

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/324258374>

Using Police Reports to Monitor Money Laundering Developments. Continuity and Change in 12 Years of Dutch Money Laundering Crime Pattern Analyses

Article in *European Journal on Criminal Policy and Research* · March 2019

DOI: 10.1007/s10610-018-9379-0

CITATIONS

8

READS

630

Using police reports to monitor money laundering developments. Continuity and change in 12 years of Dutch Money Laundering Crime Pattern Analyses.

This is a pre-print of an article published in the European Journal of Criminal Policy and Research. The final authenticated version is available online at:

<https://doi.org/10.1007/s10610-018-9379-0>

M.R.J. Soudijn

Abstract

This article is based on 4 Dutch Crime Pattern Analyses on Money Laundering Reports. These reports are part of a four-yearly cycle that provides a periodic overview on organised crime in the Netherlands. The reports cover a time span of 12 years, starting from 2004 till 2016. During this time period, stricter anti-money laundering laws and more awareness of, and subsequently, attention to the profits of organized crime, had led to a growing number of confiscations and convictions for money laundering. Although the Crime Pattern Analyses on money laundering reports are unsuitable to study displacement effects or other situational changes (lacking precise data), they are useful as a tool for comparison and further policy research. Findings show that several changes in money laundering methods and new types of facilitators did occur. Technology is the biggest driver behind the identified changes. However, it also turns out that over the years the same money laundering methods keep returning. In such cases, no innovation was found. Even with the advent of digital opportunities and crypto currencies, cash was still extensively used. The continuity in money laundering methods suggests that the risk of detection is quite low or the consequences are negligible.

Introduction

Having just started my PhD in 2001, I made a grave mistake in the eyes of my supervisor. In a first draft, I used public police reports to describe the estimated size of a criminal market. My supervisor immediately crossed out these references and instructed me to search for other sources. In his experience, police reports could not be trusted because a) they served political goals, b) their methods of data collection are questionable, and c) their findings cannot be checked.

My supervisor had a point, of course. There may be ulterior motives to report on crimes, police data is collected with other purposes in mind than academic research and outsiders have great difficulty getting access to the original sources. It is for these reasons that police reports are largely ignored in academia.

But then again, a case can also be made for a more flexible, moderate point of view. Taking the 'ifs' and 'buts' into consideration, (sections of) police reports can be useful, e.g. to exemplify modus operandi, to frame official data, to signal policing trends, etc. Close reading of the same type of police reports over the years can also be used to monitor developments of what is reported about certain topics that are hard to monitor

by more traditional criminological research methods like (self-) questionnaires, social network analysis or offender convictions.

One such topic is money laundering in connection to organised crime. Active offenders are usually very hard to reach. Partly because they shield themselves, but also because cooperation is against their own interests. Revealing their current methods would not only inform the authorities, but more importantly, laundered money is still viable for confiscation if the authorities find out.

Information on money laundering in connection to organised crime in the Netherlands can be found in so-called Crime Pattern Analyses (CPAs) on money laundering. CPAs are police reports that are part of the Dutch National Strategic Threat Assessment of Organised Crime Report (NSTA). The NSTAs outline the current situation of organised crime in the Netherlands and make cautious forecasts about (changes in) the near-future (Boerman, *et al.*, 2017). Because the NSTA is a four-yearly project that started in 2004 (2016 is the latest, fourth edition), we have, in effect, a picture of money laundering over a time period of twelve years.

Coincidentally, between 2004 and nowadays, money laundering became more and more a priority for legislators, prosecutors and investigators in the Netherlands. This resulted in stricter anti-money laundering laws and a growing number of confiscations and convictions. Likewise, the fight against money laundering worldwide has also been on the rise during the last decade. For instance, the Financial Action Task Force (FATF) raised awareness among both public and private bodies, and its publications strongly influenced legislative and regulatory authorities (i.e. FATF, 2003; 2011; 2012). The European council recently issued its fourth anti-money laundering directive (Directive 2015/849) and subsequent revisions (e.g. proposal 2016/208). The Directive requires, among others, professional service providers to enforce strict rules and better customer due diligence. Furthermore, it even requires Member States to regularly carry out National Risk Assessments on money laundering (and terrorist financing) – see other papers in this special issue.

It is unclear, however, what the effect of all this pressure on money laundering has brought. A conclusion that also worried the Dutch Court of Audit (AR, 2013). It's possible that the heightened attention made a dent in money laundering activities. It could also have led to displacement effects or other situational changes (also see: Bullock & Clarke 2010; Geurette & Bowers, 2009; Vijlbrief 2012). But then again, maybe the likelihood of detection is too low to have any impact on money laundering or exert any real change on the behaviour of (potential) offenders. Or technological innovations just change the playing field every few years.

Police reports are hardly likely to be able to answer such complicated cause and effect questions. After all, police reports generally lack precise data and detailed information about specific interventions, before and after. However, simply noticing any changes over a longer period of time is a first start for further research about the effects of anti-money laundering policy. Because CPAs try to describe the then-current situation on money laundering, they could be useful as a tool for comparison. Changes found could point to new developments in money laundering. But then again, police reports are also likely to have several shortcomings. This leads to two main research questions. Firstly, did money laundering change between 2004 and 2016, according to CPAs? Secondly, how reliable are the findings? The outcome of these two questions might help to evaluate the usefulness of police reports as a source of information on money laundering.

