



**NATIONAL RISK
ASSESSMENT OF
TERRORIST FINANCING
WITHIN THE NPO AREA
IN DENMARK 2020
(NRA NPO / NON-PROFIT ORGANIZATIONS)**

Preface

Denmark is a member of the Financial Action Task Force (FATF), which is an international organization that sets and promotes international standards to combat money laundering and terrorist financing.

In November 2016, the FATF assessment team visited Denmark. The purpose of the evaluation was to assess whether Denmark complied with the FATF recommendations. In August 2017, the result of the FATF evaluation was published. The evaluation report pointed to a number of areas that needed improvement, for example in relation to combating terrorist financing within the area of Non-Profit Organizations (the NPO area) in Denmark.

Danish authorities have since implemented a number of measures within the NPO area. It is as part of this collective effort that the *“National risk assessment of terrorist financing within the NPO area in Denmark 2020”* (NRA NPO) is now published. Thus, on the one hand, the risk assessment should be seen as an implementation of the FATF recommendations and, on the other, as part of the ongoing efforts of the Danish Security and Intelligence Service (PET) to strengthen and professionally upgrade the risk-based approach to combating terrorist financing within the NPO area in Denmark.

PET would like to thank all of the authorities and external actors in the Danish Realm who have contributed background knowledge and insight into the NPO area. PET looks forward to meeting and engaging in dialogue with private actors and authorities – with this risk assessment as a starting point – to ensure that we are even better equipped to combat terrorist financing through NPOs in future.

Sincerely,
PET

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Summary

This “*National risk assessment of terrorist financing within the NPO area in Denmark 2020*” (NRA NPO) is the first risk assessment to focus solely on the NPO area in Denmark. The assessment was prepared in continuation of the “*National risk assessment on terrorist financing in Denmark 2019*”, in which PET assessed the NPO area as a high-risk area¹, which is elaborated further in the NRA NPO in order to bring out more nuances and thus provide greater insight into the risks of this area.

The risk assessment has been prepared on the basis of PET’s data analysis and knowledge gathered from authorities and other actors. PET has hosted meetings and workshops, conducted interviews and collected a number of written contributions.

Main conclusions

- In cooperation with key actors within the fundraising area, PET has identified five central weakness themes. These include regulation of foundations, new technology, insufficient data quality, awareness and cross-cutting partnerships.
- The NPO area is a high-risk area in Denmark.
- The threat within the NPO area is mainly connected to militant Islamism but also to political extremism in Denmark. The latter particularly represents a threat in a future perspective, should political extremist movements become further centralized and organized.
- Registered and authorized organizations and fundraising activities represent a smaller risk than unregistered ones.
- The future risk will depend on the need for external funding among foreign terrorist groups and on the intent and ability of donors to contribute financially to these groups.
- Technological developments have positive as well as negative potential in terms of safeguarding the NPO sector against terrorist financing abuse.
- Prevention and cooperation between authorities, the NPO sector and for instance the financial sector will have a risk-mitigating effect.
- PET assesses it as unlikely that terrorist financing is taking place in the Faroe Islands.
- In Greenland, the NPO area is assessed as low risk. There is, however, a risk that collected funds may be misused, among other things due to the outdated legislation from 1982.

¹ For a more detailed description of the reason for designating the NPO area as high risk, please see the “*National risk assessment on terrorist financing in Denmark 2019*”.

Introduction

The purpose of the NRA NPO is to advance society's collective knowledge of the risk of terrorist financing within the NPO area in Denmark and to describe the risk picture and elaborate on threats and weaknesses in order to strengthen society's risk-based approach to preventing and combating terrorist financing within this area. The aim is that authorities, NPOs, financial institutions and citizens will find this risk assessment useful in their daily activities, and the report will consequently be made publicly available.

Terrorist financing within the NPO area has been in focus, also at the FATF, in the ongoing counter-terrorist financing efforts. Thus, it appears from the FATF international standards on combating money laundering and the financing of terrorism that terrorist organizations have exploited NPOs to raise and move funds and that protecting the NPOs from terrorist financing abuse is a critical component of the global fight against terrorism and a necessary step to preserve the integrity of NPOs.

