

Mitigated Nonsense

Exposed by its own data: How the anti-money laundering system harms ordinary people, businesses, and economies

The idea in a tweet

#MitigatedNonsense: #AML/CFT regulations disconnected from outcomes science = nonsense mitigated by well-meaning intentions. But even good intent is ‘bad’ if it overlooks policy failure & spreads groupthink based on assumptions. #ReframeAML for #OutcomesImpact.

About Ron Pol

1. A former lawyer with degrees in political science, law, and economics, I specialize in outcomes. Beyond day-to-day focus on activities, processes, and outputs, outcomes are the results that matter.
 2. Troubled by evidence that the ‘war’ on money laundering may be the least effective policy, regulatory and enforcement measure ever, anywhere (and quoted for it in [US Senate testimony](#)), I sought out some of the best legal and policy thinkers to help test root causes and new concepts with the rigor of a PhD.
 3. The field of research is immense and complicated, but at its core, simple, and the problem is clear. Despite three decades of prodigious effort and a vast global anti-money laundering compliance industry, the current policy prescription is astonishingly ineffective in disrupting criminal finances.
 4. After the PhD was awarded (with [academic excellence](#), a perfect score from all examiners), I continued the quest for solutions enabling better outcomes, with a focused series of articles:
 - (a) A constructive assessment of money laundering controls found that the regulations [scarcely have the impact of a rounding error in criminal accounts](#). (Summarized in an interview by DC-based Association of Corporate Counsel, link [here](#)).
 - (b) The first independent assessment of the global AML/CFT ‘effectiveness’ methodology found that it is [incapable of assessing outcomes as it purports](#).
([Emerald Publishing](#) later released both articles free for three months, with a tweet “[let’s improve the capacity to disrupt serious profit-motivated crime](#).” The latter piece also recently received an Emerald Literati [commendation](#), and is now free for six months).
- Three forthcoming articles (two accepted, one pending):
- (c) generate information-rich visualizations of under-utilized industry data, enabling better cut-through for actionable insights;
 - (d) critique as likely ineffective the European Union’s expansion of money laundering controls in response to a series of bank scandals; and
 - (e) extend findings in 4(a) above, by introducing compliance costs into the effectiveness equation and refining an earlier 0.2 percent ‘success rate’ as 0.1 percent, suggesting that criminals retain up to 99.9 percent of illicit earnings. (Foreshadowed in an [interview by David Siegel](#)).
5. However, academic articles (at least, by unknown authors) seldom get ‘real-world’ cut-through. Nor, evidence perceived contrary to a dominant industry narrative. As the regional leader of a global industry body observed, “[even if you’re right, no-one wants to hear it](#).” Stark reports of policy failure even by powerful ‘in-group’ actors ([United Nations](#), p131, [Europol](#), p4, [Canadian Senate](#), pp5-9) also failed to prompt meaningful action for better outcomes.
 6. Having established the groundwork, the next step needs to spark realization of the need for better outcomes, beyond the comfort of a familiar 30-year old ‘compliance with regulations based on

standards' mantra. Talking 'at' the 'already thinking' of the anti-money laundering industrial complex won't work. A different platform is needed to engage with policymakers and leaders in banks and other businesses affected by the anti-money laundering experiment. Moreover, a tipping point seems near. Business and political leaders increasingly 'know' the core message, but can't say it publicly, until now.

7. That's the aim of two books the subject of separate applications. The first ("[Mitigated nonsense](#)") uses the industry's *own* data to help flip 'the way we've always done it' complacency switch. The second ("[Don't comply](#)") comprehensively rips the lid off the problem and offers a new solution. The [first book](#) is outlined below.

What's one mainstream or 'consensus' view that you agree with?

8. Despite describing the global 'effectiveness' methodology as [fundamentally flawed](#), I agree absolutely that evaluating and rating for effectiveness *can* encourage better results.

What's the problem you intend to solve? Why is it a great idea worth investing in?

