Cashing Out

Joint report by the Nordic countries on cross-border money laundering via cash transportation

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Foreword

As the global economy is getting more and more digitized, criminals are still using cash to carry out their criminal activity, as cash has characteristics that can be utilized in their favour. The topic of this joint report is narrowed down to the transportation of cash currency out of and back into the Nordic countries. Even though there are some promising results shown in this report, we still urge for continued focus on the criminals' use of cash, as criminals are known for their adaptability.

To a large extent, organized criminal groups are working internationally and are cooperating across borders. The criminals' international cooperation is not by chance, but rather a calculated business model to make the highest profit, while reducing the possibility of detection. Authorities in different countries have to acknowledge that the best way to fight crime is by cooperating by sharing knowledge, information and identify different measures that can be used efficiently in each country.

One way for national authorities to cooperate, is by producing joint reports. This can be a tool to pinpoint differences in our countries, and get a common understanding of an issue. It is highly important that we identify common threats and vulnerabilities, to act and make it more difficult for criminals to exploit them. While the legislation in one country can be exploited, another country can have the solution on how to close the vulnerability. Identifying these differences is another advantage of a Nordic cooperation.

Hopefully, this will be the first of many public co-operations in the area of Anti-Money Laundering/Counter Financing of Terrorism among the Nordic countries.

ØKOKRIM Polisen Swedish Police POLITI NSK | NATIONAL SPECIAL CRIME UNIT

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Introduction

What is money?
Money is what the citizens in society agree it should be. Throughout history, we have used everything from shells to large stones to precious metals as money to simplify trade and consumption [1].

This is the Swedish Riksbank's brief explanation of what money actually is. Throughout history, people have used everything from gold, tulips, banknotes and now in recent years cryptocurrencies as a way to transact with each other. The first paper money, banknotes, was taken into use in the 9th century AD in China. The first banknotes in Europe were issued in Stockholm in 1661 [2]. Historically, the Nordic countries have moved from a period where banknotes and coins have dominated to a paradigm shift towards digital payment solutions and digital money.

The Nordic countries have a long common history of both cooperation and war. Today, the Nordic countries are among the richest countries in the world in terms of gross domestic product (GDP) and have extensive cooperation at all levels in our societies.

Our economies are open market economies and our extensive trade with the rest of the world has served the Nordic countries well.

The Nordic countries have five different currencies, of which only Finland uses the Euro. Authorities are better positioned to trace the use of cash of a national currency as opposed to a common currency used by multiple countries, such as the Euro.

For several of the Nordic countries, it has been identified that a lot more cash is declared back into their countries, than what is declared when it is transported out of their countries. The circulation of cash in the Nordic countries is relatively stable, or even increasing, despite the fact that citizens in the Nordic countries are among the most digitized in the world in terms of money and payment solutions. Thus, in recent years, the day-to-day use of cash is declining. The combination of the above-mentioned factors is an obvious paradox. The paradox is even more prominent in other economies, for example in the Eurozone [3].

The Financial Action Task Force (FATF) have stated that physical transportation of cash across national borders is one of the oldest and most basic ways to launder money [4]. Europol have recently in their European Financial and Economic Threat Assessment of 2023 indicated that cash smuggling still is widespread [5].

It goes without saying that not all transport of cash across borders necessarily originates from criminal activity. Cash is still a legitimate method of payment in all our Nordic countries and will be for the foreseeable future. However, the report will claim that a considerable amount of the cash transported out of the Nordic countries has its origins from criminal activity, and have been laundered in various money laundering schemes before the cash is returned. In other words, criminals are cashing out on crime with cash outside of our borders, transforming black money to white money.

Purpose and goal

This report is a first joint project by the Nordic countries to formulate a report with the purpose of describing and sharing insight on how criminals in our countries transport large amounts of cash out of our countries, which are then brought back into our countries' financial systems. In order to provide a risk assessment, the report will identify threats and vulnerabilities.

This report seeks to answer the question of: What is the risk of money laundering via the export and import of cash in a Nordic context? This question leads to further questions worth exploring such as:

> … criminals are cashing out on crime with cash outside of our borders, transforming black money to white money.

- What are the main threats and vulnerabilities in relation to money laundering via cash in a Nordic context?
- How do criminal actors launder cash in a Nordic context?
- What can be done to influence the workings of the criminal actors?

Method

This report is based on quantitative and qualitative data from the Nordic countries, along with data from other economies. Quantitative data could, for example, be how much cash circulates in our societies. Qualitative data could, for example, be national and international reports regarding money laundering. Thus, our information collection is based on open data from various reports or other sources.

The reasoning is based on these as well as experiences and knowledge from our respective home authorities including in-house experts' statements.

The Nordic countries

The Nordic countries consist of Norway, Sweden, Finland, Denmark and Iceland. This section, will give a brief overview of the geographical, demographical and political conditions in order to provide a general understanding of similarities and differences between the countries.

The geographical conditions

The Nordic countries have very different geographical conditions. Finland shares a border with Russia spanning 1,340 kilometres [6]. Finland's border with Russia is also one of the outer borders of the European Union. Iceland is in the middle of the Atlantic Ocean, with the nearest coastline being Greenland, about 290 kilometres from the Icelandic coast while the distance between Iceland and Norway is 970 kilometres, coast to coast [7]. Iceland is thus separated from the other Nordic countries, most of which have common physical borders.

What all the Nordic countries have in common is their proximity to the sea and their extensive shipping, both in terms of tourism but also industrially with large fleets in fishing and oil. The different geographical conditions do not necessarily affect potential crime linked to cash smuggling across borders.

However, the geographical conditions do affect the movement of cash across borders. Sweden's proximity to Denmark and Denmark's major airport Kastrup, in Copenhagen, with a large number of departures to large parts of the world, probably contributed to Swedes using Kastrup as a hub for cash smuggling. In 2022, for example, 21 Swedes were arrested on different occasions at Kastrup Airport in Copenhagen after Danish police found large amounts of cash in their suitcases. The total sum of all seizures amounted to nearly 100 million Swedish kronor [8]. In addition, there is a great population density in Norway around Oslo which is close to the Swedish border. The infrastructure from Oslo to Copenhagen, via Gothenburg and Malmö over the Öresund bridge, is well developed. The Swedish police have stated that the border between Norway and Sweden is a standing invitation to smuggle cash, weapons and narcotics, due to a very long and low populated border [9].

Iceland on the other hand, is more isolated. There are two ways of moving cash in and out of the country: physically through the borders or using remittances. Regarding possible border crossings, most people travel through the main airport, Keflavik Airport, but there are many other ways in and out of the country; three other international airports, smaller airports mainly used by privately owned aircrafts, five main cargo ports, ports in rural areas where fish is exported, and a considerable number of luxury liners arriving in Iceland each year. Each year a large number of people arrives and departs through Iceland by both air and sea. Considering the natural defences of transportation of cash across the borders of Iceland, and the fact that Iceland is an island and thus does not have physical borders to other countries, it can be argued that the options of transporting cash are more limited than elsewhere. Furthermore, the Icelandic krona is a micro currency and the international demand for it is low. These factors make possibilities for money laundering with cash transactions limited.

As shown the Nordic countries have different geographical conditions which has an impact on the ability to cross the border, whether you are arriving or departing. The Nordic countries are on some level "isolated" compared to more densely populated areas across the globe where the economic and political power is situated. The geographical aspect of our countries also explains why some are more linked to each other, for example Sweden and Norway, and what effect it could have as the report later will show.

The demographical conditions

The demographic conditions are interesting, due to the fact that various studies conclude that the older you are, the more likely it is that you use cash as a method of payment at a point of sale (POS) [10],[11],[12]. This is a momentary picture,

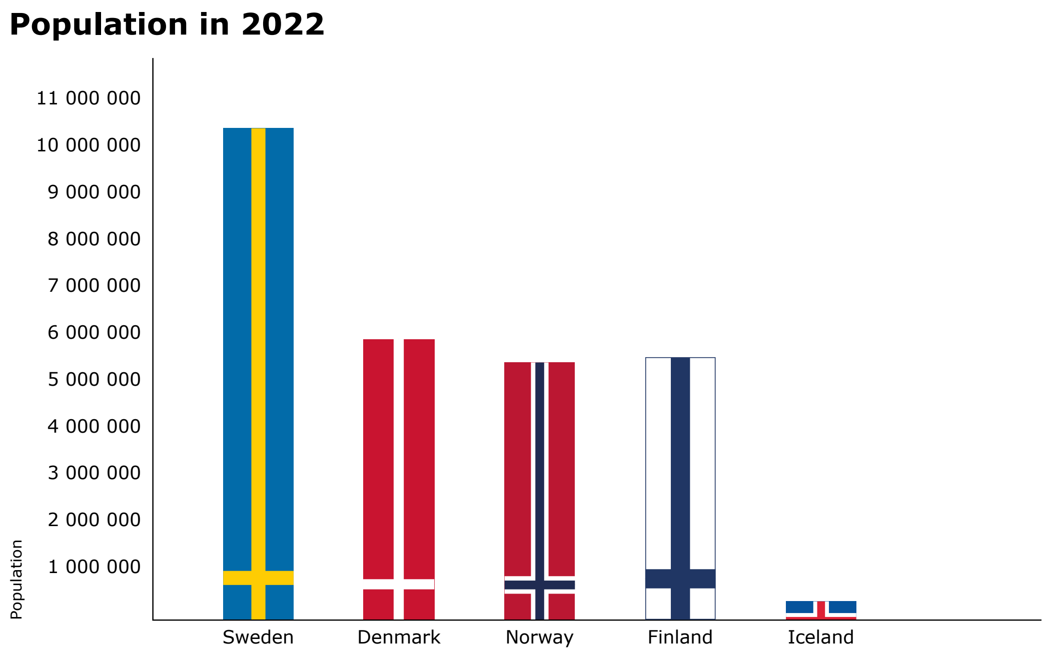


Diagram 1. A snapshot of the populations of the Nordic countries in 2022.
Source: World Bank [13]

as the younger generations will probably use digital payment methods when they get older. Which means that as time goes by the cash held for transactional use will decline even further.

In 2022, the European Central Bank (ECB) conducted a study on the payment attitudes of consumers in the Euro area (hereafter referred to as SPACE). The results of the SPACE study show among other things that there are significant differences in consumers' payment behaviour and attitudes across the Euro area countries. Not only between countries, but there are also differences in payment behaviour within different groups of the population. For example, access to payment instruments and preferences for using them may depend in particular on income, education and age groups [11].

The size of the population in Denmark, Finland and Norway are quite similar, while Sweden and Iceland stands out in each direction, as shown in the diagram on the previous page [13].

The age distribution in the Nordic countries follows a similar trend, as shown in the diagram below. For most of the countries, the most populated interval decade is 30-39, with the exception of Denmark, for which it is 50-59. All countries have a lower population in the interval decade 20-29 than 30-39. Even lower is the interval decade 0-9, which means that the mean population is getting older, and the population is ageing. Accumulating everyone that is of the age 70+, would make that interval contain more people than any other individual decade.

