Index

Abadie, A. 80, 82, 89
Abrahamse, A. 128
accountability
drugs seizure losses and transit profits 199
principle, good governance perspective 373
public sector reporting, trends in 284–5
Addink, Henk 368–78
Addison, T. 300, 310
administrative law concept
good governance perspective 371–3
information role, Financial Intelligence Units (FIUs) 465–6
advocates, legal privilege see legal privilege versus reporting duty for lawyers, EU
Afghan Taliban, drug production as finance source 85
Agarwal, J. and A. 129, 185
Akerlof, G. 462
Argentiero, Amedeo 184, 207–23
Argentina
criminal justice system criticism 389–90
Tax Information Exchange Agreements 305
Arnone, M. 41
asset recovery, effectiveness of 452–7
attorneys, legal privilege see legal privilege versus reporting duty for lawyers, EU
Australia
anti-money laundering regulation impact 477–8
AUSTRALEX (Financial Intelligence Unit) 160, 165
criminals' spending behavior 39
estimated net income to drug retailers 228–9
Austria
anti-money laundering policy 149–50
bank customer due diligence and know-your-customer (KYC) policy 153–4
bank staff awareness and training 151, 153
bank transaction monitoring 154–5
banking account manager, importance of role 153
banks, implementation of provisions 152–5
banks' risk analysis 152
credit institutions, organizational design 152–3
EU directive on money laundering 150
failure to report suspicious transactions, penalties for 153
Financial Action Task Force (FATF) membership 150
Financial Market Authority (FMA) 150, 151–2, 153
GDP and criminal revenue estimates 453
home country laundering 27
institutional involvement 150–52
legal framework 150
Oesterreichische Nationalbank (OeNB) 151–2
risk assessment of anti-money laundering regulation 149
savings deposits, anonymous 149
tax fraud as predicate offense of money laundering 149
Bagella, Michele 184, 207–23
Baker, Raymond W. 38, 39–40, 45, 46, 169, 172–3, 190–93
Bank for International Settlements data, problems with use of 192–3
banking
bank account identification 457–8
new banking regulations on money moved out of Switzerland, impact of, trade-based money laundering and tax evasion, US 259–60
Muslim Hawala banking system 86, 382, 387
regulatory costs 357
reporting levels 404–5
secrecy regulations 456
Barone, R. 48, 208
Bartlett, B 35–8, 39, 40, 42, 45, 46
BCCI (Bank for Commerce and Credit International) 225, 379
Becker, G. 22, 48, 63–4, 399, 486
Bedi, R. 326
Belgium
Financial Intelligence Unit (FIU) 471
Ordre des Barreaux case 429–30, 431
Biggins, John 321–31
Blankenburg, E. 417
Brathwaite, J. 24, 26, 330, 402
Brazil
criminal justice system criticism 390
Operation Deluge 253
Brettl, Jakub 95–109
criminal exploitation and speculation, distinction between 269
criminal investment cases, real estate sector 269
criminalization of drugs 59, 64, 66
criminological analysis, real estate sector 276–7
transnational, and financial flows see MIMIC method, and financial flows of transnational crime
victimless see victimless crimes
crime effects, macroeconomic approach 47–56
anti-money-laundering regulations, effects of 55–6
cost of money-laundering services 49–51, 52–3, 54–6
demand for money-laundering services 49, 50–51
dynamic model 52–6
investment of laundered liquidity 50, 51
investment in legal sector 51–2, 53–4
legitimate business structures, use of 53
money laundering definition 48–9
reinvestment in criminal markets 50, 51–6
specialist money launderers, use of 49–50
crime-money and financial conduct 232–50
behavioral approach 232–3
cash export 238
crime-money, savings and rainy day provision 241
crime-money uses 233–4
data accuracy problems 234–6, 244–5
disguise of ownership 242–5
disguise of ownership, acquisition dates 244–5
property ownership concentration 243–4
‘real’ laundering 235
recovery of proceeds from crime 234
spending and management of crime-money 234–9
upperworld activities 239–42