The European Commission has also focused on the risk of terrorist financing within the NPO area, which was reflected in the Commission's supranational risk assessment on money laundering and terrorist financing from July 2019.

In cooperation with the Danish Fundraising Board and a number of non-governmental organizations², PET launched the campaign "*Your contribution can be misused*" in January 2020. The campaign aims to raise public awareness in Denmark of the importance of being vigilant when donating money in order to avoid unintentional donations to terrorist activities and the like. The information campaign is being run on social media, using short interviews with various organizations, the Danish Fundraising Board and PET, who offer advice on what to consider in relation to money collections, while encouraging people to use their common sense and check what and who the beneficiaries of their donations are. In connection with the campaign, PET has published a leaflet entitled "*Your contribution can be misused*"³. The campaign was launched to help ensure that fundraising for charitable purposes, which plays an important role in society, will in fact support these purposes and not illicit activities such as terrorism. In addition, the campaign material and leaflet express a belief that confidence regarding donations is best maintained through a strong, up-to-date and well-founded risk awareness shared by fundraising organizations, donors, authorities and other private actors⁴.

Definition of the NPO area

This report uses the FATF definition of a non-profit organization (NPO), which is found in the FATF international standards on combating money laundering and the financing of terrorism.

² Besides PET and the Danish Fundraising Board, the campaign involves the Danish Fundraising Association (ISOBRO), GirlTalk, Save the Children and Danish Red Cross.

³ The leaflet is made by PET and ISOBRO in cooperation with the Danish Fundraising Board, Finance Denmark, the Danish Business Authority, the Danish Tax Agency, the Danish Financial Supervisory Authority and the Money Laundering Secretariat.

⁴ Further information on the campaign as well as the leaflet "*Your contribution can be misused*" are available on PET's website.

The FATF definition of an NPO is as follows:

Refers to a legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works".

In a Danish context, this is a very wide definition, covering for example fundraising organizations, associations and noncorporate foundations.

Data collection

The risk assessment is based on data and knowledge collected by PET during the preparation of the assessment. Below follows a short description of the six categories of the data collection.

- Politically formed forums:
 - PET has presented the NRA NPO preparation process and its thoughts on the final product to the Money Laundering Forum and the Money Laundering Forum+. The Money Laundering Forum and the Money Laundering Forum+ were set up to facilitate cooperation between the authorities and private actors in the fight against money laundering and terrorist financing. The purpose of this presentation was, on the one hand, to create transparency regarding the analysis work and, on the other, to get feedback from a wide range of stakeholders in relation to the process and in order to identify relevant focus areas.

- Workshops:

PET has held two workshops in connection with the preparation of the NRA NPO. The following section describes the objective and participants in further detail.

 - PET has hosted a workshop with attendance from the Danish Fundraising Board, the Danish Tax Agency, the Danish Customs Agency, the Danish Financial Supervisory Authority, the Danish Business Authority and the Money Laundering Secretariat under the Danish State Prosecutor for Serious Economic and International Crime. The background for selecting these authorities is that PET assesses them to be key oversight and regulatory authorities within the NPO area. These authorities were therefore essential to the collection of knowledge for the risk assessment, just as they provided valuable input for the preparation of the risk assessment. Prior to the workshop, the participating authorities had been asked to prepare a short presentation on their assessment of the risk area. In this connection, they were asked to consider the following: Which types of people or organizations constitute a risk? Which methods are known to pose a risk? Are you aware of any specific developments in the risk or particular trends? In addition, the participating authorities were asked to prepare a presentation on whether any particular measures could mitigate the risk of terrorist financing within the NPO area in Denmark.
 - PET has held an in-house workshop with key members of staff from relevant PET units. At this workshop, the NRA NPO project group presented the preliminary results

of the analysis and an assessment of the risks within the fundraising area. Based on this presentation, the participating members of staff were asked to prepare a short presentation focusing on their assessment of the risk area. The topics discussed at this workshop were the same as those discussed at the workshop for external actors (see above).