Considering that the age interval of 70+ is the most populated interval compared to the

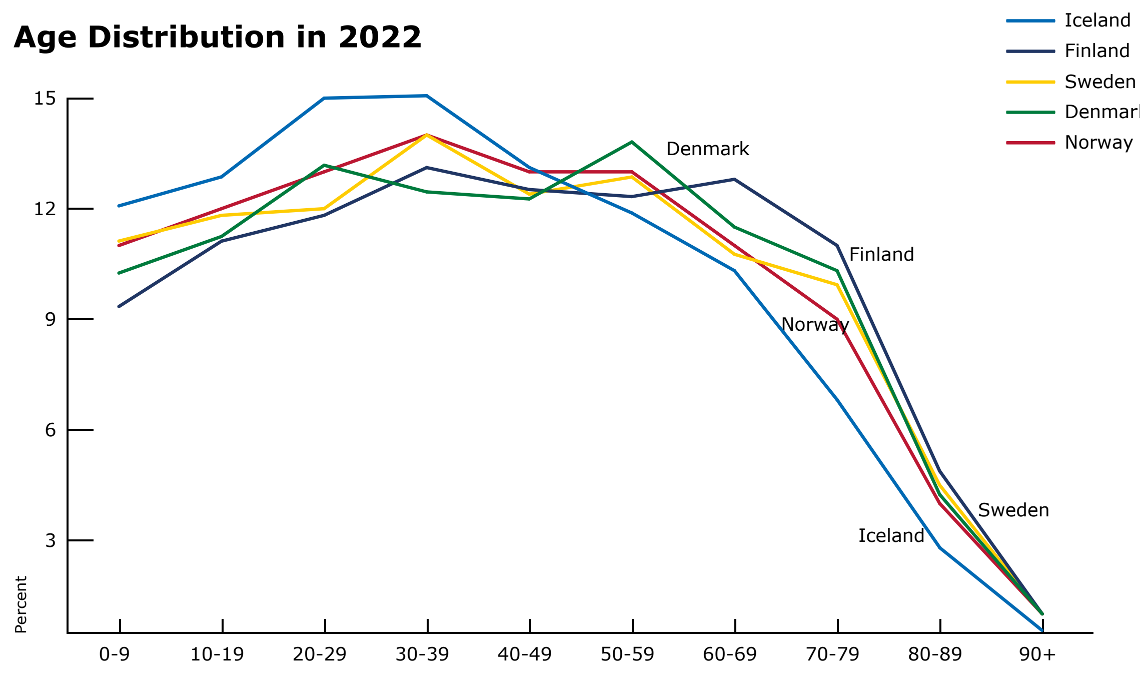


Diagram 2. The age distribution of the populations of the Nordic countries in 2022.
Source: Statistisk Sentralbyrå [14], Danmarks Statistik [15], Statiskiska Centralbyrån [16], Tilastokeskus [17], Statistics Iceland [18]

younger decade intervals, and studies showing that use of cash at POS is highest among elderly persons, indicates that the decline of use of cash at POS will decline even more rapidly in the coming years across the Nordic countries.

The political conditions

The Nordic countries shares a long history of political bands. During the Middle Ages, the position of the Nordic countries as a cultural, economic and political unity was established. In 1397 when Sweden, Denmark and Norway were united in the Kalmar Union, which was a Nordic great kingdom [19]. Later the Nordic kingdom fell apart and for several hundreds of years the Nordic countries was at war with each other, especially Denmark and Sweden. As of today, there are many political similarities among the Nordic countries, for example, all Nordic countries are now members of North Atlantic Treaty Organization (NATO) [20].

However, there are also some differences, for example, regarding membership in the European Union (EU). Finland, Denmark and Sweden are all members [21], while Norway and Iceland are not, although they are members of the European Economic Area (EEA) [22]. The members of EEA consist of all the members of the EU and Norway, Iceland and Liechtenstein. Through the EEA Agreement, Norway, Iceland and Liechtenstein are equal partners in the internal market, on the same terms as the EU member states. This includes having access to the internal market's four freedoms, the free movement of goods, persons, services and capital. For individuals, this means being able to carry out many transactions, including, opening bank accounts abroad, buying shares in non-domestic companies, investing where the best return is, purchasing real estate in another country. For businesses, it means being able to invest in, and own, other

European businesses and raise finance where it is cheapest.

The Öresund bridge between Copenhagen and Malmö can be used as an example for the political cooperation between the Nordic countries that has led economic prosperity and bringing the countries closer to each other. Because of the free movement of goods, it has also led to criminals exploiting our open borders for the purpose of bringing illegal goods in and out, such as criminal profit in form of cash. In response, to tackle illegal movement of goods between our borders, Norway and Sweden has opened a shared police station at the border between the countries. The police station was inaugurated in 2024 [23]. In addition, since the start of 2024, Norwegian and Finnish police have moved employees to the Swedish police in Stockholm with the purpose of increasing the cooperation [9].

These are examples on how our countries expands our cooperation.

On 28.06.2023, the EU Commission gave a proposal for a regulation of the European Parliament and of the council on the legal tender of euro banknotes and coins. The aim of the Commission's proposal for a regulation is to safeguard the role of euro cash as legal tender, ensuring broad acceptance and sufficient availability of cash. Although euro cash is currently widely accepted as a means of payment throughout the euro area, problems have arisen in certain member states and sectors. At the same time, difficulties have also arisen in obtaining cash, for example due to a reduction in ATM and branch networks. These problems with the availability and acceptability of euro cash have highlighted the issue of its role as a legal tender and the Commission has therefore considered it necessary to clarify it through this proposal for a Regulation [24].

Photo: Shutterstock

The EU Commission is currently working on a proposal for a regulation and establishment of the digital euro. The aim of the legislative proposal is to ensure that public access to central bank money remains secured in the digital age. Banknotes and coins are the only form of central bank money available to the general public so far, but as cash payments decrease with digitalization, they alone will not be sufficient to meet the needs of the EU economy [25]. The new regulation may affect the way people will use cash in the future. Norges Bank, the central bank of Norway, and Riksbanken, the central bank of Sweden, are currently examining whether a national digital currency should be introduced in their respective countries [26],[27].

The conditions of the criminal landscape

It is difficult to make a common comparison between different countries' criminal activity, as there are for example differences in legislation or types of crime. In this report the Global Initiatives (GI) index for organized crime [28] is used as a means to paint a general picture of the situation in our Nordic countries. There may be regional differences within a country and some regions or cities may have more in common with cities in another Nordic country in terms of crime when compared to their own country. The use of the index is intended to provide an approximate picture of how the Nordic countries differ in terms of criminal activity.

The GI released its Global Organized Crime Index 2023 at the end of September 2023. The index ranks all the countries in the world on a ten-point scale of how widespread organized crime is. Sweden received a total index score of 4.70, the highest of all the Nordic countries.

Global Organized Crime Index 2023 - Organized Crime

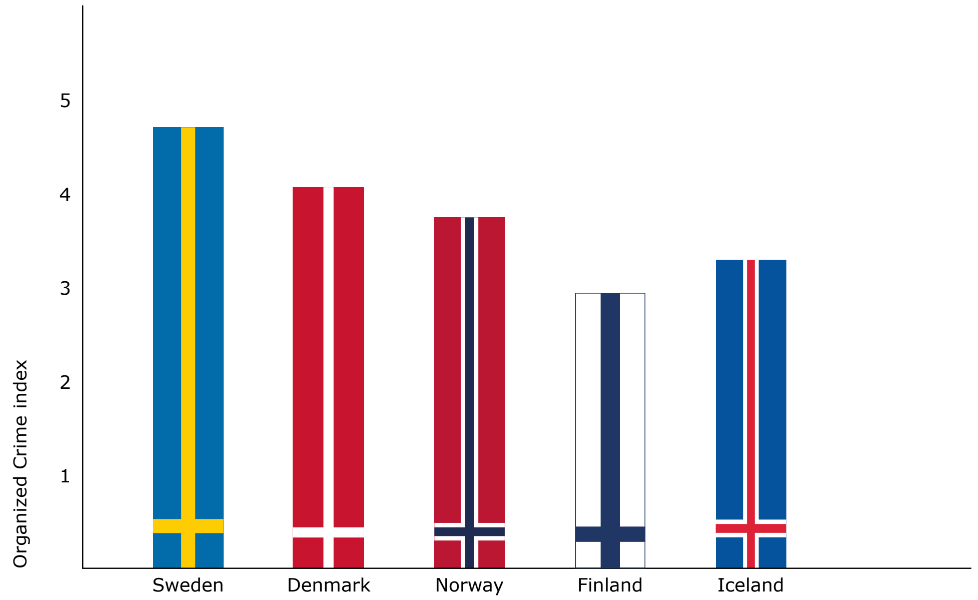


Diagram 3. The Nordic countries on the GI index of organized crime
Source: Report - The Global Organized Crime Index 2023, Global initiative, 2023 [28]

Sweden did not only have the highest index score among all the Nordic countries, but also among the eight countries in the "Northern Europe" region, which includes the Baltic countries. Sorting by the parameter "financial crime in the country", Sweden has an index figure of 6.0. The corresponding figure for Finland is 4.0, which is the lowest of the Nordic countries.

One figure that stands out among the different parameters, is the trade in weapons, where Sweden receives an index figure of 6.0, placing it in sixth place out of a total of 44 countries in Europe. Measurements like the GI's on crime in the world's countries show that there is more criminal activity in Sweden than in the other Nordic countries. One effect of Sweden's relative high level of crime in the society compared to rest of the Nordic countries is that criminals in Sweden have looked for new markets to expand to

> «/ ... there is more criminal activity in Sweden than in the other Nordic countries /»

and one of these is Norway. In the report The Norwegian Police's threat assessment 2024 the Norwegian Police describes that "*in 2023, all police districts in Norway have registered activity linked to Swedish criminal organizations. The activity is mainly related to drug activities and entry into the Norwegian drug market.*" Since all of the Nordic countries are tightly linked to each other the above-mentioned assessment from the Norwegian Police shows what effect increased criminal activity in one country could have on its' neighbouring country [29].

