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Understanding the Laundering of Organized Crime Money

ABSTRACT

Four conditions influence the complexity of organized crime money laundering. First are diverse types of crime and forms in which proceeds are generated, including the type of payment, the visibility of crimes to victims or authorities, and the lapse before financial investigation occurs (if it does). Second, the amount of individual net profits causes differences between criminals who have no use for laundering, who self-launder, and who need assistance from third parties. Third are the offender's goals and preferences in spending and investing crime proceeds. Investments are often close to home or country; some opt to wield power, but much is freely spent on a hedonistic lifestyle. Fourth, expected and actual levels of scrutiny and intervention of the anti–money laundering regime influence saving and reinvestment decisions and some arrests and confiscations, but there is no clear cause-and-effect relationship. The four conditions can intertwine in numerous ways. When conditions necessitate or stimulate more complex laundering schemes, this is reflected not only in techniques but also in social networks that emerge or are preconditions. Complex cases often depend on the assistance of professionals, outsiders to the criminal's usual circle, who are hired to solve particular financial and jurisdictional bottlenecks.

Money laundering can be carried out in many ways, ranging from simple to complex, with numerous variations in laundering costs, and includes a

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wide range of participants, from elite professionals to homeless addicts acting as "front people" for business and property holdings (Reuter and Kleiman 1986; Levi and Reuter 2006; Caulkins and Reuter 2010). To make sense of this diversity, money laundering is commonly explained as a way of hiding the proceeds of crime so that the authorities cannot take it back, and so that offenders can use it to enjoy a more affluent lifestyle and legitimize themselves and their assets.

Hiding money from the authorities is not something new or recent. From the US Prohibition era to the 1960s, long before the criminalization of money laundering, Al Capone and Meyer Lansky (and doubtless, others) tried to hide their crime proceeds and distanced their public assets and wealth from the behaviors that gave rise to them in order to reduce their tax payments and criminal vulnerabilities. Especially since the 1980s, when "following the money" and restricting criminals' access to the fruits of their crimes became significant elements of international policy aimed at transnational organized crime, hiding the proceeds of crime evolved into a continuous cat-and-mouse game with the authorities. It is therefore fair to assume that the more controls over the origins of money that are erected, the greater the need for concealment from licit society. But then again, not every criminal goes to the same lengths to set up trusts and offshore companies to obscure the background of their wealth. So what drives this difference?

One obvious explanation is the volume of profits from crime relative to laundering costs. Setting up trusts and using offshore companies require registration and consultancy fees. A professional advisor is often needed as well. Expenditures can quickly rise to thousands of euros or dollars that eat into the criminal profit. If the criminal profit was small to begin with, efforts at concealment become pointless and cost-inefficient. However, it would be wrong to imagine that, at a certain financial profit point, every criminal of note reaches out to international law firms for offshore financial services, such as the morally and now economically bankrupt Panamanian-based law firm Mossack Fonseca & Co.[1] That simply has not been proven in any literature on money laundering. Likewise, many differences crop

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[1] For more background information on the type of dubious services and clients Mossack Fonseca & Co. provided, see https://www.icij.org/investigations/panama-papers.

up when comparing criminals involved in organized crime, who supposedly make more money than ordinary street criminals. Most spend large amounts of cash on a hedonistic lifestyle, use a basic loan-back construction in which crime money is supposedly "lent" by a close relative, or start a fictitious turnover scheme in which illegal profits are commingled with the turnover of a legitimate business. Only a few take the Panamanian route, so to speak, and set up complex money laundering schemes.

This leaves us with a puzzle. We know that organized crime activities are for a large part carried out with the goal of making a financial profit. These illicit proceeds in turn intertwine with the structures and everyday life of licit society: spending for leisure activities, buying or investing in real estate, setting up businesses, and corrupting the authorities. But what are the conditions that influence the level of complexity of money laundering, and to a lesser extent its patterns, in relation to organized crime?

The answer to this question is the topic of this essay. In Section I, we go deeper into the concept of money laundering, which we explore using two different approaches, an economic and a legal one. Both have pros and cons.

In Section II, we construct a conceptual framework of factors that affect the need for, and use of, money laundering schemes by criminals involved in organized crime. Each factor is illustrated with several examples. Our analytical framework finds its roots in crime scripting and situational crime prevention; that is to say, we view certain conditions as having known effects on the incidence and forms of money laundering. In Section III, we move from technical complexity to social complexity by including the need for outside help provided by professional money launderers. We conclude with a general discussion that raises as yet unanswered questions about the effects of measures on both laundering and crimes committed by the loosely denotated and still controversial concept "organized crime." One final preliminary observation: some readers will notice that most of the literature and examples that we use come from the Global North, especially Europe. This is because European research on money laundering, compared with other parts of the world, has been able to make systematic use of court files or to gain access to police investigations in regard to organized crime. This makes for a detailed reality that is absent from money laundering research that solely focuses on legal aspects, international frameworks, or normative policy recommendations using evidence bases whose analytical or empirical weaknesses are seldom acknowledged.

I. Background

The literature on money laundering generally can be divided into two different types of approach, an economic approach and a legal one. Each has strengths and weaknesses.

In the economic approach, the focus lies on how the criminal money ends up in the legal economy. This is usually explained by use of a three-stage model that has been promoted by US agencies since the 1980s and subsequently integrated into international agencies' and anti–money laundering (AML) training cultures: placement, layering, and integration (e.g., Schott 2003; Dean, Fahsing, and Gottschalk 2010).

Placement is the introduction of criminal proceeds into the financial system. This can be done, for example, by depositing cash or transferring money via money remittance bureau to foreign or domestic bank accounts, thus transforming cash into banked assets. Layering is creating a distance between the unlawful origins of the money in order to give it the appearance of legitimacy, for example, by using loan backs ("borrowing" your own money against the security of funds already deposited in a foreign personal or business account), fictitious turnover schemes (commingling illegal profits with the turnover of a legitimate business), front companies, shell corporations, and other financial constructions. This leads to the final phase, integration, in which the disguised criminal proceeds are spent or invested in the legal economy at home or abroad. Note that for some international offenders, there can be a split national affiliation between countries of residence and of origin, so whether investment of proceeds is at "home or abroad" is not always self-evident.

Others have added to this model by including a preliminary stage that precedes placement. This could happen, for instance, when cash is physically smuggled abroad, or exchanged for other currencies before it is deposited into the financial system.

Although the three-phase model is widely used, it can be criticized for several shortcomings. We point out five types of "flaws" that sometimes make the model less of a proper fit to reality.

First, not all three phases need to come into play. When financial fraud, for instance, results in the fraudulent transfer of legitimate money into the criminal's (often nominee or fake identity) accounts, the proceeds of crime are already in the financial system. They therefore do not need to be "placed." Placement and layering can also be skipped when cash is used to purchase assets directly, though if they are purchased in a third-party name, this might be viewed as layering.

Second, the model suggests there is a sequential "law" in which criminal money always ends up integrated in the legal system. In reality, however, criminal money does not always need to be laundered and integrated (Soudijn 2016). Though organized crime may be primarily about generating money, it seems to be taken for granted that many organized criminals are not also in business to have a "good time," but are all committed to a Protestant-ethic aim of saving and of integration into respectability. To put it differently, a chaotic lifestyle of leisure consumption that revolves around casinos, nightclubs, and brothels can be paid for in cash. This is a form of integration, but it is not usually what policy makers might have in mind, and it does not fit the model of threatening the virtue of the licit world of finance and economy.

Third, the origins of cash (or of cryptocurrencies) do not matter in the criminal underworld in which illicit transactions abound. Especially in an organized crime (or paramilitary) context in which many people have regularly to be paid maintenance "wages," the proceeds of crime can directly be used to pay off accomplices or to invest in new criminal ventures, such as the financing of a new shipment of cocaine. Van Duyne (2002) refers to an "aquarium economy," an underground environment in which fishy criminal money keeps circling around and never enters the legal system. Besides, criminal cash sometimes gets taken out of both the illegal and legal economy altogether. House searches of organized criminals occasionally turn up hundreds of thousands or even millions of dollars or euros that are apparently stashed away for a rainy day behind false walls, hidden floorboards, or in the attic or under the bed. We do not know to what extent hoarding is an artefact of the need to avoid real or feared anti–money laundering controls or whether such offenders would have kept the money close even absent any such controls. For example, they might be concerned about the need for a quick getaway with their crime proceeds, whether from the authorities or from rival criminals.

A fourth criticism of the three-phase model is that it was developed in the early 1980s for the fight against drug smuggling and thereby overemphasizes the role of cash. At that time, principally all drug sales were made in cash, not touching the financial system. However, other crimes such as many fraud schemes, or the use of technological financial innovations like cryptocurrencies, completely sidestep the use of cash, which in any case is in decline as a proportion of transactions, especially in the Global North (Riccardi and Levi 2018) but also in the Global South, with the rise of electronic payments systems and mobile phone banking, such

as the m-Pesa in East Africa.[2] Use of cash is also avoided by trade-based money laundering (TBML), the process of disguising and moving value through the use of legitimate transactions in physical goods or in services, often by electronic manipulation of value (FATF 2006, 2008; APG 2012).[3]

Fifth, the model also runs the risk of "ingenuity fallacy"; the situation is imagined to be more complex than it really is (Felson and Boba 2010). This is observable when the model is explained with the use of complex money laundering cases. Accompanying illustrations feature the offices of banks or trust agencies, shares, yachts, or private jets based in luxurious offshore tax havens. This gives the impression that money laundering is a very complicated matter, routinely carried out by professionals from the financial service industry and therefore best handled by investigators with a degree in accountancy. In reality, most money laundering investigations carried out by tax authorities or police investigators are quite straightforward and do not necessarily involve financial specialists. We are not arguing that these complex cases are fictitious; our concern is that they distort the perception of the phenomenon by ignoring the large number of simpler cases.

A final criticism of the three-phase model is that it fails to capture evolution in the workings of AML practices. The US Presidential Commission on Organized Crime (1986) merely recommended pursuit of criminal money "as a powerful lever" to attack its somewhat narrow vision of organized crime, without going into any more detail; meanwhile, the criminalization of money laundering has since resulted in a global system of similar, functionally equivalent legislation and institutions not envisaged in the original analytical model, which was aimed at the domestic US financial system.[4] This is not a normative criticism, but the reshaping

[2] See also https://fas.org/sgp/crs/misc/R45716.pdf. Cryptocurrencies can be spent only in outlets that will accept them, which at the time of writing is a quite limited range. Cryptocurrencies are therefore often exchanged for fiat currencies or cash in a later stage of the money laundering operation. The proportion of illicit market purchases that are laundered in cryptocurrencies is unknown but, though rising, unlikely to be dominant for some time.

[3] Sometimes these trades are fictitious, which means that in principle their existence can be falsified after financial and documentary investigation. Given scarce resources, such investigations are unlikely to happen in practice unless they are an accompaniment to major frauds.

[4] Functional equivalence is an OECD Anti-Bribery Convention concept that focuses attention on the work that rules do rather than on their form: so countries are not required to *criminalize* corporate responsibility if civil or administrative mechanisms exert similar control effects. Current AML laws are based on the 1988 UN Convention against the

of the control process is an object of study in its own right, for criminologists and sociolegal and international relations scholars.

