

Using strangers for money: a discussion on money-launderers in organized crime

M. R. J. Soudijn

Published online: 16 March 2014

© Springer Science+Business Media New York 2014

Abstract In a recent study of Malm and Bichler (Trends in Organized Crime 16:365–381, 2013) it was found that very little professional laundering occurs in illicit markets. That is to be expected because not every criminal will make enough money to have a need for the services of professional money launderers. However, it is less clear to what extent the same outcome applies to those criminals who do make a lot of criminal money. In order to find out, 31 case studies were examined that deal with large scale importation of cocaine in Europe. It appears that professionals are often engaged, as almost half of the files indicate the presence of such specialists. However, that doesn't imply that such specialists are absent in the other half of the files. After examination of the investigative strategy of each police investigation, it turns out that there is a strong correlation between a focus on financial matters at the beginning of an investigation and the finding of professional launderers. This has important implications for the use of Social Network Analysis and qualitative case file research. The nonappearance of certain types of people in the police investigations has as much to do with the investigative strategy as with their real absence.

Keywords AML · Money laundering · Organized crime · Social Network Analysis (SNA)

Introduction

In a recent study of Malm and Bichler (2013) on Canadian crime files it was found that very little professional laundering occurs in illicit markets. The few professional launderers that were found could be characterized as opportunistic, instead of professional. These findings are in line with other research (Kleemans and de Poot 2008; Levi and Reuter 2006; van Duyne 2003). On the basis of Social Network Analysis (SNA), Malm and Bichler (2013) also concluded that individuals who are engaged in money laundering occupy important structural positions relative to others in the drug market.

M. R. J. Soudijn (✉)

National Crime Squad of the Netherlands Police Agency, Driebergen, Netherlands
e-mail: melvin.soudijn@klpd.politie.nl

However, they noted that the structural importance of these individuals was probably inflated because most of them could be classified as self-launderers who primarily engaged in other illicit market activities such as smuggling. Furthermore, another finding from their study is that professional launderers were not seen as holding particularly important places in the drug market.

These findings fly in the face of anti-money laundering (AML) regulations. First of all, there appears to be less need for special financial investigations as general police investigations could catch most money launderers when they act as self-launderers. Second, it seems not very important to focus on professional money launderers as they play less essential roles in criminal networks or the illicit drugs market.

However, almost as an afterthought, the researchers also acknowledge three limitations to their data. First of all, it is based on police data, or *known* [emphasis Malm & Bichler] organized crime activity. As the authors note, reliance on data derived from investigations and crime reports may produce gaps in social networks. A second limitation is that like most social network analysis of criminal behavior, their examined networks are likely to be incomplete and to contain fuzzy boundaries. Successful criminals might use a series of fronts that would generate missing data. Also, “to identify unique individuals from intelligence files, where many crime figures may have a number of aliases, can be challenging” (Malm and Bichler 2013). A third limitation is that their files could have missed trans-border launderers because of a national instead of a transnational focus.

It is unclear how important or unimportant these limitations are, especially if actual police practice is taken under consideration. Police investigations that focus on specific criminal groups often go through some form of internal approval process. This process will evaluate the chances of success of allocating scarce police resources in order to apprehend certain individuals, to intercept a smuggling load, etc. Chances of success depend on their being able to prove in a court of law that suspects A, B, C, etc. were involved in particular crimes. Most proposals will therefore list promising lines of investigations, e.g., a suspect’s involvement with an upcoming or recently intercepted shipment of drugs. Without such an investigative strategy, internal management is unlikely to give its assent. Furthermore, because an investigation often has to take place in a particular timeframe, it is therefore common police practice to focus on a more or less fixed strategy and not to follow all criminal leads that would take the investigators into complete unknown territory (though such leads could be set aside for follow up in future). In reality, financial leads are often thought of as a sideline during drug investigations. Especially if the police lack financial expertise, as is often said to be the case (see for instance Murray 2013).

The acknowledged shortcomings and peculiarities of police investigations could therefore result in a serious under representation of the importance of professional money launderers in relation to organized crime when SNA techniques are used. This raises an important other issue. Are SNA studies really measuring all ‘actors’ for their betweenness within the multitude of relationships as is often claimed?

Measuring such scores for the main suspects in investigations is probably not an issue. Because of the focus of the investigation, there is often enough data to work with. However, when scores are calculated for any other role that is not the main focus during the investigation (like money laundering), the outcome becomes questionable. Due to unknown investigative decisions, there is too big a chance that sidelines are put aside

and not included in the file. This is especially a risk when a police team is stretched for resources. As Berlusconi (2013, p.44) noted, certain individuals tend to be discarded when “they do not contribute directly to the issues targeted by the police”.

The present study will try to evaluate the problem of missing data in relation to professional money launderers. This is important because SNA is making great inroads in organized crime research whereas at the same time potential shortcomings are rarely discussed in detail.

In order to examine such shortcomings, the present article turns to professional money laundering in the upper-level drugs market. The reasoning is as follows. First of all, the study of Malm and Bichler (2013) provides a useful point of reference. Although this present study does not set out to replicate their findings, it can observe to some extent the general merit of their conclusions. Second, as Malm and Bichler (2013) argued, mid-to-upper level drug traffickers are likely to require money laundering services. There is therefore a good chance to find such service providers in cases that involve large and regular obtained illicit sums of cash money. Third, anti-money laundering laws and regulations are seen as an important tool to combat organized crime.

This article is structured as follows. In the next section, some background information is given to money laundering in general and the people who carry out such services. This is followed by an explanation of the dataset and the methodology of the current study. The findings are presented under the heading results. These findings and any policy implications are discussed in the last section.