Brigitte Unger and Daan van der Linde - 9780857934000
Downloaded from Elgar Online at 02/02/2019 11:05:07PM
via free access
Crombag, H. 59, 63
crying wolf problem 405, 414, 415
customer due diligence (CDD) obligations 358–9, 364, 369–70, 374–5
Dalla Pellegrina, L. 24, 400, 412, 413, 418, 419
data access, financial see financial data access by law enforcement agencies
overload see rule- and risk-based policies, comparison of, and data overload sources, problems with 361, 362
Dawe, Stephen 110–26
Deleanu, Ioana 462–73
derivatives, money laundering through 321–31
central clearing counterparties (CCPs) 323–4, 327
contracts for differences (CFDs) 326–7
derivatives overview 322–5
emerging derivatives markets (EDMs) 325, 327, 328
exchange-traded 321, 323, 324, 325–6
forwards 321, 323
G16 dealers 324
market actors 324
mirror trading 325–6
money laundering stages 325–7
offsetting positions 326
offshore front companies 326
online spread betting 326
option transactions 322
over-the-counter (OTC) 321, 323, 324, 325, 326, 327–8
participatory notes (PNotes) 327
regulatory reform progress 321, 323, 327–8
size of derivatives markets 324–5
swaps 322–3, 326
Trade Repositories (TRs) 324
Dominican Republic 224–5
drugs
Brettl–Usov Threat Index, measurement of money laundering threat, EU 96, 99–101, 109
control goals 225–6
crime money laundering threat indexes (EU27) 100
industry, countries involved in 132–3, 134, 135, 137
legalization, effects on education levels 64–5
production and trafficking as terrorism finance source 85, 87
sales and fraud, assessment problems 227–9
social cost and criminalization of drugs crimes 59, 63–6
trafficking, global financial structure 191, 192
trafficking, global regulation 20–21, 24–5, 27, 28
trafficking, MIMIC method, and financial flows of transnational crime 174
drugs and drug money, UN efforts to trace major routes 194–206
average drug consumption per user, lack of data on 203–4
cannabis data, problems with 202
cocaine, estimates for laundering out of 203, 204
cocaine flows 197–202, 203, 204
cocaine production, limited area 195–6
cocaine-related gross profits 200, 201
demand-based approach 199, 203
detection rates 205
estimation of major routes 195–6
financial flows, estimation of 196–205
international drug control, history of 194–5
model design 200–201
price and purity data, lack of 204
proportion of money laundered out of drug proceeds 205
proportions available for entering the financial system, estimation of 199–200
seizure losses, accounting for 199
sources and destinations data 202–3
supply-based approach 198–9
transit profits, accounting for 199
US cocaine market, analysis of 199, 200
dynamic macroeconomics for estimating money laundering 207–23
decentralized economy solution 211–13
firm classes and commodities 210–11, 213–14
Hodrick-Prescott (HP) filtered series 208, 214, 218
household first order conditions 211–12
households and labor supply 208–10, 213, 214
legal firm first order conditions 212
money laundering measurement 207–8, 212–13, 215–18
money laundering as percentage of global GDP 207, 218–21
numerical results and policy implications 214–21
results overview 208
theory and time series combination as alternative measurement methodology 208–14
transaction costs represented by registration costs 214
two-sector dynamic general equilibrium model 222
e-gaming, money laundering and risk assessment, Europe 332–45
Card-Not-Present (online) payment card fraud 330
charge-backs 337
combating efforts 340–42
e-gaming risks 333–6
E-money Directive 340
front people, use of 337–8
legality issues 336
Money-Laundering Through the Football Sector (FATF) 338–9
multiple identity bans 338
paying via other financial intermediaries 338
peer-to-peer games and deliberate losses 338
prepaid value cards 336, 340
reimbursement of gains to different cards, scale of 337
risks and threats 332–40
terrorism financing 334–5
unlicensed e-gaming 336
economic analysis
evaluation of anti-money laundering policies 482–3
state toleration of money laundering 140–41
terrorism destabilization 81
terrorism, economic constraints 79
victimless crimes 60–63
economic crimes, criminal justice system and money laundering 379–96
Argentina, criminal justice system criticism 389–90
asset tracing 391–2
Basel Committee on Banking supervision 383
BCCl bank case, US 225, 379
Colombia, criminal justice system criticism 389
cooperation measures between countries 394
crime and crime assets 382
criminal procedure 391–3
criminalization of money laundering 390–91
FATF Recommendations 387–90
Financial Intelligence Unit (FIU) regulation and power 388–9
financial investigation 391–2, 394–5
G20 involvement 384, 385
GAFISUD report, Latin America, regional criminal concepts of money laundering 381–2, 389–90
human rights and cooperation 393–5
information access issues 394
insurance companies 381
international treaties 383–4, 387–90
lawyers, security screening of 394
legal capacity issue 380
legal privilege concerns 388–9
lottery prizes 381–2
MONEYVAL (EU) 144, 358, 389, 464, 475
Muslim Hawala banking system 86, 382, 387
non-governmental, non-profit organizations of humanitarian character 382, 385, 387
overview 379–82
Palermo Convention against Transnational Organized Crime 392, 393
Portillo case, Guatemala 380
Roldán case, Spain 380
seizure and burden of proof 393–4
seizure and confiscation 382, 392
self-laundering 390
Slavenburg bank case, Netherlands 379–80
special investigation techniques 392–3
suspicious transactions, definition problems 388
terrorist association as criminal offense 393
UN Convention against Transnational Organized Crime 386
UN International Convention for the Suppression of the Financing of Terrorism 384–5
UN Security Council terrorism sanctions 385–6
Vienna International Convention on Drug Trafficking 24, 25, 383–4
Wachovia Bank case, US 380–81
effectiveness
asset recovery 452–7
and efficiency levels 407, 420
enforcement see money laundering process and effective enforcement
evaluation, risk-based approach 356–8, 362–3, 364
global regulation 25–9
law enforcement 456–9
money laundering process see money laundering process and effective enforcement
principle, good governance perspective 373, 374
effects of money laundering 35–46
anti-money laundering policy, effectiveness of 41
capital inflows/outflows, higher 39–40
credit availability and FDI 40
crime increase 41
drugs money saving banks 40
economic growth 42
financial sector effects 40
law enforcement agencies and criminal convictions 38
literature overview 35–42
statistical distortion on consumption and spending 38–9
unfair competition and artificial price increases 39
efficiency assessment
risk-based approach 356–8
rule- and risk-based policies, comparison of 407, 420
victimless crimes 61–2
Egmont Group 25, 166
Egypt, Islamic Jihad honey shops 84
enforcement
activities, resources needed for 290
effective see money laundering process and effective enforcement
effectiveness and legitimacy problems, global regulation 25–9
Enste, D. 180, 227, 286
estimates of volume of money laundering, assessment of 224–31
crime control objectives 225
drug control goals 225–6
estimates, evaluation of 227–30
expert knowledge, doubts over 229–30
fraud and drug sales, assessment problems 227–9
integrity of core financial system, protection as goal 225
marginality of volume measures 224–5
money laundering control goals 225–7
money laundering, differing definitions 226
predicate crimes taxonomy 226–7
terrorism funding sources 225
EU
beneficial ownership transparency 479–80
blue-collar crime money laundering threat indexes (EU27) 101
cash declarations 28
Charter of Fundamental Rights 372
cost-benefit analysis studies 478–82
Council of Europe, criminalization of money laundering 369, 384
drug crime money laundering threat indexes (EU27) 100
dynamic macroeconomics for estimating money laundering see dynamic macroeconomics for estimating money laundering
e-gaming see e-gaming, money laundering and risk assessment, Europe