Global Organized Crime Index 2023 - Financial Crime

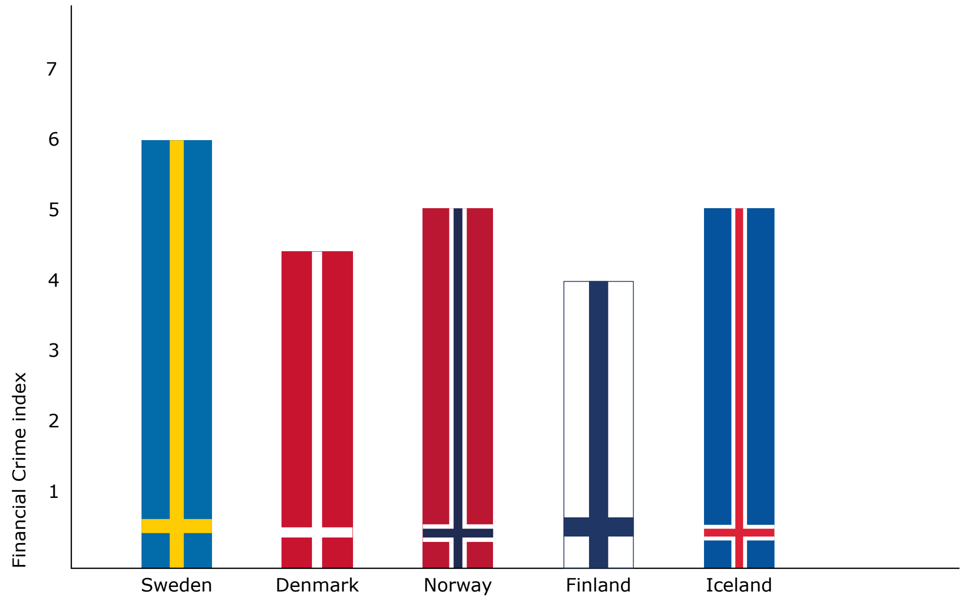
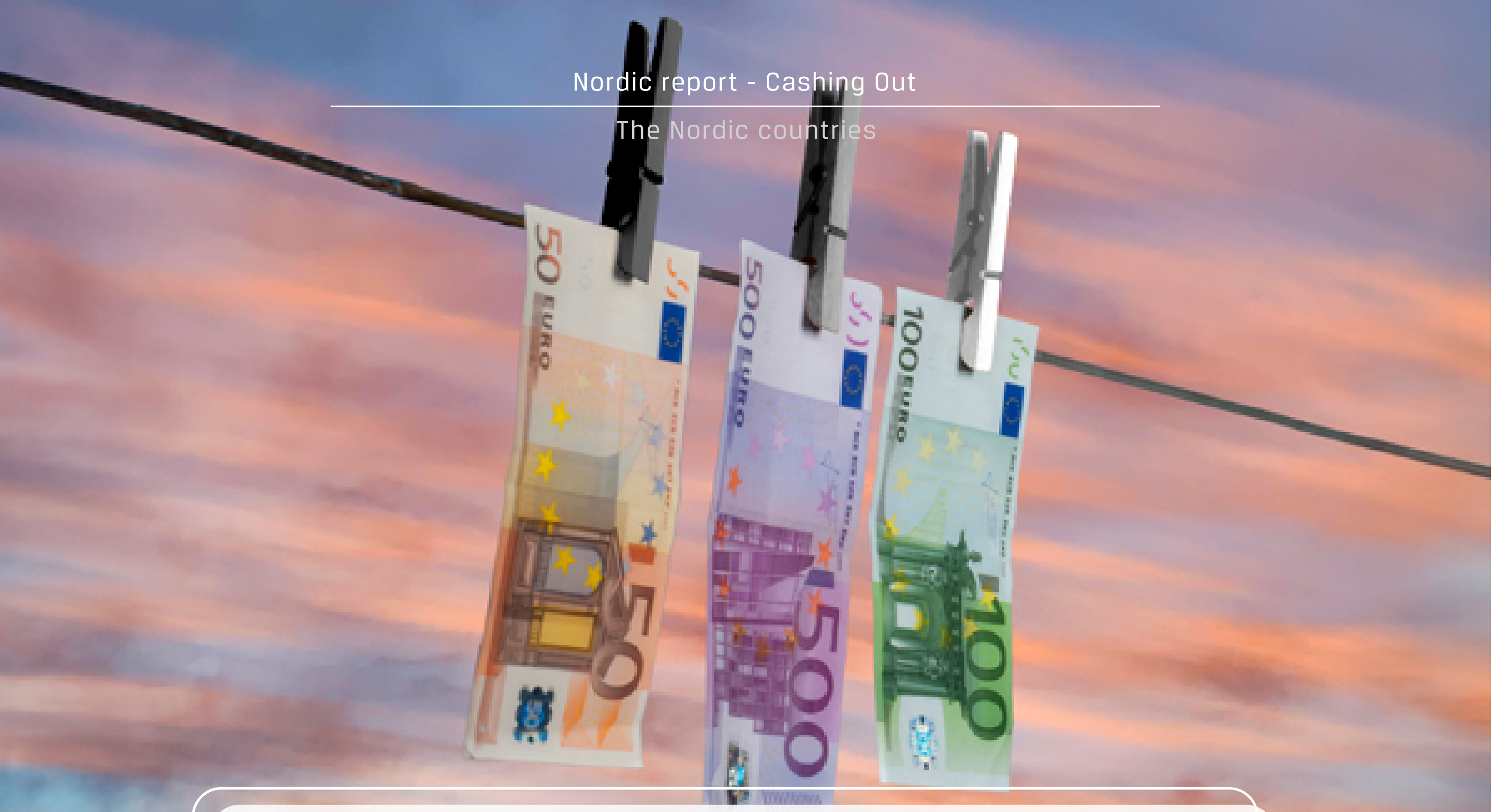


Diagram 4. The Nordic countries on the GI index of financial crime
Source: Report - The Global Organized Crime Index 2023, Global initiative, 2023 [28]



What is money laundering?

FATF describes money laundering as "*The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardising their source.*"[30]

Europol has described the three following phases in the money laundering process: [31]

Placement - The initial entry of proceeds of crime into the financial system. This stage relieves the criminal of holding large amounts of bulky cash and it places the money into the legitimate financial system. This phase is considered the most risky as during the placement stage money launderers are the most vulnerable to being caught due to the placement of large amounts of money into the legitimate financial system that may raise suspicions of officials.

Layering - Sometimes referred to as structuring, the layering stage is complex and entails the international movement of funds. The primary purpose of this stage is to separate the illicit money from it source. This is done by the sophisticated layering of financial transactions that obscure the audit trail and sever the link with the original crime. During this stage money launderers move funds electronically from one country to another, constantly moving them to elude detection and exploit loopholes or discrepancies in legislation.

Integration - The final stage by which money is returned to the criminal from what seem to be legitimate sources. There are many different ways in which the laundered money can be integrated back to the criminal; however, the main objective at this stage is to reunite the money with the criminal in a manner that does not draw attention and appears to result from a legitimate source.

Photo: iStock and Ai-generated

Cash in the Nordic countries

This section elaborates on different developments regarding cash in the Nordic countries, and how much cash is moved across the borders. Compared to the rest of the world, cash is of minor importance in day-to-day transactions in the Nordic societies. The Nordic countries are among the most prominent users of digital payment solutions. This is important in the context of this report, due to the fact that it still exist large amount of cash in our societies.

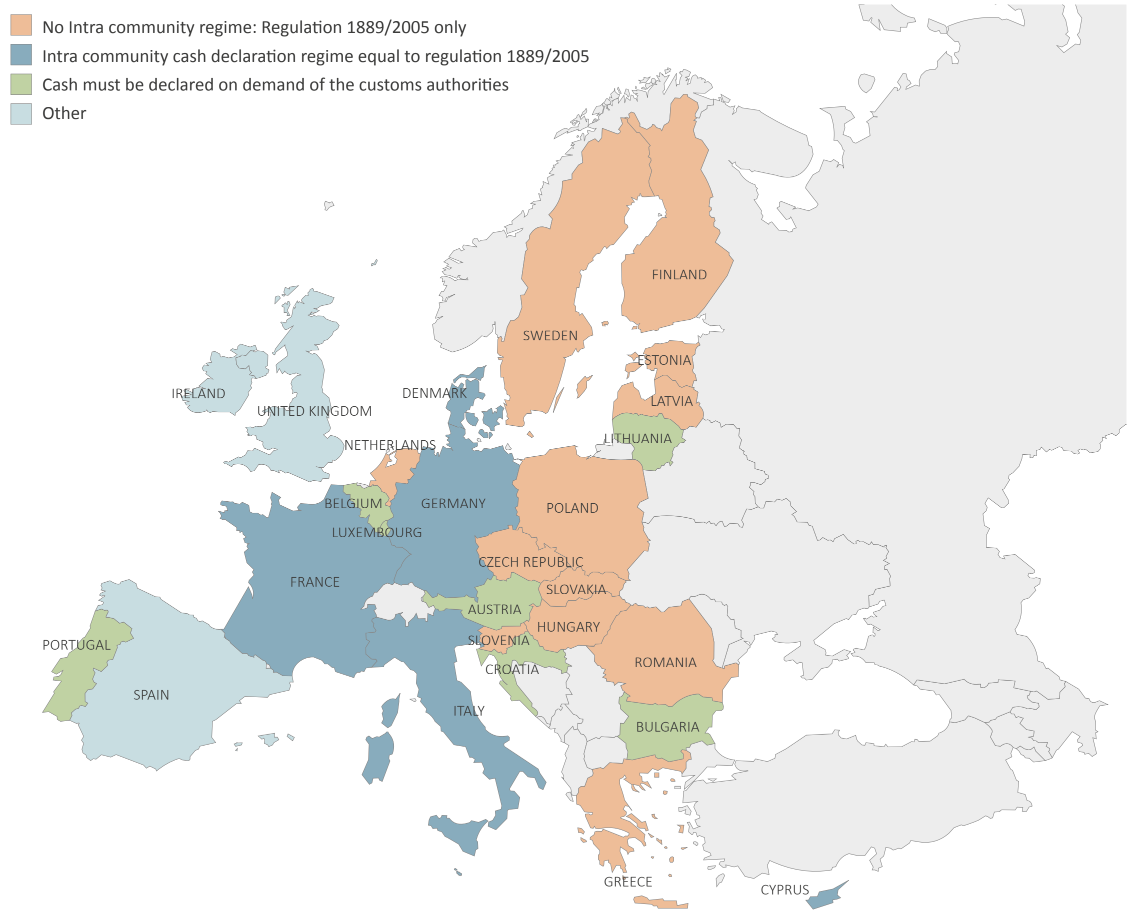
Currencies in the Nordic countries

Despite that three of the Nordic countries are EU-members, all of the Nordic countries have their own national currency with the exception of Finland, who uses Euro. In Sweden they have their Swedish Krona (SEK), in Norway they have their Norwegian Krone (NOK), in Denmark they have their Danish Krone (DKK) and in Iceland they have their Icelandic Krona (ISK). It can be argued that by having a national currency, authorities are better positioned to trace the use of cash in the national currency as opposed to a common currency used by multiple countries, such as the Euro.

The demand abroad for the Nordic national currencies is considered to be low. Other bigger currencies, such as the Euro, the US Dollar, the British Pound or the Japanese Yen are used as reserve exchange currencies for other countries. The US Dollar is overwhelmingly the world's most frequently used currency for invoicing in the global trade. However, in Europe the Euro is the most dominant currency [32].

Declaration of cash crossing borders

Even though EU member states share the same internal market there are differences in the legislation regarding declaration of cash at a given threshold. The map below, from a Europol report published in 2015, shows how the legislation inside the EU differentiates [31]. New legislation on cash declarations was introduced in the EU in 2018 (regulation named 2018/1672), which expanded on the term of "cash" that needs to be declared [33], but is otherwise still today similar enough that this report uses the map below to illustrate the examples.



