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Money Laundering and Its Regulation

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ABSTRACT: This article examines definitions of "money laundering" and the conceptual and actual role its regulation plays in dealing with drug markets. If laundering is prevented, incentives to become major criminals are diminished. It identifies and critiques three aspects of harm arising from laundering: facilitating crime groups' expansion, corroding financial institutions, and extent. After a discussion of laundering techniques used with drug money, including the symbiotic relationship with some otherwise legitimate ordinary businesses, the article examines the history of public- and private-sector antilaundering policies and their implementation in the United States and globally. It concludes that much detected laundering involves the same out-of-place judgments the police use, but though the proportion of routine and suspicious activity reports that yield arrests may be low, they do generate some important enforcement actions. Nevertheless, the impact of antilaundering efforts on enforcement resources, organized crime markets, or drug consumption levels remains modestly understood at present.

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"MONEY laundering," like "organized crime," is one of those terms of both criminological and popular discourse that evokes images of sophisticated multinational financial operations that transform proceeds of drug trafficking into clean money. National legislation in many parts of the world (as well as international instruments) typically began by criminalizing the laundering of the proceeds of drug trafficking before, perhaps some years later, broadening the scope to include all or most serious crimes (tax evasion being the key area of dispute).[1] This reflects the evolution of thinking about the logic of antilaundering policies (discussed later) as well as the pragmatic politics of legislating what the political market will bear: getting international consensus is easier for dealing with drug trafficking than with corruption, environmental crime, tax evasion or—at least prior to the carnage of 11 September 2001—terrorism. It is now only on tax cooperation issues that a significant constituency of bankers or politicians is prepared nowadays to assert publicly that preserving financial privacy is much more important than fighting the menace of serious crimes such as drug and human trafficking. What was formerly a genteel sovereign right of any nation to ensure "customer confidentiality" has become redefined pejoratively as unacceptable "bank secrecy" that facilitates the drug trade (Levi 1991). In this global risk management process, modern areas of law enforcement have sought to free themselves from the constraints of due process and similar old-fashioned ideas of protection against overzealous state intrusions by focusing on disruption and on situational strategic laundering prevention.

The United States is atypical in its early imposition of tough measures against organized crime generally, for example, the Racketeer Influenced and Corrupt Organizations (RICO) Act of 1970. The range of its application soon broadened, as is illustrated by the use of RICO against targets as varied as corrupt labor unions, Italian American syndicate stock manipulation, and alleged oil sanctions busting by Marc Rich and associates. To this was added, from 1986, legislation against money laundering.[2]

What is money laundering and why is it important? In essence, it encompasses any concealing of the proceeds of drug trafficking (or other serious crimes) beyond putting the loot visibly on the bed or in one's domestic safe. If the opportunity to pretend that one's wealth is legitimate—if and when challenged—can be effectively denied, then the motivation for continued crime and the political/social threat from rich criminals is considerably reduced. The logic of controlling the drug money trail is that profit motivates drug sales, and because most sales—certainly at street level—are (or are believed to be) in cash, the recipient of cash has to find some way of converting these funds into utilizable financial resources that appear to have legitimate origins. If they are prevented from doing so, their incentives to become major criminals are diminished, so there is both a general and a specific threshold preventative effect from antilaundering efforts. These preventative effects can be reinforced by (1) requirements on financial and other risk-prone institutions to report large cash and/or suspicious transactions to specialized police or administrative intelligence units and (2) proceeds of crime confiscation or forfeiture laws that are intended to incapacitate both individuals and criminal organizations from accumulating substantial criminal capital and the socioeconomic power that accrues from this.