EPPO (European Public Prosecutor’s Office) proposal 467
freezing orders Framework Decision 454
good governance perspective see good governance perspective, prevention of money laundering and terrorist financing
legal privilege see legal privilege versus reporting duty for lawyers
liquid resources regulation 438
measurement of money laundering threat see measurement of money laundering threat, EU
Money Laundering Directive, first (91/308/EEG) 27, 407, 430, 432
money laundering threat indexes (EU27) 98–9
MONEYVAL (Council of Europe Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism) 144, 358, 389, 464, 475
Primarolo Report 297
reporting systems 28
risk-based approach to anti-money laundering see risk-based approach to anti-money laundering and counter-terrorist financing
SWIFT agreement with US 457–8
tax haven definition 297, 298, 299, 300, 301
European Court of Human Rights (ECtHR)
Campbell v. England 427–8
legal privilege protection 427–8
European Court of Justice (ECJ)
Akzo Nobel case 427
AM&S case 427
legal privilege protection 427, 428
Ordre des Barreaux (Belgium) case 429–30
reporting obligation and right to fair trial 370
evaluation of anti-money laundering policies 474–85
beneficial ownership and control information, accessing 478–82
Cash Transaction Reports (CTRs) 23, 406, 407, 408, 409, 476
economics of crime and money laundering 482–3
EU-wide cost-benefit analysis studies 478–82
freezing orders 476–7
investigation phase 476
judicial phase 476–7
mutual legal assistance and cooperation 475
new assessment methodologies and cost-benefit studies 477–82
postponement orders 476
reporting/intelligence phase 476
seizures and confiscations 475, 476–7
suspicious transaction reports (STRs) 475, 476
traditional assessment methodologies and output indicators 474–7
transparency, need for more 478–9

fair trial right 370, 427, 429–30
Ferwerda, Joras 9, 11, 15, 26, 35–46, 169, 233, 242, 245, 268–82, 370, 486–7
Financial Action Task Force (FATF) 19, 24, 384
blacklisting of countries 26–7
contracts for differences (CfDs) 326–7
countries’ compliance 25–6, 150
direct hierarchical compliance 26
Global Money Laundering and Terrorist Financing Threat Assessment 360
Grey List 127, 384
Misuse of Corporate Vehicles, Trusts and Company Service Providers 433
money laundering stages 437
Money-Laundering Through the Football Sector 338–9
Narcotics Money Laundering report 160
Non-Cooperative Country and (or) Territory (NCCT) 26, 127
preventive-administrative obligations 387–8
self-laundering 390
Special Recommendations on Terrorist Finance 25, 78
statistical information gathered 475
Strategic Surveillance Initiative 359–60, 363, 364
Trade-Based Money Laundering Report 253–4
financial data access by law enforcement agencies 452–61
acquisitive nature of crimes 453
asset recovery, effectiveness of 452–5
Asset Recovery Offices (AROs), access to 456–7
authorisation procedures 456–7
bank account identification 457–8
banking secrecy regulations 456
Camden Asset Recovery Inter Agency Network (CARIN) 455–6, 457–8, 460–61
credit reference agencies, use of 458
disclosure provisions 457
Financial Intelligence Units (FIUs), access to 456–7
international cooperation, need for 454
law enforcement effectiveness 456–9
money trails, following 453–4
Mutual Legal Assistance (MLA) requests for access 454–5
national registers, use of 455
processing of financial data and response times 458–9
research scope 455–6
SWIFT agreement between US and EU 457–8
financial flows see drugs and drug money, UN efforts to trace major routes; MIMIC method, and financial flows of transnational crime
Financial Intelligence Units (FIUs) access to 456–7
information role see information role, Financial Intelligence Units (FIUs)
Netherlands 407, 409, 413, 471
reporting obligation 370
US 383, 388
financial market integrity and small states see Austria, as example of role of small states for financial market integrity
financial products, derivatives see derivatives, money laundering through
financial structure, global see global financial structure facilitating money laundering, scale of
financing, terrorism see terrorism financing and money laundering risk assessment
fraud ‘bottom up’ approach 70
bribes and false accounting 70
cheque fraud 71, 72, 73
costs of 68–77
and drug sales, assessment problems 227–9
fraud definition 68–9
fraud losses (transfer costs) 69, 71
identity fraud 71, 72
legal control effects 74
measurement of 69–74
measurement of money laundering threat, EU 97
mortgage fraud 73
motor frauds 71, 72
non-volume frauds, measurement problems 73
online banking fraud 71, 73
organised fraudsters 73
payment card fraud 71, 72
rogue trading 72
social security fraud 71, 72, 74
tax avoidance 72–3
‘top down’ approach 70
trends in fraud 70–75
freezing orders 454, 476–7
Frey, B. 88, 89, 207

