



Proximal Consulting Archived White Papers



The Proximal Consulting white paper series began when Proximal Consulting launched in 1999. The white papers provided precise and detailed information on cutting edge business crime topics during a period when the Internet as a source of business information was in its infancy. We are now making these white papers available again.

Whilst the specific cases and examples used in the white papers are historical, the fundamental issues and potential red flags have remained the same.

Please note that the white papers are provided as an un-edited archive: any content, laws, regulations or similar were correct at the time of publishing, but may now be out of date.

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 its ink (the accused by the way was freed on the grounds of circumstantial evidence)
- In February 1996, the US Federal Reserve Board estimated that between \$300 and \$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 totalling \$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 Chulalongkom 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.

December 2003



Email: enq@proximalconsulting.com

Telephone: +44 (0) 1672 516725

Offices:

**Poughcombe Barns
Ogbourne St Andrew
Wiltshire
SN8 1SE
UK**

**Rue Du Rhone 14
1204-Genève
Switzerland**

Proximal Consulting have unrivalled experience in providing KYC enhanced due diligence background reports on individuals and companies on a global basis. We also offer a complementary range of services including AML training, country risk reports and bespoke investigations.

Our enhanced due diligence reports are tailor-made to our clients' specifications. They are totally different from the usual database-led reports that often fail to meet enhanced due diligence requirements. Our reports present clear, accurate and confidential findings which enable our clients to make informed business decisions and to fulfil their AML obligations.

We work with a variety of global clients including regulatory agencies, law firms, individual companies, private banks, trust companies and other firms in the financial sector.
