
FICTITIOUS INVOICES AND VIRTUAL IBANS

Danish invoice mills move payments abroad



01 Summary

This analysis shows that Danish invoice mills have begun to receive payments into accounts held abroad rather than into accounts held with Danish banks. In fact, within a few years, there has been a significant increase in invoice mills' use of so-called *virtual IBANs*, i.e. virtual versions of international bank account numbers, *by payment service providers (PSP)*.

In 2024, about three in four fictitious invoices were paid via *virtual IBANs*, also known as *vIBANs*, with foreign payment service providers. This trend appears continued in 2025.

When the invoice mills accept payments via *vIBANs*, it is difficult for the obliged entities and the Danish authorities to detect the transactions. Requesting information from foreign jurisdictions complicates supervisory tasks from the perspective of authorities, and it adds an additional burden on police investigations.

The use of invoice mills is extensive. Danish companies buy fictitious invoices worth billions of kroner, and they do so to obtain cash to pay undeclared workers, thereby evading tax and VAT payments to the Danish state. Criminal organisers willingly issue fictitious invoices, as they earn a fee for each invoice they issue while simultaneously laundering money that stems from criminal activity. It is a well-known typology from a Danish perspective. However, it is a novel development that the payments for the fictitious invoices now go directly abroad.

FIU-Denmark's analysis shows, among other things, that the operating life of the individual invoice mill is shorter than previously, and that the invoice mills primarily are registered as companies within the construction and service sectors, such as cleaning, transport and temporary employment services. The buyers of the fictitious invoices are predominantly businesses within the same sectors as the invoice mills. According to the Danish Tax Agency, invoice mills and their customers operate within all sectors that are labour intensive, where there is a shortage of labour, and where there is strong competition, which is why there is a desire to keep wage costs down by using undeclared workers.

FIU-Denmark conducted this analysis based on information about around 190 suspected invoice mills, their customers and their payments. These approximately 190 invoice mills have issued almost 50,000 fictitious invoices to just over 5,200 companies in the period from 2017 to 2024. Invoices worth just under DKK 6.2 billion (EUR 830 million) and credit memos worth DKK 1.2 billion (EUR

161 million) have been issued, both including VAT. The actual extent may, however, be much larger, as there may be invoice mills that are not yet known of.

The vIBAN technology makes it possible for foreign banks to offer registration numbers that appear Danish. Transactions to such an account will resemble a transfer to a Danish account, but in reality, payments are made to foreign payment service providers that are not obliged to report in Denmark. This feature appears to be especially coveted among criminals. The vIBAN technology also enables foreign banks and payment service providers to re-issue these virtual account numbers to financial service providers in other countries, who can then offer vIBANs to their customers. Due to re-issuing, a customer from abroad can have a vIBAN that resembles that of a Danish account, but is issued by a provider in another country. This means that there can be many more links in the chain of transactions, and simultaneously, it may be difficult for the authorities to identify the real owner of a vIBAN.

While it is legal to use vIBANs and foreign payment service providers, it does pose a significant vulnerability in the battle against money laundering, when it becomes harder for the obliged entities and Danish authorities to identify and combat money laundering, as well as tax and VAT evasions via invoice mills.

The foreign payment service providers are not obliged to report balances, interests, and ownership to the Danish Tax Agency in the same way that Danish banks are. The Danish Tax Agency and other public authorities, therefore, do not have direct access to information about owners of vIBANs. The foreign companies that offer vIBANs are not obliged to report suspicious transactions to FIU-Denmark, nor are they subject to additional Danish anti-money laundering rules. FIU-Denmark believes that they are also used by criminals who cannot, or do not wish to, obtain a business account in a Danish bank.

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02 Foreword

Despite the authorities' and the public's knowledge of the phenomenon of invoice mills, criminals continue to use fictitious invoices as both a money-laundering typology and a means of tax evasion. FIU-Denmark's analysis shows a change in typology, where invoice mills move their payments to foreign payment service providers instead of receiving payments into Danish bank accounts.

This analysis is based on suspicious activity reports concerning approximately 190 suspected invoice mills, their customers, and the payments for the fictitious invoices. This enables FIU-Denmark to examine the phenomenon of 'invoice mills' closely. Among other things, this analysis provides insights into which sectors are particularly used by invoice mills, as well as information on the archetype of an invoice mill and those who purchase the fictitious invoices.

This report describes how an invoice mill typically operates, and it outlines the alternative ways in which criminals utilise fictitious invoices. The report also explains why purchasing undeclared work can help keep the wheels turning for the organisers behind drug trafficking and other serious organised crime. Lastly, the report provides information on why the so-called *virtual IBANs* that are offered by payment service providers are a challenge to Danish authorities.

We hope that the report can help obliged entities be aware of companies using fictitious invoices. Not only do banks need to be aware, other obliged entities that have business customers must also be aware and report if there is a suspicion of fictitious invoices, which cannot be rejected. Such obliged entities can be lawyers, estate agents, professional service providers, as well as external bookkeepers and registered public accountants. Trying to stop invoice mills and those who use their "services" is a joint task.

We would like to thank the tax authorities, the Danish Financial Supervisory Authority's anti-money laundering and fintech experts, and colleagues in other parts of the National Special Crime Unit for expertise and feedback.

We hope you find the report insightful.

03 How an invoice mill operates

Criminal groups and networks offer money laundering to other criminal actors through invoice mills. Fictitious invoices worth millions of kroner are issued, and most of the funds end up abroad. The invoice mills have a shorter operating life than before, and the customers who buy the fictitious invoices are primarily employed in the construction sector or providers of services such as transport, cleaning or temporary employment agencies.

03.1 An efficient money laundering typology

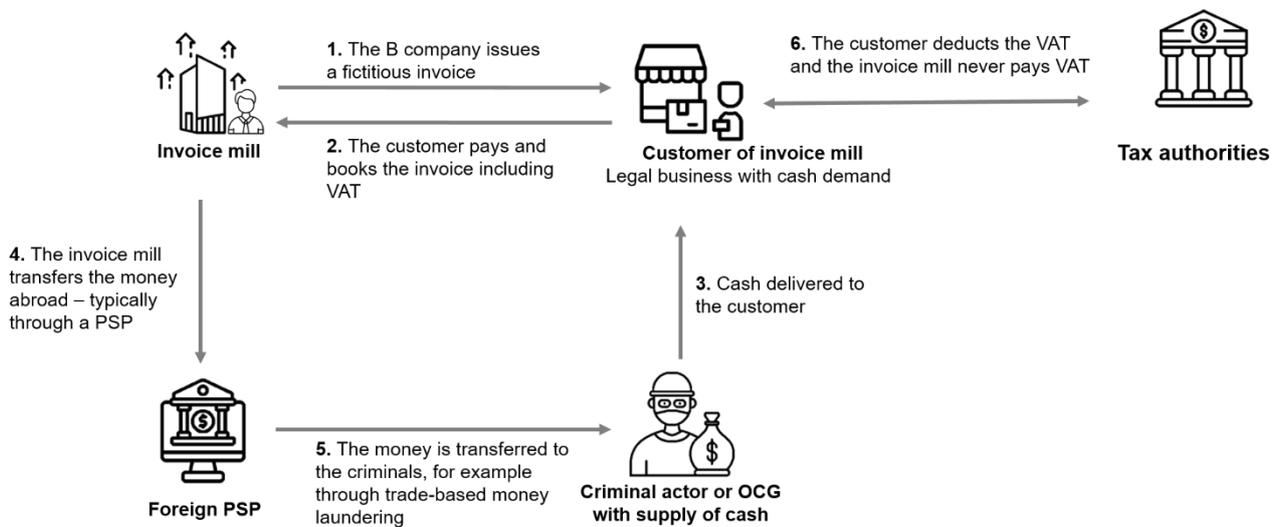
A typical invoice mill includes criminal organisers who have cash they need to launder, as well as companies that need cash. To the criminal organisers behind the invoice mills, the primary goal is to launder money that stems from criminal activity. Invoice mills, also known as type B companies, launder money by selling fictitious invoices. An invoice is fictitious when the paid service is not delivered. The Danish Tax Agency states that in the cases where a service is actually provided, the company that issued the invoice will not be the one who provides the service. The customers with whom the invoice mill trades (also known as type A companies) purchase fictitious invoices to obtain cash. The cash is used to pay wages to undeclared workers, for payment of illegal goods