GAFISUD report, Latin America 381–2, 389–90
gambling,
access see derivatives, money laundering through; e-gaming, money laundering and risk assessment, Europe
measurement of money laundering threat, EU 97
global financial structure facilitating money laundering, scale of 190–93
abusive transfer pricing 191, 193
anonymous trust funds 191
consequences of 191–2
cross-border illicit money types 190
drugs trafficking 191, 192
foreign aid depletion 191–2
future research 193
global shadow financial system, interrelated parts 190–91
market capitalizations and stockholdings, analysis of 193
offshore secrecy jurisdictions 191
shadow financial system 190–91, 192, 193
terrorism 192
global money laundering measurement, and
Walker Gravity Model 159–71
assumptions of 164
capacity to provide money laundering services 168
common culture and reduced transaction costs 163, 166
DYMIMIC (dynamic multiple-indicators multiple causes) model, problems with 161
estimates of money laundering from model 165
excess shadow economy measurement and proceeds of crime 166–8
foreign crime proceeds flowing into country 165–6
future challenges 169–70
global flows of illicit finance, estimates of 169
international trade theory, lessons learned from 163–5
measurement methods 160–61
proxy variables as measurement 161
revisions 165–6
robustness of model 166–8
surveys of experts and law enforcement agents, problems with use of 160–61
‘suspicious transactions’ focus, problems with 160
triangulation with Baker’s findings 169
Walker Model overview 161–3
global regulation 19–32
blacklisting of countries 26–7
countries’ compliance, instruments to reach 25–7
direct effects of laundering, lack of 20
drug trafficking 20–21, 24–5, 27, 28
effectiveness 27–8
enforcement, effectiveness and legitimacy problems 25–9
human rights 28
international standard setting 25
legitimacy problems 28–9
political economy of money laundering 21–3
politically exposed persons (PEPs) 27
private interest in lobbying, lack of 22
private and public organizations, distinction between 29
public interest theory of regulation and US interests 22–3
regulatory responses 23–5
reporting system 23–4, 28
risk-based approach 23–4
smurfing 23
tax evasion 27
terrorism financing and money laundering, ambiguous relation between 20–21, 25
weaknesses 27
Global Threat Assessment (FATF), risk-based approach to anti-money laundering and counter-terrorist financing 360
globalisation
economic development and terrorism 82, 192
economic integration effects 134–7
see also international trends
Gnutzmann, H. 7, 45, 127, 130, 137, 138, 140, 141
good governance perspective, prevention of money laundering and terrorist financing 368–78
accountability principle 373
administrative law concept 371–3
constitutional principles 372
customer due diligence measures 369–70, 374–5
effectiveness principle 373, 374
effectiveness and protection of fundamental rights, tensions between 374
Financial Intelligence Unit (FIU) reporting obligation 370
human rights principle 373
legal framework 369
legal professional privilege and reporting obligation 370
participation principle 373
policy enforcement requirements 371
private sector role 374–5
proper administration principle 372–3
record keeping obligation 371
risk-based approach and customer due diligence measures, tensions between 374–5
tensions in preventive policy 374–5
transparency principle 373
twin-track approach, current 368
Groot, Loek 57–67
Guatemala
crime-producing country 131
Portillo money laundering case 380
Hawala banking system 86, 382, 387
Hellwell, J. 163
Huelsse, R. 24, 26, 27
human rights
European Court see European Court of Human Rights (ECtHR)
global regulation 28
good governance perspective 373
Huntington, S. 22
Hutter, B. 24, 402
IMF 27, 28
Offshore Financial Centers (OFCs), tax haven definition 299, 300, 301
information
access issues, criminal justice system 394
gathering and effective enforcement 441
tax havens and exchange of information criterion 300, 304, 305–6, 308
information role 462–73
administrative model 465–6
collaborative filtering 468–71
expert panel – the optimal recommender system 471
financial or criminal information, importance priority 464–5, 469–70
financial intelligence gathering, importance of 464–8
Financial Intelligence Units (FIUs) 464–5
intelligence gathering and balance of power shifting 462–3
judicial type 466–7, 468
law enforcement authorities (LEAs) 464, 467, 470, 471
law enforcement model 466, 467
optimal filter 470–71
Reporting Entities (REs) 464, 466
theoretical background 468–9
international trade theory, lessons learned from 163–5
international treaties 383–4, 387–90
international trends
co-operation, need for 454
drug control, history of 194–5
standard setting and global regulation 25
terrorism and political factors 80
trade mispricing see trade-based money laundering and tax evasion, US
transnational crime, financial flows see MIMIC method, and financial flows of transnational crime
Iran, Lebanon-based Hezbollah financial aid 84
Ireland, Provisional IRA private finance 85
Israel, terrorism, economic effect 82
Italy
dynamic macroeconomics for estimating money laundering see dynamic macroeconomics for estimating money laundering
home country laundering, exclusion of 27
judicial phase, evaluation of anti-money laundering policies 476–7
judicial type, Financial Intelligence Units (FIUs) 466–7, 468
Kleemans, E. 234, 269, 449, 450
Krieger, Tim 78–91
Kurdistan, PKK private finance 85
Latin America, regional criminal concepts of money laundering (GAFISUD report) 381–2, 389–90
Latvia 224–5
law enforcement authorities (LEAs)
financial data access see financial data access by law enforcement agencies
information role 464, 467, 470, 471
surveys, problems with use of 160–61
lawyers, security screening of 394
Index 495

