs.

118. There were a number of distinct concerns underlying this deficiency, as set out in MER section 4.3, and these are discussed below.

- **Casino Inspectors do not monitor compliance with AML/CFT preventative measures.** The supervisory regime for casinos remains the same as that described in the MER. Danish authorities note that casino inspectors tasks are not limited to detection, but that they carry out day-to-day inspections, and that casinos are required to develop written internal guidelines and training programmes, in cooperation with the inspector. The new Danish Gaming Act discussed above in paragraph 98, and the accompanying regulation, will substantially address this point when they enter force, by introducing a specific requirement for Casino Inspectors to monitor compliance with AML/CFT Preventative Measures. However, the entry into force of the Act will be delayed until a complaint filed with the European Commission has been resolved.

- **The DBLS does not inspect its members for their implementation of AML/CFT preventative measures.** The DBLS was granted extended supervisory powers in 2008, and in 2009 began performing inspections of CDD procedures in law firms. Such inspections are done through on-site visits, including review of written guidelines, and random tests of compliance. This regime is expected to visit 10% of firms annually. This concern has been addressed.

- **Supervision of other DNFBPs is not in place.** The DCCA has put in place supervision of other DNFBPs. The effectiveness of the DCCA supervision regime is discussed above, under Recommendation 23(1), which details the increased number of inspections, and outreach conducted to industry bodies. This concern has been addressed.

- **DCCA resources will not be adequate to effectively supervise DNFBPs.** The adequacy of DCCA resources is considered in detail below under Recommendation 30(5). This concern has been addressed.
• Professional associations have not issued guidelines reflecting the new MLA. As discussed below, in relation to Recommendation 25(4), the DBLS and DCCA have issued guidance reflecting the MLA, and both regulators are now working with the FSA to develop consolidated guidance applicable to all regulated sectors. This deficiency has been addressed.

• Enhanced outreach and training for DNFBP practitioners would be needed, given the complexity and novelty of some provisions of the new MLA. This is discussed in relation to Recommendation 23(1), above in the case of the DCCA. With regard to the legal profession, the DBLS supervisory system is a channel for outreach. The DBLS approach is based on on-site visits to law firms, and aims to visit ten per cent of firms each year. Four lawyers from the DBLS are engaged in inspections. This concern has been addressed in part.

119. Most of the concerns noted in the MER with regard to the supervision of DNFBPs have been addressed. It is not possible for a desk-based review to judge how effectively supervision of DNFBPs is carried out. But to the extent that can be judged in this report, Denmark's compliance with Recommendation 24 appears to be essentially equivalent to an LC.

**Recommendation 25 - (NC)**

R25 (Deficiency 1): FIU: No guidelines issued.

120. The published Annual Report of the Money Laundering Secretariat (Denmark's FIU) now includes indicators, discussion of relevant cases and trends, notification of government activity, and a standard reporting form. The FIU's guidance does not include information about additional steps that institutions and DNFPBs could take to ensure their measures are effective, however this is included in the FSA guidance, which complements the FIU report. This deficiency has been addressed.

R25 (Deficiency 2): FIU: More feedback to reporting entities needed.

121. With regard to specific feedback on possible name matches, this is discussed under Special Recommendation 5, above, and that deficiency has been largely met. The entry into force of the MLA removed legal obstacles to providing feedback on specific STRs. Danish authorities report that in addition to specific feedback on individual STRs about the status of the case or any court decisions, and to responses regarding possible name matches; FIU staff also give regular feedback through their day-to-day contact with major institutions compliance officers. The FIU has also started holding feedback-meetings with each of the larger financial institutions, which discuss both general and case-by-case feedback. The FIU has an ongoing dialogue with the industry about reporting issues, and is developing internal guidance on feedback. This deficiency has been partially addressed.

R25 (Deficiency 3): Financial supervision: Virtual absence of formal guidelines.

122. In 2006 the FSA issued its Guidance on Measures to Prevent Money Laundering and the Financing of Terrorism. The guidance sets out comprehensive details on preventative measures, indicating the FSA's interpretation of the AML/CFT requirements, and best practises in meeting them. The FSA is currently updating this guidance prior to issuing a revised version later this year. This deficiency has been addressed.

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R25 (Deficiency 4): DNFBPs: Absence of guidelines from the competent authorities, except for lawyers (but these are not up to date with new MLA).

