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**BRITISH GROUP INTER-PARLIAMENTARY UNION**

**DRUG POLICY REFORM PARLIAMENTARY SEMINAR**

**PLENARY SESSION III: MONEY LAUNDERING AND ONLINE TRENDS IN  
DRUG TRAFFICKING**

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ANKOMAH**

## Money Laundering and Online Trends in Drug Trafficking

[JOHN MANN MP *in the Chair*]

**The Chair** welcomed delegates. He said that he sat on the Treasury Committee and had done work on the issue of drugs throughout his 12 years as a Member. His latest work analysed the largest 50 banks in the world and demonstrated that every single one, without exception, had recently been convicted of, or faced charges for, major fraud, many having been convicted of money laundering. There was a major worldwide problem, crossing different banking and political cultures, and banks in this country were part of that.

### Regional Policing and International Policies to Trace Money

*Speaker:* **Rowan Bosworth-Davies**, Chair, Law Enforcement Against Prohibition UK.

**Rowan Bosworth-Davies** said that he would give his own view and those of his organisation, and not those of any other organisation in the country, officially or unofficially, so he hoped he would not offend too many people.

He said that he was recently invited by a prestigious City dining club to address chief anti-money-laundering officers from most of the international banks operating in London. The proposed theme was: “The money laundering laws are broken. How can we fix them?” His response was that the laws were not broken—they were not being enforced.

He said that he built his address around scandals involving HSBC, which had recently been sanctioned in the UK and the US for openly laundering drug money for Mexican cartels; Standard Chartered bank, which had been sanctioned in New York for wilfully flouting US sanctions against suspected terrorist states; and many UK banks engaged in outright fraud against their customers, whether through payment protection insurance scams or LIBOR manipulation.

He said the presentation’s focus was pertinent to today’s theme. He had been tasked to draw on his experiences as a former Metropolitan police detective and on his knowledge of financial fraud, and to share his views on how banks and legislators could best work together to prevent money laundering and tackle empty shell companies. He reiterated his dining club theme: the laws on money laundering were perfectly sound and fit for purpose. The main problem was that regulations to ensure best practice compliance—the underpinning of any good anti-money laundering regime—and laws to penalise money laundering were not, for major banks, enforced effectively and properly.

He said that delegates would not be surprised to hear that he had not been able to give his speech: the bankers simply talked over him. Their collective response clearly demonstrated the scope of this country’s problem. The commercial response to money laundering laws was routinely to ignore important provisions requiring major banks to work in partnership with law enforcement authorities, and to pay only lip service to compliance.

He said one banker, representing a well-known house, went so far as to refuse to spend any money on ensuring an effective response to reporting of suspicious activity, because it was “a complete waste of time and money.” He said, “I tell my team to report a small percentage of the alerts we receive, but I am damned if I am going to bother to evaluate them. Let the coppers do that. I don’t give a damn about them. The cops do nothing for me, so why

should I lift a finger to help them?” That view was shared by the great majority of the banker’s colleagues.

He said that, as recent money laundering scandals in the banking sector demonstrated, the major banks had clearly taken a long, hard look at global money laundering, and had made a business case decision that laundering the proceeds of crime, drug trafficking and dealing with suspected terrorist states was a commercially viable option. They had come to that conclusion because they were not regulated with any degree of stringent enforcement.

He said he firmly believed that if a couple of senior executives of major banks were prosecuted for their failure to ensure the proper application of money laundering regulations, there would be a Gadarene rush of bankers to reform their procedures and processes, but that was not happening. The Financial Services Authority published a report in June 2011 pointing out major failings in many banks’ money laundering compliance platforms. Some rather small and minor banks were fined, but no executive had been prosecuted to date.

He said that despite stringent anti-money laundering laws in the UK, Europe and the United States, banks still managed to attract and process billions of dollars of criminal money without being subject to any meaningful intervention from regulatory agencies. A director on the main board of Barclays once said to him that the director and his “class” would never be prosecuted for money laundering because they were “a protected species.” Despite significant evidence of wholesale money laundering in the UK, the director has been proven right, because not one banker has been sent to prison.