legal capacity issue, economic crimes, criminal justice system and money laundering 380
legal definition, tax havens, lack of, Netherlands 296
legal and illegal monies, distinction between values of 128
legal institutions, comparison of 416–17
legal privilege
concerns, economic crimes 388–9
and reporting obligation 370
legal privilege versus reporting duty for lawyers, EU 426–34
applicable exemptions 429
confidential relationship 427, 428–30
and ECJ and the ECtHR protection, 427–8, 429–30
and EU Anti-Money Laundering Directive 426, 428–30
fair trial right 427, 429–30
and FATF, Recommendations 22 and 23 428–9
Ordre des Barreaux (Belgium) case 429–30, 431
overview 426–7
soft law 428
suspicious transactions 426, 429, 430
terrorist financing 426–7
Liechtenstein, 143–7
anti-money laundering regulation 144, 145–6
Due Diligence Law 144, 146
EU Anti Money Laundering Directive 144
financial centers, attractiveness of small states as 145
Market Abuse Act 146
MONEYVAL membership 144
overview 143–4
taxation and small states 147
wealth preservation strategy of small states 145–6
Luxembourg, anti-money laundering regulation impact 477
McCarthy, Killian J. 7, 127–42
macroeconomic approach
crime effects see crime effects, macroeconomic approach
money laundering estimation see dynamic macroeconomics for estimating money laundering
Masciandaro, Donato 20, 24, 46, 47–56, 113, 159, 186, 187, 208, 400, 412, 413, 418, 419
measurement of money laundering threat, EU 95–109
Brettl–Usov Threat Index 95–8
bribery and corruption 96–7
fraud 97
gambling 97
gravity model/formula (Walker) 95, 105–6
identification and classification of threat variables 96–7
people smuggling 97
scores and weights to threat variables, assigning 97–8, 99
tax evasion 97
Mierieriks, Daniel 78–91
Meloen, J. 39, 160, 246, 247, 269, 450
Mexico, crime-producing country 131
Michael von und zu Liechtenstein, Prince 143–7
Mihalijek, D. 325
Mill, J.S. 5, 20, 35, 58–9, 60, 61, 62, 64, 66
MIMIC method, and financial flows of transnational crime 172–89
benchmarking procedure problem 180–81
crime types and their proceeds 174
DYMIMIC (dynamic multiple-indicators multiple causes) model, problems with 161
global flows from illicit activities 173–4
indicators and causes 177–8
latent variable meaning, problems with 180
limitations 179–81
Maximum Likelihood (ML) function 179
model benefits 175–7, 179–81
out-of-country illicit financial flows 173–4
overview 175
top 20 destinations of laundered money 183–4
transnational crime organizations, estimating financial flows 175–85
transnational crime proceeds 172–4
unstable coefficients’ problem 180
Walker gravity model 185
money laundering
definitions 48–9, 144, 226, 381, 436–7
origins of term 3, 19
money laundering process and effective enforcement 435–51
Air Holland case study 444–6
alternative four stages concept 439–41
information gathering 441
integration phase 439
investment phase 441, 442, 445, 447–8
justification phase 439–41, 445, 447–8
knowledge and understanding, need for 443–4
layering phase 438–9, 445, 447–8
Paarlberg case study 446–8
placement phase 438, 445, 447–8
risk-based approach, move to 443
three stages concept 435, 437–9
three-stage model, consequences of applying incorrect 441–4
tracking capital acquisition 441–2
typologies and characteristics of money laundering 442–3
MONEYVAL (EU) 144, 358, 389, 464, 475
Mühl, Burkhard 452–61
Muslim Hawala banking system 86, 382, 387
Myanmar, Non-Cooperative Country and (or) Territory (NCCT) 26
Nelen, H. 268–9, 270, 272, 273, 275, 453
Netherlands
Air Holland case study 444–6
corporate income tax (Wet Vpb 1969) 302
crime-money and financial conduct see crime-money and financial conduct
criminals’ spending behavior 39
domestic and foreign corporations, differing treatments as criterion 300
domestic and foreign corporations and participation exemption rules 302
drug trafficking 28
and EU Money Laundering Directives 407, 408
Financial Intelligence Unit (FIU) 407, 409, 413, 471
Identification for Financial Services Act 407
information exchange criterion, need for 300, 304, 305–6, 308
money laundering, incidence of 160, 165–6
no substance criterion 300
overview 293–5
Paarlberg case study 446–8
Penal Code 407, 444–6
political response 293, 294
Prevention of Money Laundering and Terrorism Financing Act 407
private sector cooperation 24
real estate sector, detection of money laundering see real estate sector, detection of money laundering, Netherlands
reporting system 28
Reporting Unusual Transactions Act 407, 408, 414–15
rule- and risk-based policies, comparison of see rule- and risk-based policies, comparison of, and data overload
Slavenburg bank money laundering case 379–80
special investigative techniques 392
terrorist association as criminal offense 393
transaction thresholds for mandatory reporting 408–9
unusual transactions, indicator list 407, 408, 410–15
Nigeria, crime-producing country 131
notaries, legal privilege see legal privilege versus reporting duty for lawyers, EU
Nowotny, Ewald 148–56
OECD
definition of tax haven 296–7, 298, 300, 301, 318–20
four-stage money laundering model 433
offshore companies
derivatives, money laundering through 326
Offshore Financial Centers (OFCs), IMF 299, 300, 301
secrecy jurisdictions 191
Panama, crime-producing country 131
Peru, crime-producing country 131
Pietschmann, Thomas 194–206
policy enforcement requirements
good governance perspective, prevention of money laundering and terrorist financing 371
see also regulation