Source: Why is cash still king?, Europol, 2015 [31]

There are three main approaches for EU-member states regarding declaration of cash for the value of € 10,000 or more, where each country is using one of them:

- No need to declare cash when entering or leaving EU-member states. However, if the EU border is crossed, it must be declared – no intra community regime: Regulation 1889/2005 only
- Cash has to be declared when crossing the national border, even if it is to another EU-member state – Intra community cash declaration regime equal to regulation 1889/2005
- Cash must be declared on demand from the customs

Which country is using the different approaches is shown in the map above.

Finland and Sweden have coinciding legislation [34],[35]; if you cross the EU border, you have to declare cash of the value of € 10,000 or more of any currency. If you cross the border to or from another EU member state, you do not have to declare the cash.

Iceland, not being an EU member, and Denmark have the same legislation as Finland and Sweden, as mentioned above, [36],[37] with one exception; it also applies when you cross the national border, not only the EU border.

Norway is the only country with a different threshold. Cash exceeding the value of NOK 25,000 in any currency has to be declared when crossing national border [38].

Below are two examples on how the consequences of the regulations of cash declarations is effecting cash transportations routes:

- Visualized on the right, it is possible to travel witout declaring the cash from Sweden through Eastern Europe to Türkiye. The only obstacle may be in Bulgaria if the customs demands it. To avoid that obstacle, it is even possible to sail from Romania to Türkiye and forego the risk of being demanded declaration in Bulgaria.
- Transporting cash from Sweden to Denmark, it is demanded to declare the cash when arriving at the Danish border, but it is not demanded to declare the cash to the Swedish customs when leaving Sweden.

However, in Norway there are no obligation to state what the origin of cash nor the purpose of the cash transportation.

The characteristics of cash

Overall, cash has two main functions; the storage of value and settlement of transactions [39].

Even though cash is one of the oldest payment methods, the characteristics of cash have not changed. In the eyes of a criminal, many of those characteristics are in their favour. Some of them are mentioned below.

For example, cash is anonymous and leaves no audit trail [4], as it does not carry information on the owner, where it originates from or where it is going. This is a desired characteristic for both the buyer and seller of illegal products or services, as they will not be directly tied to the transaction. The anonymity also means that the carrier of the cash is not necessarily the owner, as a courier can be used. Hiding the origin of money is necessary if you are laundering the money.

High amounts of cash can be transported using only a little space [31]. For instance, € 1 million in 500-notes equates to just 2,000 notes weighing 2.2 kg, taking up a space of just under 3 litres, which, for instance, would easily fit inside a small laptop bag. Even the € 200-note would weigh in at only around 5.5 kg. Meanwhile, the same amount of money in € 50-notes equates to 20,000 pieces weighing over 22 kg and taking up the space of a small suitcase. The banknote of € 500 is so valued, that it is even traded above its face value in some criminal environments [31, p. 20].

Finally, there is no third party or reporting entity, like a bank, that could intervene with a cash transaction. Neither can a third party or reporting entity inform the tax administration that a person has a huge amount of cash stored. If the money had been in a bank account, that information would be provided to the tax administration. Furthermore, if the person has assets that could not be easily explained, that would cause concern about the origin.

The use of cash in todays' society

Recent studies show that cash as a method of payment is decreasing for most of the Nordic countries. One study carried out by the Swedish Riksbanken, measured what sort of payment method a given person made as payment at a point of sale (POS). These numbers are only considering how the payment is made, not its value. The conclusion was that cash usage was declining for every country examined. Sweden went from 15 % of payments at a POS in cash in 2016 to 8 % in 2022 [40]. Norway declined from 11 % of payments at a POS in cash in 2017 to 4 % in 2022 [41]. A similar study was done for Denmark, which also showed a decline from 2017 to 2021 from 23 % of payments at a POS in cash down to 12 % [42],[43]. The use of cash at a POS in Iceland was around 7 % in 2018 and decreased to 2 % in 2022 [44]. In another similar study of the Eurozone, done by the ECB, Finland has also shown a decline, from 54 % in 2016 to 19 % in 2022 [45], [11]. These trends are illustrated below in diagram 5.

In Iceland it is estimated that the use of cash in business exchange has decreased from 13% in 2018 to 7,5% in 2022 [44].

Use of Cash at Point of Sale

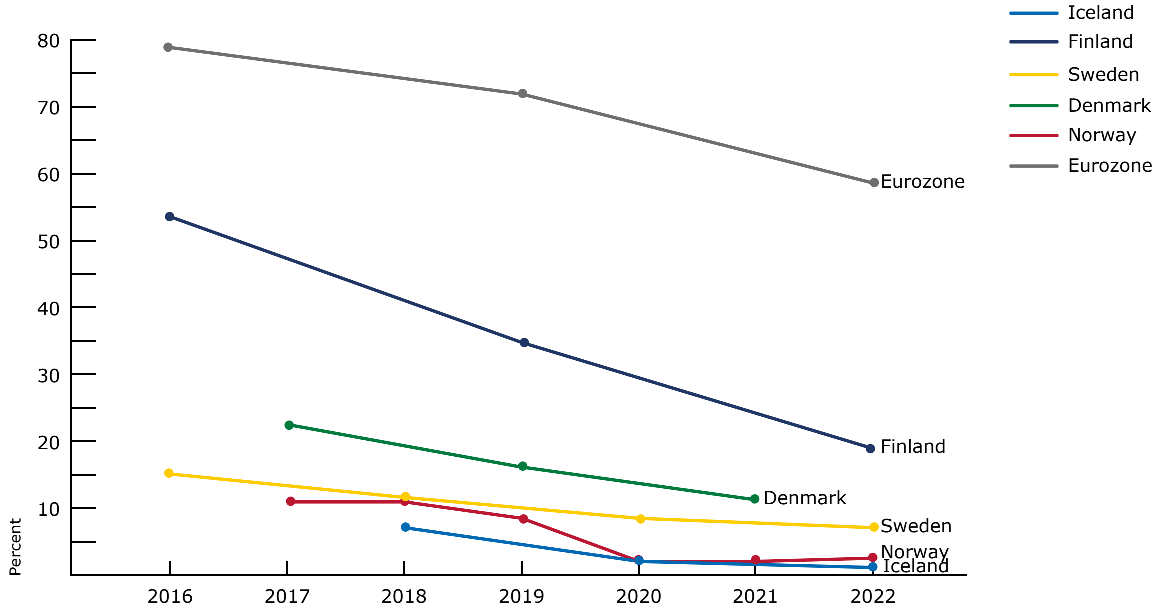


Diagram 5. The development in use of cash at point of sale for the Nordic countries.
Source: Sveriges Riksbank [40], Danmarks Nationalbank [42], [43] Norges Bank [41], ECB [11], [45], [46], The Central Bank of Iceland [44].

Cash Withdrawals

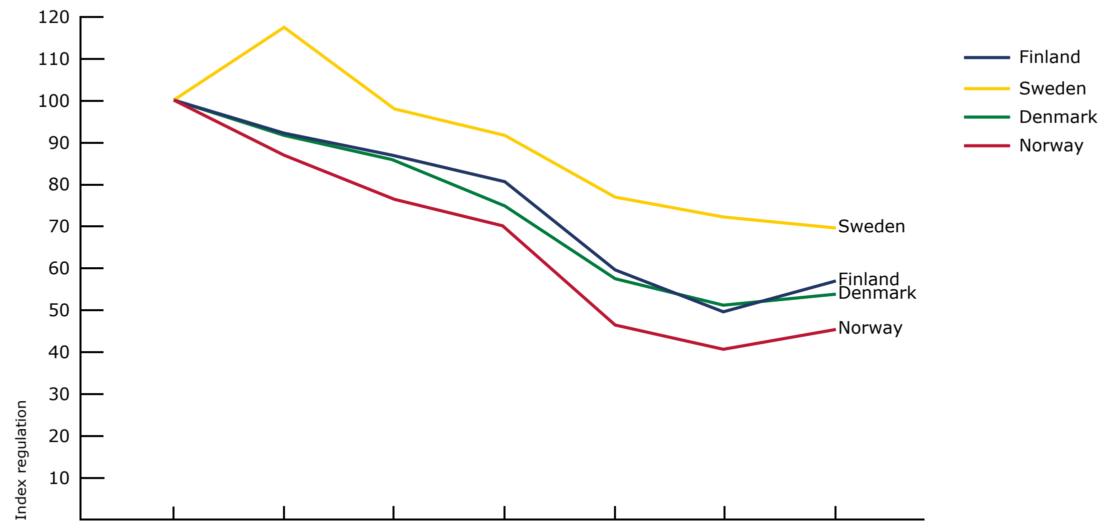


Diagram 6. The development in cash withdrawals in national currencies in Sweden, Denmark, Norway and Finland by the use of index regulation.
Source: Sveriges Riksbank [47], Nationalbankens Statistikbank [48], Norges Bank [41], Suomen Pankki [49]

Compared to the Eurozone as a whole, the Nordic countries are much more digitised. For the Eurozone as a whole the cash usage at POS was as high as 79 % in 2016 and declined to 59 % in 2022 [11].

Another statistic that supports the decline of use of cash for transactional purposes, is the decline in cash withdrawals. For all countries with data, the use of cash has declined; between 2016 and 2022 the decline has been 25 % for Sweden [47], 45 % for Denmark [48], 54 % for Norway [41] and for Finland 42 %, [49]. The data from Sweden and Finland only includes withdrawals from ATMs, while the data from Norway and Denmark also includes cash withdrawals from POS. The development for all the Nordic countries, apart from Iceland, is shown above with the use of index regulation. By using the index regulation, it is possible to compare the development of the countries, even though the level of amount withdrawn in each country are different. The starting point for each country is 100 in 2016, and then in the years after, the index shows the development in percentage from that point and onwards.

It is worth mentioning that the pandemic has likely had an influence on the use of cash, as people were encouraged to not use cash to avoid spreading of the virus. This led to people using digital payment methods, which has changed the habits of some people – also after the restrictions were lifted.

In addition, there are statistics that show that card as a payment method is used more frequently and with a lower amount for each payment [40]. The combination of these data indicate that the threshold for using a payment card is constantly decreasing.

Limitations for cash payments

There is currently no limit for cash payments in the EU, though Euro countries are not obliged to accept more than 50 coins at a time [50]. However, a new regulation, that will apply from 10.07.2027, introduces an EU-wide maximum limit of € 10,000 for cash payments. This will not apply to payments between natural persons who are not acting in a professional capacity [51],[52].

In Denmark, traders are not allowed to accept cash payments of DKK 15,000 or more [53] nor are they allowed to accept payments with the € 500 note [50]. For certain financial companies, also including lawyers and accountants, as mentioned in the Danish AML-law, the limit is DKK 50,000 [54].

In Norway, traders of high value items are not allowed to accept cash payments of NOK 40,000 or more, even if it is done in several instalments. The trader is also allowed to not accept more than 25 of each denomination [50].

In Sweden, a trader can refuse to accept cash. This must then be made known clearly in advance, for example by means of a corresponding sign in front of a shop. However, healthcare services must always accept cash payments [50].