The Financial Action Task Force (FATF) was created by G-7 in 1989 as a temporary working group to develop measures to implement antilaundering policies. It has a small secretariat (colocated with the Organization for Economic Cooperation and Development) and twenty-nine governmental members (plus the European Commission and the Gulf Co-operation Council). The FATF has described laundering as a three-stage process: the placement of funds into the financial system; the layering of funds to disguise their origin, perhaps by passing through several offshore and/or onshore jurisdictions; and the integration of the funds into the legitimate economy. Cash is less often used for placement in fraud and grand corruption (i.e., high-level public officials) cases and in sophisticated forms of extortion in which inflated prices are paid for services than it is used for drugs, which have a more elaborate sales distribution network. In the case of terrorism, most living expenses and purchases can be paid for in cash, which leaves little paper trail.

The need to prove a specific predicate offence before convicting for laundering varies between countries. Many common law jurisdictions and an increasing number of civil law ones have criminalized "own funds laundering," so that if a local drug dealer walks into his or her local bank with a modest $100 in bills and deposits the cash in his or her bank account in his or her own name, he or she commits the offense of money laundering (if it can be proven that these are proceeds of a crime). This—most common in the United States and Belgium—is regarded by some European scholars as a legal abomination since it can lead to two charges for the same act (Stessens 2000); it also leads to the same legal category's being used for these simple acts and for global financial chicanery using offshore havens, making comparative analysis difficult.[3]

Laundering can be considered important for three reasons:

1. It facilitates crime by capacitating crime groups and networks to self-finance, diversify, and grow.
2. It can have a corrosive impact on financial institutions and other parties. However, there is an element of paradox here. For centuries, onshore and offshore bankers have been tolerantly laundering proceeds of many crimes and from many countries without obvious harm to them or to their economies. Criminal (as opposed to moral) corruption of bankers and trust/company formation agents in some jurisdictions has been made necessary as a consequence of the criminalization of laundering and of regulations intended to stop

willful blindness. Given those regulations, laundering can be harmful to the financial system of laundering countries and creates serious reputational risk irrespective of the impacts on domestic crime there. In the Third World (including the former Soviet Union), the issues are more complex. Their economies vitally need investment capital, and if launderers provided venture capital without eliminating indigenous people from this function (economically and/or physically), then this might not be harmful. However, in practice, criminal funds can be used to create a license to operate piratically in a hollow state rather than for productive purposes, and criminally owned banks created to launder funds can also be used to defraud the public (though to do so will terminate their usefulness as laundering vehicles since normally they will close down as a result).

3. A third measure of harm is the extent of laundering, though this depends on which crimes are included and on harm to legitimate capital; unfortunately, there is no consensus on what this is. Figures of $300 billion to $500 billion for international flows are banded around and become "facts by repetition," but there is very little evidence to justify them (van Duyne 1998; van Duyne and de Miranda 1999). For an FATF exercise that ended in fundamental disagreement, Walker (1999) heroically attempted to construct money flows into all-crime and drug laundering guesstimation exercises, while Reuter (2000) made a sophisticated attempt to construct global expenditure on drugs as the sum of national estimates; outside the United States, national expenditure data are deeply unreliable, and even in the United States, the range is a broad $40 billion to $100 billion. Moreover, money laundered in year 1 may have to be relaundered in year 2, when it may have to be invested. Finally, criminal business costs (including protection and salaries to terrorist or crime gang members) and lifestyle expenditures—both high in multilayered drug business—have to be subtracted from the crime proceeds data before we reach the laundering figures, which are anyway dependent on the savings ratios of offenders. (Part of the business costs take the form of income for others and flow directly into the GNP.)

If drug dealers retain property of value, whether or not traceable directly to crime, they may need to launder to enable them to account for possessions they cannot justify by officially earned income and wealth if they live in places that have civil forfeiture regimes (in the United States and Ireland, and shortly in the UK, for example) or—if they can be convicted—the many criminal confiscation/forfeiture laws that reverse the onus of proof postconviction.