policy evaluation
anti-money laundering policies see evaluation of anti-money laundering policies
recommendations, state toleration of money laundering 140
rule- and risk-based see rule- and risk-based policies, comparison of, and data overload
political approach to tackle money laundering 140
political corruption 132
political credibility, need of, and terrorism 87
political economy of money laundering 21–3
politically exposed persons (PEPs) 27
Portugal, Financial Intelligence Unit (FIU) 407, 409, 413, 471
Posner, R. , 5, 60–62, 63, 64, 401
predicate crimes
global regulation 23, 27
tax evasion 283
tax fraud 149
taxonomy 226–7
private interests
lobbying, lack of 22
private and public organizations, distinction between 29
private sector cooperation, Netherlands 24
private sector role, prevention of money laundering and terrorist financing 374–5
terrorism financing 84–5, 86–7, 374–5
Proctor, C. 329
property sector see real estate sector, detection of money laundering, Netherlands
public sector accountability reporting, trends in 284–5
Quirk, P. 38, 42, 45, 46, 232
Rawlings, G. 7, 26, 45, 128, 138
real estate sector, detection of money laundering, Netherlands 268–82
criminological analysis 276–7
foreign financier as indicator 272
future research 278–80
indicators 271–5
mortgage, lack of, as indicator 272–3, 279
outliers, identification of, and indicator-based approach 269–71
potential abuse 268–9
purchase amount and appraised value, differences as indicator 275, 279
real estate object is involved in multiple transactions, as indicator 274, 279
research method 269–71
statistical and econometrical analysis 277–8
transactions in high-risk urban areas as indicator 275, 279
regulation
global see global regulation
see also policy enforcement requirements
reporting duty versus legal privilege see legal privilege versus reporting duty for lawyers, EU
Reuter, Peter 21, 27, 28, 38, 45, 72, 95, 96, 97, 99, 102, 107, 128, 129, 159, 187, 224–31, 232, 237, 334, 368, 376, 407, 422, 453
Rice, E. 295, 296, 300, 315–17
Rietrae, J. 376, 433
risk assessment
American and Dutch reporting systems, comparison of 406–9
anti-money laundering regulation, Austria 149
anti-money laundering reporting performance comparison 409–14
banks’ reporting levels 404–5
control industry, growth of 419–20
conviction rates 413–15
‘crying wolf’ problem 405, 414, 415
and customer due diligence measures, tensions between 374–5
discretionary authority and legal uncertainty, early 401–2
double risk assessment 404
effectiveness and efficiency levels 407, 420
e-gaming see e-gaming, money laundering and risk assessment, Europe
global regulation 23–4
money laundering threat see measurement of money laundering threat, EU
move to, money laundering process and effective enforcement 443
need for, tax administrative perspective 291
terrorism financing see terrorism financing
and money laundering risk assessment
risk-based approach to anti-money laundering and counter-terrorist financing 349–67
adversarial legalism 416–17
appropriate behaviour, determination of 352–3
banks’ regulatory costs 357
changeover transition 358
as complete set of rules 350
compliance issues 351, 355
compliance variance, acceptance of 353, 354, 355–6
cost-benefit analysis 356–8
customer due diligence (CDD) obligations 358–9, 364
data sources, problems with 361, 362
effectiveness evaluation 356–8, 362–3, 364
efficiency assessment 356–8
features of 350–56
Global Threat Assessment (FATF) 360
guidance, and compliance and control implications 353–6
HACCP (Hazard Analysis and Critical Control Point) methodology 402–3, 421
illicit money flows, assessment of dynamics of 361
incarceration rates 415
interpretation problems 352
judgement needed in 351–2
lack of variation in 351
legal institutions, comparison of 416–17
long-term historical trend and move to detailed rulings 401–2
micro and macro risk assessments 358–60
non-listed measures, use of 354
objectives, failure to meet 355
over-reporting possibilities 407
overview 400
preventive measures, problems identifying effectiveness of 362
principle-based regulation 420–21
recent developments 364
regulation comparisons 406–7
regulatory enforcement levels 416
regulatory loopholes, identification of 361–2
reporting duties’ comparison 408–9, 416–17
research methodology problems 363
risk estimation, actors involved 403–4
Risk-Based Auditing 402–3, 404
risk-based regulation, benefits of 402–3
risk-based regulation, move to 402–4
risks of risk-assessment 404–5
rules and sanctions, distinction between 401
sanction levels 415, 416
‘soft’ instruments, use of 353, 354
Strategic Surveillance Initiative (FATF) 359–60, 363, 364
supervisory requirements for obliged subjects 359
systemic risk factors 359, 360–62
tools for risk assessment 360–62
tort law 415–16
transaction thresholds for mandatory reporting 408–9, 410
transactions, comparison of numbers reported 409–12
transactions reported and quality of information 412–13
transfer instruments, identification of 361
Schneider, Friedrich 21, 83, 129, 166–7, 172–89, 227, 286, 326
seizure
and burden of proof 393–4
and confiscation, criminal justice system 382, 392
and confiscation, policy evaluation 475, 476–7
self-laundering 390
Seychelles 140
Anti Money Laundering Act 26
Economic Development Act (EDA) 26
shadow financial system 166–8, 190–91, 192, 193
Sharman, J. 25, 26, 295
small states
and financial market integrity see Austria, as example of role of small states for financial market integrity