The article is structured as follows. In the next section, we briefly track the CPAs' origins. This provides a political context. In the section called 'data', we take a closer look at the CPAs' data and research methods. The first research question is answered in the section called 'findings'. This section is divided in two parts, one dealing with changes and the other with continuity. This is followed by the section 'validity'. This section provides an answer to the second research question about reliability. The final section discusses some possible implications for both researchers and policy makers.

Background

In the early nineties, the investigatory branch of the Dutch police found itself in hot water. It turned out that a specific police unit, running undercover operations involving criminal sources and front stores, had become too experimental for its own good. Although some police chiefs believed such methods were necessary to get to the 'top level' of the criminal underworld, others took a different stand. They had legal issues, stressed the risk of being deceived by criminals and even doubted the existence of any such thing as a top level. These internal disagreements between operational procedures and goals resulted in mutual distrust and conflicts between police investigators, chiefs, departments and public prosecutors.

The lid was finally blown off when a report on this situation by police chief Van Kastel reached the Ministry of Justice in 1993 (Haenen & Meeus, 1996). As a result, the disputed investigation unit was disbanded, and in 1994 a special Parliamentary Inquiry was launched. The Inquiry focused on the investigatory methods used by the aforementioned investigation unit, but also had the broader task of researching the nature, threat level and scale of organised crime in the Netherlands. This task was carried out by four eminent criminologists: Cyrille Fijnaut, Frank Bovenkerk, Gerben Bruinsma, and Henk van de Bunt. They were given full access to all relevant police files, even those including the most sensitive then-current information. The ensuing report was published in 1996 and provided a hitherto unavailable broad, fact-based study of the state of organised crime in the Netherlands (PEO, 1996).

Coincidentally, the Parliamentary Inquiry also provided the impetus for periodic public overview reports on organised crime. Overview studies apparently met a broadly shared need for information on organised crime by members of parliament, policy advisors and other civil servants, not counting interested academics and members of the general public. Kleemans *et al.* (1998) point out that up till the nineties much information on and insights into organised crime in the Netherlands were lost because they were not systematically described and centrally accessible once a police investigation was finished. Police and judicial authorities were thus poorly equipped to learn from their own experiences. The Parliamentary Inquiry showed the value of a clear focus contained in precise research questions and adequate access to source material (backed by a strong mandate).

The Parliamentary Inquiry can also be seen as presenting some kind of cultural shift for both the research and investigatory units in the Netherlands. Despite some hostility at first, police investigators came to understand that academics could be trusted to handle very sensitive information. After all, the final inquiry report did not harm any ongoing investigations. No classified information was printed, nor did the researchers conduct

witch hunts or criticize individual performances of police officers.¹ Conversely, getting access to police files gave researchers the opportunity to obtain unique research material that would otherwise not have been available to them. More importantly, the police reports turned out to be rich enough in detail to provide insights in how organised crime was carried out in the Netherlands.

Fast forward twenty years, and the Dutch authorities have commissioned three periodic overview reports on organised crime. The longest running is the Organised Crime Monitor from the Ministry of Justice's Scientific Research and Documentation Centre (WODC). This four-yearly report first came out in 1998 as a successor to the Parliamentary Inquiry report, and is currently in its fifth cycle. In 2004, the National Police started its own four-yearly National Strategic Threat Assessment of Organised Crime Report (NSTA), currently in its fourth edition. The third report also started its cycle in 2004 and is the Dutch contribution to Europol's Serious Organised Threat Assessments (SOCTA). This report, however, is not publicly available and therefore falls outside the scope of this article.

There is a big difference between the reports from the WODC and the NSTA. The WODC-reports are in essence theory-driven. Each WODC-report therefore puts the focus on some aspect of organised crime, such as the function of social networks or the course of individuals' criminal careers. It tries to find explanations and develop insights for the current state of affairs. In contrast, the NSTA-reports are more straightforward. Theory is largely absent and the authors instead put more emphasis on describing the then-current situation of (different aspects of) organised crime in the Netherlands. Based on these descriptions, it makes cautious forecasts about (changes in) the near-future (Boerman, *et al.*, 2017). Both reports have policy purposes, but whereas the WODC tries to advance more fundamental insights that need to be translated in terms of new approaches to combat organised crime, the NSTA is primarily meant to help set priorities for the Ministry and Public Prosecutor's Office.

Data

The NSTAs are in fact condensed reports of several sub-studies called Crime Pattern Analysis (CPA). CPAs deal with specific focus areas such as the trade in cocaine, heroin, synthetic drugs, cannabis, fraud, high tech crime, human trafficking – and indeed money laundering. The CPAs define money laundering succinctly as illicit money entering the legal economy. Like the NSTAs, the CPAs are publicly available.²

Full disclosure. I'm a researcher with the Dutch National Police. In this capacity I carried out the last two CPAs on money laundering in 2012 and 2016. Like the first two CPAs on money laundering, each CPA consists of pre-determined order of chapters about criminal methods used, estimated size of the illegal market, characteristics of perpetrators, adverse impact on society, and future expectations. Each CPA also includes a data section that explains how and what kind of information was obtained. Table one gives a quick overview of each CPA's data section.

¹ Although one of the four criminologists was later sued privately by a defendant claiming that his identity, although anonymized, was too easily recognizable.

