

“Let’s improve the capacity to disrupt serious profit-motivated crime” says leading publishing house, releasing studies free

In a surprise move, Emerald Publishing, with a stable of nearly 300 peer-reviewed scientific journals, has released for free download two recent articles by a political scientist specialising in policy effectiveness.

In “**Uncomfortable truths? ML=BS and AML=BS²**” Dr Ron Pol reveals anti-money laundering rules “almost completely ineffective” in disrupting the proceeds and funding of serious crime.

Open debate welcomed

Dr Pol, from AMLassurance.com (a “think-do tank for better outcomes”), welcomed transparency. “Debate in scientific journals is robust, yet often restricted to academic discussion. But money laundering regulations affect millions of businesses and individuals, and the compliance industry is constantly urging governments to expand compliance rules. So, dialogue about whether the regulations are effective, or not, should not be shrouded in mystery.”

“Curiously”, Pol added, “even assessments of the scale of policy failure in very frank terms by the United Nations (2011) and Europol (2016) failed to dent an industry narrative seemingly convinced of its own success. Likewise, academic research as far back as 1994. More open debate adding to those findings might help some governments ask the hard questions to address the very practical issue that current policy settings are simply failing to combat serious crime on any meaningful scale.”

For crime not to pay, beyond industry rhetoric, Pol suggests that policymakers may first need to address some uncomfortable truths. “Governments frankly addressing the unexplored gap between their good intentions and gritty reality might help inspire new ways to ensure that the impact of regulations more effectively targets criminals, without unnecessary burdens on millions of businesses and ordinary citizens affected by rules that sometimes do little if anything to stop the overwhelming majority of serious crime untouched by current ‘standards’.”

Impact scarcely a rounding error

The new study combined money laundering research with policy effectiveness or ‘outcomes’ analysis. This is concerned not only whether rules exist, if they meet specified ‘standards’, or even if countries and firms comply with those standards, but whether they work. Do they produce intended outcomes?

Dr Pol concedes that the impact on individual criminals and organized crime groups identified by money laundering controls is often profound. “Authorities rightly claim success when suspicious activity reports triggered by AML controls lead to more arrests and seizures of criminal assets.”

“But” he adds, “despite some good ‘output’ measures, the uncomfortable reality is that crime prevention

outcomes hardly register. As a proxy measure for serious profit-motivated crime and its harms, the successful disruption of illicit profits and criminal funding scarcely has the impact even of a rounding error in the accounts of ‘Criminals Inc’.”

Research exposed poor success rates

The research sampled countries’ own proceeds of crime estimates and policing data to calculate what the United Nations calls the ‘success rate’ of money laundering controls. (The proportion of crime funds confiscated by authorities helps assess the effectiveness of regulations intended to disrupt serious profit-motivated crime like drugs-, arms- and human-trafficking, corruption, fraud and tax evasion).

The study found few differences between countries. The rate of criminal funds intercepted was uniformly trivial, from a barely perceptible 0.1 percent to 3.3 percent. (And the highest rate, in New Zealand, was based on official data excluding key areas of criminal funds, so its ‘real’ rate will be lower).

Study extends industry’s ‘open secret’

Despite millions of businesses spending billions of dollars each year in compliance costs and fines when their systems don’t meet specified ‘standards’, the research confirms the poor results shown in earlier studies by the United Nations and Europol, Europe’s law enforcement agency.

The UN found that authorities globally disrupt just 0.2 percent of criminal funds each year. Europe fares better, but only 1.1 percent is confiscated. Europol admits that the “amount of money...being recovered in the EU is only a small proportion of estimated criminal proceeds: 98.9 percent of estimated criminal profits are not confiscated and remain at the disposal of criminals.” This suggests that the underlying crime continues virtually unhindered.

Sharpening a blunt tool

“If up to 99.9% of illicit funds in some countries stays in criminal hands each year, for crime truly not to pay, a step-change in vision and capability may be required”, says Pol.

“Inspirational government leaders and policymakers that really want to make a difference, however, may first need to address a reality that enforcement agencies see daily. Despite the prodigious efforts of many banks and other businesses, a model which also sees countless businesses ‘ticking boxes’ to prove ‘compliance with standards’ doesn’t seem to be doing much to stop the immense social and economic harms caused by serious profit-motivated crime.”