How is money laundered? Laundering needs to be only good enough to defeat the changing capacity of financial investigation skills and burden of proof in any of the jurisdictions along its economic path. Devices such as "walking trust accounts"—which move automatically to another jurisdiction when inquiries or mutual assistance requests are made in one jurisdiction—clearly act as facilitators of crime and inhibitors of responses by making it very much more expensive, if indeed possible at all, to pursue the defendants either for evidence or for recompense. But only the most sophisticated end of the laundering trade uses these. The *World Drug Report* (United Nations International Drug Control Programme 1997, 138 *et seq.*) sets out some techniques:

1. "Smurfing" is a process whereby "the cash is exchanged for bearer cheques or international money orders, which are then deposited into the trafficker's account by an intermediary of the same organization. . . . In most cases [smurfs] need know nothing beyond the amount of cash they are required to convert and their fee."[4]
2. "The use of cash-intensive businesses in money-laundering is extremely prevalent."
3. There are accounting techniques under which the difference between the artificially high invoice price and the real price of the goods and services is deposited offshore. These are used also by those who wish to avoid taxes and duties.
4. There are private investment techniques, including "loan backs," where the launderer makes an investment with a loan secured on his offshore funds, which is then repaid.
5. There is the use of nonbank financial institutions, such as cashing in large single premium payments, getting a refund on part-used plane tickets, and cashing in casino chips.
6. There is investment in government bonds as bearer instruments, presumably for cash.
7. There is the opportunistic lending/acquisition of companies on the verge of bankruptcy.
8. There is the exploitation of underground banking systems.

However, the extent to which these are used for drug money, and by traffickers at what levels, is not mapped out with any clarity. More helpful is the analysis found in a review of money laundering and its control conducted for the United Nations the following year (Blum et al. 1998), which illustrates the use of trusts, international business corporations, and free trade zones for laundering schemes, indicating also that proceeds of drug sales in the United States and elsewhere can be used by Third World businesspeople to avoid exchange control restrictions in their home countries (in what is known as the "black peso market"). A sanitized version of money-laundering typologies is available from the FATF periodically. (For some interesting data and general reflections on black markets and "extralegality" in the Third World, see de Soto 2000.)

MONEY-LAUNDERING AND ANTICRIME STRATEGIES

Proactive anti-drug-trafficking methods cannot plausibly prevent all smuggling. Therefore, the attempt to monitor financial transactions and confiscate crime proceeds is the obvious next key strategy in the organized crime containment program (see, e.g., Office of National Drug Control Strategy 2001). This requires a major global infrastructure of compatible legislation and mutual legal assistance both for financial investigation and for proceeds of crime restraint and confiscation. The United States, supported from the start by Australia, France, and the United Kingdom, was the principal enthusiast for antilaundering measures to attack kingpins of the drug trade but, as Gilmore (1999) has observed, the rapidity (less than two years) with which the 1988 UN Vienna Convention came into force is testimony to the power of drug issues in the political culture of nations around the world. What effects it has had on the availability, production, and distribution of illegal drugs remains doubtful. Nevertheless, there has been continued reform of antilaundering and crime proceeds legislation around the world (Gilmore 1999; Levi 1997, 2001; Stessens 2000) and greater policing (including customs and excise) involvement in financial investigation, still mainly in the drug field but increasingly in excise tax fraud and, post-2001, terrorism. The Egmont Group of Financial Investigation Units that ensures some cross-national cooperation has developed substantially since the mid-1990s, though its practical effects have not been evaluated properly. With the targeting of persons rather than simply activities in offender risk management strategies (Maguire 2000), the precise context in which prosecutions and asset confiscation occur has become flexible.

Particularly since 1996, FATF and its regional associates in different parts of the world (starting with the Caribbean and expanding to include Asia Pacific and Latin America, with Africa developing a regional body), alongside the Council of Europe, the European Union, and the United Nations, have moved away from the initial exclusive drug focus in antilaundering policy toward an all-crime and transnational organized crime focus, though the effects of this are not obvious since, as Levi (1991) and Gold and Levi (1994) observed in their studies of how suspicious financial transaction reports come to be constructed and followed through, few bankers know in what types of crime—if any—their customers may be engaged. As I write in mid-2001, FATF member states are far from agreement over whether countries should be compelled to include tax offenses as a predicate for money laundering.