123. The DCCA has issued guidelines on AML/CFT targeted at currency exchanges, money remitters, and company service providers, as a supplement to the guidance issued by the FSA. The DBLS revised its guidance for lawyers to reflect the new MLA, and new DBLS guidance was issued in 2009 and is regularly updated. As part of the process currently underway for revising the FSA guidance, Danish Authorities are considering changes to address challenges and interpretive uncertainties raised by lawyers, and to include more case study material, possibly in the form of a specific chapter of FSA guidance concerning lawyers. This deficiency has been addressed.

124. All the deficiencies identified regarding Recommendation 25 have been addressed at least in part, and processes are underway to further improve the content and coverage of the guidance and feedback available. Denmark's compliance with recommendation 25 is essentially equivalent to an LC.

Recommendation 30 - (PC)

R30 (Deficiency 1): FIU: The number of staff of the FIU appears to be insufficient, considering the likely increase in numbers of STRs, the desirability of more extensive analysis of STRs, and the possibility that staff may be asked to conduct investigations for the SØK.

125. The number of staff employed by the FIU has increased from 11 at the time of the MER, to 19 currently. The FIU also includes two staff from the central tax administration who have been seconded to assist with analysis, including the use of the Tax Administration's systems. Further staff are available from the Office of the State Prosecutor for Serious Economic Crime if needed. This increase of staffing reflects both an increase in the number of STRs, and the transfer of responsibility for initial investigation of STRs from police to the FIU at the start of 2010. A change to a new IT system was approved in 2010, though this system is not yet operational. Danish authorities also note that there are ongoing evaluations of whether the FIU's staffing and IT are adequate, but that at present, they expect the new IT platform to reduce the workload, and hence that new staff will not be required.

126. FIU staffing has almost doubled overall since the MER, while over the same period the FIU has acquired new responsibilities for investigation, and seen a significant increase in the level of reports submitted. While it is not possible for a desk-based review to assess the adequacy of the FIU’s current staffing, it does seem that staffing was increased to reflect the additional workload foreseen in the MER. This deficiency is therefore met.

R30 (Deficiency 2): FIU: The FIU staff could benefit from more specialized training in fields relevant to money laundering and the financing of terrorism.

127. The FIU conducts in house training, and supplements this with international training courses. In 2008, Denmark and Sweden organised joint Nordic FIU training, based on Egmont Group material and taught by US and Australian analysts. FIU staff have also participated in Europol’s AWF on money laundering and AWF on financing of terrorism; in ongoing FIU-NET training; in CEPOL’s training concerning money laundering (as instructors and as participants); and in the European 2 week Summer University of Financial Investigation and Financial Criminal Analysis in July 2010. In general, FIU staff work in the FIU for many years and training needs are primarily updating their knowledge. New staff are mentored and receive considered initial training. This deficiency has been addressed.
R30 (Deficiency 3): Law enforcement: Law enforcement personnel do not receive sufficient training on ML and FT typologies, on ML and FT issues as they arise in the Danish context and on tracing techniques.

128. In addition to the law enforcement training set out in the MER, Danish authorities note that specialised training for law enforcement in AML/CFT is provided by the staff of the FIU and SØK. This includes both teaching police academy courses (which have been extended since the MER), and a twice-yearly seminar on money-laundering cases. On tracing in particular, an Asset Recovery Group was established within SØK in 2007, which provides specialised assistance to police districts, and has produced a manual on tracing, seizure and confiscation. This deficiency has been partially addressed.

R30 (Deficiency 4): Financial supervisory: Current staff resources of the FSA will be stretched given upcoming competing priorities and need to increase scope and frequency of AML/CFT inspections.

129. The FSA notes that there has been an internal reorganisation of responsibilities within the FSA, which has seen the centre of AML/CFT expertise move from the FSA's Banking division, to the Operational Risk Division in 2007, and to its Legal Division in 2010. The Legal Division currently has 15 legal experts, including its AML/CFT experts. Supervisory responsibilities for AML/CFT are divided between the various divisions responsible for supervision. While it is difficult to separate the specific resources devoted to AML/CFT supervision from those devoted to other supervisory issues, the FSA notes that its overall staffing has increased from 190 at the time of the MER, to 220 at present. When responsibility for AML/CFT supervision of money transmitters was transferred from the DCCA, this was allocated to the FSA's Consumer Affairs and Financial Intermediaries Division, which includes 14 staff, mostly legal experts. Hence, the increased inspection workload has not been borne by the division responsible for existing AML/CFT supervision.

130. It is not possible to assess the adequacy of FSA resources through a desk-based review. There is no evidence in the statistics on AML/CFT inspections conducted and orders issued that FSA resources in this area have been stretched. Overall, this deficiency appears to be addressed.