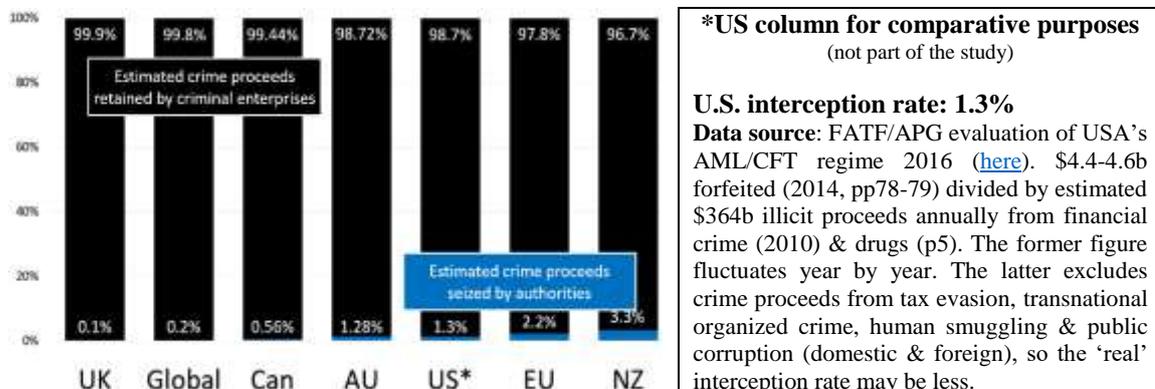
Notes for editor

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The study's author is a political scientist linking public policy with effectiveness. Not only if rules exist, or meet recognised standards, or countries adopt them, or if firms comply with them, but whether they work. Do they produce intended outcomes? For more, refer 1-page profiles: outcome effectiveness & AML/CFT effectiveness .		Dr Ronald F Pol, Principal AMLAssurance.com Tel: +64 (0)4 566 5144 Mobile: +64 (0)27 241 1163 Email: Ronald.Pol@TeamFactors.com, or Ronald.Pol@AMLAssurance.com

1. The full study, the journal and its publisher

Pol, R. F., *Uncomfortable truths? ML=BS and AML=BS²*, Journal of Financial Crime (2018), Vol 25 No 2. DOI: 10.1108/JFC-08-2017-0071. Links to the full article: <https://bit.ly/2tUEKkb>, or from the author's [LinkedIn article](#), an authorized [summary](#) or the official abstract, [here](#). About the *Journal of Financial Crime*, [here](#). Accessible by universities and research institutions, public access to the peer-reviewed journal normally costs US\$32 per article (the current edition has 25 articles). About Emerald Publishing, which publishes this and nearly 300 other journals, [here](#). Emerald's announcements releasing the articles free to download, [here](#) & [here](#).

2. Crime pays: Most illicit funds kept by criminals



This chart is available in PPTX format: <https://bit.ly/2pC6fwV> or as a JPEG: <https://bit.ly/2JB1FLe>

3. SUPPLEMENTARY: 'Closing loopholes' claims tested

The study sampled countries with full money laundering controls on banks, but different rules for professionals such as lawyers, accountants and real estate agents. Often exempt from money laundering rules first applied to banks, authorities say that "closing loopholes" by expanding rules to also cover those professions will have a big impact. The research tested such claims. If extending regulations significantly improves the ability to intercept criminal finances, it should be possible to detect differences between countries with money laundering controls over some (Canada), none (Australia), or all (UK) of those professions, and where they have limited obligations (New Zealand). The research found no significant differences associated with professionals' inclusion or exclusion from money laundering rules. Interception rates were uniformly tiny.

4. Other studies referenced, and companion article (also released free for limited time)

- [Estimating illicit financial flows resulting from drug trafficking and other transnational organized crimes](#), United Nations Office of Drugs and Crime (2011). (For the 0.2 percent finding and 'success rate' label, refer pp 7, 14, 119 & 131).
- [Does crime still pay? Criminal asset recovery in the EU](#), Europol (2016). Also, [Europe Is losing the fight against money laundering says outgoing Europol boss](#), Politico, 4 Feb 2018.

COMPANION ARTICLE: Pol, RF, [Anti-money laundering effectiveness: Assessing outcomes or ticking boxes?](#) Journal of Money Laundering Control, Vol 21 No 2, DOI: 10.1108/JMLC-07-2017-0029. This peer-reviewed journal article has also been released free, until 28 Sept: <https://bit.ly/2KvZlJD>. Media release [here](#).

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