The slow adoption of FATF standards in some territories—many of whom are not members of key bodies and have not been evaluated by peers—precipitated the Non Cooperating Countries and Territories initiative commenced in 2000. This economically blacklists the (fifteen in the first tranche, with some changes in the second) countries "named and shamed." This blacklisting is accompanied by treasury advisories to all regulated banks telling them that they should exercise special care in dealing with transactions from the named jurisdictions, with more severe sanctions in prospect for persistent noncompliance. Conformity to these directives also becomes part of the banks' compliance audit. There is no provision to appeal against blacklisting, which has been criticized for picking on non–member states while tolerating some similar malpractices among member states.

APPROACHES TO MONEY-LAUNDERING REGULATION

At the level of the nation-state, there are essentially two sorts of approaches to money-laundering regulation, which may be combined or remain separate. They both involve making key private-sector entrepreneurs primarily responsible for implementing public policy goals and developing (or attempting to develop) an interpenetrating private-public "security quilt." Apart from any preventive effects that they may have—which have not yet been established but which plausibly exist—such controls are useful primarily for ex post facto audit trails partly because of the sheer volume of cash transfer and suspicious activity reports, which without electronic delivery and some good analytic software programs, is too slow to be dynamically useful.

The first general approach, adopted first in the United States and then in Australia but in no other major financial centers in the world, involves routine currency transaction reporting (CTR), domestic and cross-border by specified financial intermediaries—banks, but sometimes also *bureaux de change*, casinos, and even car dealers—for any currency transaction beyond a specified threshold (generally $10,000) and identification of their customers at least at this threshold.

The second general approach, adopted throughout Europe and the major Far Eastern centers such as Hong Kong and Japan, requires or permits intermediaries to make suspicious transaction reports but not routine cash deposit reports. This system is meant to provide more discriminating and practically useful information relative to a CTR system, and the United States has gradually supplemented its CTRs with suspicious activity reports; Australia always operated the combined system (Austrac 2000; Department of Justice 2001). U.S. federal agencies proposed regulations that would require financial service providers to develop customer profiles and determine the source of funds that may be incommensurate with a customer's profile or typical banking activity. However, my interviews indicate that following widespread opposition justified on the grounds of privacy concerns and organized by an e-mail lobby of bankers (in unusual collaboration with left- and right-wing privacy enthusiasts) to Congress and the media, these proposals were withdrawn in 2000 until terrorism reoriented privacy values in 2001. In any event, the Federal Reserve Board and state departments of banking such as that in New York attempt to ensure compliance with the Bank Secrecy Act, via examination and audit functions and via dissemination of anti-money-laundering guidance procedures for regulated banks.[5] These reporting and monitoring controls are supplemented by enhanced (though largely unfunded) financial investigative efforts in designated high intensity financial crimes areas such as New York, Los

Angeles, and the U.S.-Mexico border areas.

There is a third type, more comprehensive than the second, whereby institutions are required to report unusual transactions to a civilian body, which then examines them to see if there is any reason to classify them as suspicious; if there is deemed to be such a reason, then the report is passed onto the criminal investigation authorities. The aim here is partly to protect privacy in systems prone to overdisclosure.

In an attempt to cut across the multiplicity of jurisdictional issues and reduce their regulatory costs and the serious reputational damage they were suffering in the media mostly for the money of corrupt dictators rather than for anything having to do with drugs, a number of banks agreed at Wolfsberg in 2000 to establish a common global standard for their private banking operations (i.e., for very wealthy clients only). These Wolfsberg Principles include common due diligence procedures for opening and keeping watch over accounts, especially those identified as belonging to politically exposed persons (i.e., potentially corrupt public officials) who may sometimes combine corruption with drug money laundering.