R30 (Deficiency 5): Financial supervisory: Planned resources for the DCCA will not be sufficient to effectively supervise money remitters and currency exchange, given the DCCA’s other supervisory responsibilities for DNFBPs and the need to increase the scope of inspections.

131. There has been significant reorganisation of DCCA responsibilities and staffing since the MER. Staffing has moved from a team of four experts working on AML/CFT, to a team of eight which also covers other issues, supported by other divisions of DCCA, e.g. managing company registration. As with the FSA, the DCCA's organisation means it is difficult to separate the specific resources devoted to AML/CFT supervision from those devoted to other supervisory issues.

132. DCCA has also seen responsibility for the AML/CFT regulation of Money Remitters transferred to the FSA; and has arranged for the DSAA to undertake a large part of the tasks regarding AML/CFT inspections of auditors. These changes have allowed DCCA to focus more resources on its remaining AML/CFT supervision responsibilities. This deficiency has been addressed.

R30 (Deficiency 6): Financial supervisory: Insufficient training for FSA and DCCA staff in AML/CFT matters.

133. In recent years, all new FSA staff have received AML/CFT training from the FSA's AML/CFT experts. The FSA is currently developing a revised overall staff training programme; which is expected to be introduced in September or October 2010. This will be based on the FSA's revised Guidance, and on revised guidance for inspectors.
134. The DCCA’s staff in this area is academically trained. The DCCA does not conduct any formal training for staff in AML/CFT issues, but AML/CFT training is done "on the job", by experienced inspectors training less experienced inspectors, regarding on-site inspections and AML issues and indicators. DCCA AML/CFT experts also make sure that other parts of the DCCA(e.g. divisions responsible for registration of companies) are aware of obligations in this area. This deficiency has been addressed with respect to the FSA, but not with respect to the DCCA.

135. Overall there has been progress, and most of the deficiencies highlighted by the MER have been met at least partially. Further action is still needed to enhance AML/ CFT coverage within the regular training programmes in the FIU, law enforcement, and DCCA, and to ensure FSA resources remain adequate. To the extent that this can be judged through a paper-based review, Denmark's overall compliance with Recommendation 30 seems to be essentially equivalent to LC.

**Recommendation 32 - (NC)**

*R32 (Deficiency 1): Law enforcement: Statistics on ML investigations and prosecutions are not kept separately for basic and aggravated ML offences.*

136. There has been no change to Denmark's practises in this area.

*R32 (Deficiency 2): Law enforcement: Statistics are not currently kept on the number and kinds of cases (underlying predicate crimes) in which confiscation, is imposed, nor in which proceeds are actually recovered. Only limited gross annual data on amounts confiscated is maintained.*

137. Work is underway to improve statistics in this area, but statistics are still not prepared on the underlying predicate offences in which confiscation is imposed or proceeds recovered. Danish authorities note that since the establishment of the Asset Recovery Group, details about all major cases are available centrally. They also note that Danish law uses a combination of measures to reduce the proceeds of crime to zero, including confiscation, compensation, repayment, and supplementary fines. This complicates the compilation of statistics. This deficiency has not been addressed.

*R32 (Deficiency 3): Law enforcement: Danish authorities have not undertaken sufficiently comprehensive or regular reviews of the effectiveness of their AML/CFT program.*

*R32 (Deficiency 9): National cooperation: No regular review of effectiveness.*

138. Denmark has taken steps to improve the coordination of its national AML/CFT activities, with the establishment of the MoneyLaunderingForum in January 2006, including all relevant competent authorities, in a coordinating group with a mandate specifically related to Recommendations 31 and 32. The terms of reference of this group include an objective to assess the effectiveness of measures adopted and initiate remedial activities as appropriate. Assessment of effectiveness is a standing item for meetings of the MoneyLaunderingForum, which take place four times each year. While police are not parties to the MoneyLaunderingForum, a separate body, the Money Laundering Steering Group, also undertakes evaluation of the AML/CFT system, and its membership does include regional and national police commissioners. SØK acts as a link between the two bodies. Collectively these bodies conduct ongoing evaluations of the effectiveness of Denmark's AML/CFT systems. These deficiencies have been fully addressed.
R32 (Deficiency 4): Law enforcement: Inadequate statistical information is maintained for law enforcement use on ML investigations, prosecutions, convictions, on property frozen and confiscated and on international requests.