² The 2006 report is only in hardcopy available at the Police Academy of the Dutch National Police (<https://vubis.politieacademie.nl/webopac/vubis.csp>). The other reports are free to download at either www.politie.nl or www.politieacademie.nl

Table 1. Overview of CPAs on money laundering

<i>CPA</i>	<i>Years concerned</i>	<i>Number of cases</i>	<i>Other sources</i>	<i>Number of interviews</i>
1 st	2004-July 2005	91 (14 in-depth analysis)	-None	11
2 nd	2005-2006	226 (9 in-depth analysis)	-FIU-Netherlands -SOCTA	51
3 rd	2008-2012	16 in-depth analysis	-FIU-Netherlands -SOCTA -Criminal-law justice system	46
4 th	2012-May 2016	Not listed, cherry picking	-FIU-Netherlands -Database on legal entities	39

Source: KLPD-DNR, 2005; Lammers *et al.*, 2008 ; Soudijn & Akse, 2012 ; Soudijn, 2017.

- In the first anonymously published CPA (KLPD-DNR, 2005), 91 (finished or ongoing) general investigations carried out by the National Crime Squad in 2004-2005 were examined for information on money laundering. Of these 91 investigations, fourteen cases held sufficient detail about money laundering activities by its main perpetrators. These 14 cases were studied in-depth. In addition eleven interviews were held. These included two analysts, five financial experts or investigators, a judicial expert, a researcher (all employed by the police) and two employees of the forerunner of the current FIU-Netherlands.
- In the second CPA (Lammers *et al.*, 2008) the authors made use of data available for the national inventory on organised crime groups that was carried out for Europol's SOCTA. The SOCTA data originally came from several police forces, fiscal / social authorities, and investigation services in 2005-2006. This resulted in 226 cases in which money laundering indications were recorded (although the authors also noticed in an understated manner that not all indications contained sufficient detail). Ultimately, nine money laundering cases were analysed. Information from FIU Netherlands over the period 2002-2006 was also included, in addition to having two FIU members on board. 51 interviews were held, including respondents from the local and National Police, Fiscal Information and Financial Service, Tax Authorities, Public Prosecutor, Civil Service, the Central Fine Collection Agency, a brokerage firm and the academic world.
- The authors of the third CPA (Soudijn & Akse, 2012) started with 'field work', i.e. interviews with correspondents using the technique of snowballing. The correspondents came from the National Crime Squad, all regional crime squads, several financial investigation teams, National Police Intelligence Services, FIU Netherlands, the Fiscal Information and Financial Service, the Central Fine Collection Agency, the Military Police, the General Intelligence and Security Service of the Netherlands, National Office of the Public Prosecutor, Europol, Holland Casino, the Financial Expertise Centre and the academic world. After dozens of conversations, 46 formal interviews were held. The authors point out that this selection of respondents reflected regional and national coverage of real-life money laundering activities that took place in the previous four years. Based on the interviewees' information, sixteen cases were also analysed to gather more details.

Furthermore, data from FIU-Netherlands (once again, one of the CPA authors was a member of the FIU Netherlands) and data from the criminal-law justice system (e.g. money laundering convictions, mutual legal assistance requests) were consulted. The SOCTA database for the national inventory on organised crime groups was also analysed, but ultimately rejected because of serious methodological questions.

- The fourth and last CPA (Soudijn, 2017) was mainly based on interviews. All in all, 39 interviews were held through the use of snowballing. The respondents included investigators and team leaders from the national and regional crime squads, FIU-Netherlands, National Office of the Public Prosecutor, Customs, the Fiscal Information and Financial Service, tax authorities, anti-money laundering centre, Criminal Intelligence Unit, a major bank and a mayor. Furthermore, FIU-Netherlands and a supervisor on legal entities provided general data and statistics. SOCTA data was not available because the Netherlands had changed its collecting procedures. Accessing several police systems led to cherry picking relevant parts of several cases files. It was not possible to provide the exact number of cases because money laundering information often had not crystalized into a case file yet.

General literature on money laundering was included in all four CPAs. It is clear that the four CPAs extensively relied on police (and other public services) information. This has its pros and cons. A pro is that such data contain unique material about primary suspects such as wiretapped conversations, police surveillance images, police interviews of suspects after their arrest, statements made by witnesses, and material gathered from body searches and searching suspects' houses or work addresses. This material would be hard to obtain, if at all, by other methods, especially because high-level drugs entrepreneurs or fraudsters are not likely to be very candid with outsiders about their business arrangements, let alone money laundering methods. Sure, anthropological field work sporadically succeeds in jumping this hurdle and provides us with fascinating glimpses of criminal ventures (Venkatesh, 2008; Zaitch, 2002).³ But such accounts often focus only on a particular person or his (extended) family and friends. The sheer amount of time it takes to win the trust of criminal persons hampers cross comparisons with other criminals, groups and locations. Furthermore, talking about money laundering turns out to be a very sensitive issue (Matrix Knowledge Group, 2007).⁴ But then again, criminal money can still be confiscated years later.

Needless to say that case file analysis and other police information also has its limitations. The available data is limited in the sense that it serves a particular function: it is compiled to enable the court to judge whether a defendant has possibly committed an offence (and to assess the lawfulness of the investigatory process). Information that may be interesting from a research point of view is often absent. For instance, few files contain information about the status of the defendants in their communities. Another problem is the question of completeness. The police have to deal with time restraints and budget restrictions. As a consequence an investigation rarely has the chance to go 'all the way'. For instance, a drug unit that investigates and intercepts drug shipments will try to get the main organizers convicted for drug offenses. This often means that

³ Venkatesh also published the findings of a study on a drug selling gang's finances, carried out in collaboration with economist Levitt (Levitt & Venkatesh, 2000). The backbone of this study was the gang's bookkeeping records. This type of material is unique for field research, but can be more easily found in police files.

