Article

How to clean up the dirty business of money laundering

The crisis and new technologies have made it easier for criminals to launder money despite the current EU directives in place and the best efforts of law enforcement agencies. The Parliament's special committee on organised crime held a public hearing on 12 November to discuss with experts what can be done.

The scope of the problem

Money laundering accounted for 2.7% of the world's gross domestic product in 2009, which equals about $1,600 billion.

Criminals launder their ill-gotten gains in many different ways. For example, it can be through using fictitious transactions, creating false gambling winnings or by taking advantage of online banking services.

Using online gambling to launder money

Online gambling is used by criminals as an efficient way to launder money, said Ingo Fiedler of the University of Hamburg. He gave the committee an example of how easy this method is. For example, if you had made €200,000 from illegal drug trafficking, you could deposit the money in a bank account in a tax haven. You then open a poker account using this bank account. After playing, you wire the remaining sum to your real bank account as a gambling win. As money won during gambling is tax free, this method has a low visibility and costs very little.

Infiltrating the banking system

The crisis has created additional opportunities for organised crime to infiltrate the banking sector, warned Antonio Maria Costa, the UN's fomer under-secretary general. Banks have had to search for fresh money as the financial crisis has paralysed inter-banking lending. Gangs can make use of this to increase their influence by for example depositing banknotes, acquiring shares and sitting on boards. Banks that are involved in money laundering usually go unpunished.

What the EP will do

The special committee on organised crime will come up with recommendations. Italian Christian Democrat MEP Salvatore Iacolino, who will be drafting the committee's final proposals, said harmonised EU rules could prove to be more effective as a fragmented system creates loopholes.

Next step

The European Commission is expected to propose a new directive in early 2013, focusing on tax heavens.

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