Understanding professional money laundering

Of all the unknowns about organized crime, the financial side probably takes first place. Some studies on drugs markets remind us of the enormous difference between farm-gate prices and final consumer market prices (Reuter and Kleiman 1986; Thoumi and Anzola 2012; UNODC 2008, 2011, 2013). Tenfold or higher mark-ups are not unheard of when boundaries are crossed, risks increase and more parties become involved. Less is known, however, about the trafficker’s actual profit. Upon closer inspection, traffickers also run numerous expenses (e.g. the costs for setting up a fake import company, hiring a crew to transport the drugs, off-loading, etc.). How much such expenses eat into the profits often remains unknown, due to a lack of adequate financial records.

However, it should also be kept in mind that the figures obtained on criminals’ earnings by one method or another do not necessarily correspond to the exact same amounts that are laundered. For instance, criminal money that is just wrapped in plastic foil and buried in the ground is generally not considered laundered as it is not spent or invested in the legal economy. So what exactly is considered money laundering?

There are several different definitions that often boil down to semantics.¹ An important distinction can be made between an academic and a judicial interpretation, however.

Several (academic) studies interpret money laundering as a process that is divided into three different phases (Dean et al. 2010). The phases change from placement

¹ Unger et al. mentions they identified 18 different definitions (Unger et al. 2006).

(getting crime money in the financial system) to layering (concealing the source of the money) to integration (money is returned to the criminal from seemingly legitimate sources so that he can spend it without raising suspicions). As the first two phases lead to the last phase, the destination can be considered of more importance than the journey to it.

This emphasis on the final phase is considerably different from the framework used by judicial authorities. Laws and regulations generally define an individual guilty of money laundering if he or she hides or conceals the true nature, origins, place it can be found, disposition or relocation of an object or money, while knowing that the object or money has been obtained – directly or indirectly – by means of an offense. In a judicial context it is unimportant how or even if the money ends up in the legal economy. What only counts is the question: did someone (knowingly) carry out some kind of activity with criminal money?

The two different focuses have consequences for determining who is to be regarded as a professional money launderer and who is not. In a socio-economic interpretation, there is a risk to see professionals as only those who can effectively conceal ill-gotten gains of others in the legitimate economy (the so-called integration phase). They are not involved in the predicate crime, often have no familial or friendship ties with the criminal but only come into play when the money has to be cleaned. This focus on integrating money in the legal economy can also be seen in Malm and Bichler's (2013) study. Here the authors outline financial experts "such [as] lawyers, accountants, stockbrokers, and real estate agents" (p. 3; p. 7). In other words, people who use their legal profession to carry out laundering schemes.

However, in the court of law, people without any legitimate legal background whatsoever also get convicted for providing professional money laundering services (Soudijn 2012). Their activities often center on cash, like changing currencies and denominations, cash smuggling or underground banking that circumvents legal financial institutions. These activities are not tied to placing, concealing or integrating the proceeds of crime in the legal system. But much like the professional launderers in Malm & Bichler's study, these launderers are also not involved in the predicate crime, have no familial or friendship ties with the criminal and are solely hired because of their expertise in money matters.

The present study tries to sidestep the discussion on formal or lack of formal professional training, by thinking in terms of 'facilitating'. A facilitator is an outsider whose expertise is contracted by the criminal to solve logistic bottlenecks (Kleemans et al. 2002; Kruisbergen et al. 2012). A facilitator is not just anyone who assists in the commission of a crime but somebody who delivers essential services. In other words, he is a professional. In this article, the focus is on *financial* facilitators, anyone who assists a criminal in some key way with money laundering. Such assistance can range from the activities carried out by a professionally-trained accountant to an unschooled hawala banker.

Current study

If research in organized crime had trending topics, SNA would probably be one of them. It has been used to analyze the role of individual criminals in motorcycle gangs

(Morselli 2009), automobile theft rings (Morselli and Roy 2008), drug markets (Bright et al. 2012; Malm and Bichler 2011; Malm et al. 2011; Morselli and Petit 2007; Natarajan 2006), carding (Monsma et al. 2013) and the Italian Mafia (Berlusconi 2013; Campana 2011; Campana and Varese 2012).

One of the main topics in such studies is identifying the relative importance of the involved ‘actors’ in criminal networks and how to effectively disrupt the network. Special attention is paid to brokers (nodes) who connect actors from different networks. The removal of such brokers could in theory disrupt the criminal network, hence their importance.

Professional launderers (hereafter called financial facilitators) may well function as such nodes. They are not part of the network committing the predicate crimes but come into play when they are hired for their expertise. However, it will be evident that not every criminal has a need for financial expertise. Previous studies have commented that the majority of criminals simply do not make enough money to hire laundering services (Levi and Reuter 2006). That is to be expected when all segments of the illicit drug market are put together. After all, street-level dealers are bound to outnumber wholesale importers. The former will not make enough money to justify the reason and expense of a financial facilitator whereas the latter is likely to deal with single transactions numbering in the hundreds of thousands of euros, pounds or dollars.

Still, it is unclear at what point money laundering is contracted out. For instance, Soudijn (2012, p. 104) indicated “extremely large sums of money” in the case of changings denominations, but of course this does not really clarify the matter. Instead of looking at particular cases in which financial facilitators played a role, it would be better to select several similar cases and observe in what percentage financial facilitators operated. For instance, van Duyne (2003) analyzed 52 cases in which the (fiscal) police assessed the criminal profit at a minimum of 450.000 euro. Of these 52 cases he only found two (3,8 %) in which people were hired for money laundering services ‘because of their brain’ as the Dutch police put it.² Similarly, in their data based on 129 Canadian crime groups, Malm and Bichler (2013) found that the majority (80 %) of launderers could be typed as self-launderers, individuals who launder their own illicit funds. A further 12 % were involved in laundering because of kinship or friendship ties. Only 8 % were seen as professionally engaged.