⁴ In a private conversation with the author, a field researcher mentioned that as soon as the topic turned to money, his subject became more guarded.

the unit will focus on drugs, and pay less attention to other forms of crime. As dozens of drug cases await the unit's focus, it also remains to be seen how much time the unit can spend on working backwards to one or more previous shipments. Or tracking down all foreign suppliers, domestic buyers, etc. In the meantime many suspects are fully aware that they are involved in prohibited activities and might be subject to police scrutiny. They therefore do their utmost to prevent providing a complete picture: they are careful on the phone, try to keep out of sight, make use of front men and other strategies.

Despite these drawbacks, the pros still outweigh the cons. Studying police files has proven to be a useful means of obtaining qualitative information about certain criminal phenomena in the Netherlands (PEO, 1996; Kleemans *et al.* 2002; Kruisbergen *et al.* 2012; Soudijn 2006; Spapens 2006; Weenink, 2015). After all, the files contain objective 'hard' data such as police observations and wiretapped conversations that serve as credible indicators of a subject's activities. This type of data is important to Dutch prosecutors because they are required to prove beyond any reasonable doubt the occurrence of specific criminal activities and cannot solely rely on hearsay, i.e. defendants pleading guilty and naming accomplices in exchange for a quicker trial and a reduced sentence. This is in stark contrast to investigations in the U.S. and various other countries.

Findings

The first research question focuses on finding possible changes in money laundering between 2004 and 2016. A comparison of the four CPAs results in the identification of several changes. These changes relate to new (or 'updated') methods and new types of financial facilitators. At the same time, the comparison also shows that some methods return over the years. Table two gives a brief overview of the most important findings (in no particular order).

Table 2. Changes and continuity in money laundering methods

<i>Changes</i>	<i>Continuity</i>
Prepaid debit cards	Loanback
Virtual / Crypto-currencies	Fictitious turnover
Payment Service Provider	Use of real estate
Crowdfunding	Fictitious gambling profits
Defensive confiscation tactics	Trade Based Money Laundering
Intimidation tactics	Cash
Sham litigation	
Bank-to-Bank transport system	
Non-traditional hawala services	

Source: KLPD-DNR, 2005; Lammers *et al.*, 2008 ; Soudijn & Akse, 2012 ; Soudijn, 2017.

The next two sections presents these findings on changes and continuity in more detail. Keep in mind, however, that absolute figures per types of money laundering are not available. The CPAs mention that the Dutch police systems cannot generate this kind of statistic information. The police systems only note the general type of offense that was investigated, not the exact methods of offenders.

Changes

The first change in money laundering methods relates to prepaid debit cards. These were mentioned for the first time in the third CPA in 2012. Such cards are generally banking cards that are preloaded or uploaded with cash. They can be used with regular ATMs or in shops. There are numerous types of these cards, but the third CPA drew attention to the fact that some were not connected to regular bank accounts and used anonymously. It was also rumoured that some types of cards could hold large amounts of money, so theoretically it would be an ideal vehicle to smuggle money across borders or store money. The third CPA mentions one case in which a traveller held 5 cards with a total of 480,000 euros, although it was unclear if money laundering was involved. Other cases were not found in the Netherlands. However, by the time of the fourth CPA in 2016, the report shows that prepaid debit cards had been confiscated more often. There was a crucial difference, though. The confiscated cards were typically issued in the Netherlands. This made them unsuitable for laundering large amounts of money because they could only hold 3,000 euro, limited to a yearly maximum of 5,000 euros for transactions. Furthermore, identification was needed when issued. The police files show that these cards were typically used for daily purchases such as grocery shopping, food and, parking.

The second change is the rise of virtual or crypto currencies. While virtual currencies are still absent in the first CPA from 2004, the second, third and fourth CPAs give several examples in which virtual currencies play a role. For example, the second CPA describes a case in which money obtained from fraudulent activities is transferred to Russia and is further transmitted using webmoney. Bitcoins are mentioned once in the third CPA in 2012 but are more often confiscated by the time of the fourth CPA in 2016. The last CPA also mentions that most bitcoins transactions feature relatively small sums, although a few transactions involved tens of thousands of euros, and in one instance even over 100,000 euros. In the fourth CPA, the criminal use of bitcoins and online darknet market places also gave rise to a new type of financial facilitator, the illicit bitcoin exchanger. A bitcoin exchanger is a person who converts regular currencies into bitcoins, or vice versa, on behalf of third parties. This in itself is not criminal, but some exchangers knowingly facilitated money laundering. That makes them, under Dutch law, an accomplice to money laundering. The CPA estimates that about 30 such illicit bitcoin exchangers are active in the Netherlands.

The third change is the introduction of Payment Service Providers (PSP) in the fourth CPA in 2016. A PSP is a third party that enables (online) merchants to accept, process and manage electronic payments from customers. PSPs support multiple payment types and can also process different currencies. Moreover, the traditional banking sector is often unable to match PSPs' price packages and customer support. Almost all merchant transactions are therefore handled by PSPs. However, it turns out that the use of a PSP can (unknowingly) also help a criminal circumvent compliance. This can happen when a PSP presents its transactions to an acquiring bank in e.g. monthly batches instead of individual single transactions. It is cheaper for a PSP to bank its transactions, but it

precludes the acquiring bank from carrying out compliance. Compliance therefore primarily lies with the PSP, but they are often based abroad and are not always in a position to see all details. But even if they flag a suspicious transaction, it needs to be reported to the FIU in the country in which the PSP is based, not FIU Netherlands. Interviewees point out that not all foreign reports are transmitted to FIU Netherlands. Furthermore, the thresholds to set up a PSP are quite low in the Netherlands.⁵ For the time being no banking license is needed. Anyone with a bit of knowledge about information technology can start a PSP. It is therefore not surprising that in a few instances a group of criminals involved with high-tech crime were seen setting up their own PSP.