In Finland, a trader can refuse to accept cash. Such procedures must be clearly communicated, for example in the form of signs at the entrance of a shop, e.g. refusing to accept more than 50 coins or a large banknote [50].

In Iceland, there are no known limitations [50].

Photo: iStock

Circulation of cash and denominations

The nominal value[1] of circulation of cash has developed differently for the Nordic countries. The diagram below shows the development of cash circulating in the countries with a national currency. Due to the fact that Finland shares its currency with other countries, and that there is no demand for declaring cash when arriving or departing the internal border of the EU-member states, it is likely that the statistics of how much cash is circulating in Finland will be misleading. For that reason, Finland is not included in the diagram below.

Especially Norway and Denmark have had a stable development for the value of circulation of cash. For Norway the nominal value is actually approxmately the same today as in 1996 [55]. For Denmark, the development has had a minor increase throughout the whole period [56].

The Swedish krona's circulation of cash has mostly decreased during the period in the diagram below [57]. However, for the latest years it has been stabilized and the trend shows a minor increase.

For Iceland the circulation of cash has had a major increase over the period [58]. Since 2003, it has increased by 661 %. The reason for this large increase in circulation of cash in Iceland could be related to the fact that the Icelandic people lost their trust in the Icelandic banks following the financial crisis of 2008.

The total value of the cash in circulation is driven by the demand for the biggest denominations of the different currencies.

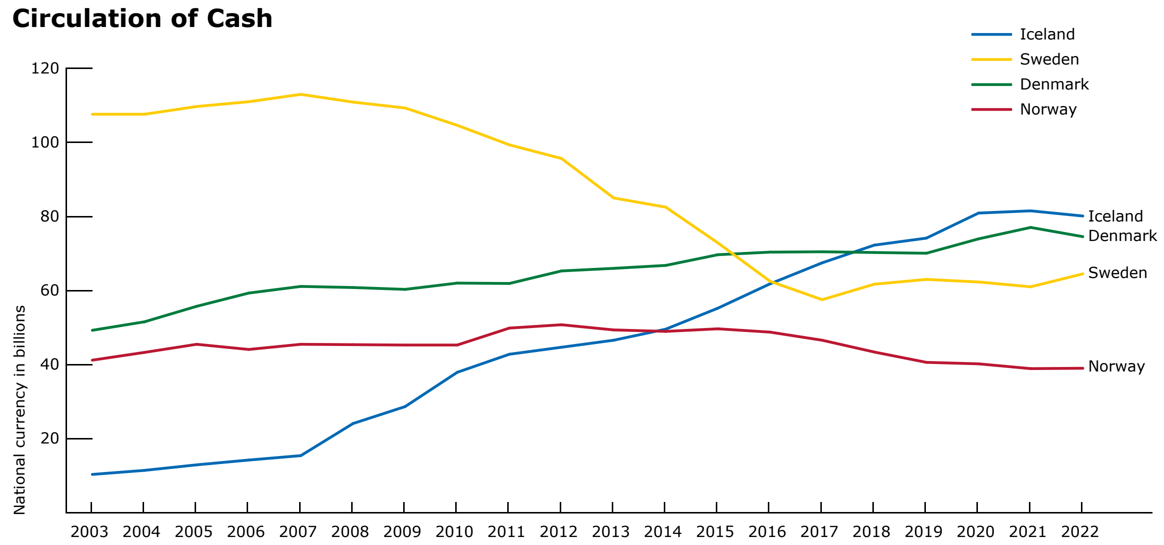


Diagram 7. The value of circulation of cash in Sweden, Denmark, Norway and Iceland between 2003 and 2022.
Source: Sveriges Riksbank [57], Danmarks Nationalbank [56], Norges Bank [55], The Central Bank of Iceland [58]

1 Not adjusted for inflation

In Sweden [57], Denmark [59] and Norway [55], it is the second highest denomination, the 500-note, that stands for most of the value of the cash in circulation in 2022. Respectively 77 %, 41 % and 54 % of the value was in 500-notes. If you add the 1,000-note in Denmark, the two of them stood for 81 % of cash in circulation.

The number of notes shows a similar pattern. Regardless of the relative value of the note, the 500-note in all three countries, was the most demanded note in 2022. The 500-note stood for 36 % in Sweden, 29 % in Denmark and 39 % in Norway of all notes.

In Iceland in 2022 [60], the highest denomination, the 10,000-note, made up 65 % of the value of all cash in circulation. If you add the second highest denomination, the 5,000-note, they made up 88% in total. By numbers of notes, it was the second smallest denominations, the 1,000-note, which was most demanded with 37 % of all notes. However, the 10,000-note, stands for 26 % of all notes, which is the second most demanded.

In summation, the demand for high denominations is a vital factor for the volume of cash in circulation for all countries with national currency. In addition, the highest or second highest denominations of all currencies are often the most demanded notes by numbers. This is contradictory to the Europols SPACE-study of 2022 [11], where statistics shows that only 14 % of payments at a POS was above the value of € 50. Payments at POS of € 20 or below accounted for 59 %. This implies that that the demand for cash in the lower denominations would seem most logical. The 1,000-note in Denmark will be withdrawn from circulation by the end of 31.05.2025. This is partly due to cash payments are often less than DKK 500, and partly due to its role in financial crime [61].

It is worth repeating that one of the characteristics for cash in the eye of the criminals, is that high denominations use little space when it is transported.

The paradox of banknotes

In 2009, Andrew Bailey, one of the directors of the Bank of England, coined the term "The paradox of banknotes" [62]. Despite the declining demand for cash for transactional purposes, the value of cash in circulation was increasing in Great Britain. Since then, the cash in circulation in Great Britain has continued to increase excessively, and has made the paradox even more apparent. The transactional use of cash has also had a massive decline since then. It is not at the low level as the Nordic countries, but the trend of the transactional use of the cash is declining [63],[64].

The paradox is not unique for Great Britain - the same phenomenon is observed in a number of other economies as well, for example in the US, the Eurozone, Canada, Australia, Japan and Switzerland [65]. In 2020, it was estimated that about £ 50 billion of the cash in circulation of the British pound was not accounted for [63]. The European Central Bank concluded in 2021 that they could only account for about 20 % of the cash in the Euro in circulation as being used for transactional purposes [3]. If that is actually the case, about € 1,250 billion is missing.

In the Nordic countries the paradox of banknotes is also apparent. The digitalization of the economy in the Nordic countries is considered to be one of the most prominent in the world, even a flat development of the circulation of cash could be argued to be a paradox. The illustrations on the next page from respectively Norway and Denmark exemplify this.

The Norwegian Paradox of Banknotes

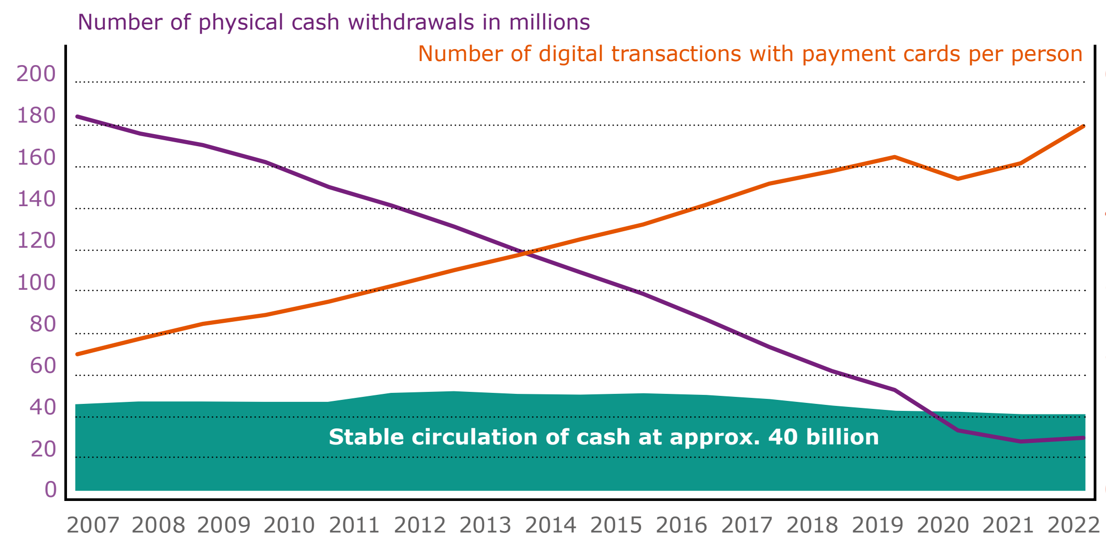


Diagram 8. An illustration of the paradox of banknotes in Norway.
Source: Report - Cash in the illicit economy, Økokrim, 2023 [66]

The Danish Paradox of Banknotes

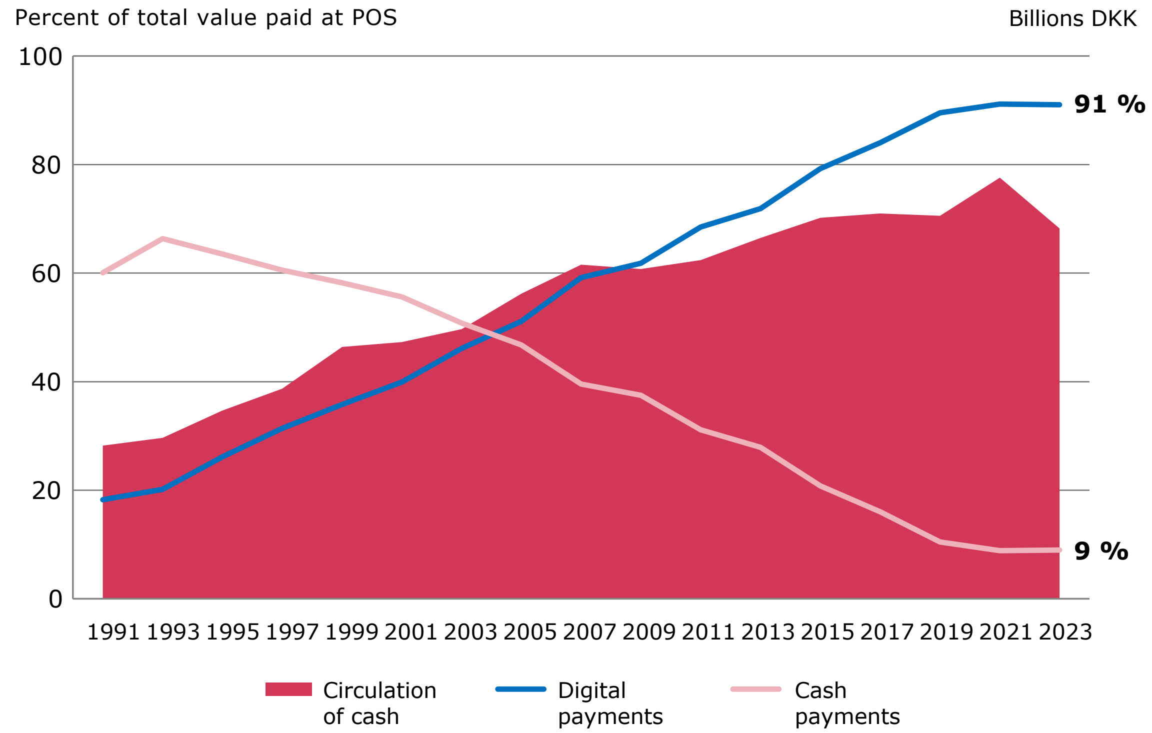


Diagram 9. An illustration of the paradox of banknotes in Denmark
Source: Report - Hvidvask med kontanter, Hvidvaskingssekretariatet, 2024 [67]

Photo: iStock

Cash transportation in a Nordic context

In the following section, a brief overview is given of the circulation of cash crossing borders. From departing the origin country, through the exchange process abroad, and finally the return of cash to the country of origin. This operation is most relevant for Norway, Sweden, Iceland and Denmark due to their national currencies, geographical proximity and similar experiences.