- Interviews:
 - PET has conducted interviews with three NPOs in Denmark. The three NPOs were chosen for the purpose of gaining insight into small, medium and large fundraising organizations – all with a transnational focus.
 - PET has conducted an interview with an external expert to obtain knowledge on how new technology – particularly blockchain – can help mitigate some of the terrorist financing risks within the NPO area.
- Acquisition of knowledge on risks and methods:
 - The project has sought inspiration from a broad range of reports from international organizations as well as partner services. The aim was twofold. First, to create an overview of what is in focus among key actors outside Denmark in relation to terrorist financing within the NPO area. Second, to determine the methodological requirements for the preparation of the NRA NPO.
- Data analysis:
 - PET has selected and analysed suspicious transaction reports and other PET cases concerning organizations and/or fundraising.
- Written contributions from relevant stakeholders:
 - PET has obtained written contributions to the assessment from specially selected stakeholders. The aim of involving a small group of central stakeholders within the NPO area was for these actors and authorities to elucidate a number of aspects which may provide a better understanding of the risks that authorities and private actors should be aware of in relation to the fight against terrorist financing within the NPO area.

Key actors within the NPO area in Denmark

The principal actors within the NPO area in Denmark include a number of authorities which deal with tasks relating to fundraising or money transfer in general and the Danish Fundraising Association, ISOBRO. Below follows a presentation of the principal actors and their core tasks. The subsequent section “Weaknesses” presents a schematic overview of the main focal points identified by the selected actors.

Actors	Core tasks
The Danish Fundraising Board	<p>The Danish Fundraising Board is tasked with upholding security and confidence in relation to public fundraising campaigns in Denmark. Thus, the Danish Fundraising Board oversees that fundraising campaigns are carried out in compliance with the Danish Fundraising Act and that the funds raised go towards the stated purpose of the campaign. The Danish Fundraising Board also maintains a list of fundraising campaigns and their accounts, which is publicly available on the Board’s website.</p> <p>With the establishment of the Danish Fundraising Board in 2014, all fundraising-related tasks of the authorities were joined under one agency to ensure consistency and continuity in the case processing of various types of fundraising and to ensure professional and efficient oversight.</p>
The Danish Tax Agency	<p>In relation to associations, the Danish Tax Agency performs a number of tasks aimed at ensuring correct tax payment.</p> <p>In this regard, associations, including fundraising organizations, do not differ fundamentally from other types of tax payers. The framework for these tasks is the special rules governing taxation of associations.</p>
The Department of Civil Affairs	<p>The Department of Civil Affairs is the foundation authority for all noncorporate foundations and is responsible for overseeing compliance with the Danish Foundation Act. The Department of Civil Affairs also issues general rules for noncorporate foundations.</p> <p>Pursuant to the Danish Foundation Act, foundations are required to obtain approval from the foundation authority for a number of actions. These include amendments to the articles of association and dissolution of the foundation. The Department of Civil Affairs carries out random checks by requesting foundations to submit their accounts for review. The Department of Civil Affairs may also undertake the examination of a foundation based on an approach from, for example, the foundation accountant, an approved trust department or a member of the board or following media coverage.</p>

The Danish Business Authority	<p>The Danish Business Authority is the foundation authority for corporate foundations, which are covered by the Danish Corporate Foundation Act.</p> <p>In its capacity as the foundation authority for corporate foundations, the Danish Business Authority is responsible for authorizing all amendments to a foundation's purpose and articles of association, approving extraordinary activities and checking that foundations applying to be registered as corporate foundations meet the applicable requirements. Further, the Danish Business Authority can order a foundation and the foundation accountant to submit any information required for the oversight.</p>
The Danish Fundraising Association (ISOBRO)	<p>ISOBRO is an industry association for Danish fundraising organizations and represents 90-95 per cent of the total revenues of Danish fundraising organizations.</p> <p>ISOBRO deals with the entire value chain in relation to private fundraising. This includes advice and guidance to organizations concerning fundraising activities, tax relief for donations, handling of personal data, VAT and charitable lotteries for the purpose of ensuring a high professional level throughout the sector.</p>

Table 1

Weaknesses

In cooperation with the key actors within the fundraising area, PET has identified five central themes which, in PET's assessment, should be addressed in the future efforts to strengthen the fight against terrorist financing within the NPO area in Denmark.