Companies A and B

The invoice mill that issues fictitious invoices is company B, while the customer is company A. We use the terms 'invoice mill' and 'customer' as well as companies B and A in this report.

and services, or as a masked dividend to the company's owners. With fictitious invoices, type A companies can lower their VAT payments, while employees avoid paying taxes and labour market contribution on their salary. The information FIU-Denmark has used in this analysis shows that fictitious invoices are still in great demand.

Illustration 1 – An invoice mill circuit



The typical typology of an invoice mill is illustrated here (illustration 1). As shown, the circuit typically begins with the invoice mill (the type B company) issuing a fictitious invoice (1). The customer (the type A company) pays the fictitious invoice with a transfer from the customer's account to the invoice mill's account (2). Subsequently, the customer receives a refund corresponding to the invoice amount minus the invoice mill's fee. The refund is often made in cash or transferred to an account, e.g., a foreign account that the customer can control. The invoice mill quickly transfers the money from the invoice mill out of the country to a company C, for example, via a foreign payment service provider (4), and the money is sent directly to the criminal organisers or indirectly via trade-based money laundering with foreign companies or via hawala (5). The customer who purchased the fictitious invoice uses it to achieve VAT deductions (6).

The invoice mills charge fees to issue fictitious invoices. When a customer pays an invoice worth, for example, DKK 100,000 (EUR 13,400) via bank transfer, the customer gets DKK 85,000 (EUR 11,400) back in cash. The difference is the invoice mill's fee. However, the purchaser of the fictitious report can get this cost recovered in the form of VAT "savings". This is possible because the purchaser of the fictitious invoice records the invoice in their accounts, as with real invoices. Therefore, the customer obtains cash as well as a tax advantage. As long as the VAT "saving" for the type A company exceeds the invoice mill's fee, there is an incentive for the type A companies to purchase fictitious invoices. As shown in subsection 3.4, some of the type A companies are very frequent customers of invoice mills.

03.2 Fictitious invoices worth billions

The analysed data covers the period from 2017-2024 and contains information on almost 50,000 payments of fictitious invoices from around 190 suspected invoice mills (type B companies) issued to around 5,200 companies (type A companies). According to the data, invoices totalling approximately DKK 6.1 billion (EUR 817 million) and credit memos amounting to just over DKK 1.2 billion (EUR 160.7 million) have been issued in total, both including VAT. FIU-Denmark assesses that this data covers only a subset of the full landscape and that the total extent may be much greater.

To create a general understanding of what characterises invoice mills and their customers, we have matched the data to the Danish Business Authority's Central Business Register and to data from suspicious activity reports sent to FIU-Denmark. However, this does not mean that it can be concluded that all invoice mills have the same characteristics as those identified. There might still be unidentified invoice mills that operate in a different way and have different characteristics than those outlined below. Despite this reservation, we attempt to outline the typical characteristics of an invoice mill in the following sections.

Invoice mills also exist in Sweden

A report from the Swedish *Finanspolisen* from 2024 shows that Russian-speaking criminals are behind invoice mills in Sweden and abroad. They operate in the Baltic countries, Ukraine, Belarus, Poland, and more. The Swedish analysis shows a relation between Russian-speaking criminal actors and the construction industry. Find the Swedish report [here](#) (in Swedish)

03.3 The invoice mill – the type B company

Most invoice mills are private limited companies that have been established specifically with the aim of money laundering. They are run using straw persons, but in reality, they are controlled by other individuals who know how to operate an invoice mill. Although most invoice mills are private limited companies, both the Danish Tax Agency and FIU-Denmark have observed a significant increase in the use of sole proprietorships. In other cases, facilitators buy already existing companies that may have been inactive for a period due to challenges within the company. Distressed companies with several years of actual operations and existing bank accounts can be attractive for criminals looking to establish an invoice mill. This is because a newly established company that generates significant revenue from the outset may appear more suspicious in the banks' transaction monitoring than a company with several years of operating history. An example of this is the case of Kolding Maskinfabrik (a Danish machinery manufacturer), which, instead of shutting down, was given a “new life” as an invoice mill.

Kolding Maskinfabrik became an invoice mill

In a very large money laundering case, involving Kolding Maskinfabrik, almost DKK 200 million (EUR 26.78 million) were transferred from approximately 400 Danish companies (type A companies) through the invoice mill to 270 foreign companies (so-called type C companies) in less than a year. The case showed that the ingoing and outgoing payments occurred almost simultaneously, and that Kolding Maskinfabrik had almost no operating costs despite the large turnover. The foreign companies, to which the money was sent, sold hair products, olive oil, and other things, and therefore had no industry-related connection to Kolding Maskinfabrik.

Type B companies do not necessarily have to be shell companies that only issue fictitious invoices. They may also have genuine operations alongside, often in a completely different sector from the ones in which they issue fictitious invoices. In these cases, type B companies will often utilise double-entry bookkeeping, which means that genuine and fictitious invoices are issued and booked in two different systems. Additionally, payments of the fictitious invoices are paid to a different account opened specifically for this purpose or into various money mule accounts. In the box below, we list the ten most frequent sectors among the analysed suspected invoice mills. These are typically companies that operate within the construction industry, as well as companies that

provide services such as transport, cleaning, and temporary work, i.e., sectors with a great need for labour and where competition is tough.

Top ten sector codes for invoice mills that sell the most invoice mills (type B companies)

NACE	DB07	Category
F43.3.2	433200	Joinery installation**
N81.1.0	811000	Combined facilities support activities
N81.2.1	812100	General cleaning of buildings
F41.2.0	412000	Construction of residential and non-residential buildings
H49.4.1	494100	Freight transport by road
F41.1.0	411000	Development of building projects
F43.1.2	431200	Site preparation
H53.2.0	532000	Other postal and courier activities
F43.9.9*	439990	Other specialised construction activities n.e.c.
N78.2.0	782000	Temporary employment agency activities

Note: The sector codes show both the Danish sector codes DB07 and the EU NACE classification system. The Danish sector codes follow the DB07 standards from before the update to the [DB25 industry classification system](#), which came into effect 1 January 2025.

*DB07 is very similar to NACE rev. 2. The only difference is the subdivision of some classes. For example, 439990 is a subdivision of the NACE code F43.9.9. Therefore, F43.9.9 may contain other companies than 439990.