How much cash is leaving the Nordic countries?

While this report covers criminal reasons for transporting cash across the Nordic borders, it is important to note that there are also legitimate and legal reasons for doing so. Some examples of legal reasons for transporting cash across borders could be better exchange rates or that a legit entity may have a use for the cash in the destination country.

For many years, illicit cash has been transported out of the Nordic countries and the motivations for doing so are different. One motivation is that settlement for illegal products, such as narcotics, is done abroad. A second motivation is that cash is used to finance terrorism. For those reasons, the cash needs to be transported to where it can be used, and it is risky to make wire transfers abroad. A third motivation is that it can be easier to launder the cash abroad as the money laundering regime is not as strict as in the Nordics or as a way of obscuring the origin of the cash. There is also a different culture regarding the use of cash in many other countries than what is the case in the Nordics. A fourth motivation is that transporting cash abroad will generate geographical distance to the predicate offence and would have to involve different jurisdictions which will make the investigation more difficult.

For a country like Norway, where the legislation demands that you have to declare cash above the value of the equivalent of NOK 25 000 leaving or entering the national border, it is expected that approximately the same amount that is declared out of Norway, also have been declared in – but that is not the case as shown in the diagram on the next page. The amount of cash transported out of Norway has been high for many years; even in the years of the pandemic, which affected Norway in minor or major parts of 2020, 2021 and 2022, the numbers were relatively high. Historically, the discrepancy each year between what is declared out of Norway and what was declared in, has been approximately NOK 8 billion. The data for the last five years is shown below, although the last three years are not representative for previous years, given the influence of Covid-19. In total, for the period 2018–2022, more than NOK 40 billion has been declared in to Norway, and only a little under NOK 4.3 billion was declared on the way out of Norway. There are reasons to suspect that a large amount of the cash circulation out of and into Norway is linked to the illicit economy and money laundering operations [66].

According to a newly published report by the Danish FIU, Danish cash declarations shows that there is a difference in amounts leaving Denmark and amounts entering. The report states, that in 2019 there was a difference of DKK 10 billion as approximately DKK 9 billion were declared as leaving Denmark and DKK 19 billion were declared as entering Denmark. In 2022 the difference had decreased to DKK 5,7 billion [67, p. 18].

Furthermore, the report states that the Danish customs had examined declarations made by a large cash handling company. The examination covered the period from January 1st to the end of first half of 2023. The examination revealed that DKK went from a large share of 93 % of declared money in 2021 to only 0.2 % of the declared money in first half of 2023. The examination also revealed the Euro as the new dominant currency with a share of 84 % in first half of 2023 [67]. The report also points to a statement by the Danish Tax Authorities who claims that cash handling companies no longer are transporting DKK out of Denmark. DKK are now exchanged to EUR, USD before leaving Denmark [67, p. 19].

Declaration of NOK Cash

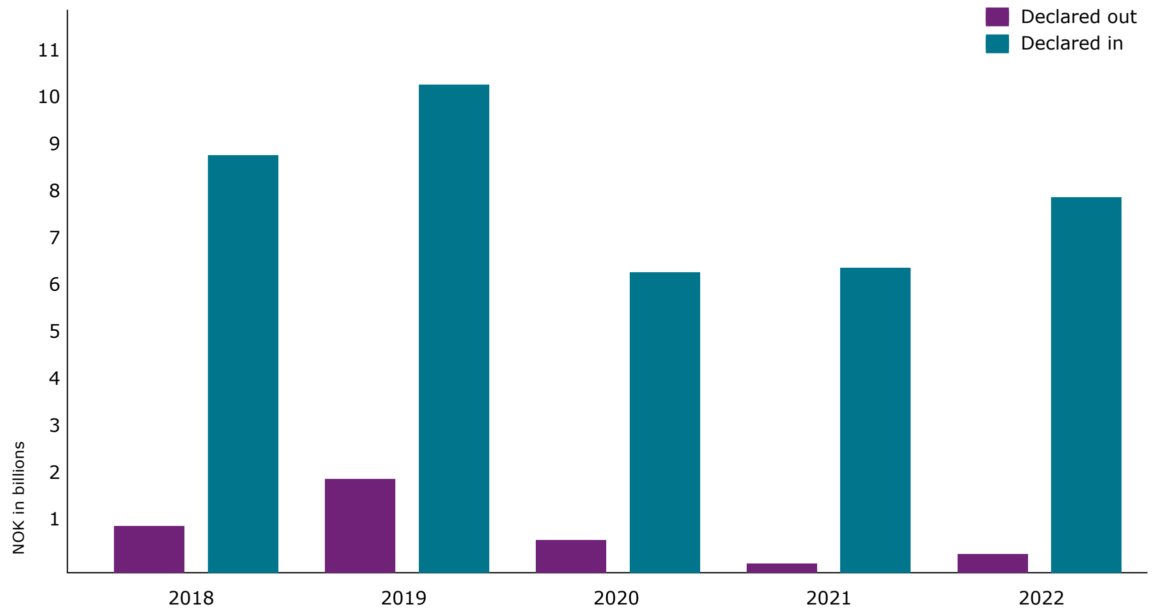


Diagram 10. A comparison of cash in NOK being declared out of and in to Norway.
Source: Report - Cash in the illicit economy, Økokrim,2023 [66 p. 8]

In the Danish National Risk Assessment (NRA), the Danish FIU estimates that the majority of the cash in circulation in Denmark is of legal origin. In the NRA it is, among other reasons, recognised that cash serves a legitimate way of storing value. However, the Danish FIU also estimates that professional cash management companies are being involuntarily used in money laundering schemes [68].

Since it is not mandatory to declare cash when crossing the Swedish border to the same degree as in Norway and Denmark, Sweden does not have the same statistics as Norway and Denmark, except for data regarding declared cash crossing the border to and from countries outside of the EU. In 2022 nearly SEK 210 million was declared at the Swedish border as the money was going outside the EU. Almost 80 % of the cash is declared at Swedish airports [69]. However, the Swedish police has examined obtained encrypted communication and this revealed that transportation of cash abroad is of significant importance in the reinvestment process of narcotics. Thus, the Swedish Police has been able to calculate a conservative assessment on the amount of money used yearly in the reinvestment process based on EncroChat data, related to drug sales. The Swedish calculation estimated the reinvestment in drugs to amount to up to SEK 12.5 billion [69], and although not all of that is necessarily cash, it is estimated that a large part of it is cash.

The Finnish statistics also differ from the Norwegian and Danish due to having the same cash declaration legislation as Sweden so the statistics only show cash declarations for leaving or entering the EU. Accoding to the Finnish Customs, the top two destination countries in 2023 were Türkiye and Russia with declarations of respectively € 17,8 million and € 1,3 million.

How does the circulation of cash work?

In the introduction of the report it was mentioned that the physical transportation of cash across national borders is one of the oldest and most basic ways to launder money. The criminal's goal is ultimately to get the money back into the legal money system [4]. There are many different methods to operate the transportation of cash across borders. In the next section the focus will be on the Norwegian example.

There are a number of different parties involved in the circulation of NOK cash out of and back into Norway. This is one of the reasons why it is difficult to identify the origin of the cash. The Norwegian example of cash circulation shares the basic characteristics of how money is laundered and integrated in the legal system. One could argue that the Norwegian example is not relevant for all the Nordic countries since there are some differences between us, when it comes to legislation for example. However, looking at the information on the transportation of cash across the Nordic borders, there is consensus that the cogwheel has inherent characteristics that all the Nordic countries have identified.

On the next pages, the different stages of the circulation in the Norwegian example are explained through a short summary, visualized by a cogwheel [66].

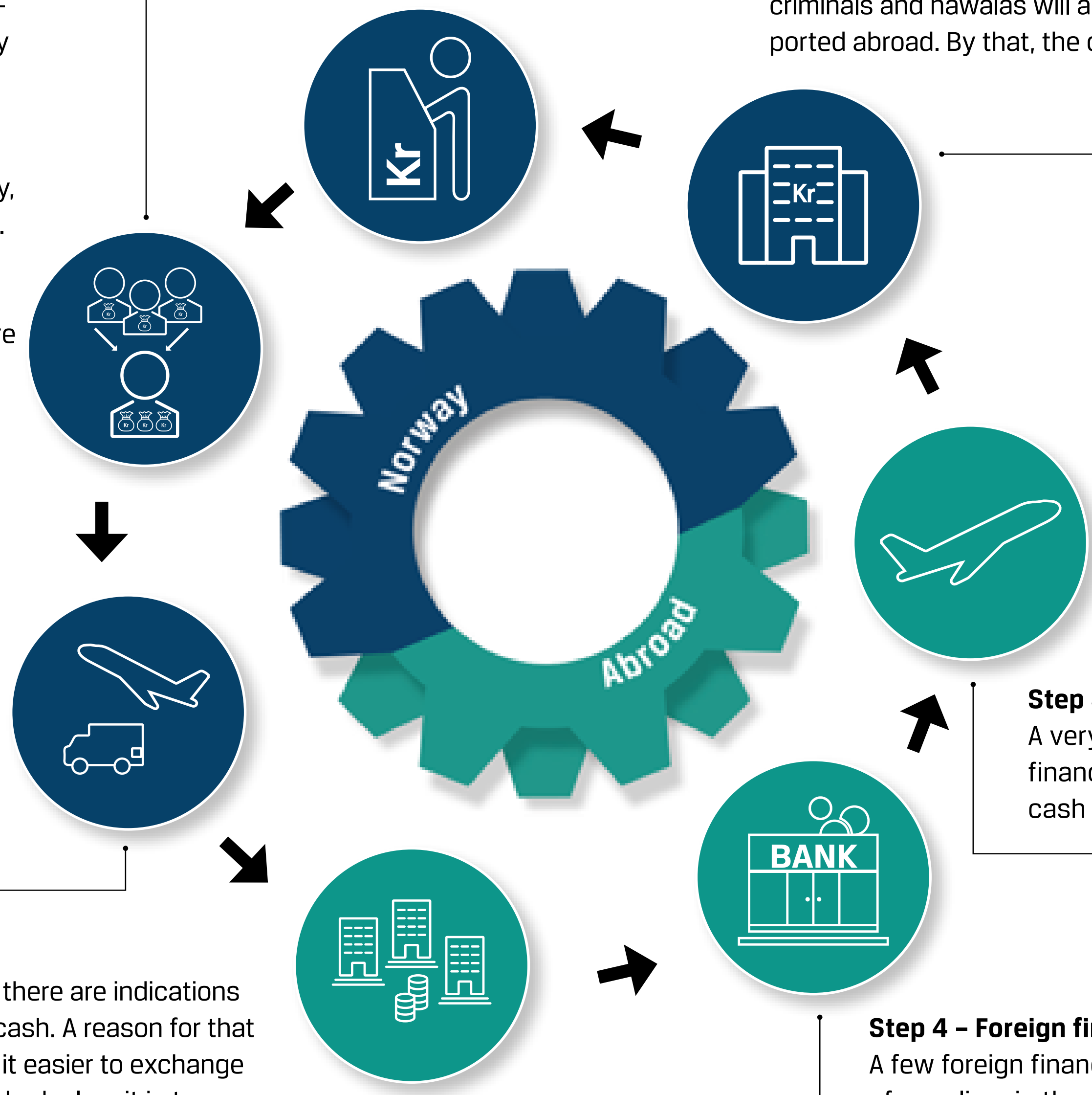
Step 1 – Actors in Norway in need of transporting cash out Norway
Different types of crime generate cash in large amounts for criminals. There are indications that narcotics and work-related crime are two essential crime areas. The criminal actors who generate huge amount of cash uses the services of legal and illegal hawala actors [70] to transfer money abroad. Although the individual transaction does not move cash across borders, hawala actors even out their balances every once in a while, exchanging large sums of cash across borders. In addition, they can use criminal actor who specializes in cash smuggling to transport cash out of Norway, and they can even do it themselves.