and money laundering see Liechtenstein, as example of money laundering and small states

Spain
Basque Country, terrorism, economic effect 82
Roldán money laundering case 380
specialist money launderers, use of 49–50
Sri Lanka, Tamil Tigers private finance 85
Stapleton, D. 187
state sponsorship, terrorism 84, 86
state toleration of money laundering 127–42
black-market businesses 131–2
crime and criminalisation costs 128
crime-producing countries 131–4, 135, 136, 139
‘cui bono’ concept 131–9
developed countries 134–8, 139, 140
drugs industry, countries involved in 132–3, 134, 135, 137
economic approach to tackle 140–41
and foreign direct investment (FDI) flows 130
globalisation and economic integration effects 134–7
government regulation role 130–31
industry scale 129
irrepressibility of the money launderers 130
legal and illegal monies, distinction between values of 128
legalistic approach to tackle 140
money launderers’ reinvestment 130
money laundering effects and economic risk 130
money laundering market 128–30
money laundering services, demand for 128
policy recommendations 140
political approach to tackle 140
political corruption 132
small states 137–8, 139, 140
toleration paradox 131
‘trickle down economics’ 132
Stessens, G. 368, 370, 371, 449
Stiglitz, J. 22, 329
Stouten, Maaike 426–34
Sullivan, M. 296, 309, 315–17
Suspicious Activity Reports (SARs)
UK 73
suspicious transactions
definition problems 388
evaluation of 475, 476
failure to report, penalties for, Austria 153
focus, problems with 160
indicator list, Netherlands 407, 408, 410–15
legal privilege versus reporting duty for lawyers, EU 426, 429, 430
Liechtenstein 146
Sweden, published tax gap estimates 288, 289
SWIFT agreement, EU and US 457–8
Switzerland, Money Laundering Act (MLA) 259–60
Takats, E. 23, 24, 45, 128, 186, 400, 405, 406, 407, 412, 413, 415, 417, 418, 419
Taliban, drug trafficking 21
Tanzi, V. 38, 40, 42, 45, 46, 207, 232, 245, 286
Tavares, J. 80, 82, 477
tax and taxation
avoidance, costs of 72–3
EU definition of tax haven 297, 298, 300
fraud as predicate offense 149
gap measurement see cash economy,
measurement of tax gap from tax administrative perspective
Liechtenstein 147
OECD definition of tax haven 296–7, 298, 300, 301, 306, 318–20
owner is unknown to tax administration, as indicator, real estate sector 274, 279
‘pure’ tax havens’ definition 298
reputation test for tax havens 300–301
Stichting Onderzoek Multinationale Ondernemingen (SOMO) definition 298–9, 301, 318–20
Tax Justice Network (TJN) definition 298, 300, 301, 306, 318–20
tax policies for corporations 302–3
tax rate criterion 300, 303
tax treaties 303
transparency criterion 300, 303–4, 305, 307–8
US Congressional Research Service (CRS) definition 299
US Governmental Accountability Office (GAO) definition 299, 300, 301, 318–20
US Internal Revenue Service (IRS) definition 299, 300, 301
withholding taxes on dividend, interest and royalties 303
tax evasion
global regulation 27
measurement of money laundering threat, EU 97
trade-based money laundering see trade-based money laundering and tax evasion, US
victimless crimes 57
tax haven
definitions 294–302, 318–20
Tedds, L. 180
terrorism 78–91
anti-money laundering regulation 86–7
Brett–Usov Threat Index, EU 96, 97, 103–5, 109
causes 79–81
costs 81–3
counter-terrorism measures 78, 79, 81
crime–terrorism nexus 85–7
demographic factors 80–81
future research 89
Hawala banking system 26, 382, 387
international trade transaction costs, increase in 82
origin perspective 80
political credibility, need of 87
prosecution implications 86–7
self-radicalization and ‘home-grown’ terrorism 80
September 11 78, 83, 85, 86, 88–9
socio-economic and politico-institutional conditions, comparison of 79–80, 81, 87
terrorist association as criminal offense 393
USS Cole bombing 83
terrorism financing
counter-terrorist financing see risk-based approach to anti-money laundering and counter-terrorist financing
direction of financial flows 78–9, 87
drug production and trafficking as finance source 85, 87
economic constraints 79
economic destabilization 81
funding sources, estimates of 225
global economic development 82, 192
legal privilege versus reporting duty for lawyers, EU 426–7
money laundering, ambiguous relation between 20–21, 25
and national economic development 82
and national economic diversification 83
private financing by unlawful means 85, 86–7
private financing sources, legitimate 84–5, 86
sources and money laundering 83–6
Special Recommendations on Terrorist Finance, Financial Action Task Force (FATF) 25, 78
state sponsorship 84, 86
and sub-national economic development 82–3
trade-based money laundering and tax evasion, US 254–5, 259–61
terrorism financing and money laundering risk assessment 110–26
factor and module scores, aggregation to derive proxy assessment 122
key risk events, analysis modules for analyzing 116
money laundering and financing of terrorism processes 111
national risk, deriving and assessing 123–4
net risk 112
perpetrator not sanctioned adequately 115
proxy indicator of likelihood of substantial money laundering or successful terrorism financing 115
risk assessment keys, threat, vulnerability and consequences 111–13, 114
risk events 117–21
risk management application 113–15
risk-scoring system 113–14
scoring factors 116–22
successful consequences, deriving proxies for 122–3
Thomas, J. 180, 207
Thony, J.-F. 86–7, 464
threat measurement see measurement of money laundering threat, EU
Tilleman, André 426–34
trade-based money laundering and tax evasion, US 253–67
country average price vs. world average price 256
Country Risk Index 262–3
database 255–6
Financial Action Task Force (FATF), Trade-Based Money Laundering Report 253–4
International Price Profiling System (IPPS) 264–5
International Price Profiling System (IPPS), application of 265–6
money moved out of and into the US 259
new banking regulations on money moved out of Switzerland, impact of 259–60
overview 254–5
Product Risk Index 263
research methodologies 256–9
statistical analysis of inter-quartile price range, application of 259–60
terrorist financing 254–5, 259–61
trade financing 260–66
Transfer Pricing Regulation (US IRS) 257, 262
transnational crime, financial flows see MIMIC method, and financial flows of transnational crime
transparency
criterion, Netherlands as tax haven 300, 303–4, 305, 307–8
need for more, evaluation of anti-money laundering policies 478–9
principle, good governance perspective 373
Transparency International 29
Tromp, Lotte 293–320
Truman, E. 27, 28, 95, 96, 97, 99, 102, 107, 128, 159, 187, 225, 226, 237, 407, 422
UK
CIFAS (fraud prevention) 69, 72, 74
Code for Crown Prosecutors and reasonable prospect of conviction 71
Fraud Act, England and Wales 68–9
fraud costs, measurement of 69–70
Internet fraud rise 340
mass-marketing frauds 73
National Fraud Authority and fraud losses 71, 72–3, 74
payment card expenditure on gaming 335, 340
payment cards and Chip and PIN 72
principle-based regulation 420–21
published tax gap estimates 288, 290
Regulatory Impact Assessment 477
Suspicious Activity Reports (SARs) 73
Threat Assessment on Organised Crime 452
VAT carousel fraud 72–3
UN
Convention against Transnational Organized Crime 386
drugs, tracing major routes see drugs and drug money, UN efforts to trace major routes
International Convention for the Suppression of the Financing of Terrorism 384–5
Palermo Convention against Transnational Organized Crime 392, 393
Security Council Resolution 1373 78
Security Council terrorism sanctions 385–6
Vienna International Convention on Drug Trafficking 24, 25, 383–4
Index 501