The themes should be seen as an attempt to emphasize the weaknesses that were identified in connection with the data collection across authorities and private actors. In this NRA NPO, the term "*weakness*" is used to define an area which could be exploited by known or unknown actors within the NPO area in Denmark. A weakness is a characteristic within the NPO area which may be exploited by an actor to facilitate terrorist financing within the NPO area in Denmark.

The list of weaknesses below does not indicate a ranking order, but depicts the current situation as it is perceived by the key actors within the NPO area in Denmark. The list has been prepared by PET based on notes from the actors involved.

Central themes	
1. Regulation	<ul style="list-style-type: none">I. An evaluation is required of whether the applicable set of rules governing foundations is sufficient in relation to mitigating the risk of misuse of the NPO area in Denmark to facilitate terrorist financing.II. The Danish Foundation Act does not take into account the fact that small foundations exempt from regulatory control may distribute large sums of money as long as funds are continually being added to the foundation. Noncorporate foundations with an asset base of less than DKK 1m are only covered by a few of the provisions of the Danish Foundation Act. In consequence, the accounts of these foundations are not subject to random checks. This applies notwithstanding that the foundations may receive large sums, which the boards may subsequently decide to distribute within the same fiscal year.
2. New technology	<ul style="list-style-type: none">I. The possibility of collecting money in different currencies, in particular virtual currencies/cryptocurrencies, poses a challenge.II. There is a risk that some of the fundraising campaigns in Denmark take place in parallel systems beyond direct reach of the authorities. For example through encrypted apps or online donations in cryptocurrency. Thus, it is essential to keep up to date with technological developments and constantly consider how to extend the reach of the authorities and their control of fundraising campaigns governed by law.

	<p>III. The extent of fundraising campaigns on fundraising portals and social media is still characterized by opacity.</p> <p>IV. The insufficient digitization of the fundraising market minimizes the possibility of creating transparency and thus inspiring confidence in donors.</p>
<p>3. Insufficient data quality</p>	<p>I. The purpose of a corporate foundation may be an indication of whether the foundation deals with an area where the risk is greater than for other areas. Consequently, the management and purpose of corporate foundations should be analysed further in relation to the risk of terrorist financing.</p> <p>II. There are around 1,370 corporate foundations in Denmark, which must all be registered in the Central Business Register. There is no actual register of noncorporate foundations in Denmark, and these are bound by no legal transparency or disclosure requirements. As there is no register of noncorporate foundations, the exact number is unknown, but it is estimated that there are around 8,500 active noncorporate foundations in Denmark.</p> <p>Oversight is conducted through random checks of the accounts of around 200 noncorporate foundations annually. The fact that noncorporate foundations are under no statutory duty to submit their accounts to the relevant authorities rules out the possibility of carrying out risk-based oversight of the accounts based on a preliminary screening. Moreover, it is difficult for the authorities to build a full picture of who the foundations are and what they do.</p> <p>III. Today, more than 79,000 voluntary associations are registered. Voluntary associations are characterized by the fact that they are not required to have a business registration number, but are instead registered voluntarily, for instance in order to set up a bank account in the name of the association.</p> <p>One of the main challenges in relation to associations is the limited data availability for voluntary associations. Due to the sparse data, there is limited scope for the authorities to make a systematic risk assessment of the voluntary associations, unless the authorities become aware or suspect that a voluntary association engages in activities that are taxable.</p>
<p>4. Awareness</p>	<p>I. Insufficient knowledge of the Danish Fundraising Act and the requirements it imposes on public fundraising constitutes a weakness which may be misused against donors and which poses a challenge in terms of regulatory control and oversight.</p>

	<ul style="list-style-type: none"> II. The absence of a certification scheme, potentially with a logo, allowing donors to quickly and easily ascertain whether a fundraising campaign has been authorized is a weakness which makes it attractive to operate in the Danish fundraising market for actors who intend to exploit the NPO area in Denmark for terrorist financing. III. The lack of requirements – such as a requirement to attend a course on association law – for people setting up associations or foundations means that associations for instance may act in contravention of the applicable law without members or donors being aware.
5. Partnership	<ul style="list-style-type: none"> I. Insufficient cooperation between authorities, such as the Danish Tax Agency, the Danish Fundraising Board, the Department of Civil Affairs and the State Prosecutor for Serious Economic and International Crime, and insufficient involvement of relevant private actors make it attractive to use the NPO area in Denmark for financing terrorism. II. Insufficient formalized cooperation to counter money laundering and terrorist financing on a Nordic or European level is assessed to increase the risk that an actor finds it attractive to set up activities in these geographical areas in order to facilitate terrorist financing within the NPO area in Denmark.