The fourth change is crowdfunding. Crowdfunding is the generic name for attracting (small) amounts of money from as many number of individuals as possible for new business ventures. Instead of obtaining a loan from the traditional banking sector, the funding comes from the crowd, hence its name. The fourth CPA signalled that the Dutch police had suspicions about a few crowdfunded ventures. One example explains that the money raised, divided over numerous accounts probably stemmed from the main suspect himself, i.e. a form of loanback (on loanbacks, see next section).

A fifth change is related to legislative opportunities. The third CPA in 2012 signalled that defendants (or better yet, their solicitors) became more adroit at gaming the courtroom. For instance, by the time of the third CPA, defendants had become very much aware that illicit cash could simply be confiscated in the absence of justification about the licit origin of the funds. They therefore started to fabricate more credible stories that typically involved money lent by overseas family members. This turned the tables on the investigators who now had to assess the truth of those statements. Furthermore, in the fourth CPA, interviewees complained that solicitors not only coached their clients in every which way to delay or obstruct the financial investigation, but sometimes also started to target individual investigators by falsely accusing them of fraud or vindictive behaviour, and even press charges against them. According to the interviewees, such intimidation tactics could typically be found when money laundering is connected to ‘white collar’ offenders and/or very large sums of money.

The sixth change is sham litigation, another legislative opportunity. In this case, the court system is straightforwardly abused by two parties pretending to have a business conflict. For example, one party has a penalty clause that the other party needs to pay. By obtaining a court ruling, the payment of large amounts of money stand above suspicion. This method was mentioned in the last CPA, whereas it had not been seen in previous CPAs.

The seventh change involves abuse of the bank-to-bank transport system. This is the shipment system by which banks transfer physical banknotes and coins. It is only mentioned in the last CPA. The report quotes the FATF (2015) by mentioning that “criminal groups may have found a way of infiltrating cash into the outwardly legitimate bank-to-bank shipment system, such that it can be ‘hidden in plain sight’” (FATF, 2015, p. 73). The FATF report mentions a few cases that were detected in the Netherlands.

The eight and last change concerns the role of hawala. In the literature about hawala, also commonly known as underground banking, it is described as a method to (virtually) transport money. These underground bankers are not known to carry out

⁵ In other countries, such as Italy, PSPs are subject to national licensing and AML-obligations.

other banking activities. Passas (1999, 2005) therefore proposed to stop calling them underground bankers, and introduced the term Informal Value Transfer Systems (IVTS).⁶ However, the third CPA already signalled that hawaladars *do* provide other services, such as changing smaller denominations into 500 euro bills for Colombian drug smugglers, or holding escrow accounts. In the fourth CPA, it turns out that hawaladars also performed the function of a criminal savings bank. In this case, criminal money was deposited with the hawaladar, who moved it to Dubai. When the money was needed in the Netherlands, e.g. for buying real estate, the hawaladar made the money available by setting up a loanback (also see next section for more details on loanbacks).

Continuity

A comparison of the CPAs show that *continuity* – i.e. money laundering methods which are constantly used over the years- plays a far more important role. All four CPAs show that the “golden oldies” of money laundering keep returning. These are first and foremost the methods of loanback and fictitious turnover. A loanback is a money laundering scheme in which a criminal borrows his own illicit funds. To the outside world it appears to be a loan by a third party, but the third party is in fact the criminal himself (or a trusted family member or friend) (Soudijn & Akse, 2012; Soudijn, 2017). In a fictitious turnover scheme a criminal comingles his illegal profit with the turnover of a legitimate (cash-intensive) business such as bars, restaurants, and auto repair shops. Loanbacks and fictitious turnover schemes range from very simple to quite complicated. The latter involve financial companies, trusts and offshore holdings.

Another contender for golden oldie status and featuring prominently in all four CPAs, is the use of real estate for criminal investments. This is typically true for criminals who can afford to invest some money. Kruisbergen *et al.* (2014) give several reasons. Criminals not only need a place to live, but it is generally considered a safe investment, and real estate can absorb large amounts of money. Furthermore, the property market shows a lack of price transparency, there are numerous techniques to conceal ownership of properties and lastly, any specialized supervisory bodies are lacking or not very effective (Nelen, 2008; Unger et al., 2011). For these reasons, most financial facilitators known to the police are somehow involved in the real estate market, be it as a financial consultant, notary or tax advisor. A typical money laundering scheme involving real estate are ABC-chain transactions. Person A sells some real estate to B and B quickly sells to C. Every resale is accompanied with a price hike. This price hike can be false when the estate’s worth has been over (or under) appreciated. But it can also be true. In that case the value appreciation often results from carrying out extensive renovations that are financed with criminal money.

Fictitious gambling profits have also been used over the years, but very likely only on a small scale because effective thresholds are in place. The amounts involved are therefore relatively low. In such a scheme the criminal goes to the casino and buys some gambling chips with his illicit profits. After gambling for a little while (or pretending to), he returns the chips to the cashier and asks the money to be transferred to his bank

⁶ Other descriptions can also be found. For instance, the FATF/OECD (2013) calls them HOSSPs: Hawala and Other Similar Service Providers.

account or have a written attest. The casino's provenance functions as the legitimate explanation for his capital growth.⁷

Trade Based Money Laundering (TBML) also figures in multiple CPAs. Although the first two CPAs approach TBML from a more theoretical angle, the other two CPAs feature genuine TBML schemes. The FATF describes TBML as "the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illegal origins or finance their activities" (FATF, 2008, p. 1). These transactions are often accompanied with over- or under evaluations, although the last two CPAs also mention that realistic prices can be used. In that case the trick is to have a company accept cash (instead of payments by bank accounts) without triggering a suspicious transaction notification.

