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PROXIMAL CONSULTING WHITE PAPER 11 MONEY LAUNDERING: THE SCALE OF THE PROBLEM

There are no accurate figures for the global money laundering problem. So the following estimates - even though they are horrendous in themselves - are almost certainly under estimates:

- Annual world-wide income from drug trafficking £328 billion but estimates go even higher to £500 billion - even based on the lower figure, £131 billion comes from within the EU
- In 1994 a UK House of Commons Select Committee was told by the Bank of England that one estimate of the amount of money laundered through the United Kingdom every year was £2.4 billion (unofficial estimates place the total at least ten times higher)
- Reliable estimates have concluded that \$15 hundred million per annum is illicit grey money which requires laundering. This staggering total is a quarter of all the money circulating around the planet
- In Los Angeles the Ninth US Circuit Court of Appeals dismissed the case against a man accused of drug trafficking, after a survey revealed that over 75% of paper money circulating in the city has traces of illegal drugs, usually cocaine, stuck to it's ink. (The accused by the way was freed on the grounds of circumstantial evidence)
- February 1996 US Federal Reserve Board estimates that between \$300 - 500 billion worth of money laundering transactions take place each year in US banks
- US Currency: it is estimated that the US treasury do not know where half of its \$300 billion worth of currency actually is
- US estimates are that \$300 billion worth of dirty money circulates the globe electronically each year looking for a safe home - the United Nations has described the international payments system which handles more than 70,000 transfers totaling \$2 trillion daily has been described as a "money launderers dream"
- The Financial Action task force on Money Laundering cannot arrive at an accurate global figure but highlights the most credible figure for one country is that produced by Australia in 1995: A\$3.5 billion. Other countries produced figures on the number of suspicious transactions and related amounts reported. These range from US\$45 million in one country to \$800 million in another

- A report published in 1996 by Bangkok's Chulalongkorn University estimated that the amount of criminal money washed each year through Thailand at 730 billion Baht (\$28.5 billion) which is equivalent to 15% of the country's GDP
- £1 billion was laundered through 3 exchange bureaux in Amsterdam in 1992 (hardly surprising then that the Dutch government came down hard on these shops in 1995 and some still sit boarded up and closed)

To add to this wide ranging problem is the key attribute of organized crime groups to adapt quickly and utilize modern technology to further their aims and activities. As Louis J Freeh, Director of the FBI observed in an address to a Senate Subcommittee in April 1998:

One of the most difficult challenges facing law enforcement is how rapidly criminals and terrorists - both domestic and international - adopt advanced technologies to thwart the ability of law enforcement to investigate those who wish to do harm to our nation and its citizens. That is why encryption has become the most important technology issue facing law enforcement.

The address then goes on to elaborate how organized crime groups are using robust non-recoverable encryption to both communicate and store records. Thus making intrusion by official investigators impossible - and it will get worse as encryption techniques and facilities become more common and cheaper. Certainly money launderers are already widely communicating in this way.

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