This leads us to the second approach to money laundering, the legal one. International legal standards—whose importance and harmonizing influence have been growing this century, due to the efforts of the Financial Action Task Force (FATF), created in 1989, and corollary developments in regions such as the EU—construct money laundering generally as:[5]

1. The conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such activity to evade the legal consequences of his action.
2. The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from criminal activity or from an act of participation in such activity.
3. The acquisition, possession, or use of property, knowing, at the time of receipt, that such property was derived from criminal activity or from an act of participation in such activity.

In other words, depending on the particularities of the jurisdiction's legislation, a person is guilty of money laundering if he or she knowingly receives, possesses, or uses money (or other properties) generated by any criminal activity, or if he or she actually did suspect or even reasonably could have suspected the money's criminal origins.[6] Furthermore, persons who participate in, associate to commit, attempt to commit, and aid, abet, facilitate, and counsel on money laundering matters can also be prosecuted.

Illicit Traffic in Narcotic Drugs and Psychoactive Substances (the Vienna Convention); the 2000 UN Convention on Transnational Organized Crime (the Palermo Convention); FATF recommendations (2013, 2018); and five (and rising) EU Directives commencing in 1991 (e.g., 91/308EC; 2001/97/EC).

[5] Following S.3(1)(a) of the Vienna Convention and European Council Directive 91/308/EEC of 10 June 1991 on prevention of the use of the financial system for the purpose of money laundering.

[6] Although some countries debate whether the proceeds of foreign tax evasion should also fall under this provision, and others such as the UK have legislated to make it so, making due diligence tasks for customers challenging for regulated persons and institutions.

The offense of laundering does not rely on whether the actions effectively legitimize the funds or were intended to do so.

Based on this broad legal outline of money laundering, a global system for a risk-based approach became institutional practice (Halliday, Levi, and Reuter 2014; Nance 2018). This resulted in ever more standardized scrutiny according to compliance regulations, extensive Customer Due Diligence and Know Your Customer procedures, alertness and Enhanced Due Diligence for Politically Exposed Persons (public officials and their families, both domestically and elsewhere in the world), and the filing of Suspicious Activity Reports (SARs; in some jurisdictions called Suspicious Transaction Reports [STRs], and in Australia, Suspicious Matter Reports).

The enormous reach of the legal definition—stretching from the transnational 'Ndrangheta to burglars putting proceeds of crime into their bank account in their own name—makes it unhelpful as a coherent category of activity. It is for this reason we opt to approach money laundering from an economic perspective, that is, how does money derived from organized crime activities interact with the legal economy? However, we also put the three-phase model aside because of its many drawbacks. Instead, influenced by crime scripts and routine activities models, we keep a careful eye for the conditions that influence the level of complexity and patterns of money laundering, in relation to organized crime.

II. Conceptual Framework

We join the framers of the United Nations Convention against Transnational Organized Crime 2000 and national legislators in sidestepping the problem of defining organized crime with any serious clarity. For our purposes, it is not relevant whether criminal funds are derived from South American cartels smuggling drugs, mafia members extorting business owners, white-collar criminals committing planned frauds or tax crimes, or major corporations involved with grand corruption or environmental crimes. All of these sources of crime proceeds can sometimes involve committing "organized crime" offenses when they are carried out with multiple persons over longer periods of time, though the latter crimes are only sometimes undertaken by "organized crime" groups in the sense of "full-time criminal bodies" as conventionally understood in media, police, and political parlance. Besides, the very considerable rise of fraud—especially online fraud—as a mode of crime commission in contemporary societies has muddied the classical distinction between organized

and white-collar crime. Readers should fit the particulars of what they deem organized crime cases into our framework, bearing in mind that strong images of respectable business or professional firms can disarm "suspiciousness" of transactions and erect conscious or unconscious barriers to police and other investigations. Nevertheless, in practice, our examples are taken from activities and personnel that we suspect most people would regard as "organized crime."[7]

It is a mistake to associate money laundering only with the *criminal* law risks to offenders. Though purchasers of illegal commodities are not victims in the same sense that blackmail and fraud victims are, victims of "organized crime" and third parties with legal standing (including governments and bodies such as the Stolen Asset Recovery Initiative [StAR][8]) may pursue civil litigation against suspected offenders without needing to overcome mutual legal assistance difficulties (including prosecutorial resistance in the home countries of kleptocrats), and with adjudication based on criteria slightly lower than the criminal law burden of proof in a criminal court. Taking into account civil litigation and regulatory risks as well as prosecution, laundering needs only to be as sophisticated and complex as the control process forces it to be. To allow for this diversity in money laundering needs, we take as our point of departure a general crime script and routine activities perspective.

Crime scripting is a research tool that is used for detailed, sequential analyses of specific and precisely defined crime events or criminal activities. To develop a crime script, the crime itself is thoroughly deconstructed and reduced to its individual components or scenes (Cornish

[7] This is a nontrivial issue. In some countries, the links between politics, business, and suppliers of criminal services are close, and ideas about criminals subverting polities require refinement. Current allegations about EU countries, whether early members such as Italy, or more recent ones such as Bulgaria, Hungary, Malta, and Romania, illustrate how controversial and empirically contested such constructions of "organized crime" as "outsiders" can be, even in advanced economies with supposedly equivalent systems of governance. For a "strong" perspective on these threats, see Shelley (2014, 2018). In a study for the European Parliament, Levi (2013) calculates very different costs of organized crime in Europe, depending on whether the construct is one of mafia-type groups only, or of this plus the much looser networks that comply with the low threshold of EU and UN criteria for organized crime. This essay does not require the resolution of this issue, but denotation issues are difficult to escape.

[8] StAR is a partnership between the World Bank Group and the United Nations Office on Drugs and Crime that supports international efforts to end safe havens for corrupt funds. The UK has much-heralded civil Unexplained Wealth Orders that permit alleged proceeds of corruption abroad to be frozen and forfeited, but there were only four cases (involving many accounts) from 2018 to the end of 2019. See https://fcpablog.com/2019/11/20/uks-new-freeze-and-seize-powers-upheld-in-moldovan-money-laundering-case/.

1994). Each individual component has its own characteristics, which in turn can provide insights into how the crime comes together. Thus, an illegal drugs manufacturer and trafficker has to be able to accomplish the stages of obtaining precursor chemicals, making the drugs, finding markets, and transporting the goods. These insights are important because crime scripting is intended for developing a hands-on approach to crime. An accurate script makes it possible to develop interventions that diminish or prevent criminal opportunities or incentives (Felson 2004).

A preventative approach in which crime scripts are used has its history in theories about routine activities "theory," problem-oriented policing, and situational crime prevention. The latter has established a systematic body of work, which shows that crime prevention is achieved by keeping motivated offenders away from suitable targets at specific times and spaces or by increasing the presence of "capable guardians." For a mental road map, various types of crime interventions are arranged across a five-pronged approach: increasing the effort, increasing the risks, reducing the rewards, reducing provocation, and removing excuses (Felson and Clarke 1998; Bullock, Clarke, and Tilley 2010; Tilley and Sidebottom 2017).

A straightforward application to organized crime and money laundering, however, turns out to be more complicated, especially in relation to guardianship (Von Lampe 2011; Kleemans and Soudijn 2017). While the presence of others who might stop the crime or report offenders has strong discouraging effects on ordinary crimes, in a money laundering context, guardians such as bankers, lawyers, and auditors may simply be hurdles that must be overcome by sidestepping the particular individuals or disarming potential suspicions. Some whom we would term "money guardians" may be knowingly and willingly corrupt, some may be coerced into helping, and others may be innocent. However, even innocent potential guardians in financial settings are not primarily on the lookout for signs of misconduct, since their raison d'être and profit lie in serving their clients. Except for customers coming in with large cash-filled bags marked "swag," or people known (during the account take-on process required by AML regulations) to have modest jobs and backgrounds suddenly transacting in anomalously large sums or volumes, it is often not obvious whether requests for service are legitimate or criminal. In countries that include lawyers and accountants in money laundering reporting requirements, even if the professionals are suspicious, some may be concerned primarily about whether *they* will be punished for breaching

their duties rather than whether there is reasonable suspicion that a crime has been committed by a current or potential client.

This is not to say that it is impossible to use crime scripts and situational prevention techniques in relation to organized crimes. Even organized crimes can and need to be reduced into smaller subsections. For instance, human trafficking can contain subsections on recruitment, travel, housing, and accommodation of the victims. Likewise, a crime script of synthetic drug trafficking could start early in the chain with the procurement of essential precursors needed much later (Chiu, Leclerc, and Townsley 2011; Vijlbrief 2012).

This slight detour about crime scripts brings us back to our main point. All crimes for economic gain that generate more profit than can be spent or readily stored physically require a separate crime script on how the financing and proceeds of crime are handled. After all, the leading, though not the only, motive for carrying out organized crime activities is to make a profit. How such laundering is carried out depends on local circumstances and changes from crime to crime, from criminal group to criminal group, and from country to country. Writing the generic money laundering crime script therefore is not empirically or theoretically defensible (though see Gilmour [2014] for an attempt). Even so, there are several conditions that affect the level of complexity of money laundering in relation to organized crime in the broadest sense:

1. *Type of crime*, particularly whether primarily cash-generating or generating electronic funds;
2. *Revenue* shows differences between criminals who have no use for money laundering, those who self-launder, and those who need help with laundering;
3. *Offender's goals*, such as individual needs and preferences in regard to financial or other returns from criminal investments;
4. *Anti–money laundering regime*, such as expected and actual levels of scrutiny and intervention.

A. Type of Crime

The first factor in our framework is in what type of crimes the organized crime group is involved. As explained below, different types of crime have different financial aspects, including the type of payment, the need to pay people extraterritorially, the visibility of the crimes to victims or to

the authorities, and the elapsed time before financial investigation occurs (if it ever does).

Whether criminal proceeds come in cash, electronic form (including cryptocurrencies), or barter changes the approach route to the possible money laundering process. When the proceeds are in cash, for example, the average AML regime will impose some constraints on spending and investment habits. In high-income, OECD (Organisation for Economic Co-operation and Development) economies, especially in expensive areas, a house, for instance, nowadays is rarely bought with cash.[9] Criminal cash therefore needs to be converted to electronic form, after which it can be transferred.[10]

Some types of crime generate benefits only in the form of cryptocurrencies. For instance, the trade on the dark web in restricted medicines, drugs, stolen credit cards, or ransomware schemes are all paid for with cryptocurrencies. This has its own advantages in regard to concealment, but also has its own detours for conversion into the ownership of our hypothetical house (Kruisbergen et al. 2019). Fraud offenses, by contrast, normally generate proceeds of crime that are already in the financial system and are thus more easily moved around to finance a purchase, for example via a mortgage backed by offshore assets that are proceeds of crime, to make the purchase look less suspicious.

Long-term nonfungible investments like houses may have to withstand serious investigation at some stage over lengthy periods if they are not to risk confiscation. Rigged bids for public works are even better, in that the contracts are paid by the government and thus generate a paper trail that seems above suspicion: the nonperformance or inferior performance of the contract is not routinely visible, especially if quality inspectors are paid off.