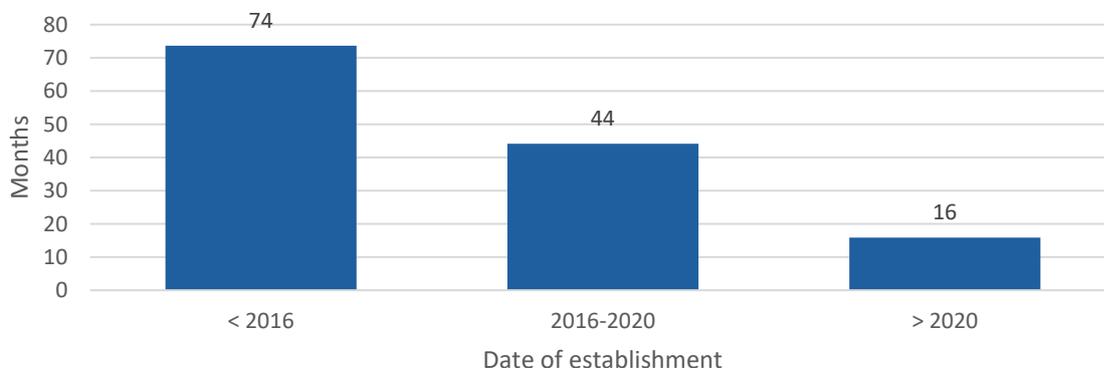
**Includes carpentry.

Invoice mills have a shorter operating life

Invoice mills rarely exist for long before they go bankrupt. When comparing the analysed invoice mills with information from the Danish Business Authority's Central Business Register, a clear decrease in operating life in latest years becomes apparent. Since 2020, the average operating life of the analysed invoice mills has dropped to less than a year and a half.

Figure 1 - The decreasing operating life of invoice mills

The average operating life of invoice mills is measured in months from date of establishment to dissolution



Note: The differences in lifetime may be because the invoice mills for which we have data from previous years were larger complexes than they are today.

Source: FIU's data compared to information from the Danish Business Authority's Central Business Register.

According to the National Special Crime Unit (NSK), which has dealt with invoice mills in criminal cases, less money is laundered than before through each invoice mill. This may be because obliged entities and authorities have been faster in identifying the invoice mills. Because of this, more invoice mills are needed. NSK finds that as soon as an invoice mill has been shut down, a new one is created, often with the same criminal organisers and facilitators behind it.

Suspicious transactions

An indicator of an invoice mill operating may also be transfers to foreign countries where the import information does not immediately correspond to the details on the invoice, or transfers to foreign companies in sectors that have no apparent connection to the Danish companies' sectors. A peculiar example of this is a Danish invoice mill that, according to an invoice worth several hundred thousand kroner, sold two very expensive fish to a small consulting firm overseas. However, the seller of the small fish, like the consulting firm, was not in the fishery industry, and there was no apparent connection between the delivery date and the payment date. The discrepancy between the sector of the invoice mill and its customers may therefore be an indicator of suspicious activities. However, it is rarely as evident as in this case.

03.4 The customer – the type A company

The customer that purchases the fictitious invoices is, as mentioned previously, known as a type A company. A typical type A company is structured as a private limited company. However, in some cases they are structured as sole proprietorships. Type A companies are usually legitimate businesses with legal income from operations, which seek cash to pay undeclared work. They are also typically employed in sectors with intense competition, where the amount of work available is determined by the price of services. These are often also sectors where it is not necessary for employees to speak Danish.

The sectors that purchase the largest amount of fictitious invoices, according to FIU-Denmark's analysis, share the characteristic of being difficult to monitor, as they provide services that are hard

to measure or quantify. It is important to emphasise that only the top ten are shown here and the possibility of other sectors being involved cannot be excluded.

Top ten industry codes for customers that buy the largest number of fictitious invoices (type A companies)

NACE	DB	Category
F43.3.2	433200	Joinery installation
H49.4.1	494100	Freight transport by road
N81.2.1	812100	General cleaning of buildings
H53.2.0	532000	Other postal and courier activities
N81.1.0	811000	Combined facilities support activities
F43.3.4	433410*	Painting and glazing
N78.2.0	782000	Temporary employment agency activities
F43.9.9	439990*	Other specialised construction activities n.e.c.
F41.2.0	412000	Construction of residential and non-residential buildings
F43.3.3	433300	Floor and wall covering

Note: The sector codes show both the Danish sector codes DB07 and the EU NACE classification system. The Danish sector codes follow the DB07 standards from before the update to the [DB25 industry classification system](#), which came into effect 1 January 2025.

*DB07 is very similar to NACE rev. 2. The only difference is the subdivision of some classes. For example, 439990 is a subdivision of the NACE code F43.9.9. Therefore, F43.9.9 may contain other companies than 439990.

FIU-Denmark has information that indicates that companies within the event management industry and companies that import fruit, vegetables, and flowers also purchase fictitious invoices. As illustrated by the previous example of live fish being "sold" to a consulting firm, the possibilities for which sectors can be used are limitless. However, as mentioned, these sectors will often share the characteristic that it is difficult to verify whether the services stated on the invoices have actually been delivered.

The three most active customers (type A companies) have bought fictitious invoices amounting to millions:

- DKK 50.6 million (EUR 6.78 million) via 210 invoices and credit notes
- DKK 36.5 million (EUR 4.89 million) via 223 invoices and credit notes
- DKK 32.5 million (EUR 4.35 million) via 77 invoices and credit notes

The figures show invoice payments minus credit notes and are stated inclusive of VAT.

FIU-Denmark’s analysis shows that approximately half of customers purchase fictitious invoices from more than one invoice mill. Type A companies use 2-3 invoice mills on average, and the most active customer has used 25 invoice mills. The customers (type A companies) that bought fictitious invoices from Kolding Maskinfabrik also bought fictitious invoices from other invoice mills.

03.5 Money laundering and tax and VAT evasion

Using invoice mills is an effective money-laundering typology, which links the demand for cash from the type A companies with the supply of cash from the type B companies, often facilitated by criminal groups and networks. This typology is not only desirable to criminal organisers, but also to the invoice mills and their customers, who use the invoices to evade VAT payments.

Using and paying for undeclared work keeps organised drug trafficking alive

Invoice mills have become essential in organised drug trafficking, because it has become more difficult to exchange Danish kroner abroad. When criminals are no longer able to pay for drugs in cash in foreign countries, invoice mills become an important tool.

When the customers of the invoice mill have paid their invoices to the invoice mill's account, the money is transferred from here to companies abroad (often-called type C companies). The payments are transferred from these foreign companies to the drug traffickers. These payments are often done with 'stablecoins', which is a cryptocurrency without large fluctuations, because they are relative to a specific asset, such as the American dollar.

The purchasers of the fictitious invoices obtain cash they can use to pay for undeclared work and the opportunity to pay less in VAT. The invoice mills make money from trading in fictitious invoices. Lastly, organised criminals are able to launder their cash from, for example, drug trafficking, while at the same time using the setup to pay for new consignments of drugs. Often, the organised criminals themselves are behind the invoice mills, even though they are not the ones who control the companies on paper.

The use of undeclared work contributes to the demand for cash amongst type A companies, which in turn contributes to criminal organisers and networks laundering money. However, it is not only the clients of invoice mills who deprive the state and society of revenue. The individuals behind invoice mills often do not pay VAT on their sales before going out of business. When the invoice mills go bankrupt, as in the case with Kolding Maskinfabrik, they leave a significant debt to the state. The Danish Tax Agency report that invoice mills most often go bankrupt as a result of the claim made against them by the Danish Tax Agency and/or because the Danish Tax Agency withdraws their VAT registration.