There has been no change in this area, although more detailed statistics are expected in future as a result of changes to the FIU’s responsibilities and the establishment of the Asset Recovery Group.

R32 (Deficiency 5): Law enforcement: Denmark has not maintained statistics on the numbers or nature of mutual legal assistance requests, including outcome, time for execution and crime involved other than some statistics for FT.

There has been no change in this area: Such statistics are not maintained, but can be extracted from case management systems when required.

R32 (Deficiency 6): Law enforcement: Authorities just commenced maintaining statistics on extradition, and more comprehensive statistics are needed that cover the nature of the request, whether it is granted or refused and the time taken for responses.

Authorities have continued to maintain such statistics.

R32 (Deficiency 7): FIU: The system of keeping statistics could be improved whereby there is a more comprehensive and organized compilation of data that would ensure a better review of the effectiveness of the system.

The collection and compilation of data has improved as a result of as a result of changes to the FIU’s responsibilities and the establishment of the Asset Recovery Group. In particular, the FIU now have direct access to investigation files in all police districts, and can keep track of fiscal crime cases while these are being investigated by the tax authorities, and law enforcement have improved their system for tracking STRs, which will enable more detailed information about their use to be compiled in future. Further improvements are expected to result from improved IT systems at the FIU in the year ahead. This deficiency has been addressed.

R32 (Deficiency 8): Cash couriers: Statistics maintained on STRs relating to cross-border currency matters and those that come from Custom and Tax authorities should reflect whether a STR involves a false declaration, a non-disclosure or another Custom violation.

Full statistics are now kept on these STRs. This deficiency has been addressed. It should be noted however that no cash controls or declarations are in place in the Faroe Islands, and hence that statistics on these are not kept in that jurisdiction.

R32 (Deficiency 10): Financial supervision: Statistics on formal requests for international assistance received and their disposition are not maintained in manner that would facilitate review of effectiveness of cooperation

Statistics are not maintained, but information can be extracted from electronic journal systems when required. Given the low volume of such requests (a single request has been received in 2010), preparation of statistics would be unnecessary to facilitate reviews of effectiveness. This deficiency can therefore be considered largely met.
R32 (Deficiency 11): Other forms of international cooperation: Statistics not maintained in a systematic fashion.

145. Such statistics are not automatically generated, but can be accessed when required.

R32, overall conclusion

146. Danish authorities have made significant efforts in this area, notably the establishment of the MoneyLaunderingForum as a robust national coordination and review mechanism. Improvements have also been made in the collection and use of data by law enforcement and the FIU, which seem likely to continue in future. However, there remain a number of areas in which comprehensive statistics are not maintained, most notably on ML investigations and prosecutions. Both deficiencies identified with respect to criterion 32.1 have been fully addressed; while of the nine deficiencies identified with respect to criterion 32.2, four have been addressed and five remain. There do not appear to be any concerns about effectiveness as data in several of these areas is available on demand. On balance, Denmark’s overall compliance with Recommendation 32 is essentially equivalent to LC.

Recommendation 33 - (PC)

R33 (Deficiency 1): While the authorities rely on law enforcement and inspection powers to get information about beneficial owner of companies, this information is available in a limited form (only for A/S and ApS, in certain circumstances) and it is not up to date.

147. A New Corporate Company Act has been passed which will create a public registry of company ownership, including information on all shareholders owning more than 5% of a company. However, this registry will not become operational until 2013, and will only apply to some types of company (A/S and ApS). Until the new registry of public disclosure of company ownership is brought into effect, the companies are obliged to keep a special list of notices given to the company according to the Corporate Company Act. This special list is accessible for the public for a limited fee covering only the cost of print and delivery of the list. Hence the deficiency is at present only partially addressed.

R33 (Deficiency 2): In the case of foreign companies no information about beneficial owner is available.

148. This deficiency has not been addressed.

R33 (Deficiency 3): In the case of bearer shares, information on the beneficial owner is limited only to the shareholders holding shares above a designated threshold.

149. Bearer shares will be included in the registry of company ownership established by the Corporate Company Act when this becomes operational in 2013. Bearer shares are included in the special list mentioned in paragraph 147 above. At the present time, the deficiency is therefore only partially addressed.

R33 (Deficiency 4): Legislation is not fully applicable in Greenland and Faroe Islands.

150. The MLA is now in force in both Greenland and the Faroe Islands, as described in paragraphs 17-22 above. Greenland and the Faroe Islands are expected to establish ownership registries on the same model as Denmark, but it is not known when these will become operational.