[9] Although exceptions exist. For instance, in the US in 2015, 53 percent of all Miami-Dade home (and 90 percent of new home) sales were made with cash—double the national average (McPherson 2017). In Canada, large proportions of real estate (and luxury cars in British Columbia and Ontario) were purchased for cash; see https://www.macleans.ca/economy/realestateeconomy/b-c-s-money-laundering-crisis-goes-national/.

[10] Although buying a house without any mortgage at all can by itself raise questions. The average homeowner borrows money from a bank to finance the purchase of real estate, unless they can show or plausibly claim that they are buying from the proceeds of a previous sale or an inheritance. European lawyers and notaries would normally ask for the source of funds and be expected to check on what they are told, though all may not investigate with equal diligence or forensic skill.

Different types of crime have differences in their visibility to others as crime. Some crimes, such as the trade in child online sexual exploitation, are completely and clearly illegal from beginning to end though the consumption and production of the images are concealed. Other crimes take place in grey areas. VAT (value-added tax) fraud, for example, usually becomes a crime only after the fraudulent filing of incorrect tax returns, unless there is forensic evidence of planning before the attempt is completed. Forcing women into prostitution is human trafficking, but when the sex work takes place openly in legal brothels or red light districts, customers and municipal auditors are not always aware, and may not want to know or care, that the labor is involuntary. Furthermore, when legal work is partly supplemented by illegal labor, for example in high cash-flow businesses such as bars and restaurants, it becomes easier to commingle legal and illegal money. As a result, it becomes less clear which part of generated profits is legal and which is criminal.

Another problem is that different jurisdictions hold different interpretations about certain types of "crime."[11] Tax crimes (not tax avoidance) constitute a good example. Declaring a false tax return results in a financial profit for the fraudster, namely the amount due not paid. Because tax evasion is a criminal offense in many jurisdictions, an increasing number of countries argue that any willfully unpaid taxes are the proceeds of crime and thereby are equated to money laundering. The FATF formally separately includes fraud and tax "crimes" on direct or indirect taxes in its list of predicate crimes. When unpaid taxes are moved abroad, this can become a problem for the prosecution when the receiving country does not consider tax evasion a crime and therefore is unwilling to exchange

[11] According to the FATF (https://www.fatf-gafi.org/glossary/d-i/), *designated categories of offenses* means: participation in an organized criminal group and racketeering; terrorism, including terrorist financing; trafficking in human beings and migrant smuggling; sexual exploitation, including sexual exploitation of children; illicit trafficking in narcotic drugs and psychotropic substances; illicit arms trafficking; illicit trafficking in stolen and other goods; corruption and bribery; fraud; counterfeiting currency; counterfeiting and piracy of products; environmental crime; murder, grievous bodily injury; kidnapping, illegal restraint and hostage-taking; robbery or theft; smuggling (including in relation to customs and excise duties and taxes); tax crimes (related to direct taxes and indirect taxes); extortion; forgery; piracy; and insider trading and market manipulation. When deciding on the range of offenses to be covered as predicate offenses under each of the categories listed above, each country may decide, in accordance with its domestic law, how it will define those offenses and the nature of any particular elements of those offenses that make them serious offenses.

information that is needed to prosecute these offenders.[12] However, parallel routine tax information exchange has become more common due to political pressure on "secrecy havens." It can also be difficult for bankers and lawyers to form a suspicion as to whether deposited funds are the proceeds of foreign tax evasion: a predicate crime in the UK, for example, but not everywhere.

Different types of crime also result in differences in the frequency with which criminal proceeds are generated. Some crimes generate a continuous flow of daily or monthly illicit proceeds, whereas others are one-time events that follow no discernible pattern. Take for example the difference between forced prostitution and wholesale cocaine trafficking. A Dutch investigation into human trafficking found that prostitutes were forced to earn a daily minimum of at least 1,000 euros, six days a week. Other organized crimes that continuously bring in money are loan sharking and protection money. Conversely, a cocaine smuggler who organized the shipment of hundreds of kilos of cocaine needed weeks of preparation to arrange fake cargo, shipping manifestos, and other paperwork. When all was arranged, he had to wait another couple of weeks for the transatlantic freighter to dock in the harbor, offload his cargo, and unpack it in a warehouse in order to sell the cocaine for a profit of 3,000–5,000 euros a kilo.

The difference between receiving numerous small sums regularly, and tens or even hundreds of thousands of euros intermittently and irregularly, leads to different money laundering dynamics. Small amounts of cash can be commingled with, say, the daily turnover of a bar. But to launder a single large sum of money needs better planning in order not to raise suspicion. Of course, the money can also be commingled with the turnover of a bar or tattoo or beauty parlor, but it would need discipline and much more planning, and one bar or restaurant might not be enough to plausibly account for the turnover level if investigated by law enforcement.

In some countries, drug trafficking generates vast volumes of cash that need to be laundered. According to FinCEN (2005), over $120 million

[12] Switzerland considered the fraudulent filing of accounts in Switzerland as a crime, but not the "evasion" of taxes without active falsification: since 2016, "serious tax crimes" in both direct and indirect taxation have become predicate offenses for money laundering. Switzerland defines tax fraud leading to tax evasion of more than CHF300,000 in a year as a serious tax crime. Assisting foreign tax evasion remains legal unless it involves forging documents and similar complicities.

from illicit drug sales in the US were smuggled in bulk into Mexico over 3 years for the Arellano-Felix "gang," which were then brought back into the US by declaring the currency in the name of the currency exchange houses in Mexico, therefore concealing the illicit origin of the funds. The currency was deposited into US bank accounts held in the name of the currency exchange companies. Maybe to make the money trail harder to follow, money from these accounts was wire transferred to bank accounts around the world, after which the trail went cold or was not publicly pursued.

B. Revenue

The second factor in our general framework is the amount of revenue organized crime generates and, more importantly, the net profit of individual crime members. Both lack dependable estimations.

Revenues are important as a component in a claim to official attention, but they tend to receive little attention in claims of effectiveness of controls. While official documents concerning money laundering or organized crime often confidently mention the scale of global or national money laundering (e.g., according to the UNODC, 2.7 percent of global GDP)—what van Duyne and Levi (2005) term "facts by repetition"—academic experts are more reserved.

This cautious attitude is not mere academic pedantry but because all methods used to estimate the size and scale of the criminal economy and money laundering have serious flaws (Reuter 2013; van Duyne, Harvey, and Gelemerova 2019). Furthermore, just as in the licit economy, there is economic inequality and wealth concentration among organized criminals (van Duyne and De Miranda 1999; UNODC 2011). Many have subsistence or immediate lifestyle incomes, and others get sums so large that even if they are highly hedonistic, they would find it difficult to spend and are forced to save and launder. The extent to which they need or want to do so is highly dependent on the position of the individual in the organized crime network. In general, the crime boss or leading organizer will make more than key personnel ("lieutenants") or outside experts (professional money launderers), who in turn will make more than interchangeable accomplices (couriers and transporters, local "enforcers," straw men). It is therefore likely that organized crime is typically characterized by a highly unequal distribution of wealth, but valid numbers are not available. In transnational activities, questions are seldom asked

about who in which countries takes the predominant share of profits from crime.[13]

Generally, a distinction can be made between persons who have little use for money laundering, those who self-launder, and those who need help in doing so (Malm and Bichler 2013). The first two groups are generally considered very large compared with the third. Levitt and Venkatesh (2000) found that most drug dealers who worked at street level earned just above minimum wage and would have been better off *financially* serving hamburgers at a fast-food restaurant. A telltale sign was that most foot soldiers also held part-time jobs in the legitimate economy. Likewise, as shown by Reuter et al. (1990), approximately two-thirds of Washington, DC, drug dealers reported being legitimately employed at the time of their arrest. This suggests that their illegal profits were supplements to licit earnings. Only a few gang leaders were able to earn high economic returns (Venkatesh 2008).[14] For this reason, global or national estimates about crime revenues are—apart from their methodological errors—unsuitable for our framework. Without a sense of the number of participants who share the criminal profits, and the apportionment of these profits, it is not clear what meaning or value estimates of total sums laundered have, beyond showing that this is a "very big problem."

Because of lack of dependable statistics on criminal revenue, let alone their aggregate profits, net of costs including corruption, we have to make do with other sources such as official proceeds of crime confiscation, case studies, and interviews, although none are really satisfactory.

In an ideal administrative world, confiscation of legal assets in criminal cases signals what an individual can be proven to have gained in illicit proceeds.[15] A database of confiscation cases paired with type of offenses could thus inform us of the total illicit amount and the type of asset. However,

[13] There is no criminological equivalent of the Gini country inequality measure in economics.

[14] Levitt and Venkatesh (2000) explained the involvement of street-level dealers as playing the long game, hoping to be able to rise someday to the top and finally earn a large illegal income. But perhaps it sometimes may just be that criminals are around in their environment, and involvement in crime offers some degree of social conformity and a feeling that they are more important than they would otherwise be in the licit precariat economy. The *Homo economicus* model neglects the pleasure that people derive from crime (Katz 1988; Levi 2008) and also from exercising power and taking risks in licit business.

[15] Though some regimes allow for this to be done on civil burdens of proof, others by reversing the burden of proof postconviction in relation to the sources of income, and others still require in practice the linking of confiscated assets to proven crimes.

as a Transcrime (Savona and Riccardi 2015) research project on the portfolio of organized crime in Europe showed, this is easier said than done. First, there is a wide range of confiscation regimes in different states. Some assets are eligible for confiscation in one country, whereas it is impossible to recover the same assets (or data about them) in another. Second, most countries do not adequately record confiscation. This makes it impossible to produce solid statistical analyses.

There is also substantial attrition between court orders and confiscation. When Kruisbergen, Kleemans, and Kouwenberg (2016) examined 102 Dutch cases in detail, the initial public prosecutor's claims totaled €61,928,210, but this was reduced to €27,463,899 (44 percent) at the end of the court procedure, of which only €11,325,036 (41 percent, or 18 percent of the original claims) was eventually collected. There are similar findings in Australia and the UK (Goldsmith, Gray, and Smith 2016; Chaikin 2018; Levi 2018; see also Sittlington and Harvey 2018).

Another way of establishing the amount of revenue and individual net profits is to study individual offenders and their money laundering habits by analyzing their court or police files. However, gaining access to this kind of material can be quite hard, and in some countries even impossible. Furthermore, many police investigations lack financial details. The reason is that most investigations on crimes that are organized are focused on the predicate crimes. Generally, as soon as a shipment of cocaine is intercepted, a protection racket is dismantled, or human trafficking is stopped and the perpetrators are arrested, the investigation is considered to be a success. In turn, evidence of the predicate crimes is enough to obtain a conviction. Because financial information on money laundering will seldom, depending on the country and other evidence available, add substantially to the length of the prison sentence, it is simply not needed in court. Or worse, including charges of money laundering could delay the entire prosecution when assets need to be traced abroad via slow international mutual legal assistance requests. Conversely, when an investigation starts from a money laundering angle, the predicate crimes may not be needed (depending on both law and judicial interpretation). It is rare for the two (predicate crime and financial data) to come together.