As of early 2019, banks in Norway stopped with the practice of accepting bulks of cash from money service businesses in Norway, such as hawala actors, as the money laundering risk was too high. The purpose was to send wire transfer abroad, but the banks' refusal forced these businesses to physically transport the cash to the receiver abroad by themselves. This changed the infrastructure only for some actors, as the amount of cash returning to Norway have been high for a long time before this situation occurred.

Step 2 – Transportation of NOK cash out of Norway
The cash is often transported by cash courier on planes, in cars or among legal goods on trucks. Statistics shows that most of the NOK cash that is leaving Norway does not get declared. It does not automatically mean that it is smuggled, as there can be transportation of cash below the declaration limit. However, with the large discrepancies between what is declared in and what is declared out, there are reasons to believe that a huge share is smuggled.

Step 3 – Exchange of NOK abroad
The cash is exchanged in many different countries in the world, but there are indications that Türkiye is one of the most used destinations to exchange NOK cash. A reason for that could be that there are periods with wealth amnesties, which make it easier to exchange NOK. In those periods, you could enter Türkiye with a suitcase of cash, declare it in to Türkiye and deposit the cash to an account with no questions asked [71],[72].

Two of the top four currencies that is seized on the border between Bulgaria and Türkiye in direction of Türkiye are NOK and SEK [73]. This does not mean that Türkiye is the end destinations for where the money is used, but it is the place where it is exchanged. There are also indications that United Arabic Emirates, Somalia, Poland, Iran and Iraq are often used to exchange NOK.



Step 7 – Distribution of NOK cash to the general public
The cash is then mainly distributed to the general public by the cash management companies by the use of cash withdrawals in ATMs, branches and retail stores. Different actors such as criminals and hawalas will again accumulate large amounts of cash that they need to be transported abroad. By that, the cycle then repeats itself

Step 6 – Handling of NOK arriving to Norway
When the cash arrives to Norway, they are delivered to the private cash depots spread out in Norway to make redistribution of cash in Norway efficient. The distribution of cash is done by cash management companies. However, it is a Norwegian bank who is the owner of the cash in the private depots.

The few foreign financial institutions who sent NOK cash to Norway as explained in step 4, receives the settlement digitally to their Norwegian bank accounts when the cash has arrived in Norway. This is wire transferred through multiple accounts before it ends up at the foreign financial institutions bank account.

Step 5 – Transport of NOK cash back to Norway
A very big part of the money collected abroad, are transported by the financial institution by plane back to Norway. In addition, some of the cash is returning by the use of vehicles.

Step 4 – Foreign financial institutions buy NOK
A few foreign financial institutions are hubs for collecting NOK abroad. They have a lot of suppliers in the world, such as currency exchanges and banks that they buy NOK cash from. They are the last hubs before it is sent back to Norway.

An illustration of the Norwegian example of how cash is circulating out of and in to Norway.
Source: Report - Cash in the illicit economy, Økokrim, 2023 [66, p.10–11]

Photo: iStock

Vulnerabilities & threats

In this section, the vulnerabilities and threats that the Nordic countries share will be unfolded. The main objective in this section will be the identification of vulnerabilities and threats to enable us to answer the main question of this report: What is the risk of money laundering via the import and export of cash in a Nordic context?

A select few vulnerabilities and threats will be discussed but it is acknowledged that these are not exhaustive.

Vulnerabilities – open borders, legislative measures and lack of discussion

The Nordic authorities have relatively good knowledge of the methods and procedures used to move illegal cash outside the Nordic borders. This knowledge of the cash moving out of the borders also means that the Nordic authorities are aware of the inherent vulnerabilities in detecting illegal cash flows.

As mentioned in the report, the Nordic countries are open and have free market economies, and open borders are a prerequisite for this. Given the large flows of people and goods that enter and leave the Nordic region every day by car, truck, boat, and airplane, our authorities have a challenge in finding any illegal cash in the huge flows that cross our borders every day. Open borders place great demands on law enforcement authorities. Here, all the Nordic countries share the same problem; that it is difficult and time-consuming for law enforcement authorities to monitor illegal cash crossing the border.

Another common vulnerability for the Nordic countries is the different declaration rules regarding the entry and exit of cash. As previously described, the Nordic countries have different regulations. This means that the countries have different opportunities to actually identify how much cash crosses the border or at least get a better idea of the scale. Although Norway, for example, is better able to register the amount of cash crossing their borders each year, the amount of cash is still under-reported. The different regulations in the Nordic countries contribute to the data being more patchwork as opposed to the ideal, more uniform statistics on how much cash crosses the Nordic borders each year.

While there are reports on where cash is held in our societies, these reports also, at times, admit to lacking the knowledge on parts of the cash in total. In that relation, what the report would like to draw attention to is the lack of, or inadequate, discussion in the public space about who uses cash in our societies and where it then goes. Both National Audit Office in the UK and the European Central Bank (ECB) have examined how the cash in circulation is used in their economies. The conclusion for Bank of England in 2018 was that only 20–24 % of the value of notes in circulation were being used or held for cash transactions, with UK households holding a further 5 % as savings [62]. The conclusion for ECB in 2019 was that approximately 20 % was held for transactional use in the Euro area [3]. Given that the use of a large volume of cash in those two economies is unknown, who also holds cash for transactional use to a much larger extent that the Nordic countries, in combination with the anonymous feature of the cash, makes lack of knowledge of the use of cash in the Nordic countries a vulnerability. For further reading on the subject we refer to Nationalbanken's Report "Kontanters rolle i et samfund med lavt brug af kontanter" [59].

> «/ …the use of a large volume of cash in those two economies is unknown… /»

Threats – criminal actors and their capacity

In the following section, common threats to our Nordic countries linked to illegal cash exports is shown.

The biggest threat comes from criminals who try to generate criminal profits by moving cash out of the Nordic countries to launder the money. When the money is laundered abroad, as shown in the Norwegian example, the criminals could reinvest the cash in their criminal activities or use the money, for example, to buy properties abroad so that the criminal profit has been invested in the legal economy. This is supported by multiple national risk assessments from Nordic countries, where it is stated that the threat from criminal actors using couriers and cash transport is considered to be high [68]. As the report has shown, our countries have different geographical and legal conditions, and there are different conditions in terms of criminal activity within our countries.

As an illustration of how money laundering through cash transportation across borders might look, the cogwheel shows how cash is being transported out of and back into Norway. The process looks fairly straight forward, however, in reality it is

Nordic report – Cashing Out
Vulnerabilities & threats

more complicated and the criminals are highly skilled in moving money out of the country and laundering it abroad. Thus, it is not only the criminals who pose a threat, but also their increasing capabilities. The criminal could use legal or illegal hawala actors or criminals specialized in transporting cash abroad. The capabilities of different criminals vary but complex, advanced schemes are being carried out where criminals deliberately exploit vulnerabilities in terms of the risk of detection and controls carried out in the financial system. Just to give an example of the capacity of one criminal actor in Sweden, an example from Sweden's national risk assessment for money laundering and terrorist financing 2022 is used:

"In June 2020, the police raided a currency exchange (bureau de change) on Södermalm in Stockholm after an extended period of surveillance. The currency exchange office, which was registered with the Swedish Financial Supervisory Authority as a payment service provider, was being used as a bank for criminal networks in order to deposit cash and to pay and receive payment for illicit drug transactions. During the search, the police found cash equivalent to approximately SEK 15,000,000 hidden in concealed spaces.

In addition to deposits, currency exchanges and withdrawals, the exchange office carried out hawala transactions for the criminal networks. These transactions were conducted entirely outside the traditional banking system and were based on contacts between individual hawala actors. The currency exchange office and its staff were cooperating with hawala actors operating in Sweden through a well-developed international network that included hawala actors in other countries, such as the Netherlands and Spain.

> «/ … the amount of money that the currency exchange office transferred via hawala over a period of just under 1.5 years accumulated to approximately SEK 99,000,000. /»

The criminals used the hawala transfers to send and receive payments for drug deals that were completed outside of Sweden. The ruling in the case shows that each transaction was recorded in a secret ledger and that banknote numbers were used for identification; the recipient received the money after identifying himself/herself by presenting a note with a certain number.

The ruling shows that the amount of money that the currency exchange office transferred via hawala over a period of just under 1.5 years accumulated to approximately SEK 99,000,000. The money has likely been used within the framework of organized drug trafficking. One of the individuals, who was convicted of gross money laundering, acted as a hawala actor and an enabler by offering and executing transactions through his/her hawala network." [74, p. 11].

While money does not cross borders in the abovementioned example, it shows the capacity for criminal actors that have a need for money to be change hands and the capacity of the network that the criminals have.

Photo: Shutterstock

Cases on how authorities can disrupt money laundering done via cross-border cash transportation

In this last section the report will show a few examples on how to stop or complicate cross-border cash transportation. The examples show how extraordinary events like Russia's full-scale invasion on Ukraine limited cash transportation between Russia and Finland. The report will also highlight the decision by Danish and Norwegian banks to stop accepting repurchase of DKK and NOK outside of respectively Denmark and Norway, and what effect it has had on the Danish and Norwegian criminal economies. These examples show ways to tackle the challenge with cross-border cash transportation by other means than regular law enforcement work and what effect it could have.