In short, looking from a general drug market perspective, and even from within higher organized strata, financial facilitators seem to be few and between. However, one final control measure has been left out of the equation, i.e. the level of attention that was originally given to financial matters in each case. Closer reading of van Duyne’s 2003 study shows that an unknown number of his cases started in the early nineties. At that time, the Netherlands didn’t have specific anti-money laundering legislation in place. Such legislation only came to force in 2001. Before that time, the (fiscal) police was at most interested in confiscating illegal earnings, not unraveling financial networks. It is very likely that this had adverse effects on findings about the (un)importance of financial facilitators.

² van Duyne (2003, p. 94). Based on this article, Malm & Bichler put the percentage of professional laundering at 1 % instead of 3,8 % (2013). It is possible they divided the number of arrests by the number of financial facilitators, which would give this lower percentage. The text however, isn’t clear on these matters.

It is also unclear to what extent Malm & Bichler's database includes financial information. It is built around an inventory of known organized crime groups prepared for a Provincial Threat Assessment report in 2007. In this report information about groups and people from the past 3 years was laid down in a series of narratives. The examples of the narratives show a very condensed description of activities and relations (Malm and Bichler 2011; Malm et al. 2011). Again, there is a risk that if the original investigators did not look for financial information, it simply seems not to exist. As a report on Canada's anti-money laundering effort noted, the number of convictions for money laundering is quite low (Gerstein and Hervieux-Payette 2013). Over the 2005–2006 to 2009–2010 fiscal years, only 11 convictions and 77 guilty pleas on charges of money laundering were recorded (p. 32). The deck therefore is likely stacked against finding financial facilitators.

To work around this potential problem, the current study focuses on the following two research questions.

1. Is it possible to discover, on the basis of a study of a series of similar criminal investigations, to what extent high-level drug dealers make use of financial facilitators?
2. Do the findings from the first question relate to the strategy of the criminal investigations?

Finding answers to these questions can contribute to a better understanding of a potential shortcoming of SNA, i.e. the problem of missing data. For a long time SNA practitioners have known that the criminal networks they study are incomplete (Sparrow 1991). It is simply impossible to collect information on all possible nodes and ties between individuals within a criminal network due to the secretive nature of this topic. As a precaution, persons who commit (organized) crimes usually try to hide their tracks and contacts. This does not need to be a problem for some forms of SNA analysis because of statistical solutions when the main suspects are involved (see, for example, Borgatti et al. (2006)). At the same time it should be kept in mind that there are limits to the possibility of using SNA when studies venture in areas in which data is bound to be scarce.

Methodology

Data source

The data used for this current study consists of information on 31 investigations into criminal enterprises that was collected for an earlier study of the cocaine market in the Netherlands, the "*Crime Pattern Analysis (CPA) Cocaine 2012*" (van der Laan 2012). The National Crime Squad (NCS) of the former Netherlands Police Agency commissioned the CPA. It was part of a periodic project started in 2004 to provide strategic reports on 'special focus areas' to the Dutch National Police itself and the National Public Prosecutor's Office. One of these special focus areas is cocaine. The project provided information on the nature and scope of criminal activities in relation to the smuggling and trafficking of cocaine, the criminal organizations and people involved,

the social consequences of cocaine trafficking and possible future developments (Soudijn and Reuter 2013).

The “CPA cocaine 2012” makes use of 31 case files in which investigations came to a head in the period January 2007 – October 2011 (a previous CPA on cocaine was published in 2008 and dealt with the period 2002–2007). However, the research period itself stretches from 2005 to 2011, because some case files were compiled on the basis of incriminating evidence gathered in earlier years.

The NCS investigations were sometimes (the CPA does not mention how often) jointly carried out with the Hit and Run Container (HARC) Team Rotterdam and foreign law enforcement agencies like the former British Serious and Organised Crime Agency (SOCA), the Belgian Federal police and investigative units from South-America.

The 31 case files deal predominantly with investigations from the NCS that are focused on a criminal entrepreneurs (ringleaders) and their co-workers. According to the CPA, the selection of these 31 case files constitute the most important case files on the whole-sale cocaine trade, investigated by the NCS on the basis of the amount of cocaine involved.

On average, a case file took 8 months of investigation. However, Soudijn and Reuter (2013) noted that the number of suspects or time investigated does not necessarily reflect the size of the criminal enterprise. Both are strongly influenced by the available law enforcement staff at that particular moment in time and priorities.

In total, the 31 case files indicate the smuggling of at least 49,174 kilos of cocaine over the period 2005–2011. Each case file has a fictive code, based on the year in which the investigation resulted in its major findings (seizures, arrests) followed by a letter, such as 2008A. See Table 1 for amounts of cocaine involved.

Table 1 shows that 9,387 kilos of cocaine were seized in the Netherlands, in addition to (1) 20,545 kilos that were seized abroad from parties allied to Dutch investigations, (2) over 20,000 kilos that were not intercepted by the police but successfully smuggled to the Netherlands, based on information from seized computers and financial records of suspects, and (3) 3,650 kilos that police intelligence indicated was being prepared to be smuggled.

In each of these cases major cocaine smugglers were involved; only three of the cases involved smugglers who handled less than 100 kg, while 14, nearly fifty percent, handled more than 1,000 kg. Some of these smugglers also played important roles in the smuggling and production of other drugs. For example, police officers found 460 kilos of MDMA and almost 900,000 ecstasy tablets (2007B), 206 kilos of amphetamines (2008A), 110,000 ecstasy tablets (2008C), 639 kilos of hash and 534 kilos of cannabis (2010B).

About forty percent of the organizers of the smuggling and production of drugs who were identified as the ringleaders ($N=69$), were Dutch nationals. Another twenty-five percent were from former or current Dutch territories in the Caribbean (Aruba, Curacao or Suriname). About 12 % of the ringleaders came from Colombia. The others came from the United Kingdom, Hong Kong, Morocco, Argentina, British Guiana, Ecuador, Indonesia, Israel, Tunisia and Turkey. All ringleaders had been resident for some years in the Netherlands and operated from there.