Insights can also be gained by approaching organized crime participants themselves. However, organized criminals who launder money are difficult to reach. They are unlikely to fill in questionnaires or respond en masse to fieldworkers: talking about money is much more dangerous

than talking about past misdeeds that have been punished already, are past their statute of limitation period, or are impossible to prove because of lack of evidence. Criminal money, and the way it was laundered, however, is almost indefinitely subject to confiscation. Talking about riches might also attract unwanted attention from criminal predators. That is not to say that it is impossible to carry out interviews about criminal money, but generally this will be because of good rapport between subject and researcher and reveal little about the overall picture unless the interviewee is a central or nodal figure.

A notable exception is the Matrix Knowledge Group (2007). Researchers were able to talk to 222 drug offenders in UK prisons about drug markets and financial profits. It turned out that their money laundering methods were generally not sophisticated. However, the researchers note that this may reflect self-selection. "Dealers with more sophisticated money laundering approaches may have been reluctant to volunteer" (Matrix Knowledge Group 2007, p. 40). Alternatively, such dealers might more rarely have been caught!

A replication in the Netherlands encountered the same problems (Unger et al. 2018). Although the study was much smaller ($N = 25$ with a response rate of 56 percent), the information gleaned was not illuminating. Most had hardly any experience with complicated money laundering methods. Tellingly, an advocacy group of ex-prisoners did not want to cooperate with the interviewers because talking about money was "not done," and fear of confiscation would preclude any meaningful talks. Trying to get a university project on board that worked with former tax frauds also led to nothing (Unger et al. 2018). Several attempts were made to interview the ex-offenders but were not successful. This led to the conclusion that fear of asset confiscation prevented talks about money and spending habits. Interviewing lawyers also led to nothing. They were not "inclined" to talk (one would guess in the abstract) about the financial position of their clients. Interviews with bank employees also elicited no information. Banks had no legal mandate or permission, for fear of criminal liability for "tipping off," to divulge how suspected criminals spent their money; their focus, which may have shifted due to changes in public-private cooperation in the UK, was largely on cash that criminals tried to put in their accounts.

Finally, a focus group study by Sittlington (2014) of ex-offenders from Northern Ireland largely confirmed other studies' findings about high spending by offenders and prosecutors going after low-hanging fruit and

being reluctant to prosecute stand-alone laundering cases. The special circumstances of strong paramilitary influences in Ireland differ from those in many other countries, though the Irish peace process may have led not so much to less organized crime but to the replacement of the collective paramilitary fund with largely personal benefits.

C. Goals

The third factor in our general framework is what organized criminals seek to accomplish with their criminal proceeds. Because interviewing organized criminals about their illegal income proved not very fruitful, we should look at how they spend their money and try to infer goals from behavior (see also Fernández Steinko 2012).

Several studies show that, like average personal budgets, criminal expenses can be sorted in the usual categories, albeit with some over-the-top spending habits (van Duyne 2003; Matrix Knowledge Group 2007). There are small daily household expenses for food like groceries, variable payments for utility bills, clothing, and hobbies, next to fixed costs like insurance, car leases, rents or mortgages, and larger outlays such as buying a new car or a house or setting up a company (or for that matter, financing new criminal activities). Some studies (van Duyne 2013; Savona, and Riccardi 2015) have looked at official confiscation records and describe a plethora of cars, motorcycles, boats, houses, jewelry, electronic appliances, fur coats, and the incidental antique work.[16] However, it may have been these very items of conspicuous consumption that drew the attention of the authorities and financial investigators to the criminals in the first place.

What criminals seek to accomplish with these expenditures has been less often investigated. The goal of some is not hard to deduce. Reinvesting in criminal endeavors or financing large sums of money in a conflict

[16] The literature on money laundering can sometimes overemphasize the role of antiquities and art. Occasionally, a crime boss turns out to be a fond collector of expensive paintings and the like. However, art that merely hangs on a wall is not money laundering in an operational sense, though it may count as hiding the proceeds of crime in a legal sense. Only when it is bought with the intention to sell it on in the licit economy does it serve a money laundering function. Furthermore, certain types of white-collar crime offenders (corporate fraudsters, oligarchs, or corrupt public officials) move in different social circles than do most drug dealers and pimps. A house decorated with expensive art may be part of the former group's self-image (and sometimes even a reflection of their taste); the latter group is more likely to be fond of stills from *The Godfather* (Van Duyne, Louwe, and Soudijn 2014). Nevertheless, small high-value products are appreciated in the event of a need for a quick getaway or forced sale.

with other organized groups (Krakowski and Zubiria 2019) is carried out with the objective of generating future profits, or even survival. Daily household expenditures are motivated by wanting more comfortable living conditions. But lifestyle expenditures, for example, can have complex motives. The criminal who dines out every evening, runs up large casino losses, and spends large sums on gaudy jewelry might do it to satisfy his personal needs, perhaps fill an emotional void, but might also want to project the image of a successful "made man" (BRÅ 2014). Many ordinary bourgeois citizens might avoid such a brash person, but in the criminal environment, flamboyance can deliver the message that here is somebody willing to do extralegal business and who is successful at it. Flashy cars and expensive front row tables at public boxing matches or private boxes at soccer matches can send the same message.[17]

Another way of examining goals of criminal expenditures is to look at larger ones. They can indicate longer-term strategies. Take for example a Dutch study into 1,196 individual investments of convicted organized crime offenders (Kruisbergen, Kleemans, and Kouwenberg 2014). The study distinguished between investments that could fall under a standard economic approach and a criminal infiltration approach.

The standard economic approach, summarized as "profitability," stresses the similarity between organized crime offenders and legal entrepreneurs; both are assumed to make investments based on the aspiration for good economic returns. A difference might be that criminal investments involve additional costs because they need to circumvent the AML regime. This might make it more attractive to invest in opportunities with smaller returns, but lower risks of detection. This in turn is affected by perceptions of invulnerability to official action, which vary over time and place.[18]

Investments that fall under the criminal infiltration approach are summarized as "power" in that organized criminals seek to gain power or

[17] We know less about how female organized criminals or launderers behave in equivalent circumstances.

[18] Farfán-Méndez (2019) hypothesizes that drug trafficking organizations with hierarchical structures—understood as structures that process information and acquire knowledge—prefer risk-averse methods, whereas wheel networks tend to use risk-tolerant procedures for laundering money. However, as the author notes, "additional data are needed in order to continue to evaluate the hypothesis" (Farfán-Méndez 2019, p. 308), and we are somewhat skeptical of the evidence base for this to date. It is unclear whether money laundering strategies are decided at the level of the whole drug trafficking organization, or by the individual leader (and as such reflect his psychological preferences), who coincidentally may or may not have proper access to money laundering advisers.

influence in the legal economy. This is also one of the risks the FATF warns about. Criminals might use their profits to acquire control over segments of the local or, especially in smaller jurisdictions, national economy through strategic investments or bribes. A deep angst about money laundering corrupting the integrity of banking and financial services drives much of the AML regime, at least rhetorically.

The Dutch study (Kruisbergen, Kleemans, and Kouwenberg 2014) showed that investments were often made in real estate, for several reasons. First, criminals need a place to live. Second, real estate is generally a safe investment over the long term. Third, prices are not always transparent and can thus be used to launder money, supplementing the official price with money under the counter. Finally, ownership can often be concealed through the use of legal entities. As far as was known, criminals invested on a smaller scale in commercial properties, likely in order to facilitate their criminal enterprises. Investments in legal businesses were largely in the retail and commercial sectors. About half of these companies were used to support "transit crime" activities like drug smuggling. This could be in the form of logistical support (storage or transport), and legitimizing or concealing criminal activity. For instance, a cleaning company could order chemicals used for the production of synthetic drugs, or a fruit or flowers company could order a container from South America in which cocaine was smuggled.

Fernández Steinko (2012) found similar types of investments in Spain. To the extent that such businesses are used for criminal purposes, they are not successful laundering vehicles, though they may provide decent cover for offending unless investigated intensively. Companies could also function as money laundering vehicles, absorbing cash money, hiding ownership, or providing bogus salaries. A pilot study in Italy, the Netherlands, Slovenia, Sweden, and the UK on the infiltration of organized crime in legitimate business developed a model to help understand the type of business at risk (Savona and Berlusconi 2015). Risk (or attractiveness) factors include low level of technology, small company size, low barriers to entry, and weak or developing regulation (Savona and Berlusconi 2015).[19] Establishing or taking over a legitimate company is also part of many fraud-related schemes (Berlusconi 2016).

[19] A follow-up study developed a more advanced risk model based solely on firms confiscated from Italian organized crime from 1983 to 2016 (Savona and Riccardi 2018).

However, investments in real estate and commercial properties in the Dutch study (Kruisbergen, Kleemans, and Kouwenberg 2014) did not properly fit the profitability or power approach. Although real estate generally appreciates in value over the long term, hardly any known criminals were building up portfolios in real estate. Properties were mostly used in their immediate day-to-day lives and not leased or rented out. The investments were also not geared to touch the legal financial world in any significant way or to control specific segments of society. This prompted the researchers to come up with another theory, the social opportunity structure, a symbiosis of social network theory and opportunities theory.

Social ties and trust direct a criminal's opportunities for carrying out criminal business and also apply to their choices for investing the proceeds of crime (van Duyne and Levi 2005; BRÅ 2014). Organized criminals whom we know about want to stay close to their investments from a physical and social point of view. They invested in their original home country or their country of residence and seldom held financial assets in areas in which they were not personally involved. These are styled "proximity" investments (Kruisbergen, Kleemans, and Kouwenberg 2014). Savona and Riccardi (2018) mention investments that are culturally close to the organized crime group, such as bikers investing in tattoo shops.

That is not to say that profitability or power never come into play, or that proximity precludes any use of power. Offenders who are not involved solely in transit crime but focus on racketeering could spend more on "power." Organized crime groups in several European countries invest in the construction business and allied areas that entail "more capillary infiltration of the local political, business, and social community" (Savona and Riccardi 2015, p. 157). Sometimes, real investments in property and in the services sector (such as security) offer a route to exploiting and extending local power and deter police intervention.[20] Ponce (2019) recounts how drug trafficking organizations in Mexico illegally finance campaigns of politicians. Organized crime groups in Albania are also reported to invest part of their criminal proceeds in the cultivation of politicians (Global Initiative 2018). Apparently, around the 2017 parliamentary

[20] Sometimes other pressures and social objectives—for example, preparing and running a successful Olympic Games or World Cup—may deflect police interventions or give corrupt leaders an excuse for not doing so. This has even been alleged of the "failure" to pursue some London organized criminals prior to the 2012 London Olympics (Gillard 2019).

election in Albania, there was such a large influx of drug money used to influence politics that it affected the exchange rate of the lek (Global Initiative 2018). Many other countries have analogous scandals, not all of them as dramatic as in Mexico or Albania.

Although the criminal investments in the Dutch studies were relatively small on a national level and were not aimed to take over or monopolize segments of business, the local level should also be taken into consideration. Here it was found that some criminals knowingly *and* unknowingly wielded some influence. For example, a local municipality was not eager to target a certain cannabis grower because the legal side of his commercial business employed dozens of people who would otherwise end up on social security (Soudijn and Akse 2012). Some criminals sponsored local football clubs, which in turn enabled these clubs to attract better players (with extra cash paid under the counter). Better players translated to winning more matches and generating more interest in the club. This in turn led to cozy relationships between the football club's managers and sponsors, with representatives from the local government. These things can create an aura of power and untouchability around the offender and their entourage. More generally, a sports club of any kind also offers a relatively safe space where criminal and licit business can be mixed without looking out of place or inherently suspicious.