Table 2

Risk picture for the NPO area in Denmark 2020

As stated in the “*National risk assessment on terrorist financing in Denmark 2019*”, the NPO area is a high-risk area. The threat primarily concerns funding of militant Islamist movements in Denmark as well as abroad – particularly in conflict zones. The individual risk areas addressed below are mainly related to fundraising, but the same characteristics widely apply to the collection and transportation of goods, such as vehicles or medical supplies, which represent a value or may be used for illegal purposes. The risk is typically linked to the organizations which ultimately receive the money or goods, as these end-users can be difficult to identify, just as it may be difficult to determine whether a shipment of goods is for humanitarian purposes only or whether it also contains military equipment or other objects suitable for military use. In addition, the transfer of goods involves a risk of military equipment being developed for use by militant Islamist movements abroad – for example uniform items, night vision goggles, armoured vests and similar.

Associations

According to the material available to PET, much of the analysed data concerning suspected terrorist financing within the NPO sector relates to associations and shows that fundraising through such entities is the most prevalent mode of operation. Associations established between 2012 and 2015 are widely represented in the data, which is ascribed to the conflict with ISIL in Syria and Iraq during that period of time. The fact that the conflict in Syria and Iraq has boosted the number of new associations presumably offers part of the explanation why the risk of terrorist financing is higher among the more recently established associations. PET assesses that associations established in connection with a specific conflict pose an elevated risk and that the age of the association should also be factored into this consideration. Associations older than ten years are significantly under-represented in the PET data material on suspected terrorist financing. Equally, PET assesses that there is only a limited risk that older, well-established associations will become involved in terrorist financing.

The terrorist financing risk associated with fundraising carried out by associations can take different forms. An association may be established with the sole purpose of financing an illegal activity. The association may for instance be raising funds among like-minded individuals, who are thus fully aware that the funds will support illegal purposes – for example terrorist movements abroad. This type of association will have to create the appearance of a legitimate enterprise, but the level of critical scrutiny from its donors will be limited.

However, it is a different case when associations established for illegal purposes seek to raise funds among unsuspecting donors, which then constitutes fundraising under false pretences. Such associations will have a greater need for formal establishment, documentation and a public profile, but will typically pay little attention to actual administrative establishment and operation.

Furthermore, there may be well-established associations that perform actual association work and have an administratively well-functioning operation which, at the same time, are directing some of the collected funds towards terrorist financing. Such associations can be difficult to identify, as the illegal funds may be separated out at a very late stage – for example locally in a conflict zone, far away from Danish regulatory control.

Finally, there may be cases where an otherwise well-functioning and well-meaning association is unwittingly funding terrorism because means collected by the association are unintentionally directed towards illegal purposes. In most cases, the risk level will be determined by the experience, control capacity, due diligence and compliance measures of the association.

Type	Characteristics
Association established for illegal purposes with the knowledge of the donors	Little need for establishing and maintaining a fake public profile. Primary focus on avoiding negative attention from authorities and the financial sector.
Association established for illegal purposes without the knowledge of the donors	Some need for establishing and maintaining a plausible, sympathetic and publicity-seeking public profile. Focus on avoiding negative attention. Limited need for and focus on establishing a sustainable and member-based association which is transparent and open for public scrutiny.
Association established for legal purposes, while pursuing a parallel illegal purpose	Great need for setting up an actual organization with all the administrative and governing processes in place. Need for a public profile in order to accommodate requests for access and inspection. In some cases, only certain members of the association may be aware that it also pursues an illegal purpose.
Association established for a legal purpose	Includes associations of all sizes, but the risk profile will be significantly affected by how and with whom the association seeks to fulfil its purpose. Sound knowledge of partners, for example in a conflict zone, and oversight of their activities are of key importance.