This brings us to the last returning theme in all four CPAs: the very important role of cash (and in particular of 500 euro bills). Even with the advent of digital opportunities and crypto currencies, 'cash is still king' (Europol, 2015). Cash enables criminals to live the good life, obtain Veblen goods or 'win friends and influence people'. In numerous cases, criminal cash was able to enter the legal economy without being challenged. Cash also allows a criminal to undertake new criminal ventures. The criminal economy is still largely a cash based economy, after all.⁸ The CPAs tell of numerous cases in which criminals were caught with hundreds of thousands or even millions of euros, like an incident reported in the 2012 CPA in which a suspect kept 7.2 million in his trailer. In this and other cases, numerous 500 euro bills were found. The high denomination of the 500 bills make it an ideal vehicle to stash or smuggle. The number of 500 euro bills can be quite large. The 2012 CPA mentions a case in which a corrupt bank employee provided cocaine traffickers with at least 72,320 such notes in less than a year. Although the CPA doesn't mention further details about this case, other cases make it clear that criminals pay above the market value for these bills. South-American buyers of 500 euro bills subsequently used these bills to smuggle their cocaine proceeds back to South-America. A few confiscated book keeping records show that this smuggling occurs on a regular basis and involves large amounts of cash. One case details that about 36 million euro was transported to Colombia in cash by at least 44 money mules. The 2016 CPA mentions another criminal's bookkeeping records which showed he received over 240 million euros in seven months from numerous sources.⁹ The CPAs stress that the money smuggling business involves specialized groups who have been performing this service for years.

Validity

Finding indications of change and continuity is only one part of the equation. The other part is being able to explain these findings. It is possible that heightened police attention has led to displacement effects or other situational changes in money laundering methods. It is also possible that the risks of detection are too minimal to effect any real change on the behaviour of (potential) offenders. But we should also keep in mind a

⁷ Online gambling was not legal in the Netherlands during the research period 2004-2016. Due to its illegal nature it could not be used as a money laundering method.

⁸ From a theoretical perspective, it can be argued that illicit money that remains in the criminal economy, is not money laundering. The legislative view, however, regards any activity carried out with illicit money a money laundering crime.

⁹ Compare this to a top-level criminal bitcoin exchanger who stated during an investigation that his peak months involved a turn-over of 1.8 million euros (which, by the way, was delivered in cash).

third option. Maybe my old supervisor was right and police reports contain fundamental data flaws inasmuch they become unsuitable to infer any meaningful findings. It is therefore important to assess the validity of the findings, the second research question. Unique as the original data may be, three important distortions must be taken into consideration.

The first distortion is inherent to the CPA's methodology. As the section on data describes, the four CPAs did not follow the exact same protocol in data collection. The number of case studies, the number of case interviews, the interviewees' background, and the number of data sources changed over the years. It is therefore possible that 'new' findings were simply missed in previous rounds. Furthermore, the authors of the second CPA were instructed to focus especially on the real estate market and IT-developments. This specific instruction was absent in the other CPAs.

The second distortion is caused by the incessant adjustments to the government's anti-money laundering policy and procedures. For example, the national police and public prosecutor made underground banking a priority by the time of the third CPA. This led to more pressure on underground banking, for sure. The investigation of ever more underground banking cases evidently also led to better knowledge of, and new insights into, this phenomenon. New insights, however, do not necessarily present actual changes in a subject. It is likely then that the current information was simply not available in previous years. Another adjustment that is likely to influence findings, are procedural changes. By the time of the fourth CPA, the government measured success of police investigations in terms of the amount of criminal money confiscated. Interviewees reported that this led to a preference for 'low hanging fruit' (simple cases in which money could quickly be confiscated) to the detriment of other, more complicated cases.¹⁰ Such a focus on straightforward cases could result in missing more complicated innovative methods. Yet another influence on procedures is changes in case law. For certain types of evidence the burden of proof was heightened. This puts more pressure on the resources (time, manpower) of the investigation. Or motivate the investigators not to pursue certain lines of inquiry. But then again, new types of evidence are also allowed. It provides investigators with new opportunities. Lastly, the Dutch National Police underwent a sweeping reform starting in 2012. It cost twice as much as planned, took three years longer than expected, and led to the resignation of the national police chief (Haenen, 2015). The reorganisation also adversely affected the operational capabilities of the police during this transition period. It is likely that it led to a 22% dip in the number of money laundering cases the Prosecutors Office registered between the years 2011-2015, as one of the anonymous reviewers of this article points out.

The third type of distortion can be referred to as *deus ex machina*, in the sense that there may be unexpected events that engage with the issue of money laundering. Think of the abrupt deterioration of relations with a specific other country that upsets all exchange of information (and thus keeps foreign assets out of reach). More recent examples are the Panama papers (and other leaks) that unexpectedly reveal a wealth of information about suspicious money. Or the sudden decision in 2016 of the European Central Bank to phase out the 500 euro note.

¹⁰ Riccardi & Levi (2017) report that police authorities in some countries prefer seizing cash because of profit motives, i.e. they are allowed to keep part (or all) of the proceeds. In the Netherlands, however, confiscations benefit the national treasury, not particular agencies.