Bruinsma, Ceulen, and Spapens (2018) reported that a third of Dutch municipalities have encountered "philanthropic" criminals. Case samples showed sponsorship of sports clubs, events, and fundraising activities, and setting up of charities. Some criminals even acted as "informal mayors" in their neighborhoods (see also Campana and Varese 2018). Outlaw motorcycle gangs explicitly used philanthropic activities like visiting children's hospitals and distributing stuffed animals to improve their images (Kuldova 2018).

Philanthropic activities occur in many other parts of the world, albeit on a larger scale. Pablo Escobar is still locally revered for giving money to the poor and stepping in where the authorities had withdrawn (both money and reputation laundering). Italian mafia groups and the yakuza (and some officially designated terrorist groups, e.g., in Pakistan) have been reported to help with relief efforts. These efforts cost little money and need no laundering but generate immense local goodwill while shaming the national government (Kuldova 2018), thus enhancing the comparative legitimacy and "collective efficacy" of the crime group. For white

collar criminals, there are other benefits, such as large tax deductions for charitable contributions.[21]

Another mixture of power and proximity sometimes occurs when criminals from ethnic minorities establish business or religious societies within their own communities (Soudijn and Akse 2012). Sometimes they are able to portray themselves as successful and generous businesspeople, which leads to higher standing within the community or even to dealing with the government as a community representative.[22] It is often unclear to what extent ethnic societies are aware of the criminal origins of their affluent members.

In short, although organized criminals' motivations may be more varied than a simple *Homo economicus* model would predict (notably obtaining social standing), achievement of their goals often involves activities that violate money laundering legislation.

D. The Anti–Money Laundering Regime

The final component in our framework is the way in which the anti–money laundering (AML) regime is locally carried out. Since 1986, when the US Presidential Commission on Organized Crime recommended a follow-the-money strategy, a plethora of general regulatory and criminal justice measures have been developed to prevent and deter an ever-broadening range of criminals from using the financial system to hide the proceeds of crimes or to finance terrorism or weapons of mass destruction. An important driver of the AML regime is the intergovernmental FATF. This task force, which describes itself on its website as a "policy-making body," has developed a set of "recommendations" (originally in 1990, revised in 1996, 2001, 2003, and 2012) that have become the international standard for combatting money laundering.[23]

The AML regime is in essence one gigantic global and local exercise in attempted situational crime prevention, with most staffing and expenditure costs falling upon the private sector.[24] To use situational crime prevention

[21] Struggles over the acceptance or rejection of philanthropic offers, and past donations by shamed or questionable-background wealthy donors to the prestigious arts and culture bodies and elite universities, is too broad a subject for us to address in this essay.

[22] In a different era, mobster Joseph Colombo (1923–1978) established the Italian-American Civil Rights League to protest stereotypical depictions of Italians as being members of the mafia. At its height, it had a following of over 40,000 people.

[23] See https://www.fatf-gafi.org/about.

[24] The validity of data on compliance costs is difficult to test; they vary over time and place as a function of regulatory risks, but an estimate for AML costs for financial institutions in

parlance, the obligation of banks and other sectors to report unusual or suspicious transactions aims to "increase the effort" by enhancing the level of surveillance applied to commercial transactions. Compulsory measures to report all cash deposits, money transfers, or payments above a certain financial amount[25] are illustrative. Specifically accredited individuals or teams within banks who are allowed to vet certain financial transactions and reject or "de-risk" individual or business customers can be called "access control" operators. All these measures set rules and require training and thus by themselves raise the awareness or remove excuses of those involved.

This is what Garland (1996) termed "responsibilisation," the shifting of the burden of crime control onto the private sector, though Garland wrote about this in relation to mundane crimes. Reporting entities and their employees (e.g., bankers and lawyers) are required to identify their customers and to record and report suspicious (or suspected) transactions and all transactions with high-value dealers in cash above a legally fixed minimum, at risk of prosecution and regulatory sanctions.[26]

Failure to conduct checks or make reports to the national Financial Intelligence Unit (FIU) if suspicions have been aroused results sometimes in large fines, especially if rule breaking can be shown to be intentional or systemic (which may not be desired because of the collateral damage to the bank or to the banking system).[27] To give a few examples, Wachovia

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North America is $31.5 billion in 2018 (https://risk.lexisnexis.com/insights-resources/research/2019-true-cost-of-aml-compliance-study-for-united-states-and-canada). An earlier study found it to be $28 billion in six countries in Asia (https://www.lexisnexis.com/risk/intl/en/resources/research/true-cost-of-aml-compliance-apac-survey-report.pdf), and another found that average AML compliance costs per financial institution in several continental European countries range from US$17.2 million in Switzerland to US$23.9 million in Germany, totaling an estimated $83.5 billion in Europe (LexisNexis 2017). The businesses regulated by the UK Financial Conduct Authority (FCA 2018) employ at least 11,000 full-time equivalent staff specifically for money laundering and financial crime issues, with a salary bill alone of £650 million per year. These costs do not have to be paid out of taxation directly, but they do have to be paid from the profits of regulated firms.

[25] This minimum varies between countries. In Australia, for example, it is zero at the time of writing.

[26] One of the earliest examples are Italian authorities who noticed in the late 1970s that proceeds of bank robberies funded the activities of the Brigate Rosse; subsequently, Italian banks were required to report large cash deposits. There have been periodic attempts to reduce the variable limits on cash payments in the EU; see Riccardi and Levi (2018).

[27] No breakdown exists of regulatory penalties into "organized crime" and other cases. Penalties are activity measures, not indicators of effectiveness (or the opposite). In our view, AML effectiveness should not be seen in simple binary terms. Penalties imposed in any one year are affected by (sometimes lengthy and multinational) regulatory or criminal

Bank settled in 2010 for US$160 million to resolve allegations that its weak internal controls allowed Mexican cartels to launder millions of dollars' worth of drug proceeds. HSBC Holdings, PLC, agreed in 2012 to pay US$1.9 billion after admitting laundering drug money for Mexican and Colombian drug cartels. Citigroup in 2017 agreed to pay US$97.4 million in a settlement after admitting to criminal violations by willfully failing to maintain an effective AML system. Dutch ING Bank accepted and paid a settlement for €775 million agreed by the Netherlands Public Prosecution Service in 2019 for not acting properly as a gatekeeper to the financial system. According to the settlement agreement, ING had set up their internal compliance system for monitoring transactions in such a way that only a limited number of money laundering signals were generated. Australia's Commonwealth Bank of Australia paid the Australian authorities US$430 million when large numbers of organized criminals exploited the failure to link large frequent (53,750 in total) cash deposits into the bank's "Intelligent Deposit Machines" to its AML system. At the end of 2019, heavy penalties were threatened for Westpac in Australia for 23 million reporting violations, which included some unreported wire transfers in relation to, for example, child sex trafficking in the Philippines.

Fines should be seen in the context of overall profits and of profits from the sorts of activities that were neglected. However, these heavy nominal fines not only pressure the bank to be more compliant but also aim to send a powerful signal to other banks to improve or at least spend more money on their AML departments. Formal regulatory measures have been globally accepted, after initial resistance, by most sections of the private sector (with the exception of the legal profession in some countries, such as Australia, Canada, and the US, which have successfully resisted the legal obligation to report suspicions to FIUs) and have become part of a transnational legal order (Halliday, Levi, and Reuter 2019); these measures aim to universalize controls and create a level playing field against organized criminals.

An important development in flagging suspicious or suspect[28] transactions is the use of big data. Banks, for example, automatically check each

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investigations into conduct that may have occurred years previously. Fifty-eight AML penalties were handed down globally in 2019, totaling US$8.14 billion, double the amount, and nearly double the value, of penalties handed out in 2018, when 29 fines of $4.27 billion were imposed (https://www.encompasscorporation.com/blog/encompass-aml-penalty-analysis-2019/).

[28] Because "suspicious" implies that there is something in the transaction that reveals something inherently suspicious/criminal, whereas "suspected" simply signals that a cognitive judgment has been made by the observer (Gold and Levi 1994; Levi and Reuter 2006).

financial transaction with a multitude of algorithms for divergent behavior. These algorithms are often bought from third-party companies. The use of big data seems well suited to counter money laundering. First, an enormous amount of financial data is generated by the clients, customers, and citizens of private, semiprivate, and public parties. Just think about the number of transactions that banks, money transfer companies, insurers, land/property registration agencies, chambers of commerce, and tax authorities, to name a few, process on a daily basis. Second, financial data are relatively straightforward, easy to code, and have long been digitalized. A specific monetary value in a specific period is transferred or belongs, or appears to belong, to a certain person or organization. Third, because financial transactions are essential for the functioning of society, great pains are taken to avoid errors. Transactions, therefore, match between different partners or systems, and unique identifiers are in place. This makes it relatively easy to combine financial data from different parties, which is one of the preconditions of big data analyses.

Some of the monitoring measures clearly deflect and perhaps even prevent crimes altogether, including frauds against the banking system and other forms of organized crime. Data about this are very seldom available. In the UK, the Nationwide Building Society—the largest, with 15 million customers—closes down 12,000 accounts a year, half of them for suspected "money muling" activities in which genuine accounts are used to push through domestic or foreign proceeds of crime transactions. The mid-sized Santander Bank—with 14 million accounts—alone closes down some 10,800 UK accounts annually because of suspected money muling activity.[29] In 2017, in the UK, 1.15 million account-opening attempts were rejected for financial crime-related reasons.[30] Prima facie, this might suggest that the system is quite good at prevention, though one cannot deduce from these data how many (ill-defined) financial crimes are not prevented from account-opening in the UK (and this proportion may be wildly different elsewhere in the world, where such data are not collected or are unavailable).

[29] Economic Crime—Anti–money laundering supervision and sanctions implementation, Treasury Select Committee HC 2010, Q.692, http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/Treasury/Economic%20Crime/Oral/96630.html.

[30] Economic Crime—Anti–money laundering supervision and sanctions implementation, Treasury Select Committee HC 2010, Q.695, http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/Treasury/Economic%20Crime/Oral/96630.html.