Table 3

Fundraising by entities other than associations

PET assesses that private fundraising and fundraising conducted by unregistered organizations present a significant risk, for example in connection with online donations to private bank accounts or cash collections at private meetings or gatherings. The risk is present throughout the value chain – collector, transport and use – and with limited controllability in all three steps. This type of fundraising is often cash-based or conducted via mobile payment apps, but digital platforms such as WhatsApp and Facebook may also be used. It is often the financial sector that becomes aware of possible fundraising activities and files a report to the authorities. It is a risk-mitigating factor if the fundraising is approved by the Danish Fundraising Board.

Registration and authorization

Within the NPO area as a whole, PET assesses that the risk of terrorist financing gradually decreases with every registration and application for the required authorization, as illustrated by figure 1 below. For example in relation to whether an organization is approved under the Danish Tax Assessment Act, has been authorized by the Fundraising Board to conduct fundraising or is a member of ISOBRO.

There are two sides to the assessment, as the actors, by submitting their registration, pave the way for more transparency and oversight, while the resources they spend on the registration indicate that there is a wish for a long-term and formalized existence. The data available to PET and experience from Norway⁵ seem to confirm this assessment.

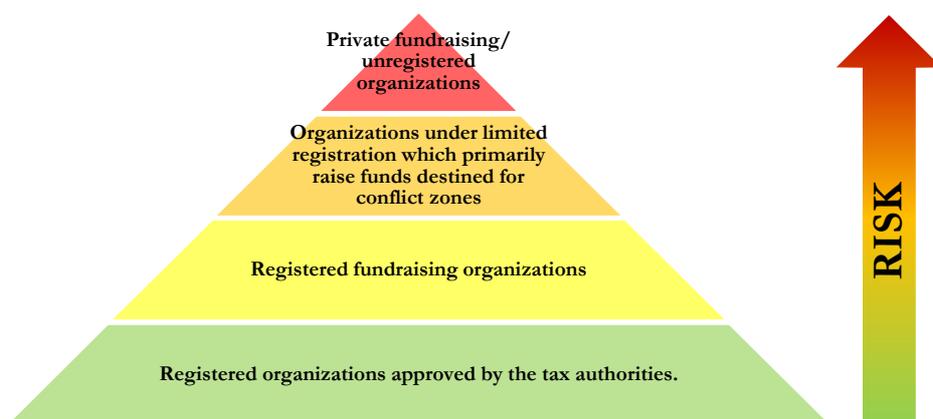


Figure 1

Financial conduct

Electronic funds transfer is a widespread money transportation method, also within the terrorist financing area, but other methods are also used within the NPO area. Withdrawal of cash (typically in a foreign currency) for physical transportation is a method that demands attention, and the same goes for the use of unregistered money transfer agencies. The latter method is characterized by money being transferred or deposited to an account in Denmark which has no connection to the purpose or operation of the NPO. This involves a third party, who typically collects small amounts from different actors in Denmark, pooling them and subsequently transferring them abroad in order to save transaction costs and conceal the origin of the individual contributions. Following the transfer abroad, the amounts are split up again and passed on to the end-user. PET also assesses that it may constitute a risk if an organization ceases to have a bank account and only uses cash or commodities.

In addition to the above, other types of suspicious financial conduct have been identified by PET in relation to the NPO area. It is therefore presumed that NPOs are also used for more traditional profit-oriented crime, typically characterized by an intermixing of organizational and private finances as well as opaque transactions.

⁵ The Norwegian Police Security Service (PST) (2018): “Assessment of the risk that non-profit organisations could finance terrorism”.

Atypical organizations

As explained, the risk of terrorist financing has a considerable international element, for instance in relation to transportation, connections in a conflict zone and limited end-user oversight. However, PET is aware that this well-known focus among authorities and financial institutions may elevate the risk that some actors will explore other methods of terrorist financing through NPOs. They may do so by setting up organizations that seemingly support well-known issues such as Danish children's education or cultural provision. These will typically fall under the category of organizations established for illegal purposes without the knowledge of the donors and be characterized by incoherence between their objective and (financial) conduct as well as a limited inherent logic between the members of the organization and its statement of purpose. Finally, it may also be necessary to pay added attention to foundations involved in humanitarian work abroad or activities involving religious or spiritual circles in Denmark.