Type A companies distort competition in their sectors

Not only do invoice mills launder criminals' illegal profits and facilitate type A companies' VAT and tax evasion, this laundering structure also contributes to distorting competition in many industries.

The type A companies that purchase fictitious invoices gain a clear competitive advantage over law-abiding businesses. By reducing their costs for wages as well as tax and VAT payments, they can undercut legitimate companies, and ultimately, law-abiding businesses may be forced out of a given market.

03.6 Alternative ways to use invoice mills

Despite authorities' efforts, invoice mills are still an attractive typology of money laundering and tax and VAT evasion. As mentioned previously, a typical invoice mill structure contains criminal organisers with cash they need to launder, as well as several companies seeking cash. The fictitious invoices are the means needed to make the trade appear legal. Often, criminal networks with cash they need to launder control the invoice mills. It does not have to be the case, however. Running an invoice mill can also be done without being part of a criminal network if the operator has access to the cash sold to the type A companies. There are also cases of invoice mills operating without cash from criminal networks. The police and the Danish Debt Collection Agency have uncovered two other typologies in which criminal actors use fictitious invoices in their money laundering activities.

Cashless drug trafficking

The police have information that indicates that invoice mills are also being used as part of the laundering of profits from cashless drug trafficking. This is done by the drug trafficker using a mobile payment device, alike those found in retail stores, and the buyer of drugs paying with a debit card. The debit card may be a prepaid card, in order for the buyer's identity to remain anonymous. The money goes into a business account, possibly abroad, that is controlled by the drug traffickers. To avoid keeping the money on the company account for too long, the money is moved using "trades" based on fictitious invoices in a network of companies. Thereby, the traces are concealed in a complex structure that is difficult to understand.

This allows drug traffickers to bypass the need to deposit cash into a bank account. Cash in large amounts is difficult to handle and poses a risk to criminals. If drug traffickers can trade drugs without taking cash payments, their operations become far more streamlined. The more companies that are embedded in the structure, the harder it becomes for obliged entities and authorities to detect it, and for the police to investigate it.

The Danish Debt Collection Agency identifies simple scheme

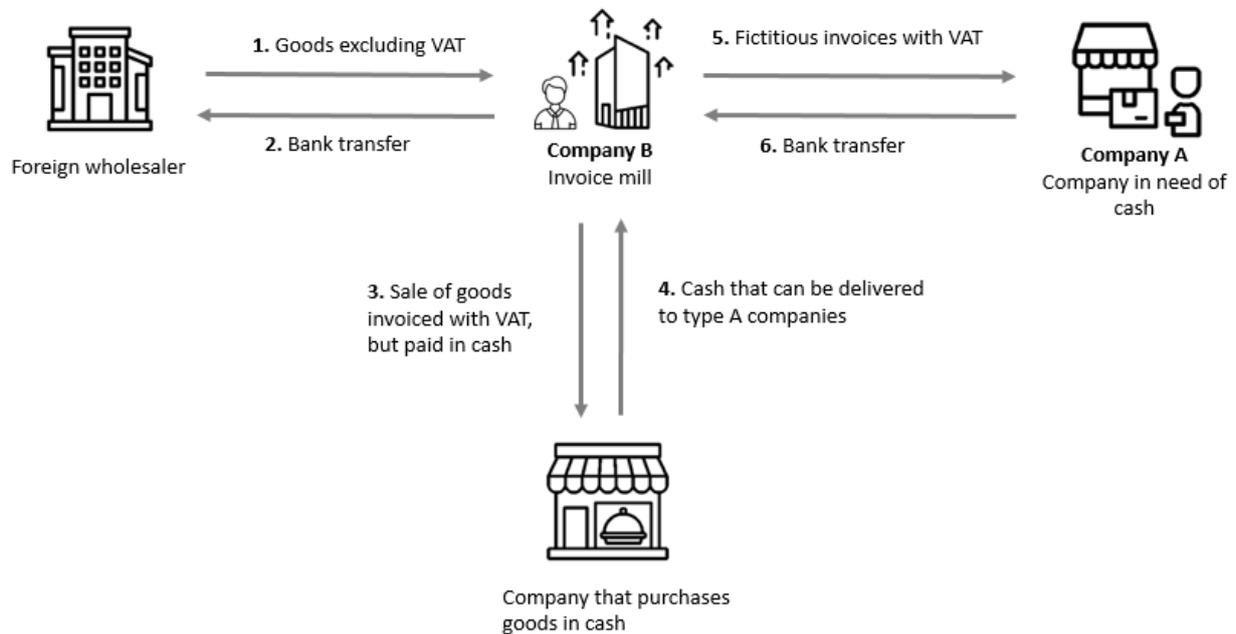
The Danish Debt Collection Agency finds that invoice mills (type B companies) take part in more components of the typology than previously by generating the cash they use themselves. In this money-laundering typology, the invoice mills do not need to obtain illicit funds from a criminal organiser or network.

This kind of simpler invoice mill typology is shown in illustration 2. In this typology, the invoice mill purchases goods from foreign wholesalers (1) by bank transfer (2), and then sells them to kiosks, including VAT, but for cash payment (3). Trading goods for cash is not illegal¹. In this way, the invoice mill generates the cash itself that it can then sell to its customers (the type A companies), without having to receive the cash from, for example, organised criminals.

The invoice mills then make fictitious invoices, including VAT, to clients (5) by bank transfer (6). This part follows the typical invoice mill structure, in which the invoice mill receives the transfer from the customers as payment for the fictitious invoice, which they then pay back to customers in cash. The fact that the cash stems from the invoice mill's own sales and not a criminal network, for instance, is the only difference.

¹ It is legal as long as the limit for cash payments is not exceeded. According to Danish Anti-Money Laundering Act (AML Act) which covers the cash limit, traders are not allowed to accept cash payments exceeding DKK 15.000 (EUR 2010). The rule applies to all traders that are not covered by the AML Act. At the same time, there are rules in the VAT act and the Tax Control Act on sanctions for cash payments of consignments worth more than DKK 8,000 (EUR 1072).

Illustration 2 – A simpler invoice mill



The Danish Debt Collection Agency finds that this money laundering typology is potentially more attractive and easier to establish, as the criminal organisers behind the invoice mills are not dependent on having a collection of illicit cash at their disposal.

According to the Danish Debt Collection Agency, such invoice mills require knowledge of two things: firstly, which companies could be interested in using their cash to buy goods, and secondly, which companies seek to pay their workers off the books, and therefore are willing to take the cash. This money-laundering scheme does not rely on trade-based money laundering, hawala networks, or other components often involved in the typical money-laundering scheme.