US
adversarial legalism 416–17
Annunzio-Wylie Money Laundering Act 23, 406
Association of Certified Fraud Examiners 69
Banking Secrecy Act 23, 406
BCCI bank money laundering case 225, 379
capital inflows/outflows, higher 39–40
Cash Transaction Reports (CTRs) 23, 406, 407, 408, 409, 476
civil penalty lawsuits 23
Congressional Research Service (CRS) tax haven definition 299
Currency Transaction Report (CTR) 23, 406, 407, 408, 409
drugs trafficking 38
dynamic macroeconomics for estimating money laundering see dynamic macroeconomics for estimating money laundering
Financial Intelligence Unit (FIU) reporting 383, 388
Foreign Account Tax Compliance Act (FATCA) 147
fraud and drug sales, assessment problems 227–8
Governmental Accountability Office (GAO) 410
Governmental Accountability Office (GAO) tax haven definition 299, 300, 301, 318–20
Internal Revenue Service (IRS) tax haven definition 299, 300, 301
Money Laundering Control Act 23, 38, 406, 437
Money Laundering and Financial Crimes Strategy Act 23
money laundering stages concept 437–8
Money Laundering Suppression Act 23, 406
National Commission against Organized Crime 383
Operation Deluge 253
Patriot Act 23, 406, 414
predicate crimes for money laundering 23, 27
Public Company Accounting Oversight Board (PCAOB) 420
public interest theory of regulation and US interests 22–3
published tax gap estimates 288
risk-based approach 24
Sarbanes-Oxley Act 420
Suspicious Activity Report (SAR) 23, 406–7, 408, 409, 410–13, 414
SWIFT agreement with EU 457–8
tax compliance 147
Trade Transparency Units 253
trade-based money laundering and tax evasion see trade-based money laundering and tax evasion, US
taxation thresholds for mandatory reporting 409
US v $4,255,625.39 3
USS Cole bombing 83
Wachovia Bank money laundering case 380–81
war on drugs, costs and reasons for failure of 63–4
war on drugs, foreign costs 65
Usov, A. 95–107, 109
Van de Bunt, H. 234, 272, 273, 274
Van den Broek, Melissa 368–78, 433
Van der Linde, Daan xv
Van Dijk, M. 298, 299, 320
Van Duyne, Petrus C. 129, 229, 232–50, 332, 436, 449, 450
Van Eekelen, J. 232, 235
Van Kommr, Victor 283–320
Van Koningsveld, Frans 24, 27, 374, 399–425
Vervaele, John 89, 379–96
Vettori, Barbara 474–85
victimless crimes 57–67
blackmail example 61, 62
budgetary impact of ending drug prohibition 64
cost-benefit analysis consideration 65 and criminal law 58–60, 62
decriminalization arguments 60–61, 63, 66
demand and supply correlation between money laundering and drugs 57–8, 62, 63
drug legalization, effects on education levels 64–5
drugs, social cost and criminalization of drugs crimes 59, 63–6
economic analysis of law 60–63
efficiency considerations 61–2
Harm Principle (Mill) 58–9, 60, 61, 62, 64, 66
moral implications 60
Pareto efficiency 61–2
solitary and consensual victimless crimes, distinctions between 59–60
tax evasion 57

toxic waste disposal example 59, 62

trade of illegal goods 57

as voluntary exchanges 61–2

war on drugs, reasons for failure of 63–4

Vogel, D. 416

volume estimates of money laundering see estimates of volume of money laundering, assessment of


World Bank 27, 28

crime proceeds, estimates of 453

World Development Indicators, problems with use of 192

Zdanowicz, John S. 19, 45, 46, 187, 253–67