Garland was identifying a trend in relation to ordinary crimes. However, this trend has turned out to have been an extraordinarily ambitious attempt to impose responsibilities on a uniform global scale. In the US, the reporting entities filed more than 3 million SARs in 2017, against only 150,000 in 1996. In Europe, 1.5 million SARs were filed in 2017 across the then-28 EU member states, almost double the number in 2006. The UK, the Netherlands, Italy, Latvia, and Poland are the top five SAR issuers in Europe. Does this mean that the UK is more effective than the Netherlands, or twice as effective as Italy but nowhere close to the US? Clearly not. In all of these countries (plus Denmark, Estonia, Malta, and Sweden) there have been massive money laundering scandals, connected both to organized crime and to other sorts of offenders such as Russian, African, Middle Eastern, and eastern European oligarchs. Furthermore, it is often not possible to deduce what proportion of SARs relate to organized crime, however defined, or indeed of correctly reported transactions that relate to any type of crime. How would we expect bankers, lawyers, and high-value dealers to know for certain that their clients were criminals or that the transactions were proceeds of crime in general or of particular crimes? The system circumvents this by requiring them to have systems in place, not to know for certain. Nor do we know the number or proportion of transactions that actually related to crimes but that were *not* suspected or, that if suspected, were not reported to the national FIUs, or were investigated only after being reported.[31]

There are many gaps in reporting, both legislatively (e.g., lawyers in many jurisdictions are not obliged to file their suspicions) and in practice. For instance, two reports on casino gambling, real estate, luxury vehicle sales, and horse racing in British Columbia (German 2018, 2019) show widespread evasion of controls in Canada, which only shortly before had been highly praised by FATF for the effectiveness of its controls.[32]

In theory, a stringent AML regime makes it more necessary than a lax one to take serious steps to hide the criminal origins of assets. In reality, it

[31] Europol (2017) reports that only 10 percent of suspicious activity reports are further investigated after collection, a figure that is unchanged since 2006. However, even if one accepts that figure as accurate, it understates somewhat the potential value of the data contained in these reports, irrespective of whether further investigations are triggered. It also raises questions about the value of FIUs demanding an ever-increasing number of SARs from professionals, whose lack of follow-up is sometimes deflected by FIU complaints about their low quality; see NCA (2019).

[32] See also Amicelle and Iafolla (2018) for some insights into financial services sector perspectives there and elsewhere.

depends how the AML regime is actually put into practice. Some, arguably most, regimes simply do not have the manpower or resources to go after every indication of money laundering. Hülsse (2008) drew attention to "paper compliance" that camouflaged nontargeting of certain types of laundering. For instance, the lack of due diligence requirements by Companies House in the UK, the official register of companies and corporations, has been a significant weakness,[33] albeit one shared by other business registers in the EU and elsewhere.

An experimental study in which potential intentionally dubious customers approached financial intermediaries around the world by email has shown that AML rules are applied less stringently in the UK and, especially, the US, compared with more stigmatized "secrecy havens" such as the British Virgin Islands and Belize, at least to approaches from strangers (Findley, Nielson, and Sharman 2014). To the extent that this is true in practice, it may reflect the differential external pressure that such jurisdictions are under to comply with procedures, including the role of FATF as a political instrument of the Great Powers. A case in point is the race to the bottom spearheaded by financial secrecy and trust laws in South Dakota and Delaware.[34] Money in a South Dakotan trust fund is almost impossible to reach by the authorities because of its protected secrecy status. Furthermore, while well over a hundred countries in the world signed up to the global agreement "Common Reporting Standard," an agreement put in place in order to exchange information on the assets of each other's citizens abroad, the US failed to do so.

How an AML regime is put into practice is also dependent on the level of corruption. Effective monitoring is thereby dependent on the weakest link. Corrupting a guardian of the financial system such as a bank employee helps the criminal to circumvent the measures that the guardian is meant to enforce. Perceptions of corruption can also be important in deterring people from making SARs if they think that clients will get to hear about them from the authorities by leaks, whether in developed or less-developed economies. This applies both to wealthy elites who are or, if identified correctly, should be categorized by regulations as

[33] See Transparency International UK (2017) and NCA (2018, p. 38). BEIS (2019) has made some reform proposals in a public consultation aimed at improving levels of vigilance at Companies House and the companies' register. Time will tell whether any postconsultation changes have significant impact.

[34] See https://www.theguardian.com/world/2019/nov/14/the-great-american-tax-haven-why-the-super-rich-love-south-dakota-trust-laws.

Politically Exposed Persons (PEPs), and to other organized criminals who may be suspected of having strong connections to the authorities. In kleptocratic regimes, including some post-Soviet ones but also mafia-influenced countries such as Italy, the concentration of influence and power shapes both law enforcement and business opportunities such as the award of government contracts.

Too much corruption, however, can be unsafe for criminal investments in the long run (Unger, Rawlings et al. 2006; Unger, Ferwerda et al. 2018). Corrupt regimes are unstable and unreliable and are therefore not safe to trust. The more money an organized criminal or corrupt bureaucrat has to lose, the more important it is to get at least a significant amount of it out of the country into financial safe havens.

Initiatives that rank AML effectiveness per country quickly fall short when the data are scrutinized. For instance, the FATF uses a complex system called "Mutual Evaluation Reports" (MERs). The MERs are a kind of lengthy peer review of member states on the level of compliance with its numerous recommendations that, since 2013, have included both technical compliance and an attempt at effectiveness judgments. However, as van Duyne, Harvey, and Gelemerova (2019) noticed, some MERs report the number of investigations, and others report cases solved or only the number of prosecutions; terms have no fixed meaning; statistical management was seriously lacking in many countries; and there is little or no disclosure (and possibly little actual knowledge) of the public- and private-sector cost of carrying out the domestic AML regime. This makes cross-country comparison infeasible, and makes assessment for many single countries difficult.

Nevertheless, countries are ranked according to four scores ranging from Compliant, Largely Compliant, Partially Compliant, or Noncompliant. Although these scores are more subjective than based on statistical processing of data, countries that score especially badly can suffer economic sanctions (also see Sharman 2011; Halliday, Levi, and Reuter 2014; Platt 2015). After criticism, in 2013, of putting too much emphasis on measuring formal legislative and institutional arrangements, the FATF sought to update the MER process but still struggles to work out what data and measures are both relevant and possible (Levi, Reuter, and Halliday 2018). Indeed in late 2019, just prior to its planned visit to Australia, the FATF suspended its follow-up process pending a review of the MER process as a whole.

Another attempt to measure the risk of money laundering around the world is the AML Index that is published by the Basel Institute of Governance. The ranking is based on 14 indicators that include, among others, MERs, the Transparency International Corruption Perception Index, and press freedom (Basel Institute 2018). Notwithstanding glaring weaknesses like Companies House checks on registrations, the AML Index gives the United Kingdom a good score and places it above the United States, Germany, and Japan. But then again, according to this index Dominica, Latvia, and Bulgaria score even better. Here we can see the impact of giving equal weight to countries' MER. Some countries were arguably very strictly evaluated by teams from the International Monetary Fund, while others are evaluated less critically (though perhaps with more procedural legitimacy) by neighboring countries (Halliday, Levi, and Reuter 2014). There is ongoing debate about the appropriate role in National Risk Assessments or MERs of local knowledge (or beliefs) in assessing risks, for example, in informal communities in Africa.

III. Professional Money Launderers and the Supply of Money Laundering Services

There are reams of articles about the legal and technical components of the AML and compliance processes and an increasing amount of material on their international relations components. FATF has been a successful policy entrepreneur. Sociological analysis of the cultures in which compliance operates has been weaker and focused largely on the banking and money remittance systems. Investigative journalism and nongovernmental organization activism have yielded considerable insights into "high end" relations between Global North bankers, oligarchs, and corrupt politicians (Shaxson 2011; Posner 2015; Enrich 2017; Obermayer and Obermaier 2017; Bullough 2018) and, however hard to test their veracity,[35] financial sector memoirs add some insights (Birkenfeld 2016; Kimelman 2017). "Organized crime" in the conventional sense cannot necessarily be recognized in these accounts because it is not clear whether

[35] Some cultural criminologists might not accept the relevance or importance of testing veracity. Though a perspective does not have to be shared by others or be "accurate" to be genuinely held, even those who believe that "offender accounts" are important ought to worry about verification problems for "facts" about offending. This is a broad dispute, for which this essay is not the right place.

the labeling process makes bankers' and lawyers' treatment of organized crime funds different and plausibly more rigorous, whether from morality or from pragmatism, in defending themselves and the institution against large fines, risks of prosecution, and reputational damage. Others have studied the role of creative compliance in the interaction between tax evasion and tax planning (McBarnet and Whelan 1999). How professionals now respond to drug merchants and human traffickers bearing cash is less well understood, other than via iconic cases such as HSBC and other publicized banking violations that lie outside conventional criminological discourses.

In other words, we know more about major corporate misconduct cases and their links to culture from sociological and media studies of the financial crisis (e.g., Tett 2010; Luyendijk 2015) than we do about the demimonde or underworld aspects of laundering. This is important because routine activities models require their setting in ordinary interactions and elite commercial law firms, and bankers are as remote from these routines as they are from neighborhood law firms, local retail banks, and money service businesses.

We know little about the supply side of money laundering services (besides criminal and regulatory cases, media exposé cases, and mystery shopping research). Generally speaking, variability exists among offenders in the need for laundering services, and in the resources that different sorts of offenders bring to the table that enable them to dispose of the proportion of illicit income they wish to conserve (Horgby, Särnqvist, and Korsell 2015). Some criminals have the necessary expertise to launder their own illegal profits, whether they be small or large. This is called self-laundering. It is difficult to delineate where particular financial thresholds lie at which a person decides to self-launder or not. It depends on the type of crime, the amount involved, offenders' goals, and the AML regime. Criminals who can execute complicated fraud schemes are likely to be able to self-launder their criminal profits, even if these are quite substantial. Criminals who derive their income from directing drug sales in the street will probably find themselves at a loss when it comes to setting up a complicated international company structure. But as we discussed above, the need for money laundering also depends on the goals to which the criminal money is to be applied and to the rigor of the AML regime. If a criminal wants only to buy a new gold chain at the local jeweler, a simple story about the money being a birthday present might be enough. However, if he wanted to buy a new yacht, a better story and a plausible, if

false, paper trail are probably needed. Then again, had the offender lived in a region without an adequate AML regime (or a corrupted or intimidated private or public-sector guardian), a story would not be needed at all.

If self-laundering is not an option, the laundering can be outsourced to facilitators, also known as financial enablers or professional money launderers (PMLs). These are people who, as experts in their field, are contracted with by the criminal to solve particular financial bottlenecks (Kleemans, Brienen, and Van de Bunt 2002; Kruisbergen, Van de Bunt, and Kleemans 2012). A PML is thus not just anyone who assists in money laundering, but somebody who provides an essential service to offenders who want to be able to develop crimes at scale. This is an important distinction from so-called front men or straw men. Such people are useful in many a money laundering scheme, but they are merely signatories to property deeds, vehicle registrations, or company documents. They have no say in the planning or execution of the money laundering scheme itself. In contrast to PMLs, they are easily replaceable. Some front people are random addicts recruited on the street, in prison, or in seedy bars who earn a couple of hundred euros at most. Others are found closer to home, including friends, significant others, and family members (sometimes allegedly without their knowledge).[36] Sometimes, knowingly, unknowingly, or willfully blind, students or fraud victims are recruited personally or via social media as "money mules" to run financial transfers through their legitimately opened bank accounts.[37] They are sometimes told lies about acting for marketing firms or about trouble opening new accounts.

How often PMLs come into play is not clear and depends on local circumstances. Some studies estimate quite low numbers. Analyzing 52 Dutch money laundering convictions involving over €450,000, van Duyne (2003) found only two cases in which PMLs were involved. Based on an analysis of 129 Canadian organized crime networks during 2004–2006, Malm and Bichler (2013) estimated that only 8 percent of drug-market launderers could be classified as PMLs. Reuter and Truman (2004) found that

[36] A study of confiscated firms that belonged to Italian mafia-type organized crime groups showed that female ownership was about 50 percent higher than the national average (Savona and Riccardi 2018). Using spouses and girlfriends as straw women has the advantage of providing them with a seemingly legitimate income (Soudijn 2010).