04 Virtual accounts abroad

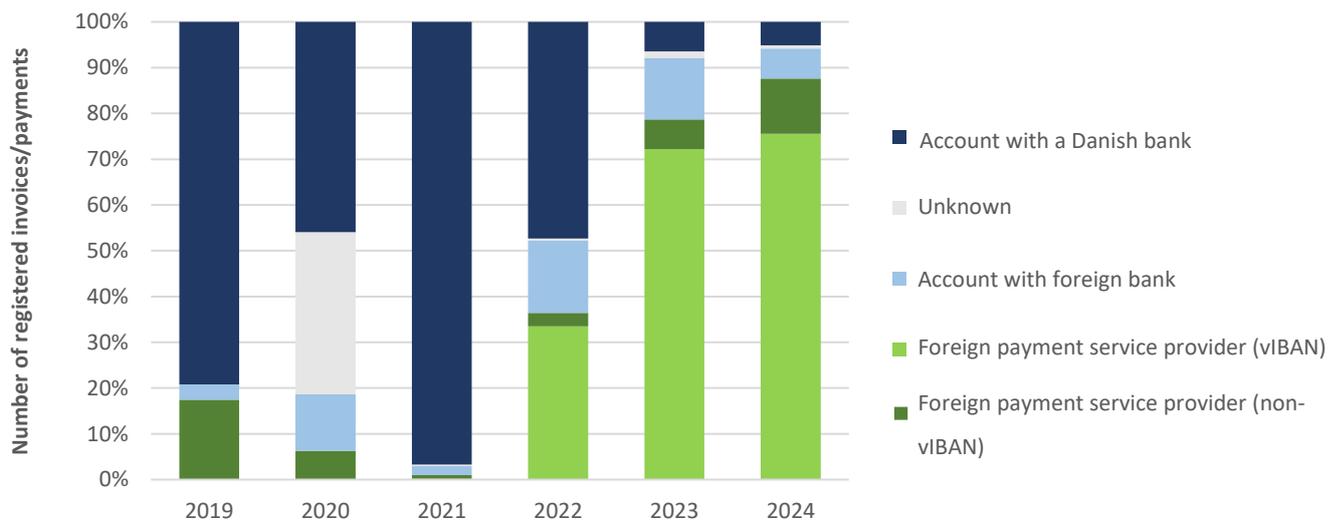
Previously, invoice fraud was done through Danish banks in most cases. FIU-Denmark assesses that a significant change has occurred in money-laundering typologies, and an increasing amount of fictitious invoices are paid via foreign payment service providers. The analysis shows that approximately three out of four invoice payments to the analysed suspected invoice mills in 2024 happened abroad through so-called virtual IBANs (vIBANs). According to FIU-Denmark, the actual scale is expected to be higher.

04.1 Invoice mills have adopted vIBANs

The analysis of 190 suspected invoice mills and their customers shows that three out of four fictitious invoices in this data set are paid by vIBANs issued by foreign payment service providers. This is shown in Figure 2 below. It becomes apparent that Danish invoice mills find vIBANs attractive when looking at developments in recent years (2022-2024), where invoice mills have increasingly switched to invoicing through vIBANs.

Figure 2 - The analysed invoice mills increasingly receive invoices through vIBANs

Distribution of account types invoiced, based on the number of payments and invoices in the period 2019-2024.



Note: 29,000 out of approximately 50,000 invoices/payments in FIU-Denmark’s dataset include a registered account number for payment. These account numbers have been categorised into five account types by FIU-Denmark. The category ‘Unknown’ is applied where there is insufficient information to determine the country of origin or account type. The category ‘Foreign payment service

provider (vIBANs) mainly consists of account details with a Danish country code and a Danish registration and account number, although in reality these numbers refer to foreign issuers of vIBANs. As such, the number of accounts counted in the category 'Foreign payment service provider (vIBANs)' may differ from the actual number if, for example, an account with a Danish bank really belongs to a foreign payment service provider without FIU-Denmark's knowing.

Source: Suspicious transaction reports sent to FIU-Denmark on about 190 invoice mills.

04.2 Virtual IBANs are attractive

vIBANs help companies that receive payments from many different customers and suppliers streamline payments and account reconciliation.

A vIBAN is used to receive payments and works as a channel or funnel that sends money to a primary account. The purpose of vIBANs is to simplify the payment process, making it possible for users to receive payments in various currencies in various countries without having to set up a bank account in each country. A vIBAN is therefore not an actual account, but a way to channel funds between accounts and monitor the flow of payments.

IBAN and vIBAN

International bank account transfers, particularly in Europe, use the International Bank Account Number (IBAN). IBAN is a collection of numbers and letters that indicates to which account the money is transferred. An IBAN is typically tied to one account, a master account, in a bank. A Danish IBAN-number could be 'DK12 1234 0123456789'. In connection with an increased need to conduct cheaper and quicker international transactions, certain banks offer virtual IBANs (vIBANs). At a glance, a vIBAN is identical to an IBAN. The payment details of a transaction do not reveal whether the payment was made using an IBAN or a vIBAN.

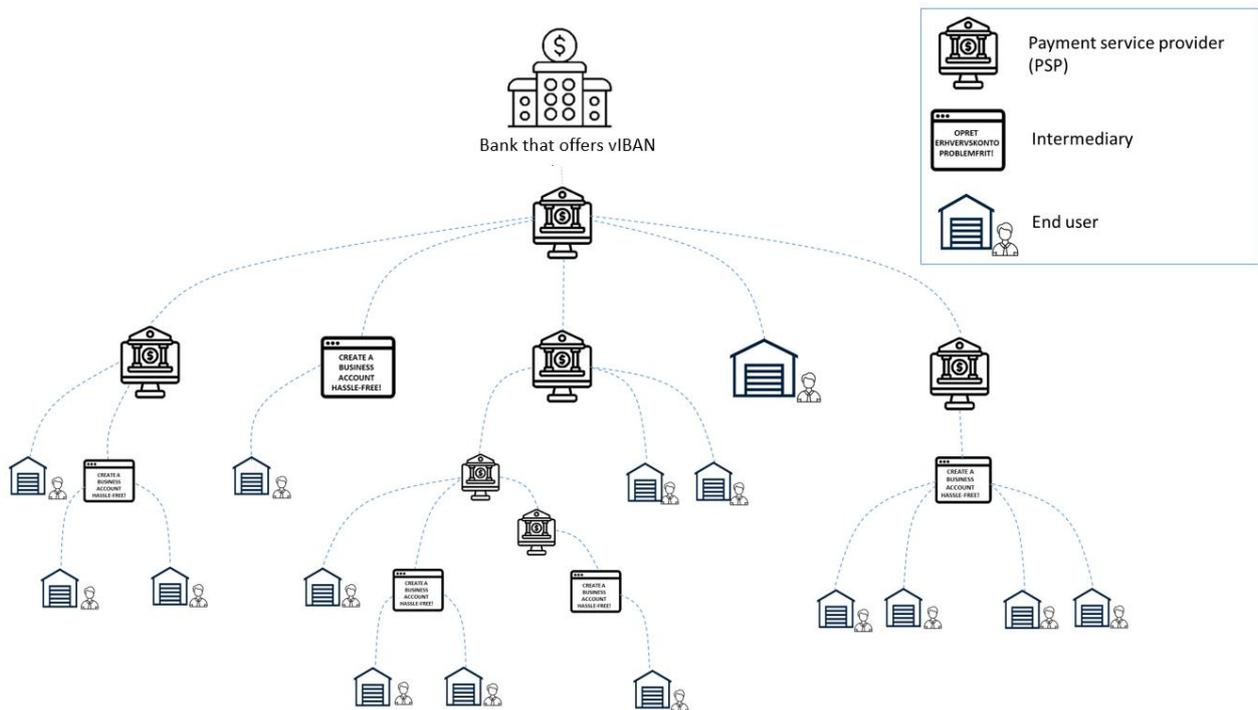
From a user perspective, the vIBAN technology has some attractive features, as shown in the example below.

Example – an e-commerce platform with customers in many countries

An e-commerce platform has customers in many different countries who pay in various currencies. Usually, a company with customers in different countries would need to open bank accounts in each country to handle their customers' currencies, which can be costly. The vIBAN technology makes it simple to handle payments from customers in different countries. The money ends in the e-commerce platform's account, which makes it easy to manage payments from each customer.