Indicators

PET has prepared the NPO risk table below to serve as inspiration for donors, public authorities and the financial sector. The list is not exhaustive, but meant to assist the assessment of specific cases. The table is thought to serve as inspiration for assessing the individual actor or fundraising activity, and the more ticks in the green boxes, the lower the risk. Reversely, many ticks in the red boxes equal a high risk of terrorist financing.

Indicator	Yes	No
Registration		
<i>Has the campaign been approved by the Danish Fundraising Board?</i>		
<i>Does the organization have a business registration number?</i>		
<i>Is the organization approved under the Tax Assessment Act?</i>		
<i>Is the organization a member of ISOBRO?</i>		
Operation and fundraising		
<i>Is the NPO well-established in the public with a website, a board of directors, articles of association etc.?</i>		
<i>Is the NPO well-known in the public for positive projects and results?</i>		
<i>Is there transparency surrounding the raised funds, and can they be traced all the way from collection to use?</i>		
<i>Is cash being collected, and are there procedures in place for absorbing the cash into the financial system?</i>		
<i>Is there coherence between the purpose and the financial conduct of the NPO?</i>		
<i>Is the NPO risk aware and does it have measures in place to counter money laundering and terrorist financing – for example written standard operating procedures and risk assessments of the organization etc.?</i>		
Beneficiaries		
<i>Is the NPO only involved in charitable purposes with no relation to conflict zones?</i>		
<i>Are the beneficiaries known in the public to be reliable and respectable?</i>		
<i>Is there coherence between the purpose of the NPO and its beneficiaries?</i>		
<i>Is there any documentation for how the funds are used?</i>		

Table 4

The Danish Realm

Introduction

In a series of awareness-raising visits, PET went to Greenland and the Faroe Islands in October and November 2019.

As part of these visits, interviews were conducted with authorities, banks and NPOs with the aim of supporting PET's drafting of the NRA NPO.

The interviewees were first given a background briefing with details on why Denmark was preparing a national risk assessment of terrorist financing within the NPO area – and were at the same time informed about the 2017 FATF evaluation of Denmark. Furthermore, they were introduced to PET's risk picture for terrorist financing in Denmark.

Faroe Islands

In connection with the meetings in the Faroe Islands, PET put forward its assessment that the threat of terrorism in the Faroe Islands is limited. In PET's assessment, the risk of terrorist financing in the Faroe Islands is equally low, but there should be awareness of the fact that funds collected in the Faroe Islands could be directed to areas affected by conflict.

The authorities were divided on the issue of whether the required tools are available to effectively control if fundraising activities are in compliance with the stated purpose. In practice, the control is carried out by ensuring that financial statements are submitted in due time, while the actual use of the raised funds is not subject to any control.

In the Faroe Islands, no fines have been issued for failure to comply with the applicable fundraising legislation, and it is therefore assessed that there is no current need for additional enforcement measures.

The banking sector has strict focus on ensuring that established NPOs comply with all formalities. However, there also appears to be a grey area with unregulated fundraising taking place, for instance via the internet, but, according to the banks, the beneficiaries appear to be based in the local communities.

Collections are mainly carried out using collection boxes or through bank and text message donations. Other mobile donation solutions are not used in the Faroe Islands due to insufficient technological support. There are no current trends indicating use of other mobile money transfer solutions.

The following views were expressed by the interviewed authorities and private actors:

- It is considered unlikely that terrorist financing is taking place in the Faroe Islands, as the society is very small and everyone knows one another. For these reasons, it is also considered unlikely that the NPO sector in the Faroe Islands will be used for terrorist financing. However,

the risk of outsiders misusing Faroese companies and bank accounts remains and should be kept in mind.

- The existing Faroese fundraising law, dating back to 1934, is assessed to be outdated, as it contains no regulations governing use of the internet or other digital fundraising methods.
- The annual number of reported fundraising campaigns has remained steady at approximately five for a number of years. Most of the campaigns are recurrent. The few large campaigns with funds going abroad are managed by major Danish fundraising organizations.
- As the Faroe Islands does not keep a record of fundraising organizations and voluntary associations, it is difficult to assess the number of these. Based on local knowledge, it is assessed that many of the voluntary associations are very small and their activities limited. Only NPOs conducting business activities/paying salaries must be registered with a so-called “V number”, equivalent to a business registration number in the Central Business Register in Denmark.
- The NPO sector is assessed to be low risk in relation to terrorist financing, but outdated legislation may present a risk of misuse for illegal purposes other than terrorist financing.
- More knowledge about this area is needed, as there is a wish to update the legislation, introduce better registration of NPOs and create more transparency in terms of guidance, rules and use of the collected funds.