It is impossible to say how much criminal money the ringleaders made. Interviews with police officers undertaken in connection to a previous study of these files showed

Table 1 Cocaine seized and smuggled 2005–2011 in 31 case files (kg)

Investigation	Confiscated in the Netherlands	Confiscated abroad	Not confiscated but successfully smuggled	Preparations	Total
2007A		3,000			3,000
2007B	5		30		35
2007C	121				121
2007D		2,860			2,860
2007E		642	70		712
2007 F			27		27
2007G	99	67	8	50	224
2008A	37				37
2008B	23				23
2008C	1,653				1,653
2008D	173	480			653
2008E		2,960	5,979		8,939
2008 F	68		102		170
2009A		5,233	1,118	Unknown large shipment	6,351
2009B		900	3,500		4,400
2009C				1,100	1,100
2009D		198			198
2010A	411	183	2,530		3,124
2010B		316			316
2010C		209	200		409
2010D	112	50		2,500	2,662
2010E	250		250		500
2010 F	1,017	772			1,789
2010G	555				555
2010H	4,200				4,200
2011A	379	275	80		734
2011B	130		270		400
2011C		1,200			1,200
2011D		1,200			1,200
2011E	145				145
2011F	9		1,428		1,437
Total	9,387	20,545	15,592	3,650	49,174

van der Laan (2012, p.34)

that a kilo of cocaine at the import level costs between 25,000 and 30,000 Euros (Soudijn and Reuter 2013). That is not to say that each ringleaders made 25,000 euros per kilo, but depending on their activities (importing, off-loading bulk containers, brokering), they did make several thousands of euros profit on each kilo they handled. As the files indicate that all ringleaders were involved in these illegal activities for years, it is a fair assumption that each of them earned enough criminal money to

warrant the services of a financial facilitator. The findings from the 31 cases can therefore be compared with each other.

Data extraction

As pointed out in the section on professional money laundering, in this study a financial facilitator is seen as someone who assists a criminal in some key way with money laundering. This does not necessarily have to be connected to formal occupations, but could also occur in a clandestine cash environment (e.g., underground banking).

In order to discover people who function as financial facilitators, the original case files on the ringleaders were obtained from the NCS and accessed. A large number of these files were already collected for the “*CPA cocaine 2012*” (van der Laan 2012) and a previous study on the involvement of ringleaders who used violence (Soudijn and Reuter 2013). The research notes from these two earlier studies were consulted and the files were read for additional financial information. In a few complicated cases, a team leader or financial investigator was interviewed in person or over the telephone for clarifications.

In addition to studying these case files, information was sought about the start of each case. Or to be more precise, in what way the original strategy of each case contained intelligence about financial aspects. Financial aspects were broadly interpreted as information on financial assets, criminal investments, money flows, or financial facilitators. The information on the case strategy was found by reading through the original proposals for the investigation and update reports. As information on strategy is not included in the case file itself, this was obtained by accessing internal management documents.

For verification of the correct interpretations of the data collected, a team leader and a delegate team leader of the Financial Intelligence and Expert Unit of the NCS were consulted. They in turn also discussed the findings with the management team of the NCS. The findings were also discussed with a prosecutor for the NCS who was often involved in cases relating to money laundering. All agreed with the findings as presented in the next session ‘results’.

Results

Financial services provided

Financial facilitators were found in about half of the number of cases (14 out of 31). In these 14 cases 23 different people provided financial services. What is more, connected to some of these 23 financial facilitators were others who in turn had been hired by them to help carry out money laundering activities. As these helpers did not play a key role they have not been counted as financial facilitators in this study.

The 23 financial facilitators generally fall in two categories. Activities in the first category are concentrated on sending money from one country to another. In the second category activities are concentrated in giving money a legal appearance in order to buy property with it or to invest in the legal economy.

About a third ($N=7$) of the financial facilitators fall in the first category. They can largely be described as underground bankers, people operating an *Informal Value Transfer System* (IVTS). Five of the facilitators acted as hawala bankers, also known as hawaladars. Hawala is commonly described in the literature as a system that carries out money transfers within ethnic (Indian, Pakistani, Afghani) communities (El Qorchi et al. 2003; Jost and Sandhu 2000; Passas 2005). These transfers are said to be cheaper and quicker than formal transfers provided by enterprises like Western Union and other money services. The downside is that hawaladars often work without a banking permit and do not adhere to formal banking regulations like due diligence and extensive recordkeeping. This helps keep customer's fees down, but is also attractive to people who do not want to leave traces. Clients include immigrants who illegally stay in a country and therefore cannot open a bank account, but research has shown that a different type of customer also make use of hawaladars: criminals who do have a bank account but do not want to get noticed by the authorities (Passas 2004; van de Bunt 2008). It is likely that this was also the reason why the ringleaders from the case files made use of hawala bankers to send or receive money.

In addition to the five hawaladars, there were two Colombians who operated a slightly different form of IVTS. They solely focused on smuggling cash money from the Netherlands to Colombia. Whereas the hawaladars did not physically move the cash around, but instead balanced out each other's debts, the Colombian facilitators specialized in employing a large number of couriers who would fly cash money to Colombia. In case 2011 F the police even found some financial records of the facilitator. It turned out that customers had deposited over 50 million euro in a period of 12 recorded months. Couriers on average carried 400,000 euro in cash.

The second category of financial facilitators included 16 people who helped to integrate the criminal money in the legal economy and obscured its origin. A common method they employed was providing loan back services. For instance, a company in Dubai would provide a loan to the criminal in order to buy a house (2009C). The company was under control of the financial facilitator and the loan it provided was just the criminal's own money. When a house needed financing, a financial facilitator could also construct fake employment for the criminal or his wife in a legitimate business (2010A). Thus a pay-roll record was created with which the criminal could obtain a loan from a bank to finance his house.