Illustration 3 shows how a bank (at the top) issues vIBANs, which payment service providers (in the next layer) then distribute either to other payment service providers or directly to the end user. The end user is the person or company that receives the virtual account number and can use it to conduct transactions. The distribution of vIBANs may also consist of more layers, such as an intermediary. This will be revisited later.

Illustration 3 - A complex and branched system



While using vIBANs or foreign payment service providers is not illegal, it constitutes a vulnerability in anti-money laundering efforts, as it becomes harder to identify and combat money laundering using invoice mills. As seen in Figure 2, invoice mills have adopted vIBANs to a degree that is concerning from a money-laundering perspective.

04.3 Business accounts abroad that appear to be Danish

One of the reasons vIBANs could be attractive to Danish invoice mills is that they allow companies to open business accounts abroad that appear to be Danish. However, the account number is an IBAN that has been issued by a foreign bank with a Danish branch, which is then re-issued by foreign payment service providers. Because of this, invoice mills can receive payments that end up in an account abroad, although it appears as though the transaction occurs between two Danish bank accounts.

The vIBAN business model involves banks and fintech firms supplying the infrastructure that enables other companies to provide “bank-like” services, including accounts, transfers, payment cards, etc. In this way, these companies, which are often foreign payment service providers, are able to provide “bank-like” products without being obliged by the regulatory obligations that apply to banks.

When a bank issues vIBANs, it can use country codes from any country where the bank has branches. For example, if a Norwegian bank issuing vIBANs has a branch in Italy, it can issue vIBANs with ‘IT’ as the country code in the account number. These can then be re-issued through foreign payment service providers, who can offer vIBAN accounts to Italian customers. In this way, Italian businesses can obtain a business account that appears to be Italian, but in reality does not belong to an Italian bank but instead originates from a Norwegian bank.

This also means that two companies in different countries can obtain vIBANs with a Danish country code. When two companies abroad, e.g., Brazil and Azerbaijan, trade with each other, it appears to be a national Danish transaction between two Danish accounts. With this financial technology, banks abroad can issue vIBANs that appear Danish if they have a Danish branch. As a result, Danish companies using this technology to transfer their banking abroad can maintain Danish registration and account numbers associated with accounts at foreign banks.

Illustration 4 below shows how a Danish invoice mill becomes a customer at a company that connects it to a foreign payment service provider whose service depends on a bank providing the infrastructure.

The invoice mill becomes a customer of the foreign payment service provider through a Danish intermediary. The intermediary is a company whose business model often involves assisting companies that cannot obtain a business account with a Danish bank. In this way, the intermediary establishes the customer relationship with the foreign payment service provider. Section 04.4 returns to the topic of intermediaries.

Illustration 4 - How vIBANs may be issued

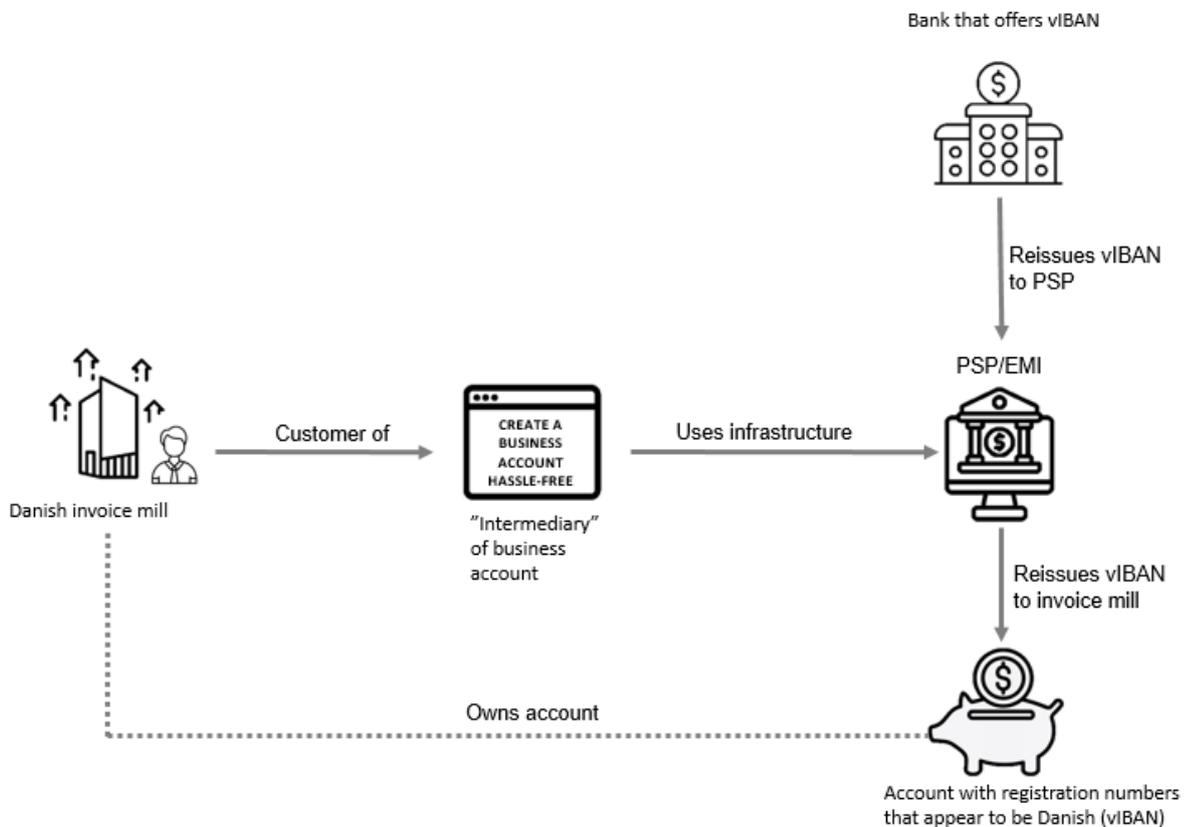


Illustration 4 shows how a bank uses the vIBAN technology to issue vIBANs to a payment service provider (PSP), which is typically a payment institution or an electronic money institution. The PSP can then sell those vIBANs to its customers, which could be invoice mills, but may also be law-abiding customers. In this case, the invoice mill becomes a customer with the PSP through an intermediary, whose business model is obtaining business accounts for companies that, for any reason, cannot or do not wish to be customers in a Danish bank. As far as FIU-Denmark is aware, the invoice mill is both a customer of the intermediary, by paying the intermediary for providing a business account, as well as a customer of the PSP from whom the invoice mill receives their Danish-looking vIBANs (s). Subsection 04.4 presents the role of intermediaries.

As described, this infrastructure offers technologically efficient and attractive features, which is why legitimate companies also use it. The box below explains the type of financial company that payment service providers are. These providers form a key component of vIBAN technology.

Payment services

PSPs, EMIs, PIs... The payments sector is full of technical abbreviations. Overall, the industry consists of different types of companies that provide payment services – in other words, they make transactions happen.

According to the Danish Financial Supervisory Authority, a payment service refers to the activity performed by a company when it intermediates a payment between two parties, without being involved in the agreement upon which the payment is based. This means that the company that provides payment services arranges a payment between two parties, for instance from one company to another. It could also be facilitating the payment when someone uses a debit card to shop online.

Payment service provider is a definition that covers all companies that provide payment services.