151. Denmark is making significant progress in this area, but has not yet achieved a satisfactory level of compliance with Recommendation 33.
Recommendation 34 - (PC): Although the authorities indicate that there are no trusts registered in Denmark, the information which would be subject to disclosure in the case of trusts operating as foreign branches does not appear to be sufficient.

152. Denmark argued strongly at the time of the Mutual Evaluation that Recommendation 34 should be rated as "not applicable", since Danish law does not include the concept of a trust, and no trusts can be established in Denmark. As there are no Danish trusts, the measures described below would be relevant only to foreign trusts in Denmark. It is now formally included in an agreement between Tax authorities and the DCCA (which perform the registration of trusts) that a trust has to submit a copy of the trust deed along with information on the settler, trustees and beneficiaries when it applies for registration with tax authorities. This information would be retained by the DCCA as for other registered firms. Registration is required if the trust has any tax or VAT obligations in Denmark, in which case trusts would be registered and regulated as "other foreign firms". A trust operating in Denmark would therefore have to provide the trust deed along with information on the settler, trustees and beneficiaries to the relevant authority when filing for registration.

153. There is a lack of clarity concerning when R. 34 applies to countries that do not provide for the creation of domestic trusts. It is unclear whether R. 34 is properly applicable to Denmark, but regardless of this the steps taken by Denmark go some way to improving their system. It is not possible to express any view regarding the rating.

Special Recommendation VII - (PC)

SRVII (Deficiency 1): The situations in which the requirements apply are narrower than the ones provided for by the standard (i.e., they do not apply to incoming payments, where the sender has personal contact with the intermediary or where the sender has an account with the intermediary).

SRVII (Deficiency 2): There is no reference to the obligation to obtain and maintain the originator's account number, though this is mitigated by the required inclusion of CPR and CVR numbers.

154. The EU Regulation (EC 1781/2006) on information on the payer accompanying transfers of funds entered force on 1 January 2007. The regulation implements SRVII on an EU-wide basis and is directly applicable in Denmark in accordance with the EU treaty. The regulation has been supplemented by corresponding amendments of the MLA later that year. These new measures address both deficiencies. Denmark can be considered at least equivalent to Largely Compliant with SRVII.

Special Recommendation IX - (PC)

SRIX (Deficiency 1): There is a need for practical guidance and instructions for line officers making the cross-border checks and implementing the declaration system.

155. The Central Tax Authority has issued a manual for line officers on the declaration system, the control of travellers, and signs which might indicate the need for enhanced control. This is used in training, and is updated regularly. This deficiency has been addressed.

SRIX (Deficiency 2): Effectiveness concerns based on the low number of declarations.

156. Steps have been taken to improve implementation, including the training of a 'cash dog' to detect hidden cash, and awareness raising through brochures and posters. This deficiency has been largely addressed. The statistics show a marked increase in STRs on cross-border currency matters, both declared and undeclared. This deficiency has been addressed.
SRIX (Deficiency 3): No fines have been imposed in cases of non-compliance.

157. Following agreement on expected fine levels by the Central Tax Authority and State Prosecutor for Serious Economic Crime, the first case was brought in January 2009, resulting in a fine consistent with the agreed tariff (25% of the amount in excess of EUR 10 000 for a first offence). Six further cases have been successfully prosecuted, with fines imposed in line with the expected tariff, and several hundred further cases are awaiting prosecution, pending the results of appeals on the initial cases. This deficiency has been addressed.

SRIX (Deficiency 4): Declaration form information though sent to the FIU is not organized and made readily usable.

158. This information is now held on the FIU database and is used to identify recurrent declarations by couriers. The deficiency has been addressed.

159. Though not a deficiency identified in the MER, it should be noted that the Faroe Islands do not currently implement any controls on cross-border cash movements. This is because Denmark's Customs Act does not apply to the Faroe Islands, and there is at present no local equivalent. As discussed above in paragraph 21, Danish authorities indicate that they expect the Faroese tax administration to present a revised Faroese Customs Act, containing the same cash control provisions as the Danish Customs Act, during this assembly of Parliament.

160. Denmark's compliance with SRIX is essentially equivalent to a rating of LC.
LIST OF DOCUMENTS PROVIDED BY DENMARK

- Self-Assessment of Follow-up to the Mutual Evaluation,
- AML/CTF Rules and Regulations - Denmark (see Annex)
- AML/CTF Rules and Regulations - Greenland
- AML/CTF Rules and Regulations - Faroe Islands
- Memorandum of Understanding - “MoneyLaunderingForum” (see Annex)