All these distortions impact on the findings. Not only has the playing field changed shape, but the goalposts (to keep to sports metaphors), the referees and even the rules have shifted. To test the assumption that money laundering methods change due to anti-laundering policy would therefore need much more detailed information regarding, for instance, exact figures (convictions, confiscation, success rates, etc.), information on the precise timing *and* implementation of all anti-money laundering activities (including police effort) that impact on specific money laundering methods. This type of detail is not to be found in CPAs. In defence of the CPAs, they were never intended for this type of evaluation. However, the continued existence of several old-fashioned money laundering methods indicate that most criminal entrepreneurs seemingly have no need for innovation. This suggests acceptable risk levels, i.e. a low chance of detection.

Discussion

The four CPAs on money laundering for the Dutch Threat Assessments of Organised Crime Reports cover a time span of twelve years (from 2004 till 2016). The first research question thus focused on tracking possible changes during this time period in money laundering. Changes could point to new developments in money laundering.

The analysis shows several changes in money laundering methods or facilitators. These changes are related to prepaid debit cards, crypto-currencies, Payment Service Providers, crowdfunding, the legal system, the bank-to-bank transport system and hawala services.

But what do these changes mean? It is tempting to link changes to some influence of anti-money laundering policy. And it could very well be a correct conclusion in some cases. However, the data collected for the CPAs cannot substantiate such claims. The second research question that looked at the validity of the findings, showed that incomplete data, changes in research methodology, changes in public policy, changes in laws and regulations, or unexpected outside events, make any such interference impossible.

Most police reports have similar shortcomings. Data is incomplete and research sections are often lacking in detail or even absent. It is not too far-fetched to claim that no police report accounts or controls for policy changes or social, economic and judicial shifts. This makes police reports unsuitable for evaluating policy goals.

Nonetheless, the CPAs show that police reports can also contain useful information about policy effects. The CPAs, for example, bring three points to our attention. First, the importance of continuity should not be underestimated. The CPAs show that old and tested money laundering methods continue to function. The CPAs also assert that several financial facilitators are active over a long period of time. Based on situational crime prevention theory and their study of crime displacement, it seems that the risk of detection has apparently not been strong enough to deter them.

Second, in each CPA the role of cash came to the fore. As was explained, the criminal economy is still largely a cash based economy. But cash is also freely spent in the legal economy. This again suggests that the risk of detection (getting flagged for unusual / suspicious transactions reports to the FIU) is quite low or the consequences are negligible.

Third, the biggest driver behind the identified changes turns out to be technology. Or to be more precise, the digital opportunities to launder money provided by FinTech. FinTech, or Financial Technology, is a recent term to describe new digital technology that competes with or innovates the established financial banking sector and their financial services. This has seen an enormous growth in the last few years. By contrast, the first CPA in 2004 only covers online banking as a way to quickly transfer funds to obscure the money trail. These transfers are still connected to real currencies and the traditional banking sector. The authors of the second CPA in 2008 surmise that even old-fashioned organised crime will use “the internet” in the near-future for “cyber laundering”, but give no further proof. However, in the third and the fourth CPAs we start to encounter crypto currencies, Payment Service Providers and crowdfunding. These changes indicate a natural transformation or adoption of new technology. The rise of money laundering by FinTech is therefore likely to develop independently from anti-money laundering activities. Although it goes too far to think that organised criminals will switch to or fully adopt FinTech in the near future to launder money (see second point, the role of cash), they are likely to keep up with the advances of new technology.

To conclude, police reports can contain useful information that could serve as starting points for further policy research. A lesson learned from the Dutch CPAs is that a good, solid foundation is important. To control for methodological issues, data should be collected and stored in the same manner. Previously collected data should also be accessible to future projects. Furthermore, attention should also be paid to public policy, changes in laws and regulations, and unexpected outside events. This should help researchers and policy makers revisit, test and evaluate old or new insights years later. After all, the Financial Action Task Force (FATF) requests each member country to carry out a National Risk Assessment (NRA) of money laundering and terrorist financing (see other papers in this special issue). This is to be carried out on a regular basis. This has the potential of being a useful source on actual money laundering. If the compilation of these risk assessments is continuously carried out over the years, it might make for useful comparisons within and between countries.

References

- Algemene Rekenkamer. (2013). *Bestrijden witwassen: stand van zaken 2013*. Den Haag: Algemene Rekenkamer.
- Boerman, F., Grapendaal, M., Nieuwenhuis, F., Stoffers, E. (2017). *Nationaal dreigingsbeeld 2017: Georganiseerde criminaliteit*. Dienst Landelijke Informatieorganisatie: Driebergen.
- Bullock, K., Clarke, R.V., & Tilley, N. (eds.). (2010). *Situational Prevention of Organised Crimes*. Cullompton, UK: Willan Publishing.
- Europol. (2015). *Why is cash still king? A strategic report on the use of cash by criminal groups as a facilitator for money laundering*. The Hague: Europol.
- FATF. (2003). *40 Recommendations*. Paris: Financial Action Task Force (FATF).
- FATF. (2008). *Best practices paper on Trade Based Money Laundering*. Paris: Financial Action Task Force (FATF).

