

Stay Clean

20 Oct 2015

London has been called the capital of money laundering. So how can you avoid being implicated in it?

The City of London is the moneylaundering centre of the world's drug trade, according to an international crime expert. According to Roberto Saviano, the UK's banks and financial services are ignoring customer checks designed to curb criminals' abilities to launder the proceeds of crime. Mr Saviano, author of the international bestseller Gomorrah, which exposed the workings of the Neapolitan crime organisation Camorra, summed up the problem bluntly. He claimed: "The British treat it as not their problem because there aren't corpses on the street."

Money flow

Commentators have spent much of the past decade remarking on the flow of dirty money into London. In 2011, the Financial Services Authority (FSA) investigated and concluded that 75% of banks were not doing anywhere near enough to verify the source of their customers' wealth.

But did the FSA prosecute those banks? No.

Did any high-profile banking heads roll as a result of the FSA findings? No.

So can we assume that those who turn a blind eye to money laundering can keep doing so? No. Not anymore.

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That is because the authorities have developed an appetite to sink their teeth into money laundering in recent years. This has made a do-nothing approach a more dangerous option. The FSA – much criticised for being ineffective – has been closed down and replaced by the more proactive National Crime Agency (NCA).

In June, the NCA issued a threat assessment which stated: "We assess that hundreds of billions of US dollars of criminal money almost certainly continue to be laundered through UK banks, including their subsidiaries, each year." It added that despite the UK's role in developing international standards to tackle money laundering, it remains a "strategic threat to the UK's economy and reputation". This is a threat that the authorities are now out to tackle.



Scrutiny

Since the FSA's rather weak approach, HSBC has been fined £1.2 billion for laundering Mexican drug cartel money and the cash going in and out of the world's financial institutions has come under much closer scrutiny.

This year, the European Union has drafted new anti-money laundering directives to tighten the flow of wealth around Europe and ten of the UK's banks have signed up to the Joint Money Laundering Intelligence Taskforce (JMLIT) in association with the NCA and City of London Police. The last two years have seen the UK government find extra millions to help identify and prosecute money laundering.

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Such measures are designed primarily to crack down on criminals laundering proceeds of their criminality. But they also put those who come into contact with such wealth at far greater risk of prosecution. These people must realise that this risk can only be nullified by taking careful, calculated steps to avoid being implicated in money laundering.

Deliberate effort Problems can be prevented if those concerned make a deliberate effort to know the law as it applies to money laundering and act in accordance with it. Under the Proceeds of Crime Act 2002 (POCA), there are three main money laundering offences which carry up to 14 years imprisonment. POCA identifies money laundering as when a person conceals, disguises, converts or transfers criminal property - on behalf of themselves or others - or acquires, uses or possesses such property.

Whether you work in banking and financial services, real estate, arts and antiques or any number of other likely sectors where people look to place their wealth, the casual ignorance of money laundering has to be replaced with an awareness of the law.

If we take POCA as our prompt, it is clear that a person can be guilty of money laundering regardless of whether they stood to gain from it or knew what they were doing. Innocent mistakes will be treated harshly by the authorities. It is important, therefore, that procedures are devised and carried out to ensure any risk of money laundering is identified and removed.

If those facing such a situation are unsure how to devise such procedures then they should seek legal advice. In an era where failure to even report a suspicion of money laundering can be punished by law, the onus is on people to be alert to the dangers. Arguing it is not your responsibility to carry out checks will fall on deaf ears.

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Ignorance of either the law on money laundering or of involvement in it will count for little when a person is investigated. Procedures must be in place to establish the identity of a client, the real beneficiary of a transaction and the source of the wealth being handled. If these checks have not been made and the authorities identify the transaction as money laundering, the consequences will be immense.

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