To complicate the tracing back of the original funds, money was also transferred to foreign accounts and businesses. This could be close at home, as i.e. money was moved from the Netherlands to a company in Germany and Lichtenstein (2009A). In this particular endeavor, the Dutch financial facilitator himself made use of another financial facilitator, a German man with an administrative office. The German would get the money in cash from the Dutch financial facilitator after which he somehow deposited it in his own bank account and transferred it back to a company of the Dutchman. At other times, money was moved further overseas. For example, in the case of money movements to Germany (2009A), the Dutch financial facilitator also set up companies in Panama in which he placed the criminal's property. Dubai also came up several times. In 2010C money was first sent to Dubai where it was placed in companies that in turn acquired property in Spain. This involved four facilitators operating out of Spain and Dubai. The case broke open because of cooperation from the authorities in Dubai. A house search in Dubai revealed all kinds of financial records and the structure of the

ringleader's businesses. This enabled the investigators to find an additional 40 bank accounts in other parts of the world.

Eleven of the 16 financial facilitators had their roots in the Netherlands. The other five came from Germany, Belgium, Colombia and Surinam ($N=2$). Two of these five foreign-born facilitators were closely involved in drug smuggling itself. Both had (some) formal training in financial matters and were therefore able to provide money laundering services to the ringleader of the group.

In two cases family members were involved (2007 F, 2010C). These family members did more than just register some property in their name or front as a figure head for some business. In both cases, a brother or a sister of the ringleader were actively involved in setting up a string of businesses and financial records to obscure the origin of the criminal money.

The activities carried out by the financial facilitators in the second category could be quite complicated, like in case 2009A, which entailed companies registered in Panama. However, none of the financial facilitators held formally registered titles like accountant or lawyer or were connected to big firms. Except for the two cases in which family members were involved, the financial facilitators always operated as small, independent businesses that provided financial tax advisory or administrative assistance. They were therefore not formally regulated.

Also notice, there is no clear correlation between the total amount of cocaine involved and the discovery of a financial facilitator. Some cases involved over 1,000 kilos of cocaine (2007D, 2009B, 2010D, 2010H, 2011D) but did not include any financial facilitators. At the other end of the spectrum, a case in which a *failed* transport of only 27 kilos of cocaine was detected, did include a financial facilitator.

Start of the investigation

The 31 case files were selected under the assumption that in each case the ringleaders earned enough criminal money to warrant the services of a financial facilitator. Nevertheless, financial facilitators were only found in about half of the case files. As some case files included several financial facilitators, the total number reached 24. This number included seven people who provided money transfer services and two family members who set up and directed companies.

When the original strategy and focus of the investigation is examined, however, a clear correlation can be found between the number of case files and the number of financial facilitators as Table 2 shows.

In almost each case ($N=14$) that included a paragraph on financial matters, the investigation team found one or more people involved with handling finances. The exceptions were 5 cases, 2 of which did not include a financial paragraph, but contained information on financial facilitating (2008C, 2011A) and 3 which did include a financial paragraph, but failed to identify any financial facilitator (2009D, 2010D, 2010E). The explanation is as follows.

Case 2008C was started in response to an urgent request from the police in the United Kingdom. Apparently, A British national was on his way to the Netherlands to kidnap a Dutchman in order to solve a financial conflict in

Table 2 Financial focus

	Investigation	Financial focus in design of investigation	Financial focus during investigation	Financial facilitator
2007A		no	no	
2007B		no	no	
2007C		no	no	
2007D		no	no	
2007E		yes	yes	1
2007 F		yes	yes	1
2007G		no	no	
2008A		no	no	
2008B		no	no	
2008C		no	yes	1
2008D		no	no	
2008E		yes	yes	1
2008F		no	no	
2009A		yes	yes	3
2009B		no	no	
2009C		yes	yes	3
2009D		yes	no	
2010A		yes	yes	1
2010B		yes	yes	1
2010C		yes	yes	4
2010D		yes	no	
2010E		yes	no	
2010F		yes	yes	1
2010G		no	no	
2010H		no	no	
2011A		no	yes	1
2011B		yes	yes	2
2011C		yes	yes	1
2011D		no	no	
2011E		yes	yes	2
2011F		yes	yes	1
NCS files				

which a Dutchman was held responsible for the misappropriation of criminal funds. This Dutchman turned out to be a financial facilitator. Although the centre of interest in case 2011A was the transport of drugs, during the investigation a connection with hawaladars became apparent. In case 2010E, the focus was supposed to lie on clandestine money transfers. As this investigation was delegated to a team of new investigators who were given the case as part of their training, however, the financial aspect was somehow lost, and the team focused on cocaine instead. Both case 2009D and 2010D did include a financial paragraph but these were just copy and paste jobs. Both case files included

some information on confiscation of criminal assets, but lacked details of how these assets were acquired, i.e. with or without outside assistance.

As shown in Table 2, three case files (2009A, 2009C, 2010C) contained information on at least three financial facilitators. Two of the cases (2009A, 2009C) were particularly set up for two specific investigative units whose main focus was on criminal finance. These two units employed accountants and detectives schooled in forensic finances. The third case (2010C) started out as an investigation with a mixed focus on drugs and finances, but during the investigation the team became more and more convinced that a financial angle was important and therefore obtained financial assistance from the tax authorities. Part of this conviction lay in the brazen financial activity of the ringleader and his family. For example, during a delay of his flight at the airport he was overheard saying that he would make use of the extra time to buy a new Porsche. Which he subsequently did. This flamboyant behavior became just the incentive the team needed to take a much closer look at his finances.