Greenland

In connection with the meetings in Greenland, PET put forward its assessment that the threat of terrorism in Greenland is limited. In PET’s assessment, the risk of terrorist financing in Greenland is equally low, but special attention should be given to the possible misuse of Greenlandic companies and banks in relation to money flows to and from conflict areas.

The applicable fundraising act dates back to 1982 and contains no regulations governing use of the internet or other digital fundraising methods. However, the Greenland Police reported that modern fundraising techniques are included in the administration of the act.

The following views were expressed by the interviewed authorities and private actors:

- It is considered unlikely that terrorist financing is taking place in Greenland, as the society is very small and everyone knows one another. However, the risk of outsiders misusing Greenlandic companies and bank accounts remains and should be kept in mind.
- In Greenland, not all NPOs are entered into the central business register. It is therefore difficult to gain a full overview of the actors within the NPO sector. The authorities generally provide a high level of information in relation to applications for a fundraising authorization.

- The NPO sector is assessed to be low risk, but outdated legislation, among other factors, may present a risk of collected funds being misused. Several actors in Greenland pointed to updating the legislation as a possible way forward.
- Many small fundraising campaigns are carried out, mostly in support of local beneficiaries. The few large campaigns, with funds going abroad, are mostly managed by major Danish fundraising organizations. The small campaigns are typically aimed at financing school trips, local lottery winnings and other such things.
- The established part of the NPO sector rarely conducts fundraising by using collection boxes, but usually by way of bank transfers and text message donations. Other collection methods are not used, as mobile donation solutions are not supported for Greenlandic telephone numbers. Fundraising accounts are audited by state-certified auditors, submitted to the police and subsequently published online.
- The banking sector is focused on transfers abroad and on ensuring that the established NPOs comply with all formalities. However, there also seems to be a grey area of unregulated fundraising, for example via the internet, but, according to the banks, the beneficiaries are typically based in the local communities.
- The financial results of small fundraising campaigns are typically not submitted/published.

Summary

In PET's assessment, the risk of terrorist financing in Greenland and the Faroe Islands is limited, and this assessment seems to widely correspond with how the risk is perceived locally in both Greenland and the Faroe Islands.

Perspectives for the NPO area

Going forward, the general trend in the level of terrorist financing will depend on the need for external funding among foreign terrorist groups as well as on the intention and ability of donors to contribute financially to such groups. Whether or not the NPO area will continue to constitute a high-risk area will depend on a number of factors, such as cross-cutting cooperation, prevention and technological developments.

This risk assessment is one of several steps which Danish authorities and private actors have taken to mitigate the risk. The aim of the risk assessment is to improve the ability of all stakeholders to implement risk-based initiatives, isolate any dishonest actors and help along the many good and important actors within this field.

Legislation, control and oversight remain strong safeguards against terrorist financing within the NPO sector. However, awareness-raising, prevention and cooperation are also key priorities.

Technological developments will bring crucial change to this sector within the years to come, and there should be focus on ensuring that such developments will lead to better security, more transparency and lower transactions costs for the many law-abiding actors.

Below is a selection of publications which may be consulted for additional information on NPO-related risks:

- PET (2020): “*National Risk Assessment on Terrorist Financing in Denmark*”. (www.pet.dk)
- European Commission: 24.7.2019, COM (2019) 370 final: ”*Report from the Commission to the European Parliament and the Council on the assessment of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities*”. (ec.europa.eu)
- PST (2018): “*Assessment of the risk that non-profit organisations could finance terrorism*”. (www.pst.no)
- FATF (2015): “*Combating the abuse of non-profit organisations*”. (www.fatf-gafi.org)
- AUSTRAC (2017): National risk assessment on money laundering & terrorism financing: “*Australia’s non-profit organisation sector*”. (www.austrac.gov.au)