The effects of antilaundering measures

Given the political and social importance of this area, the absence of evaluation research on it and organized crime generally is remarkable. What sorts of effects might one seek to identify? These may be divided into process effects (e.g., on private and public enforcement practices) and impact effects (which require a deeper understanding of the organization of crime than we currently have and are very difficult to measure in practice), including (1) the prosecution or other incapacitation of offenders, (2) the organization of crime, and (3) levels of crime (in the context of this article, drug use and sales).

In terms of process, the world's legal landscape has been transformed in slightly more than a decade, with almost every country and territory—including almost all offshore financial centers—adopting laws permitting or requiring disclosure and mutual legal assistance, even though their conformity with the forty measures (or principles) mandated by FATF may vary. Usually following a major scandal, some countries and financial institutions have sought to become market leaders in compliance against drug money laundering, thereby intentionally creating an unlevel playing field. Territories such as the Cayman Islands (blacklisted in 2000 but delisted in 2001) or Jersey (now accepted as well regulated) attempt to persuade wealthy corporate investors to do business there.[6] Conversely, rogue jurisdictions market their privacy and asset protection trusts that are impenetrable to inquisitive countries, especially to their tax inspectors. Yet while compliance might be excellent generally (and the bank might even refuse bribes from undercover Drug Enforcement Agency agents[7]), a favored client—an influential politician and/or drug trafficker in

Colombia, Mexico, or Peru—may be given special treatment. Hence the importance of the Wolfsberg Principles as a counterweight to local temptations to service powerful clients or potential clients, whether narco-kleptocrats or "merely" corrupt heads of state and their families.

Levels of visible enforcement of antilaundering provisions—prosecutions or deauthorizations of financial and professional intermediaries for money laundering or failing to institute proper measures of regulation—have been extremely modest.[8] Furthermore, those prosecuted—like BCCI and some Mexican banks after the controversial Operation Casablanca in which American agents organized a sting against Mexican banks in Mexico and the United States—or those prohibited from banking tend to be foreign or marginal banks rather than mainstream global banks whose private banking operations were particularly prone to abuse pre-Wolfsberg. There is little doubt that scandals such as that engulfing the Bank of New York over the alleged laundering of Russian mafia money have a powerful effect on refocusing the compliance function of that bank and of other banks with known Russian clients, though it is not clear how much Russian money was related, respectively, to drugs, to organized crime, or to capital flight searching for an economically and politically safer home.

As for impact on enforcement, it has been difficult to find police support for radical shifts in staff from equally prized and media-supported areas of crime and disorder to financial investigation. Many U.S. state and local forces have become highly dependant on income from federal equitable sharing and adoptive forfeiture, and there is some evidence of goal displacement as enforcement agencies target forfeitable assets rather than serious offenders (Blumenson and Nilsen 1998). This has not happened elsewhere, partly because postconviction reversal of the burden of proof typically yields modest results and, crime proceeds income is not redirected toward the police (Freiberg and Fox 2000; Levi 2001). As for impact on territories and on the private sector, following regional action plans, few high integrity/capital security places offer high secrecy any more, imposing informational uncertainties and extra costs on launderers.

In theory, suspicious transaction reporting by bankers offers the possibility of policing in a less prejudiced way than by use of police discretion, via dispassionate computer-modeled neural network analysis. However, although expensive software throws up more sophisticated methodologies to pursue, we note the same criteria of suspiciousness—of out-of-context behavior largely by "the usual suspects"—that the police use, only operated this time by bankers (Levi 1991; Gold and Levi 1994). Observation suggests that efforts made in Australia, the Netherlands, and the United Kingdom to develop good collaborative relationships with the financial sector in the early years produced greater willingness to respond positively, and efforts made by Austrac to develop good inter-agency relationships with law enforcement likewise produced greater acceptance of the value of their work.