[37] See https://www.cifas.org.uk/newsroom/new-data-reveals-stark-increase-young-people-acting-money-mules; https://www.europol.europa.eu/newsroom/news/over-1500-money-mules-identified-in-worldwide-money-laundering-sting; https://www.bbc.co.uk/news/uk-england-45797603.

16 percent of people in prison for laundering drug money had no other drug involvement. Other estimates are unsupported.

Though there is no reason why the proportions of PMLs should be similar over time and place, such differences may be attributable in part to how police investigations are carried out (Soudijn 2016). That in itself is influenced by the extent to which money laundering is or is not prioritized by judicial authorities and by their experience in dealing with ambitious and sometimes costly cases when budgets are constrained, either encouraging or discouraging them from taking on similar cases. Van Duyne's low figure can be partly explained by his inclusion of a period when AML legislation was not yet in place in the Netherlands. Another factor influencing investigations is the existence of self-laundering offenses. In some jurisdictions, self-laundering is not a prosecutable offense, which means that criminals are usually targeted through traditional complicity and offenses (and related investigative tools).

Even when money laundering legislation is in place, PMLs can still be overlooked during police, customs, or other law enforcement investigations. This often happens when the focus lies solely on predicate crimes such as large-scale drug smuggling. Considerable efforts are made to intercept or confiscate the smuggled drugs, and when this goal is reached, the case is often deemed a success and closed. In about half of the cases in a Dutch study of 31 case files on large-scale cocaine smugglers (smuggling hundreds of kilos of cocaine on average), one or more PMLs were involved (Soudijn 2014). This high score not coincidentally could be traced back to about half of the cases in which the investigators had also been actively looking for PMLs and had dedicated resources to do this from the earliest planning stages. Levi and Osofsky (1995) noted that financial investigators in the United Kingdom were often brought in at the tail end of investigations for asset recovery rather than being mainstreamed; that is often still the case (Levi 2018). It is therefore likely that the percentage of PMLs in nonfraudulent organized crime activities that generate large-scale profits (over €350,000) could be closer to 100 percent. Forensically, if PMLs are harder to convict, their relative absence in conviction-based data sets is understandable.

A. Classifying PMLs

PMLs can be classified in different ways. Malm and Bichler (2013) point out that there is a difference between PMLs who serve multiple

criminal clients, and (in their terms) opportunistic launderers who work exclusively for one person. These latter cases often involve a relationship based on friendship or kinship. From a disruption perspective, little is known about how difficult it is to replace a PML if one is disabled by enforcement, retirement, or assassination.

Another way to classify PMLs is by profession. Several studies mention lawyers, accountants, notaries, real estate agents, and even stockbrokers (Malm and Bichler 2013). In other words, PMLs are mostly active in professions that require some qualifications, or at least have their own professional status. Middleton and Levi (2005, 2015) discuss mainly lawyers who launder the proceeds of their own crimes such as fraud, but also those who launder the proceeds of other people's crimes after mutual attraction through vice or blackmail. They also note that changes in ethical legal culture, financial pressures from commercial deterioration, and ownership of law firms may increase money laundering opportunities and needs. Benson (2018, 2020) analyzed 20 cases between 2002 and 2013 in which lawyers or accountants were convicted of money laundering. The cases demonstrated considerable variation in the actions and behaviors of lawyers that can be considered to facilitate money laundering, and for which professionals can be convicted. These variations related to the purpose of the transactions, the level of financial benefit gained by the professional, and the nature of their relationship with the predicate offender. Acting in the purchase or sale of residential property and moving money through their firm's client account were the most common means by which lawyers were involved with criminal funds. However, the cases also included lawyers who wrote to a bank to try to unfreeze an account; paid bail for a client using what were considered to be the proceeds of crime; transferred ownership of hotels belonging to a client; written a series of profit and loss figures on the back of a letter; and witnessed an email, allowed the use of headed stationery, and provided legal advice for a mortgage fraudster. Four lawyers were involved knowingly and intentionally, but in the majority of cases, there was no evidence of a deliberate decision to offend or of dishonesty on the part of the lawyer. Money laundering enablers therefore are not a homogenous phenomenon, and we should distinguish between professional money laundering and laundering by people with professional status. The culpability of the latter set is heavily disputed by their professional bodies, who regard "professional enablers" as a derogatory term to discredit the legitimacy of both their

profession and their arguments against regulation (first author interviews in the United Kingdom, 2016–2019).[38]

Not all PMLs are regulated or qualified professionals. There are several reasons for this. First, some describe themselves using loose terms like *tax adviser* or *financial consultant* that need no formal financial training or regulatory permit to practice. Second, some PMLs originally had a background as a lawyer or notary but had been disqualified because of fraudulent activities. They can no longer act as licensed lawyers or notaries but continue to advise criminals on how to launder their financial gains, even though some of their activities may require involvement by licensed professionals who may or may not be knowing parties to the transactions. Third, a group of PMLs have carved out a financial niche by wiring or physically smuggling large amounts of cash through banking networks (underground, as they held no permit), although greater attention to transaction volumes of customers and "de-risking" (i.e., account closing) may inhibit such efforts over time.

A differentiation can also be made between PMLs whose activities are cash-based and circumvent the legal economy, those who create a false paper trail in the legal economy, and those who solely focus on cryptocurrencies (Soudijn 2019). The last category provides outlets for exchanging fiat currencies into new, virtual coins or vice versa. Exchanging cryptocurrencies by itself is not a criminal offense; however, by deliberately targeting conspicuous clients (and charging a premium compared to normal exchangers), they become part of a money laundering scheme. Or rather, they become money launderers. The premium price charged, if proven to the satisfaction of the court, can be evidence that they knew that the proceeds were illicit.

Because financial investigations in the Netherlands of large-scale cocaine smuggling groups often involved underground bankers, increasing knowledge has been gained about this subgroup. It became apparent that PMLs of this type were largely structured along ethnic lines (Soudijn 2016). Criminal cash that virtually traveled across corresponding accounts often was found in specific Indian, Pakistani, and Afghani networks. Collectively, they are known as *hawala* networks (Jost and Sandhu 2003; Maimbo 2003).[39] Bulk cash smuggling was organized around Colombian,

[38] Google and other web platforms that take money for advertising fraudulent companies are also enablers according to the same logic.

[39] The term *hawala* has Arabic roots and means exchange. For more linguistic detail, see Martin (2009).

Mexican, Venezuelan, Chinese, Lebanese, and Israeli networks.[40] In other parts of the world, underground banking is mentioned, for example, in relation to Somalian, Vietnamese, and Tamil communities, although it is less clear how they transported money from organized crime (El Qorchi, Maimbo, and Wilson 2003; Cheran and Aiken 2005; Hernandez-Coss 2005).

Although the structure of each underground banking group had a clear ethnic background, it was observed that they worked together when it was to their advantage and did not discriminate against clients from other nationalities. The underground bankers in the Dutch study not only transferred money but also functioned as escrow accounts, exchanged smaller for larger dominations (and vice versa), changed currencies, and even held criminal savings.[41]

General classification of PMLs can also be made according to the activities or services they provide. The FATF (2018) mentions a number of such specialized services: consulting and advising, registering and maintaining companies or other legal entities, serving as nominees for companies and accounts, providing false documentation, commingling legal and illegal proceeds, placing and moving illicit cash, purchasing assets, obtaining financing, identifying investment opportunities, indirectly purchasing and holding assets, orchestrating lawsuits, and recruiting and managing money mules. This script analysis does not tell us about which actors play multiple or single roles.

Another way to look at the services provided by PMLs is to focus on their specific roles. The FATF (2018) distinguishes eight, although this list should not be considered exhaustive: leading and controlling; introducing and promoting; maintaining infrastructure (e.g., a money mule herder, a person who oversees the deployment of the people who are hired only to transfer or smuggle illicit money); managing documents; managing transportation; investing or purchasing assets; collecting illicit funds; and transmitting funds. PMLs can perform more than one role. The feasibility of using these roles for research or analysis has not been tested.

[40] These networks can also use virtual smuggling networks. For example, the NCA (2019) reports about a form of Chinese underground banking called "daigou," which partly makes use of Chinese student accounts.

[41] Passas (1999, 2003) coined the term "Informal Value Transfer Systems" (IVTS) as an alternative to underground banking to emphasize that they provide no services other than the transfer of money. In hindsight, the term IVTS itself is too narrow, as some underground bankers did and do carry out more activities than informally transferring money.

B. Criminal Careers of PMLs

It is a common law-enforcement trope that some close-knit organized groups, for example, those based on religion or race, send younger relatives to study law or accountancy who are subsequently employed by the criminal family as money launderers. But this requires a longevity of vision and commitment to long-term criminality that may be uncommon. It may take many years before a lawyer or accountant is in a position to help an organized crime group, and supervision arrangements within a firm may inhibit the scale of their assistance.

Although little attention has been devoted specifically to PMLs, life-course research shows that criminal facilitators, in general, frequently seem to move lateral entry into organized crime late in their career (Kleemans and De Poot 2008). They come into contact with crime at a later stage in their lives. This "adult onset" does not conform to the stereotypical age-crime curve observed elsewhere in criminological research (Kleemans and Van Koppen 2020). This curve describes a rise in offending during adolescence, followed by a strong and steady decline over the rest of the life course. PMLs are also often different from life-course persistent offenders in that they do not typically engage in antisocial behavior from an early age and remain criminally active later in life. On the contrary, criminal facilitators are generally found to have become criminally active only in their thirties, forties, or later. At that stage of life, they skip the petty crime convictions that make up the typical age-crime career but quickly accumulate a criminal record in relation to organized crime offenses.

One difference between early and late onset is that the usual offender has somewhat limited low self-control due to his young age, and the types of crime typically included in their criminal records are open to anyone. Petty crime, rowdy behavior, and other sorts of public nuisance do not need special skills and planning. Organized crime offenses, by contrast, are not open to anyone but require the necessary contacts (both licit and illicit), trust, and skills (Kleemans and De Poot 2008). That is not to say, however, that the typical organized crime offender is a late starter. Some are born into the right (wrong) kind of family and learn by doing and by example at an early age.

For criminal facilitators, including PMLs, this is generally not the case. They generally became involved in organized crime activities through social ties at later stages in life, albeit by different paths. The connection often happens by chance. Living in the same neighborhood, having mutual friends or encounters in the work place, or enjoying the same

hobbies and vices lead to meetings across different walks of life that would not have happened otherwise.

Life events are another type of chance that stands out. These events are life-changing occurrences, often related to financial setbacks like becoming bankrupt or losing a job. For instance, a financial setback can prompt one person to seek out a moneylender and thus become entangled with the criminal underworld. Another person with gambling debts may hear through his social circle about a grey market for currency trading and be asked to become involved. A normally crime-inhibiting life event like marriage can lead to crime when it is into a criminal family and leads to involvement in a father-in-law's illegal business.

One caveat about the late onset of PMLs is that such a conclusion is based primarily on research in relation to Dutch transit-oriented organized crime. It is not automatically applicable to countries with other types of organized crime (and other amounts of revenue, other goals of crime money, and other AML regimes).

