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Money Laundering Progress & Problems

Dr Bruce Lloyd, Professor of Strategic Management, at South Bank University, in discussion with Peter Lilley author of "Dirty Dealing: The Untold Truth About Global Money Laundering", Kogan Page (2000).

BL: Perhaps we can start by you outlining the core message of your new book?

PL: In my opinion, the core message is that money laundering is far more pervasive than people realise and that it is not just banks that are involved. A substantial amount of human misery is caused by this organised criminal activity and the vast amount of money that is being generated is being washed through banks, businesses and other vehicles around the world.

BL: Who is responsible for allowing this to happen?

PL: I think there are various degrees of responsibility. I believe banks, financial institutions and businesses, either through ignorance in some cases, or simply a reflection of the basic desire to generate profits in others, are turning a blind eye to it. In addition, in most parts of the world, individual regulation by governments, as well as international regulation, is very weak. Also the law enforcement agencies, and people who deal with the activity at an official level, are under resourced.

BL: I found a theme of your book was that these issues had always been with us, so what is changing today that makes the whole subject so much more important than it was – assuming I am right in my interpretation.

PL: For a start a combination of more globalization with the impact of the Digital Economy, means that it is now very simple for money to fly around the world in a second or two, literally from anywhere to anywhere. This is having its parallel in money laundering where operators identify weaknesses in the financial system, or any business system, that enable them to move substantial funds around the world without any effective controls and with lightening speed. One chapter in the book discusses what you can buy on the Internet and this includes driving licences, passports, anonymous credit cards which can all assist the money laundering process.

BL: Do you consider there are particular reasons for the apparently greater pressures today to do something about the whole issue of money laundering?

PL: Hopefully it is a reflection of higher ethical standards which we are trying to establish as the basis of our relationships, both personally and between organizations – and even between governments. Much of this pressure is driven by American legislation which is attempting to apply pressure across the globe, particularly as an attempt to control the drug industry; but it also covers other areas such as corruption. The basic assumption is that if you starve criminals of cash, you will reduce the level of crime.

BL: One point that appears to have been particularly important in the past twenty years is the impact of drug money although, perhaps, we shouldn't forget that several respectable global corporations today made their fortunes out of the 19th century trade in opium. Has it just been the drug money issues that has forced the industrialized world to take the whole subject of money laundering much more seriously?



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PL: It certainly has been drug money within individual domestic economies but it is the highly organized criminal groups across the world that both sold products and laundered the proceeds that governments are now trying to control, before they destroy a significant part of the social fabric, if not the society as a whole. Today we are talking about very large amounts of money that move around the world virtually control free.

BL: What do you think needs to be done to improve on the situation we have at the moment?

PL: First a simple step in the UK, as well as in other parts of the world, is that more resources need to be given to those people trying to police the money laundering situation we are discussing. Another example is the sophisticated computer system that they use in Italy, this technology could be used more widely.

BL: But what is the conviction rate on the back of all this information? Do the authorities do anything with the information in Italy?

PL: Well, they are far more active in Italy than many parts of the world and the conviction rate in the UK is abysmal. More resources and more training is a start. Of course, all that needs to start from a base where there is greater agreement on what money laundering actually is, and why it is important that we try to do something about it. Until recently – I'm not sure if it has changed in the past year – Israel had no money laundering laws and, as a result, it was on the American list of undesirable nations.

BL: This is perhaps not surprising when we consider the historical context. Much of the pressure for secrecy in the swiss banking system came from an attempt to protect Jewish money coming out of Germany during the rise of Nazism in the 1930s. And much of the global respectability for secrecy in the last fifty years has come from the reputation given to it by the swiss banks.

PL: But this is changing. And it is important to distinguish between secrecy and anonymity. The Swiss always know who is the owner of the account. Whereas in the State of Delaware in the US the Russians have now realised that they can open corporations there and no-one knows who the beneficial owners actually are. So it is very important to distinguish between secrecy and anonymity.

BL: Yes but, if with that secrecy there is no expectation or obligation to do anything with that information, then it is, in practice, equivalent to anonymity.

PL: Yes but the situation has now changed in Switzerland and most other parts of the world, but not all, where you now have to identify the beneficial owner and the source of the funds.

BL: So an even worse situation seems to exist in Delaware and some other US States, than in the most unregulated off-shore tax haven? The Americans talk about this issue but they don't even effectively control their own back yard?

PL: Yes and that is a problem for other countries too. Not only are the Americans finding that problem with Russian money but the Swiss have taken a much stronger line over tracking down recent missing Nigerian money than the UK. It took the SFA in the UK nearly a year to start investigating the Nigerian accounts after they had been frozen in Switzerland. The Swiss have the power, and will, to act on their own suspicions but the UK seemed to want to wait until the Nigerians asked them to act.

BL: So a final question. Who is winning?



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PL: Well, unfortunately, I think it is probably the criminals and those who are involved in money laundering who are winning at the moment.

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