9. The current anti-money laundering system has a profound impact on some criminal enterprises, but with up to 99.9 percent of criminal finances untouched, compounded year-on-year, the immense social and economic harms caused by serious profit-motivated crime and other crime with financial indicators continue, scarcely affected. Criminals are caught, but '*Criminals, Inc*' continues.
10. Radically improving effectiveness heralds the prospect of significant public and private sector benefits:
 - (a) Reframing for effectiveness offers the promise of systematically and consistently operating in the 99.9 percent zone of impact on serious crime, and a significant reduction in the immense harms from serious profit-motivated crime affecting millions of people, every community, every economy, and society.
 - (b) Fewer unnecessary laws (leaving only those that work), less compliance, and less cost, allow private sector firms to divert scarce resources from the business of compliance to the business of business, refocusing for customer needs and innovation.

What's new or unusual in your vision and understanding?

11. A 'compliance' mantra grounded in a belief that benefits outweigh costs is propped up by systemic failure to fund robust cost assessments that risk disproving convenient assumptions, and findings by academics, the United Nations, and Europol exposing policy failure continually fall on deaf ears. Accordingly, this book charts a new course.
12. Specifically, it:
 - (a) Merges anti-money laundering practice with policy effectiveness and outcomes science. (A surprisingly rare combination - beyond the usual focus, 'Do we have laws?' 'Do they meet standards?' and 'Do firms and governments comply?' - this cross-disciplinary approach frames discussion with 'Does it work?' foremost).
 - (b) Uses the AML/CFT industry's [own data](#) to expose systemic flaws. ('Inside' data is more difficult to dismiss, and more viscerally discordant, than independent assessments and evidence from other sources). Curiously for an industry that trades on calls for transparency, AML/CFT rating data is notoriously designed in a way that restricts transparency and comparability, so this book breathes new life into a method developed by an Australian researcher and IMF economist to unlock the industry's own data 'hidden in plain sight'.
 - (c) Draws evidence from Caribbean nations as an empirical microcosm illustrating stark differences with the industry's version of reality. Some of the perceived 'worst' jurisdictions

(according to official ‘grey lists’ and conventional ‘white sand and palm trees’ imagery associated with money laundering) are conspicuously inconsistent with official rating data.

13. Overall - using the industry’s own ‘main’ dataset and official ratings as its empirical base - the book exposes deep inconsistencies and reveals a system that inflicts harm on businesses and economies, despite barely having the impact of a rounding error on criminal accounts. The current AML/CFT system is [almost wholly ineffective](#) and its ‘effectiveness’ methodology [incapable of assessing effectiveness as it purports](#). This book delivers the final blow, in an open forum beyond academic paywalls, and, especially, using the system’s *own data* to affirm policy failure and the harms imposed by the system itself; to prompt recognition of urgent need for outcome-oriented solutions.

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How long you have been working on this project or idea?

14. Since 2013, mostly full time, unfunded.

Existing formal or informal partnerships or supporters?

15. Informal support from supervisor and examiners. The chairman of examiners noted:

“This is one of the easiest chairperson of examiners tasks I have ever undertaken. Examiner 1 and Examiner 2 are in complete agreement on the excellence of the thesis in terms of rigorous analysis, methodology, execution, and significance. Both recommend publication as a book...”

16. A loose association with [La Trobe University](#) for collaboration and academic library access.

17. Encouragement from many industry participants, a comparatively small but growing group of leaders and managers across scores of countries who recognize that the current system needs a fundamental reset to achieve the results intended by G7 nations in 1989.

How you intend to reach your users or audience?

18. I propose to pitch the book to a new short-form, fast-to-publication series from Routledge. [New Trajectories in Law](#) delivers “lively, thought-provoking and accessible” books, each focused on a single, cross-cutting theme for “creative and critical engagement with...orthodox...perspectives.”
19. The book should have broad industry appeal because its findings affect 205 jurisdictions, 80 international agencies with anti-money laundering functions, thousands of national government agencies, and millions of business affected by money laundering controls.
20. I will actively promote the book with financial journalists in dozens of countries, social media, etc.