Demonstrable impact on crime and even on crime detection remains harder to identify, however. Methodological problems in linking causes to effects mean that there are few defensible positive findings about the direct, short-term impact of money-laundering reporting on prosecutions and on confiscation.[9] Moreover, Indo-Pak or Chinese communities have well-established underground banking mechanisms or informal value transmission systems that predate banking and that also are relatively immune from surveillance by the police and tax authorities (see Passas 1999), though the focus on terrorist finance will put more pressure on them.

Based on an analysis of what happened to one thousand suspicious transaction reports made in the United Kingdom during the early 1990s, Gold and Levi (1994) concluded that at the (now tripled) rate of thirteen thousand disclosures a year, the entire money-laundering reporting system produced an unambiguous yield of only thirteen drug trafficking—including money laundering—convictions annually. At a time when reporting for nondrug suspicions was rarer than today, this still yielded some thirty-five more convictions for fraud and for other serious offences. There is no research equivalent for the United States, but FinCEN's (1999) annual report states that suspicious activity reports represent less than 5 percent of the thirty-five thousand or so Bank Secrecy Act reports accessed for "ongoing investigations or prosecutions" in 1999 via its Gateway terminal. Any longer-term impact in terms of building up patterns of information—however plausible—remains hypothetical in light of current knowledge. This disregards preventive and (increasingly attempted) crime-disruptive effects, which likewise remain unmeasured.

These modest verifiable results reflect the amount of resource put into the system by bankers, financial investigators, and prosecutors, as well as the legal framework that then required proof of the predicate offense.[10] Even allowing for very modest savings by lower-level drug sellers, the less than $1 billion forfeited annually in the United States from all crime is a modest proportion of total retail drug sales, with no obvious effect on the drug trade as a whole, whatever effect it might have on particular offenders or crime organizations.

Despite this lack of impact on the ongoing crime trade and the thriving crime markets, some interesting effects are discernible. English police have given examples of some offenders working harder to get back the capital confiscated, and the high profit margins mean that the opportunity cost of granting credit to "good criminals" whose assets have been taken is not as great as some enforcement officials might hope (Levi and Osofsky 1995). If financial investigators cannot find out where the assets are or who owns them, they can make it hard (and expensive) for the traffickers and launderers to collect the money, but this may not show up in their confiscation yield. Laundering costs allegedly rose from 6 to 8 percent at the beginning of the 1980s to up to 20 percent by the mid-1990s (United Nations International Drug Control Programme 1997, 141) and (according to U.S. drug law enforcement sources) substantially more today, though this does not tell us how the amount of laundering has changed, or even whether people are doing the same sort of thing but demanding more "rent" for taking heavier risks.[11] Early research results from the Netherlands show that typical offender flexibility in offence commission and money laundering may be much lower than we believe (van Duyne 1998; van Duyne and de Miranda 1999). The cost of laundering in different parts of the world and for different predicate crimes requires more research.

Particular money-laundering techniques vary by the need to launder and the skill set and contacts of particular offenders, which may change over time. One would have to follow the altered behavior (or inability to change) of the same or similar offender groups to examine the impact of antilaundering measures.[12] Despite work on money-laundering typologies by and for the FATF and other bodies such as the Council of Europe, we lack more than a modest understanding of the incidence and prevalence of current techniques even from the systematic analysis of detected cases, let alone from those that are undetected.