As several financial facilitators were stationed abroad or set up overseas structures, the investigators needed to cooperate with foreign authorities. Because international cooperation has to follow strict procedures that take up a lot of time, it was important for investigators to be given the opportunity to follow foreign leads. This was not something that was explicitly mentioned in strategy documents but became apparent when reading several update reports and interviewing team leaders. As long as police management was confident that a request for foreign legal assistance would lead to a better outcome, the investigation would be allowed to develop these angles. However, when drugs investigations would run out of time because shipments got delayed for some reason or another (as often happened because the smuggling boats were in constant need of repair), it was unlikely that the team would be given extra time to follow all foreign financial leads.

The foreign angle is also part of the explanation why some investigations did not include a financial paragraph or did not find financial facilitators. As mentioned earlier, several cases were started in response to a foreign request for Dutch police assistance. Usually, these requests show some urgency or call for a prompt response. For instance, a request states that within a week a container full of drugs will arrive in the port of Rotterdam, and the Dutch authorities are urgently requested to intercept this transport and apprehend the organizers. Because the persons involved are often not known beforehand, there is not much time to devise a financial strategy. As a result, the focus on criminal finance is absent (Case 2007B, 2007D, 2007G, 2008A, 2008D, 2009D). Similarly, criminal intelligence from the Dutch police can also trigger the need for a swift reaction. For instance, the NCS would receive a message from their criminal intelligence department that a particular company or person would receive a shipment of cocaine. Again, there was no time to devise a financial strategy and the focus was put on the immediate interception of the drugs and the arrests of the suspects involved (2008B, 2008 F, 2009B, 2011D, 2011E). After the successful interception, such a team did not have the time to follow financial leads, since they had to get ready for a new investigation, because there is a constant supply of foreign and domestic information relating to other criminal schemes.

Discussion

Practitioners of SNA are always conscious that their data is probably lacking some kind of information, especially when they are dealing with organized crime. It is known that such criminals are well aware of the risk of apprehension and therefore try to hide their communications by force of habit. As technology has become cheaper, it allows them to make use of diverse strategies. For instance, some criminals make use of one-on-one telephone numbers, i.e. persons only contacts one another with a specific cell phone. This cell phone is never used to call someone else. This is why some criminals carry dozens of telephones, which are ditched as soon as they smell trouble. Sometimes phones are only used for one transaction, after which new phones are bought. Some methods of communication are difficult to intercept, such as ping messages, skype, or e-mail drop boxes. One ringleader (2010C) went to even greater lengths: he always held his business meetings in different parts of the world.

Are such measures exceptional? Probably not, in the case of large-scale importers who have often years of experience interacting with law enforcement. For this reason, defining the boundaries of a criminal network and finding each and every connection between all ‘actors’ can be hard, if not impossible. To a certain extent this can be worked around though; focusing on a subset of individuals instead of trying to include all possible connections, asking tailored questions that fit the data, or applying statistical methods to render more complete networks.

However, one should remain aware of what the data includes and what it does not. With this in mind, von Lampe calls attention to latent links (von Lampe 2009). These are links “that are activated sporadically as opportunities and needs arise” (p. 94–95). Money laundering can be one of those latent links as most criminals do not need the services of a money launderer everyday. Launderers (in the proper sense of the word) come into play when, e.g., the criminal wants to invest in a new business, buys some property or purchases an expensive new car. It is also possible that once a laundering scheme is up and running, it becomes less necessary for the criminal to maintain frequent contacts with the financial facilitator. Contacts between criminals and launderers could therefore fall outside the timeframe targeted by the investigation.

This is of course not only a problem of SNA, but of all kinds of research into organized crime. The only difference is that the quantification of data that involves SNA tends to lose the relationship with the original data. Once a database has been (painstakingly) created, it becomes the black box to which all kinds of questions can seemingly be put, as it will always provide an answer. But investigations are social endeavors, not mechanical devices. The nature of an investigation will influence the probability that particular actors and activities are detected.

This is why it is important to carefully monitor what questions are put to the data, and why researchers should always question whether said data actually contains enough relevant information. Questions dealing with money laundering are a good example. There is a clear correlation between a focus on financial matters at the beginning of an investigation (the design of the investigation and the investigative strategy) and a positive outcome (finding a financial facilitator). Similarly, when no financial strategy is in place and no effort is made to make use of a financial angle during the investigation, the outcome is likely to be negative.

Still, as an anonymous reviewer pointed out, there is the risk of a tautology: a genuine absence of financial facilitators could have resulted in a proposal for an investigation without financial information, and cases in which financial facilitators played a role, led the police to automatically pursue financial leads or money laundering at the earliest stages.

The tautological risk is likely to be small, however. First, the financial strategies of the investigative teams were not always focused on financial facilitators. Often the goal was just to look for opportunities to confiscate criminal monies or to dismantle legitimate business structures that were backed by criminal finances. As the investigation progressed, it turned out that the main suspect made use of one or more financial facilitators.

Second, some cases (2008C, 2011A) which did not have a financial paragraph at the start of the investigation, later switched target goals and *did* find financial facilitators. Also notice that three cases (2009D, 2010D, 2010E) did have a financial paragraph at the start of the investigation but did not find any financial facilitators. Interviews with team leaders later showed that the initial evidence wasn't wrong but that the execution of the task at hand was flawed.

When the research aims to determine the percentage of cases that involve one or more financial facilitators, it is thus important not to compare apples and oranges. The most likely pool to find financial facilitators are those investigations that generate large amounts of money. In this study, the cases were selected on the basis of the same financial potential, i.e., suspects handling large quantities of cocaine. The wholesale trade in cocaine implied that, a) the suspects had been active in this business for a longer period of time (newcomers will hardly be able to organize the smuggling of hundreds of kilos of cocaine) and, b) the suspects were involved in the transaction of large sums of criminal money (large quantities of cocaine translate to large sums of money). All the main suspects involved were thus very likely to be in possession of large amounts of cash, large enough to attract the attention of the authorities if not carefully handled. Such handling, theoretically, is best left to the expertise of outsiders.