C. The Principal-Agency Problem

The financial proceeds of organized crime can be entrusted to a PML to launder when needed. Criminal and launderer come into contact with each other because of a criminal's deliberate search or a chance encounter (e.g., at sporting or vice venues). This launches the PML's criminal career. The question of trust remains puzzling. Why do criminals trust a new acquaintance, perhaps one with financial problems that tempt them into offering criminal services, to do a proper job and not defraud or betray them? How are potential conflicts and tensions resolved?

This type of problem can be approached from the perspective of "principal-agency theory" as developed in the business and management literature (Jensen and Meckling 1976; Ross 1976; Eisenhardt 1989; Kiser 1999). The principal is the party that wants a job done on their behalf, and the agent is the party that is contracted. In the case of money laundering, the criminal who needs money laundered would be called the principal, and the PML the agent.[42]

Principal-agency theory tries to find solutions to so-called agency problems, real and potential conflicts that arise from transactional arrangements.

[42] Money laundering agency problems are usually placed in the licit economy. For example, the FIU or a regulator is the principal, and banks which should file SARs become the agents (Araujo 2010; Takáts 2011).

There are two types of agency problems. The first occurs when goals and interests of the agent and principal diverge.

The second occurs when the principal finds it difficult or expensive to verify whether the agent is behaving appropriately (Eisenhardt 1989). In the case of money laundering, this has a circular logic. The PML is hired because of the criminal's lack of money laundering expertise. But how, then, can the principal be sure that the PML is doing an adequate job? Agents might also misrepresent their abilities. Having imperfect knowledge of the action of an agent is called information asymmetry.

In the case of money laundering or any criminal business, there are other challenges not found in legitimate businesses (e.g., the absence of a legal contract enforcement mechanism, the risk of interference from law enforcement, and risks of violence from competitors or the principal). All of these uncertainties and risks increase the potential for disputes and conflicts. To counter agency problems, various mechanisms can be devised to align the interests of the agent with those of the principal. These also fall into two general categories: monitoring and the use of incentives and disincentives.

With monitoring, the principal tries to close the gap of any information asymmetry. A complete closure would mean following the agent every step of the way, but that would cost enormous time and energy. Moreover, when two or more agents are involved, close monitoring becomes logistically impossible. In the legal business world, the principal must rely on such techniques as filing of reports, standardization of tasks, and use of supervisors. In the illegal business world, such solutions are hardly feasible because they leave paper trails. Therefore, a more commonly observed way to solve the agency problem in the illegal business world is through use of financial incentives and physical disincentives.

Financial incentives can be substantial. For instance, a study on the physical smuggling of money made from high-volume cocaine trafficking, using business records of the smugglers themselves, showed that it cost between 10 and 17 percent to transport money from Europe to South America (Soudijn and Reuter 2016). This is considerably more expensive than the 2–4 percent identified in earlier US work for crossing the Mexican border (Farfán-Méndez 2019). For instance, a Colombian underground banker who received one million euros in the Netherlands could charge 12 percent and thus need to deliver only €880,000. But it was also noted that the high prices of the smuggling agents were also partly insurance. If the money was intercepted or lost, the principal was

guaranteed delivery at the expense of the agent. Another example of financial incentives can be found in the exchange rates of bitcoins stemming from criminal activities. Less scrupulous exchangers who exchanged bitcoins for cash (or vice versa) offered their services for 7–15 percent to criminals, way above going market rates of 0.25–0.30 percent (Visser 2017). Given the risks of fraud by those running bitcoin exchanges, this could have been both insurance and a technological skills premium.

Agents are also kept in line by disincentives like cuts, fines, or the threat and use of violence. Although money laundering is not usually connected to violence, there are more than enough examples of violent outcomes. Meyer Lansky lived to the age of 81, but others were not so lucky. In 1982, the corrupt banker Roberto Calvi, also called God's banker because of his close ties to the Vatican and his role in its *Banco Ambrosiano*, was found hanging under a bridge in London, with bricks in his pockets, attributed initially by the City of London police to suicide. No doubt coincidentally [*sic*], his secretary Grazielle Corracher fell from a window to her death on the same day. According to public prosecutors in Rome, Calvi was punished by the mafia for substantial losses when his bank went under.

A Dutch money laundering report estimated that one PML a year is killed in the Netherlands and more are wounded (Soudijn 2017). This is a high number for a country with a very low homicide rate. Although violence surrounding money laundering is rare compared to violence surrounding narcotics trafficking, the stakes are just as high—or higher. When money is lost or badly managed, the predicate crimes have been committed for nothing. Patience and understanding can run short and generate further violence or criminal inefficiencies linked to loss of trust and friendship (if any).

When criminal money is successfully laundered and invested in real estate, it is no longer immediately available. This is not always appreciated, sometimes with fatal results, by criminals who become cash-strapped or simply mistrustful. When PMLs are killed (or die from natural causes or accidents), there may be genuine problems for survivors and principals in gaining access to the funds and knowing what belongs to whom in mixed assets. Furthermore, entering the world of money laundering later in life also brings its own dangers. People lacking the street-smarts that most organized criminals possess sometimes become victims of their new environment. They can fall prey to intimidation, and when word gets out that they are handling large amounts of cash, they can become the target of extortion and robberies by rival criminal groups.

IV. Discussion

We set out in this essay to determine the conditions that influence the level of complexity of money laundering in relation to organized crime. This immediately posed the difficulty of defining money laundering. It was resolved pragmatically by focusing not on a (country-variable) legal definition of money laundering but on an economic one: how money derived from organized crime activities interacts with the legal economy. That is not to say that legal definitions are an unimportant object of study. A legal angle can reflect the changes in the politics of lawmaking and monitoring, or the constraints they do or do not pose to criminal, civil, and administrative justice. Evolving legislation has significant effects on mutual legal assistance and extradition because of this (in EU terminology) "approximation" of laws and regulation. Although the number of incoming and outgoing mutual legal assistance requests are usually set out in MERs (as they are a performance indicator for cooperation), their importance in bringing offenders to justice or in reducing organized crime remains underanalyzed, despite rhetorical use of the term *effectiveness*.

Another difficulty in preparing this essay was to differentiate the laundering of organized crime funds from other sources of criminal income, which include tax evasion, grand corruption, and the financing of terrorism. All of these behaviors can involve committing organized crime offenses or at least offenses that are highly organized. In the end, we followed the traditional framework of organized crime, criminal activities carried out with multiple persons over longer periods, rather than focusing on corporations which commit crimes to raise their sales or profits in the context of otherwise lawful activities, or kleptocrats who may receive or extort bribes from overseas corporations and domestic sources. This reflects no judgment about the relative harms of those criminal activities but simply retains consistency with the organized crime theme.

In our framework, we distinguished four important factors (type of crime, revenue, goals, and AML regime) that influence the level of complexity of money laundering in relation to organized crime. The sequence is of no great importance because the four conditions can intertwine in numerous ways. For instance, large illicit proceeds are easier to launder, and hence less complex, when the AML regime has limited coverage or is corruptible. These proceeds of crime might even come about because of corruption, which makes it easier to defraud the state or international bodies such as the EU or overseas aid agencies, or can be

reinvested in the political process when all or part of the goal is development of "power."

Depending on the circumstances of the four factors put forward in our framework, money laundering can be carried out in more or less complex ways. Recognizing that this needs further specification, we suggest four categories: no need for laundering, and laundering methods of low, medium, and high complexity. Each level carries several implications for official response.

In the first category, money laundering methods are not needed. Criminal money can be spent in cash in the legal economy without attracting attention and repercussions of the authorities. There are differences in such circumstances across countries. Country A might have lower thresholds in place for buying goods for cash compared to country B. Consequently, investigating such cases should not be too difficult, and could be handled by any local police unit, provided adequate AML laws are in place.

In the second category, only low levels of complexity are needed. Again, the circumstances can vary by country. Drug traffickers in South America and human trafficking gangs in Europe might both have very low levels of laundering complexity. But whereas drug traffickers can circumvent AML regimes because of corruption of banking and criminal justice, human traffickers may not make enough money to necessitate evasion of AML rules beyond cross-border smuggling and can go about just purchasing property in home countries that do not rigorously scrutinize the origins of funds for such purposes. Investigating low levels of complexity again should not tax investigative powers too highly (although corruption is a risk).

In the third category, money laundering becomes harder to detect. The laundering scheme will not be obvious at first glance but will collapse quickly if critically examined. A drug trafficker can commingle illegal proceeds in the daily turnover of an auto repair shop or a restaurant or beauty parlor, but if almost no customers show up, it is not a very robust scheme if investigated competently and reasonably promptly.

Finally, some laundering operations are highly complex and necessitate dedicated investigative teams and accountants which can detect the ultimate beneficial ownership of holdings and trusts. Such cases are often related with fraud offenses but could also be the legacy of having overlooked financial assets of organized crime figures in previous years or

even generations. Another aspect of these complex cases is that professional money launderers may be involved.

Studies reveal no obvious pattern to what criminals do with the proceeds of crime, even once they have indulged their hedonistic appetites. We continue to think that each individual offender, network, or crime group begins with its own capabilities to launder, and some actively or adventitiously search for co-offenders who can help them, whether voluntarily or as part of an extortionate relationship. Some of these succeed; others fail. We do not know how hard it is to find another professional launderer, but probably it is not extremely difficult in most countries. In jurisdictions where offenders have cynical views about the morality of bankers and lawyers, they will be more inclined to ask them to help, especially if the professionals are from their communities, are known to have vices or financial weaknesses, and may be more amenable to pressure and temptation which may take place after grooming over time. In jurisdictions where such professionals are ethically schooled and have reporting requirements that are significantly policed, and where there are relatively few economic pressures, most such requests are likely to be turned down. Such differential association models are difficult to test, and the data are too weak and anecdotal to enable general inferences to be made. There is no reason why the involvement of professionals in money laundering should be constant over place and time: to that extent, universal statements are likely to be overgeneralizations.

It is possible that law enforcement professionals' efforts and their resources have not been strong enough, including the reluctance of enforcement agencies to shift their patterns of intelligence development and interventions in directions recommended by FATF and "follow the money" advocates. This will be an ongoing debate. General trends in the anonymization of money, including the decline of cash (for example, in jurisdictions like Sweden) and the rise of cryptocurrencies, will affect the attractiveness of some crimes and the ease of laundering. But, skepticism should be exercised about the hype that surrounds some of these trends, which need to be related in detail to the forms of crime. Cryptocurrencies have undoubtedly become more popular as a sales medium and laundering mechanism, but their proportion of proceeds or profits from crimes not perpetrated on the Internet is likely to be modest for some years to come.

Perhaps it is too ambitious to aim to affect all organized crime rather than particular communities, criminal organizations, or particular forms

of criminal activity. The weight of satisfying public expectations can easily descend into populist policing, a concern of libertarians and scholars who object to "Policing for Profit" (Baumer 2008; Worrall and Kovandzic 2008; Carpenter et al. 2015; Holcomb et al. 2018) and brush aside the economic and social costs of AML, which are less visible to the public and to politicians. The visible face of AML consists of egregious failures of bank reporting of transactions connected to drug, human, or endangered wildlife trafficking. The successes are seldom trumpeted, to protect reporting bodies and people. But AML and proceeds-of-crime freezing and confiscation are ways to show that something is being done to stop at least some offenders from enjoying the fruits of their crimes. That is a nontrivial social function whose effects on offending and on society itself merit evaluation.

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