Finnish findings regarding EU sanctions and Russian cash flows

Due to Russia's illegal attack in Ukraine, carrying cash funds to Russia is limited by EU sanctions. The sanctions prohibit the sale, supply, transfer and export of cash funds that comprise official currencies of the EU Member States. The sanctions contain some exceptions concerning certain private individuals, such as travellers carrying bank notes for personal use. The ban does not impose any minimum threshold in terms of amounts in Euros. However, according to instructions for interpreting the sanctions published by the EU Commission, carrying cash to Russia for personal use should be subject to a narrow interpretation [75].

The Finnish FIU has been monitoring the direct and indirect effects of the war in Ukraine and in particular the sanctions against Russia since the start of the war. During 2022, the Finnish FIU identified three key phenomena related to the war and sanctions: transfers of Russian assets to Finland, cash exports to Russia and sanctions evasion. The biggest phenomenon measured by the number of suspicious transaction reports (STR) was transfers of assets from Russia or abroad to Finland by Russian. Typically, a Russian citizen brought assets in cash from Russia to Finland and deposited them in a Finnish bank account or the person would transfer their funds from their Russian bank account to a Finnish bank account – if possible given sanction regulations. Usually the announced source of the funds was assets sold in Russia, like

Nordic report – Cashing Out
Cases on how authorities can disrupt money laundering done via cross-border cash transportation

Photo: iStock

vehicles or real estate. The transfer of funds from Russia is not subject to sanctions, but is likely to indicate the distrust of Russian citizens towards the stability of Russian society and the banking sector caused by the war.

Sanctions against Russia and Belarus restrict the export of cash to these countries as explained above. During 2022, the Finnish FIU detected cases in which cash was exported to Russia for other than permitted purposes. In the summer of 2022 many Russian citizens arrived in Finland to make dozens of cash withdrawals per day from ATMs worth tens of thousands of Euros and then took the funds to Russia. There were indications that cash in Euros was transported, for example, for resale purposes. This phenomenon ended in early autumn when Finland restricted the entry of Russians citizens by refusing to issue visas for the purpose of tourism. At the same time, cash withdrawals with credit cards favoured by Russians were prevented.

In 2023, the FIU Finland received around 1 500 suspicious transaction reports related to sanctions and the war in Ukraine. The main war and sanctions-related phenomena observed were largely the same as in 2022: transfers of funds to Finland by Russian natural persons and possible attempts by legal persons to circumvent or violate sanctions.

A change in the Danish & Norwegian market situation

In March 2023 the Danish Central Bank announced that in several countries a reluctance against exchanging DKK to other currencies had occurred.

The main reason for the reluctance of exchanging DKK related to the fact that it had been increasingly difficult for currency exchange companies to repatriate DKK to banks situated in Denmark. Banks situated in Denmark had become reluctant to receive DKK in cash from abroad, referring the Danish AML-legislation. This reluctance might seem odd, considering that the Danish NRA considered the majority of cash transported out of Denmark to be of legal origin. The reason, however, is that banks situated in Denmark deem the risk of money returning to Denmark being of illegal origin as too high as the banks are not sufficiently able to be assured of the origin of the cash [76]. This argument could be supported by the fact that Copenhagen Police recently arrested and charged 12 persons with gross money laundering of no less than DKK 900 million. At least four of the arrested were connected to exchange offices and while the case is Danish, there were ties found to Sweden [77].

This change might have a future impact on the Danish criminal economy. One impact that is likely to occur is that DKK will be unappealing when it comes to payments in, for instance, Morocco, Spain, Türkiye or United Arab Emirates. International settlements will most likely have to be done in Euro. This might put a pressure on organized criminal groups to exchange DKK to Euro or similar attractive currency inside of Denmark – thus resulting in foreign cash flows in and out of Denmark. It might also cause a shift to money laundering methods that do not require the transportation of DKK out of Denmark [67].

Similarly, in the spring of 2023 in Norway, some banks considered that the money laundering risk was too high for receiving cash returning from abroad and as such they have stopped accepting this cash. Since this new restriction was incorporated, the declaration of NOK cash into Norway has been very limited. Due to this restriction, the financial institutions abroad cannot return NOK cash to Norway. This has led to them not wanting to buy NOK cash from their suppliers. This has a domino-effect that has caused their suppliers not wanting to buy NOK, and many exchange offices in the world have set the exchange rate of NOK to zero. As of now, it is difficult to use and exchange NOK outside of Norway.


Photo: Pixabay

Conclusion

The Nordic countries shares a historical, political and cultural band to each other. In this report, similarities and differences between our countries have been mapped. Although the Nordic countries share similar legislation in many ways, there are still five different currencies and legislation when it comes to cash declaration that is the relevant legislation for this report. Despite the differences in that area, having five different currencies makes the national currencies comparable. This could mean that what works for the authorities in one of the countries with a national currency could be made to work in another. It also means that they share some of the same vulnerabilities and threats. When it comes to Norway, Sweden and Denmark, they share some of the same problems with regards to cash transportation. The main differences lie in Finland being in the Eurozone and in the cash declaration legislation of Norway, Iceland and Denmark compared with Sweden and Finland along with differences in geographical and criminal conditions.

As a consequence of the observations made in the report, it can be said that some of the major findings related to cross-border movement of cash are:

Threats

There is a lot of cash in circulation in the Nordic countries and also more than can be rationally explained when taking normal needs for cash into consideration

- Many of the crime areas that generate large proceeds is generated in cash or uses cash to shroud the source of criminality. Some of the crime areas are: narcotics, tax fraud related to labour and it-economic crime.
- A part of the generated cash is expected to be used for purchasing of illegal items abroad or used to shroud the origin of the crime. As the cash cannot be put into the legal financial systems due to AML-regimes, it must be pathed abroad otherwise, such as through hawala systems or transportation across borders.

- Combined with the volume of illegal cash from the above-mentioned crime areas, the report estimates the threat as high and the threat is amplified by the fact that the transportation of cash is, to some degree, organised.

Vulnerabilities

- The systems that the criminal actors can use are based on cash being hard to trace and that it only to some degree must be declared when it leaves the Nordic countries. This opens up for the possibility to smuggle cash across, especially, the open borders.
- The vulnerabilities are amplified by the fact that control measures in some areas are limited.

Risks

The high threat and the severe vulnerabilities show that the risk for laundering of money via transportation of cash in the Nordic countries is high.

Furthermore, the report also finds:

- Criminals are exploiting vulnerabilities in our different legislations to move cash across borders for various reasons, such as money laundering purposes.
- A lack of discussion and common knowledge on the use of cash allows criminals actors to operate in the dark.
- Open borders pose a risk to the monitoring and prevention of cash transport for illicit purposes.
- Doing as shown in the Norwegian and Danish examples of restricting cash flow opens up currently unknown risks related to how the criminal actors will adapt to the situation. They might make a switch to using EUR or they might increase their use of trade-based and/or service-based money laundering.

To answer the question of what the risk of money laundering via export and import of cash in a Nordic context is a complicated matter but this report seeks to show that criminals have good reason to use the mentioned methods and have plenty to gain from it. This report also seeks to show how large the scope is. Based on this, the report concludes that the overall risk posed by the money laundering via cash export and import is high.

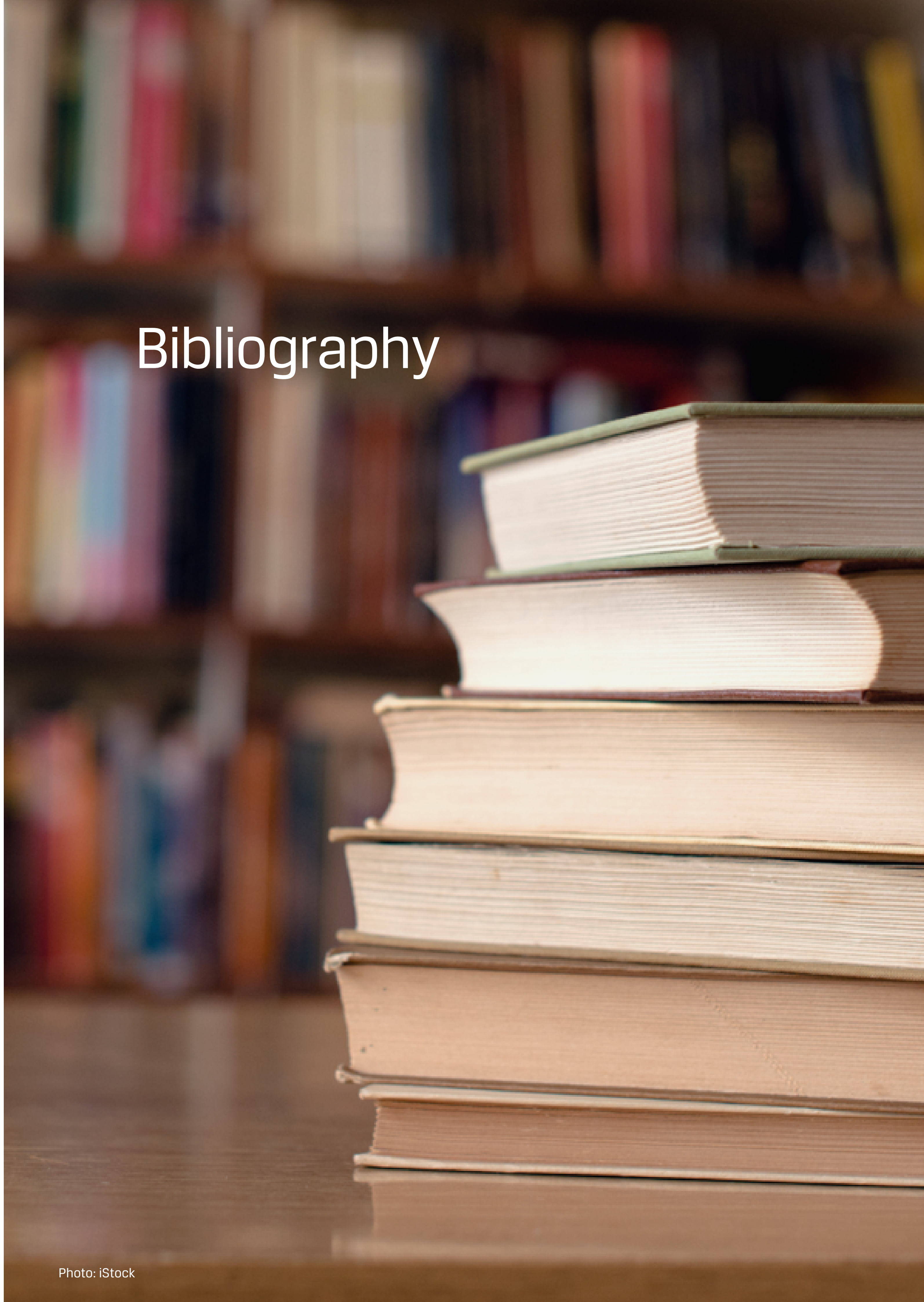


Photo: iStock

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