CONCLUSION

It is difficult to imagine now what levels of use of different drugs or the organization of crime would have looked like had money-laundering controls taken a different form or not existed at all in many countries. In a short period, an almost global compatible (if not harmonized and centrally policed) infrastructure has been created within which private-public partnerships (however tense at times) can be developed. However, despite the increasing development of intrainstitutional and governmental neural networks for sniffing out unusual or profiled behavior—Austrac conducts electronic monitoring of some 5 million international transfers a year—this new world order fights an unequal battle with the low transparency of international electronic funds transfers and their sheer volume, which overwhelms bank systems still largely based on human judgments of suspiciousness. Detected drug money laundering cases vary enormously in sophistication but typically are lower than in corporate fraud and transnational corruption cases. However skeptical one is about the proportion of income from crime that is saved—and especially the proportion of offenders who save significant amounts—the vast disparity between plausible proceeds and actual confiscations/forfeitures suggests that there must be a continuous accumulation of mutant capitalism.[13] What the effects of these funds are and where they are located remain obscure. Nor—partly due to inherent methodological difficulties—is it obvious what effects antilaundering and forfeiture policies have had on the levels of drug production, distribution, and use. The threat of international sanctions may be used against banks that handle the accounts of businesses that sell drug-related products even where they are tolerated locally (in the Netherlands, more recently in Belgium, and in Switzerland, which has never ratified the 1988 Vienna UN Convention). We thus see how the integrated global financial system, combined with a money-laundering focus, pressurizes conformity and economic exclusion for alternative models of dealing with drug problems. It can always be argued that following the money simply needs to be pursued more rigorously with more resources in more countries, but even those unpersuaded by Naylor's (1999) vigorous critique might keep an open mind on the effectiveness of antilaundering and forfeiture policies for reducing levels of drug supplies, whatever effects such a focus might have on reducing harm from corruption, fraud, and major crime proceeds as a whole.

Notes

1. However, Australia, Belgium, Germany, and the Netherlands, for example, had very broad coverage of predicate crimes right from the beginning.

2. Laundering charges tend to produce evil empire images in the popular mind. I am not suggesting that this prioritization of drug trafficking over fraud is appropriate; this is a sociological judgment about the populist and media-fuelled value hierarchies in many contemporary societies.

3. Thus far, there appears to be no such qualitative research on the nature of money laundering prosecutions. Relatively trivial events can be used for tactical reasons against major offenders simply because they are the most serious offences with demonstrable connections to the targets. Al Capone's conviction for tax evasion was merely one early example, but where organized crime groups are involved in multiple offense types, such flexibility of prosecutions is to be expected.

4. Banks may have corporate criminal liability in the United States if it is concluded that any bank official knew that he or she was structuring a series of transactions below the $10,000 reporting threshold.

5. As in other areas of drug enforcement, overlapping agency mandates generate rivalry between regulators.

6. I have chosen these jurisdictions because they both suffered serious reputational damage for drug and fraud scandals in the past.

7. We may hear about institutions that do take bribes in undercover sting operations, but no details are available about those who do not, leading to a perceptual imbalance in judgments about how corruption-prone institutions are. Even the Miami branch of Bank of Credit and Commerce International (BCCI) initially refused requests of undercover operatives to launder money for them.

8. Proposals in the draft Second European Union Directive 2000 to require lawyers to report suspected money laundering by their clients, passed in the aftermath of 9/11, aroused tremendous opposition. In the United Kingdom, lawyers have been included since 1986, though the number of suspicious transactions they report remains very low. In the United Kingdom, strong efforts were made from the start to involve all financial and professional bodies cooperatively.

9. At the risk of being fatuous, this means neither that there is an impact nor that there is no impact.

10. On the other hand, nor is there evidence yet of the impact that larger investments in financial investigation can have. Such investigation can have broader usefulness in assisting crime investigation.

11. To the extent that offenders are well informed, how do we find out about the extent of what they have done, except where the flows are so gross—for instance, the flows of money into Austrian banks from Indonesia in the first quarter of 1998—that they cannot be accounted for except arguably as illegal capital flight?

12. Interviews and intelligence from the United Kingdom suggest that larger volumes of cash are having to be stored since placement within the United Kingdom has become more difficult.

13. In the felicitous phrase of Sir David Omand, former permanent secretary to the British Home Office.

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