The point at which an outsider is needed, however, is difficult to define because it may vary from person to person, depending on their own capabilities or needs. The use of several broad boundaries could be a solution. For instance, cases could be compared among themselves in which the criminal made a yearly profit ranging from 25.000 to 100.000, from 100.000 to 300.000 and from 300.000 to a million or more.

Furthermore, when cases are compared amongst themselves, some thought must be given to the parameters of each investigation. For instance, one could look at the initial plans of the investigation. Did those plans contain a financial approach or not? Or one could consider the make-up of the investigative teams. If a forensic accountant or other personnel with a financial focus was part of a team, the researcher can be quite sure that money laundering was taken under consideration. When another investigative team does not include people with some form of financial training, chances are that money laundering is not given proper attention. It would therefore be better to compare the findings from investigative teams that include financial specialists, instead of mixing the findings up with teams that had no financial expertise at all.

Of course, researchers often face difficulties obtaining access to investigative cases. Getting information on the decision making process and the people involved will complicate things even further. However, depending on the kind of questions that are

put to the data, these steps must be undertaken in order not to draw erroneous conclusions.

Policy implications and future research

‘Follow the money’ has become something of a slogan in fighting organized crime. What this study shows is that the only way to put this slogan into practice is to give careful consideration to financial approaches in the earliest stages of an investigation. This goes further than just confiscating any proceeds of crime that happen to come to the attention of the investigators; it must include looking for financial relationships within crime networks (Levi 2013).

This approach, however, brings its own challenges. First of all, in order for the investigators to be able to prepare an investigation strategy that involves a proper financial focus, they need to have access to police intelligence on financial matters. Unfortunately, such financial intelligence is often lacking, because police investigators have traditionally been more interested in the drugs or accompanying violence of a criminal enterprise than its financial details. This calls for a need for a mind shift, which, of course, is easier said than done, as it involves all levels of employees within the police organization, as well as the prosecutor’s office.

Second, financial investigation still has a connotation of something difficult and complex which should be left to specialists. It is undoubtedly true that some money laundering schemes can be quite complicated, and in such cases forensic accountants are indeed needed. But this is not to say that all money laundering cases have to be dealt with by highly trained specialists. For instance, simple cash-based transactions and underground banking could be investigated by any investigator with basic financial training as such activities do not involve complicated administrative procedures.

Third, an international dimension creates problems. Criminal money is transported or wired to other countries, is placed in foreign bank accounts, invested in overseas companies, or handled by a financial facilitator who is based in different country. When this is not factored in at the investigation strategy, it is very likely that, because of time and budget constraints, the financial side is not fully followed up on.

The findings also have implications for research studies. First, we can fairly certainly assume that financial facilitators are involved when the financial stakes are high. But not a lot is known about their activities, however. More research should be concentrated at the role and function of financial facilitators themselves. For example, how and at what stage of their criminal careers in general, and in these criminal operations in particular, do criminals and financial facilitators come into contact with one another, how do criminals trust financial facilitators and vice versa, what percentage of criminal money is laundered at what costs, do the facilitators provide services to other criminals (did they function as a node?), how did they work around AML regulations, etc.

A second implication for research concerns the importance of understanding and interpreting the background of the data relating to organized crime. The use of police information and case files has become an accepted way of studying organized crime. Different methods to analyze such information have been constructed and fine-tuned. However, any discoveries the researcher makes should be carefully considered in the light of the circumstances surrounding the case in question. This entails the reason an

investigation was started, the strategy chosen, its timeframe, and the final results, while at the same time considering the limitations and opportunities of the case (e.g., the number of personnel involved, the international dimension, and the level of involvement of the prosecutor's office).

Conclusion

This article set out to determine if specialists solely contracted for money laundering services (financial facilitators) were overlooked in the analysis of crime files. It stands to reason that not every criminal needs financial facilitators. As discussed before, not every criminal makes enough money to warrant such actions (Levi and Reuter 2006). It is likely that financial facilitators come into play when large sums of money are involved, but it is unknown where the demarcation line, if any, lies. Criminals might differ from one another very much where their need for assistance is concerned.

We are therefore presented with two possibilities: the presence of financial facilitators may be an anomaly, or they operate in large numbers, but are simply overlooked or neglected.

To study this in greater detail, the current study took 31 case files on large-scale cocaine smugglers as a starting point. It turns out that financial facilitators were frequently encountered in police investigations *if* the police were actively looking for them. An explanation for this outcome rests with the existing police procedure, including those related to the earliest planning stages of an investigation.

This observation has important implications for AML policy. If the fight against money laundering is taken seriously, it would be best to invest in building up more financial intelligence, and to demand that plans for investigations include a section on criminal finances that entails more than a token gesture.

Finally, the findings in this article also leave open the question of how useful SNA techniques really are when e.g. betweenness scores are calculated for persons who are not the main target during the investigation, like financial facilitators. Sometimes a case file does not hold any financial information, simply because money laundering was not a priority. As a result, if we are not careful, we are just looking for evidence under lampposts and our findings will be distorted.

Acknowledgments I would like to thank Mike Levi (Cardiff University), Peter Reuter (University of Maryland) and the anonymous reviewers for their helpful comments and suggestions. Any errors or mistakes that may remain in this article, are of course my own responsibility.