- FATF. (2012). *The FATF recommendations: International standards on combating money laundering and the financing of terrorism & proliferation*. Paris: Financial Action Task Force (FATF).
- FATF/IMF. (2011). *The Netherlands: Mutual Evaluation Report* (Mutual Evaluation Report): Paris: Financial Action Task Force - International Monetary Fund.
- FATF/MENAFATF. (2015). *Money laundering through the physical transportation of cash*: Financial Action Task Force/Middle East & North Africa Financial Action Task Force.
- FATF/OECD. (2013). *The role of hawala and other similar service providers in money laundering and terrorist financing*: Financial Action Task Force/The Organisation for Economic Co-Operation and Development.
- Guerette, R., & Bowers, K.T. (2009). Assessing the Extent of Crime Displacement and Diffusion of Benefits: A Review of Situational Crime Prevention Evaluations. *Criminology* 47(4): 1331- 1368.
- Haenen, M., & Meeus, T.-J. (1996, 23-03-1996). Een nationale commotie had ik nooit verwacht. *NRC Handelsblad*.
- Haenen, M. (2015, 1 oktober 2015). Politiebaas Bouman weg om worstelingen met reorganisatie. *NRC Handelsblad*.
- Kleemans, E.R., Brienen, M.E.I., van de Bunt, H. G., Kouwenberg, R.F. (ass.), Paulides, G. (ass.), & Barendsen, J. (ass.) (2002). *Georganiseerde criminaliteit in Nederland: Tweede rapportage op basis van de WODC-monitor*. Den Haag: WODC.
- Kleemans, E.R., Van den Berg, E.A.I.M., Van de Bunt, H.G., Brouwers, M. (ass.), Kouwenberg, R. F. (ass.), & Paulides, G. (ass.) (1998). *Georganiseerde criminaliteit in Nederland. Rapportage op basis van de WODC-monitor*. Den Haag: WODC.
- KLPD/DNR. (2005). *Criminaliteitsbeeld witwassen* (Report). Driebergen: Korps Landelijke Politiediensten/Dienst Nationale Recherche.
- Kruisbergen, E. W., Kleemans, E. R., & Kouwenberg, R. F. (2014). Profitability, Power, or Proximity? Organized Crime Offenders Investing Their Money in Legal Economy. *European Journal on Criminal Policy and Research*, 21(2), 237-256.
- Kruisbergen, E.W., van de Bunt, H.G., Kleemans, E.R., Kouwenberg, R.F. (ass.), Huisman, K. (ass.), Meerts, C.A. (ass.), de Jong, D. (ass.) (2012). *Fourth Report of the Organized Crime Monitor: Summary*. Den Haag: Boom Lemma.
- Lammers, J., Bloem, B., Bottenberg, M., Ketelaar, B., 't Lam, J., Russelman, M., Zarazaga, C. (2008). *Witwassen: Verslag van een onderzoek voor het Nationaal Dreigingsbeeld 2008*. Rotterdam: Korps Landelijke Politiediensten.
- Levitt, S., & Venkatesh, S. (2000). An economic analysis of a drugselling gang's finances. *Quarterly Journal of Economics*, 115(3), 755-789.
- Matrix Knowledge Group. (2007). *The illicit drug trade in the United Kingdom (2nd edition)* (Online Report): Home Office.
- Nelen, H. (2008). Real estate and serious forms of crime. *International journal of Social Economics*, 35(10), 751-762.
- Passas, N. (1999). *Informal Value Transfer Systems and Criminal Organizations: A study into so-called underground banking networks*. Den Haag: WODC.

- Passas, N. (2005). *Informal value transfer systems and criminal activities* (report No. 2005-1). Den Haag: WODC.
- PEO. (1996). *Inzake opsporing: Enquête opsporingsmethoden, Bijlage VIII: deelonderzoek I onderzoeksgroep Fijnaut: Autochtone, allochtone en buitenlandse criminele groepen*. (Parlementaire Enquêtecommissie Opsporingsmethoden No. 0921.7371). Den Haag: Tweede Kamer 1995-1996, 24 072.
- Riccardi, M., & Levi, M. (2017). Cash and anti-money laundering. In Colin King, Walker C. & Gurule J., *The Palgrave Handbook of Criminal and Terrorism Financing Law*. London: Palgrave Macmillan.
- Soudijn, M.R.J. (2006). *Chinese human smuggling in transit*. Den Haag: Boom juridische uitgeverij.
- Soudijn, M.R.J. (2017). *Witwassen: Criminaliteitsbeeldanalyse 2016*. Driebergen: Landelijke Eenheid.
- Soudijn, M., & Akse, T. (2012). *Witwassen: Criminaliteitsbeeldanalyse 2012*. Driebergen: Korps landelijke politiediensten - Dienst Nationale Recherche.
- Spapens, T. (2006). *Interactie tussen criminaliteit en opsporing: De gevolgen van opsporingsactiviteiten voor de organisatie en afscherming an xtc-productie en -handel in Nederland*. Antwerpen: Intersentia.
- Unger, B., Ferwerda, J., Nelen, H. & Ritzen, L. (2011). *Money laundering in the real estate sector: Suspicious properties*. Cheltenham: Edward Elgar.
- Venkatesh, S. (2008). *Gang leader for a day: A rogue sociologist crosses the line*. London: Penguin Books.
- Vijlbrief, M. 2012. Looking for Displacement Effects: Exploring the Case of Ecstasy and Amphetamine in the Netherlands. *Trends in Organized Crime* 15(2&3): 198-214.
- Weenink, A.W. (2015). Behavioral problems and disorders among radicals in police files. *Perspectives on Terrorism*, 9(2), 17-33.
- Zaitch, D. (2002). *Trafficking cocaine: Colombian drug entrepreneurs in the Netherlands*. Den Haag: Kluwer Law International.