Payment service providers can be credit institutions (banks), but it can also be payment institutions, e-money institutions as well as their smaller counterparts with limited authorisation to provide payment services (these do not have a direct EU equivalent, but are often referred to in EU terminology as *small payment institutions* or *Small PIs*).

The different payment service providers are governed by the EU's payment regulations (Payment Services Directive II, PSD2) and the EU's anti-money laundering regulations (Anti Money Laundering Directive V, AMLD5). These have been implemented into Danish legislation as the Payment Services Act and the Anti-Money Laundering Act, respectively.

Companies whose business is limited to facilitating "Danish" business accounts, typically through a Danish web interface, are not covered by the Payment Services Act or PSD2, provided they do not independently offer payment services or issue vIBANs. If they only facilitate the connection between a customer, such as a business, and a foreign payment institution, they are not obligated to comply with the requirements of either the Payment Services Act or the Anti-Money Laundering Act. Therefore, they are also not required to report any suspicious activity by their customers.

The financial integration and internationalisation of the payment landscape enabled by vIBANs increases the risk of money laundering. FIU-Denmark previously focused on the vulnerabilities that the globalised and fragmented payment landscape constitutes. For example, see section 4.5 of the 2022 National Money Laundering Risk Assessment (which you can download [here](#)), where we assess this vulnerability as *high*. This does not mean that financial integration and fragmentation of the payment landscape is an undesirable development, but from a money-laundering perspective, it entails that it becomes easier to obfuscate transactions as they flow through more parties, and that KYC (know your customer) obligations lie with entities in more countries. This is where the structural vulnerability applies.

This vulnerability becomes very evident given that we can see that invoice mills take advantage of the fact that they can obtain business accounts that appear to be Danish in foreign banks through foreign payment service providers. This reduces the chance of suspicious actors being caught in time.

This also means that non-Danish foreign companies can obtain vIBANs that look Danish. This gives the impression to customers of the foreign companies that the company is registered in a Danish bank, which is not the case.

This also means that FIU-Denmark receives reports from abroad, because a Danish-appearing account is involved in suspicious activities. Therefore, foreign financial intelligence units (FIUs) may mistakenly believe that a transaction or a company has a connection to Denmark. The report should instead have been sent to the FIU of the country in which the businesses conducting suspicious transactions are actually situated.

FIU-Denmark can disseminate information to the relevant FIU if it is possible to figure out which country it belongs to. Read more about why this is practically impossible in chapter 5 on the complicated money trail and why VIBAN-technology comprises a vulnerability in the international efforts against money laundering.

04.4 Intermediaries of 'Danish' business accounts abroad are not subject to money laundering legislation

As described, several Danish companies specialise in obtaining Danish business accounts for companies that cannot get a business account in a Danish financial institution. They often advertise a guarantee that they can secure their customers a business account within a few days. Depending on the solution the customer chooses (and how much they are willing to pay), they can get a business account with NemKonto (a system in Denmark that automatically assigns a bank account for receiving payments from public authorities, such as tax refunds, pensions, and other government benefits), the ability for instant transfers, payment cards, and more. Through intermediaries, customers obtain business accounts that, despite having a Danish-style account number, are placed with a foreign payment service provider offering vIBANs.

According to the Danish Financial Supervisory Authority, intermediaries of business accounts are not subject to the Payment Services Act and, therefore, not to the Anti-Money Laundering Act, as long as they only mediate the connection between the customer seeking an account and the financial institution where the account will be held. When they merely facilitate contact with payment service providers, they are not required to be registered or obtain permission from the Danish Financial Supervisory Authority, nor are they obligated to report suspicious activities involving their customers or business partners to FIU-Denmark.

Foreign financial institutions and payment service providers are subject to anti-money laundering regulations in the countries where they are based. It should be noted that it is legal to mediate contact between non-financial companies and financial institutions. The intermediaries are often online companies that advertise their ability to obtain Danish business accounts for companies. However, in reality, customers often do not receive a Danish business account but instead become customers of foreign payment service providers. The accounts customers receive, however, appear Danish because their registration number begins with 'DK'. This is attractive for transferring money abroad via transactions that resemble transfers between Danish accounts.

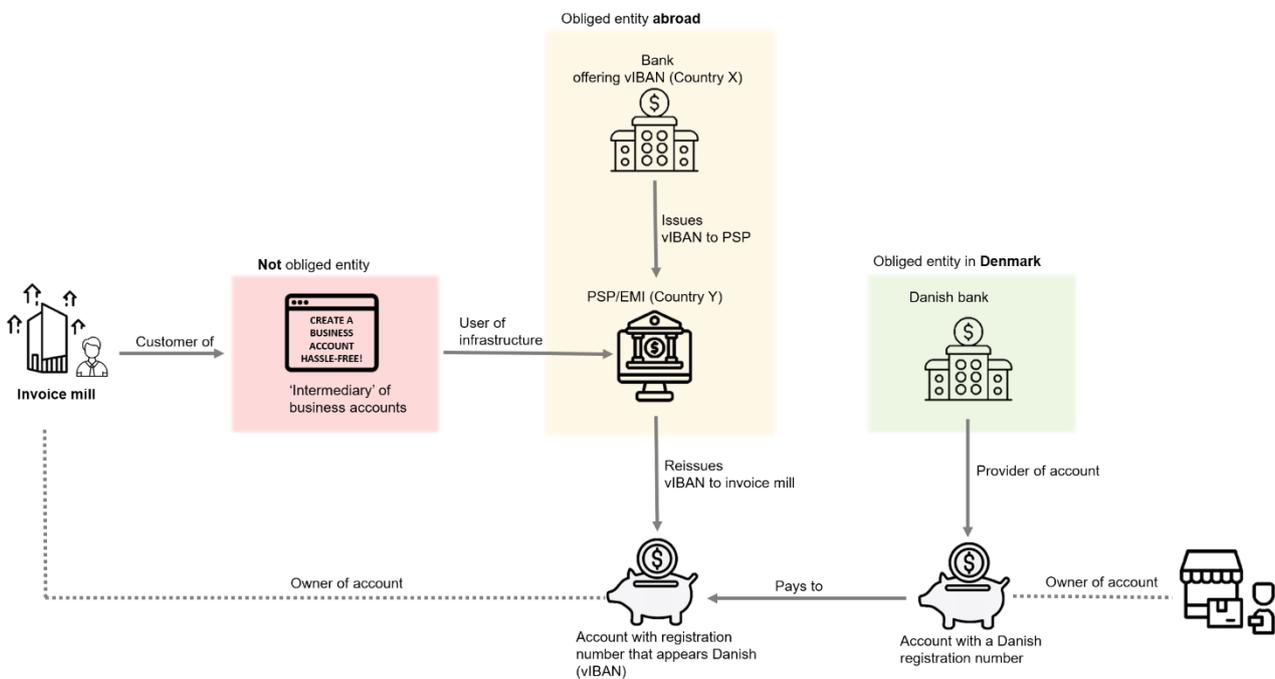
Example: An intermediary advertises for obtaining Danish business accounts

A Danish carpentry company obtained a business account through a Danish intermediary. The vIBAN is issued by a foreign financial institution, but the payment solution and transactions are offered by two providers of payment services in Great Britain and Lithuania. The Danish carpentry

company now has an account that appears to be Danish because the vIBAN begins with 'DK'. The carpentry company can now attach its NemKonto to its new account, conduct international transactions, and receive invoice payments from its customers on the account.