References

- Berlusconi G (2013) Do all the pieces matter? assessing the reliability of law enforcement data sources for the network analysis of wire taps. *Global Crime* 14(1):61–81
- Borgatti SP, Carley KM, Krackhardt D (2006) On the robustness of centrality measures under conditions of imperfect data. *Soc Networks* 28:124–136
- Bright DA, Hughes CE, Chalmers J (2012) Illuminating dark networks: a social network analysis of an Australian drug trafficking syndicate. *Crime, Law and Soc Chang* 57(2):151–176
- Campana P (2011) Eavesdropping on the mob: the functional diversification of mafia activities across territories. *Eur J Criminol* 8(3):213–228

- Campana P, Varese F (2012) Listening to the wire: criteria and techniques for the quantitative analysis of phone intercepts. *Trends in Organized crime* 15:13–30
- Dean G, Fahsing I, Gottschalk P (2010) *Organized crime: policing illegal business entrepreneurialism*. Oxford University Press, Oxford
- El Qorchi M, Maimbo SM, Wilson JF (2003) Informal funds transfer systems: an analysis of the informal hawala system (No. IMF-world bank occasional paper no. 222). The International Monetary Fund and The World Bank, Washington
- Gerstein IR & Hervieux-Payette C (2013). Follow the Money: Is Canada Making Progress in Combatting Money Laundering and Terrorist Financing? Not Really (Report of the Standing Senate Committee on Banking, Trade and Commerce)
- Jost PM, Sandhu HS (2000) The hawala alternative remittance system and its role in money laundering. Interpol, Lyon
- Kleemans ER, de Poot CJ (2008) Criminal careers in organized crime and social opportunity structure. *Eur J Criminol* 5(69):69–98
- Kleemans ER, Brienen MEI, van de Bunt HG (2002) Georganiseerde criminaliteit in Nederland: tweede rapportage op basis van de WODC-monitor. WODC, Den Haag
- Kruisbergen EW, van de Bunt HG, Kleemans ER, Kouwenberg RF, Huisman K, Meerts CA et al (2012) Fourth report of the organized crime monitor: summary. Boom Lemma, Den Haag
- Levi M (2013) Drug Law Enforcement and Financial Investigation Strategies (Report No. 5). London: IDPC - International Drug Policy Consortium
- Levi M, Reuter P (2006) Money laundering. *Crime Justice A Rev of Res* 34:289–375
- Malm A, Bichler G (2011) Networks of collaborating criminals: assessing the structural vulnerability of drug markets. *J Res Crime Delinq* 48(2):271–297
- Malm A, Bichler G (2013) Using friends for money: the positional importance of money-launderers in organized crime. *Trends in Organized Crime* 16(4):365–381
- Malm A, Bichler G, Nash R (2011) Co-offending between criminal enterprise groups. *Global Crime* 12(2): 112–128
- Monsma E, Buskens V, Soudijn M, Nieuwebeerta P (2013) Partners in cybercrime. In: Hsu DF, Marinucci D (eds) *Advances in cyber security: technology, operation, and experiences*. Fordham University Press, New York, pp 146–170
- Morselli C (2009) Hells angels in springtime. *Trends in Organized Crime* 2(12):145–158
- Morselli C, Petit K (2007) Law enforcement disruption of a drug importation network. *Global Crime* 8(2):109–130
- Morselli C, Roy J (2008) Brokerage qualifications in ringing operations. *Criminology* 46(1):71–98
- Murray K (2013) A square go: tackling organised crime where it doesn't want to be tackled. *J Money Laundering Control* 16(2):99–108
- Natarajan M (2006) Understanding the structure of a large heroin distribution network: a quantitative analysis of qualitative data. *J Quant Criminol* 22(2):171–192
- Passas N (2004) Indicators of Hawala operations and criminal abuse. *J Money Laundering Control* 8(2):168–172
- Passas N (2005) Informal value transfer systems and criminal activities (report No. 2005–1). WODC, Den Haag
- Reuter P, Kleiman MAR (1986) Risks and prices: an economic analysis of drug enforcement. *Crime and Justice An Ann Rev of Res* 7:289–340
- Soudijn MRJ (2012) Removing excuses in money laundering. *Trends in Organized Crime* 15(2–3):146–163
- Soudijn M, Reuter P (2013) Managing potential conflict in illegal markets: an exploratory study of cocaine smuggling in the Netherlands. In: Trautmann F, Kilmer B, Turnbull P (eds) *Further insights into aspects of the EU illicit drugs market*. European commission directorate general for justice, Luxembourg, pp 345–360
- Sparrow MK (1991) The application of network analysis to criminal intelligence: an assessment of the prospects. *Soc Networks* 13:251–274
- Thoumi FE, Anzola M (2012) Illicit capital flows and money laundering in Colombia. In: Reuter P (ed) *Draining development? controlling flows of illicit funds from developing countries*. The World Bank, Washington, pp 145–170
- Unger B, Rawlings G, Siegel M, Ferwerda J, de Kruijf W, Busuioic M, Wokke K (2006) The amounts and effects of money laundering (report for the ministry of finance). Utrecht School of Economics, Australian National University, Utrecht
- UNODC (2008) World drug report 2008. United Nations Office on Drugs and Crime, Slovakia
- UNODC (2011) World Drug Report 2011 (Report No. Sales No. E.11.XI.10): United Nations Office on Drugs and Crime
- UNODC (2013) World Drug Report 2013 (Report No. Sales No. E.13.XI.6): United Nations Office on Drugs and Crime

- van de Bunt H (2008) A case study on the misuse of *hawala* banking. *Int J Soc Econ* 35(9):691–702
- van der Laan F (2012) *Criminaliteitsbeeldanalyse 2012: cocaine (CBA)*. KLPD, Woerden
- van Duyne PC (2003) Money laundering policy: fears and facts. In: van Duyne PC, Von Lampe K, Newell JL (eds) *Criminal finances and organising crime in Europe*. Wolf Legal Publishers, Nijmegen
- von Lampe K (2009) Human capital and social capital in criminal networks: introduction to the special issue on the 7th blankensee colloquium. *Trends in Organized Crime* 12(2):93–100