Illustration 5, which is a continuation of illustration 4, shows that the intermediary is not obliged (marked with red), and that the financial institution in country X and the provider of payment services in country Y are obliged in their respective countries (marked with yellow). Only one Danish obliged entity takes part of this transaction chain, provided that the buyer of the fictitious invoices (type A company) have an account with a bank in Denmark (marked with green).

Illustration 5 - The obligation primarily lies abroad



Among the intermediaries, there are businesses within a number of different sectors assisting companies in setting up business accounts. FIU-Denmark has looked into a number of these intermediaries and examined which sector codes or secondary sectors they are registered under in the Danish Central Business Register (CVR). There are examples of them being registered under categories such as security services, restaurants, courier services, temporary employment agencies, tax consultancies, kiosks, or providers of IT services or consulting. These are not traditional financial institutions but businesses from very different sectors that have found a niche in mediating account services abroad.

In several cases, these intermediaries can offer a digital interface similar to e-banking with their own branding, etc. For the end user, it appears as though transactions are taking place through the intermediary's app, but the intermediary's app may actually be connected to the infrastructure of the foreign payment service provider.

05 The complicated money trail

When invoice mills move their transactions abroad, it becomes more difficult to identify suspicious transactions involving proceeds from criminal activities. This is because it can take an extraordinarily long time to identify the account holder of a vIBAN issued and reissued through a long chain of foreign payment service providers. This is further complicated by the fact that the obligation to report is held by various companies abroad.

This form of financial integration on a global scale acts as a veil for the authorities tasked with limiting the activities of criminal actors. This applies to both FIU-Denmark and other authorities. When FIU-Denmark receives a report involving a foreign transaction, it is necessary to identify the country in which the owner of the associated account is located. It is important to identify the sending or receiving country because FIU-Denmark is obligated to notify the relevant country's FIU if there is suspicion of money laundering. The same applies in reverse. It is in the interest of FIU-Denmark to be able to identify the ultimate beneficiary in our operational analyses and understand the network of people and companies involved in the suspicious transactions. Therefore, FIU-Denmark often requests information from the other country's FIU. If the transaction passes through a series of financial institutions in different countries with varying response times, this can mean that FIU-Denmark does not identify the recipient country before the funds have been moved. Similarly, the Danish Tax Agency is authorised to request information from foreign payment service providers about the account holder. In other words, it is not impossible to trace the owner of an account, but it is a very slow process, and, as mentioned, invoice mills typically operate for a short time.

05.1 Identifying the account owner may be complex

If a bank in country 1 issues vIBANs to a payment service provider in country 2, which then reissues them to another payment service provider in country 3, it will not be possible for FIU-Denmark or other FIUs to determine where the account is located from the account number. Therefore, it requires a more extensive inquiry to find out who owns the account.

When requests for information must pass through multiple countries, the process often becomes so time-consuming that the criminal organisers change companies several times. Retrospective

investigations will often result in the trail ending with a “straw” director of a private limited company or a sole proprietorship that has long since moved the money.

EU’s banking watchdog is concerned

The European Banking Authority (EBA) has focused on vIBANs due to concerns about the risk of money laundering and a lack of transparency in certain business models. In its 2024 report, the EBA lists ten areas of concern. In addition to regulatory arbitrage and limited consumer protection, the EBA highlights the risks that vIBANs pose for money laundering and terrorist financing. The main issue is that the end user of a vIBAN may be unknown to the payment service providers in the chain that issue the vIBANs. This may entail that the information required for transaction monitoring of customers may be unreliable, making it difficult for national authorities to gain insight into the extent of vIBAN use in their countries. As a result, it becomes a challenging task for national supervisors to monitor whether the money laundering measures of payment service providers are adequate. Read the report [here](#).

The Danish Financial Supervisory Authority is focused on the issue and is in the process of designing supervisory measures targeting vIBANs.

05.2 The laundering of money moves out of Denmark, but predicate offences and tax and VAT evasion remain

As money laundering increasingly occurs through foreign financial institutions, it may seem as though the problem is moving out of Denmark. Unfortunately, this is not the case, as tax and VAT evasion still takes place in Denmark.

The analysis shows that the payments for fictitious invoices in recent years have been made from Danish bank accounts to foreign payment service providers via vIBANs. As long as the purchasers of fictitious invoices have business accounts with Danish banks, money laundering and tax evasion remain partially visible to Danish financial institutions. This is also the reason why FIU-Denmark has been able to carry out this analysis. If fictitious invoices are paid from a foreign payment service provider to another foreign payment service provider, FIU-Denmark cannot see it.

FIU-Denmark believes that the majority of the customers of invoice mills still have a Danish bank account with a Danish bank. It would become a challenge if the customers also begin moving their accounts and transaction activities to foreign payment service providers. The Danish Tax Agency notes that this is already a trend it is observing. If this trend continues, it will become even more

difficult for Danish authorities to detect money laundering via invoice mills, as the payments for fictitious invoices will then occur entirely outside of Denmark. However, the predicate crime, such as drug trafficking, organisation of prostitution, IT-related financial crimes, and such, will still occur in Denmark, and the Danish state may still be deprived of tax and VAT payments.

This analysis was initiated in late 2024 and is based on data from 2017-2024. In spring 2025, FIU-Denmark received further information about invoice mills. The information shows that the invoice mills are continuing. In the first quarter alone, we saw transactions involving fictitious invoices worth almost DKK 40 million (EUR 5.4 million), including VAT. Approximately 90% of these invoices have been paid to foreign payment service providers, among these a significant portion via vIBANs.

06 How to report suspicion of fictitious invoices

It is of great importance that FIU-Denmark receives reports with information on potential invoice mills and their customers. A guide on how to report can be found [here](#). A couple of points worth following when reporting are listed below. People and companies that are not subject to the Anti-Money Laundering Act and therefore not obliged to report can also report through GoAML. The report must be sent through www.hvidvask.dk/en, where more information on how to use GoAML, the programme in which reports are made, can be found.

- Please write the explanation into the reason for suspicion: Who is it about, and what is it about? Why are the transactions suspicious and why can the suspicion not be rejected?
- Please describe the transactions/payments as accurately as possible, including account numbers, information about all relevant parties (also CPR and CVR numbers), and correct amounts
- Please attach the relevant transactions.
- Please include all relevant documents, invoices, and trade documents related to the report. These documents often contain very relevant information, including delivery addresses and transport companies used, etc., which may support any suspicion of money laundering.

07 Learn more about money laundering

If any questions or comments about the theme report have arisen, feel free to contact us via email at fiu@politi.dk. Additional information about money laundering is also available at <https://hvidvask.dk/en>. On the website, annual reports, quarterly reports, and theme reports from the Financial Intelligence Unit (FIU) can be found. Access to this material is also available to those registered in GoAML.

You can also access more information about money laundering from supervisory authorities, as well as national and international partners.

External links

Danish police: <https://politi.dk/en>

The Danish Financial Supervisory Authority: <https://www.dfsa.dk/>

The Danish Business Authority: <https://danishbusinessauthority.dk/>

The Danish Bar and Law Society: www.advokatsamfundet.dk

The Danish Gambling Authority: www.spillemyndigheden.dk

The Danish Tax Agency: <https://sktst.dk/english>

Financial Action Task Force: www.fatf-gafi.org

Egmont Group: www.egmontgroup.com

Europol: www.europol.europa.eu

Interpol: www.interpol.int

Basel Institute on Governance, Basel AML-Index: www.baselgovernance.org