He said that Barclays, Lloyds, HSBC and RBS were no longer British banks. They played in the global market. They played at regulatory arbitrage and sought the most benign jurisdiction from which to operate—happily for them, that was still the United Kingdom—while playing fiscal arbitrage with their profits. They sought the most beneficial offshore tax regime in which to post their earnings. That, along with the concomitant use of shell banking structures, presented huge problems to international parliamentarians and tax authorities, while opening significant gateways for more profitable money laundering business for banks. Boris Johnson and the Tory Government welcomed every foreign godfather, crook and oligarch with huge amounts of money to hide and launder, so that British banks got that business. George Osborne recently agreed with the Chinese to make London the offshore centre for Chinese currency trading, giving Chinese criminals yet another forum for laundering their vast criminal proceeds while London benefited from the huge outflows of money that that would generate.

He said that once a place of business was moved to cyberspace, there was no need to fear regulations and regulators. He wrote 10 years ago that cyberspace “is the region where the world’s wealth will migrate and continue to migrate in the foreseeable future to find a place of complete safety in one of many offshore shell companies designed for the purpose. This is where the new economy of the information age will be most understood, and this is where the technology and the means to drive the new thinking behind the new ways of doing business will be developed.”

He said that the Government would continue to pay lip service to the concept of requiring foreign companies to pay taxes, but sending begging letters to the British protectorates and overseas territories, asking them to share information, would not cut the mustard. The UK had jurisdiction over 10 tax-haven countries, such as the Cayman Islands, which made up a fifth of the world’s tax havens. Those entities would look to see where their best interests lay, and would not share client information with the dear old mother country too quickly. The City of London was far too busy getting rich from moving the dirty money generated by so many organised criminal entities and tax evaders to permit too much information sharing, or to stop the creation of shell companies. The banks had become drug

dependent. That was why the Law Society recently opposed the creation of a register of beneficial owners of such companies, for fear of driving business out of the City of London. The UK was being forced to dance to the tune of global organised crime.

He said that the UN Office on Drugs and Crime reported that organised crime had grown to the level of a transnational superpower, and that nation states were guilty of benign neglect because it contributed too much to their balance sheets. The real-world economy was now largely a criminal economy that operated equally offshore and in cyberspace. The British national interest demanded that the UK continued to provide the lion's share of professional services to the new money.

He said that dirty money, much of it generated from the Afghan drug trade, flowed out of Pakistan, which had a notorious lack of money laundering controls. Much of it was reinvested in the UK, in huge swathes of property purchases in the west midlands and the north-west. Bounced through British banks in Dubai, the money quickly found its way into the global economy before resurfacing in Birmingham and Manchester. He worked for the Asian Development Bank in Pakistan for 18 months, and once sat next to a British-Pakistani businessman while flying from Peshawar to Karachi. The businessman explained the entire process, and said that many Pakistani travel agencies were involved. The businessman said that the British authorities did absolutely nothing to inquire where the huge sums of money being washed through the travel agencies came from, or who was the ultimate beneficial owner.

He predicted continued growth in the offshore sector; increasing evidence of wholesale tax diversion by increasing numbers of corporate entities; and the growth of criminal money being used to fund banks' balance sheets. The offshore sector was now the real economy, and much of the collateral was provided by organised crime. Governments would have to put up with it and not ask too many questions if they wanted to stay in power.

### **Preventing Money Laundering**

*Speaker:* **Tom Bergin**, Special Correspondent, Reuters.

**Tom Bergin** said that he was an investigative financial reporter with Reuters who wrote about tax evasion, financial crime and illicit money flows. Online drug dealing had received much recent media attention, the most prominent example being Silk Road, an online marketplace for drugs, stolen credit card numbers, child pornography and weaponry. The Federal Bureau of Investigation shut down Silk Road earlier this month and alleged that the site, which used bitcoins—a digital currency—and had 900,000 registered users, had been involved in conducting sales worth \$1.2 billion. The site had been founded by libertarian hacker-types of quite comfortable means, and allegations were made about contract murders being commissioned. Even before the arrests, most news organisations had featured the website, which led to the perception that it was a significant part of the drugs industry, but there was not much good data on this area. A UK university's survey found that low single-digit percentages of drug users had ever bought drugs online.

He said that Silk Road, the largest online drugs market, was founded in early 2011. By March 2011, Gawker, a well-known internet news service, had reported on it. By June, two US Senators were already asking the Attorney General to launch an investigation, and by October 2013 it had been shut down. It was not what one might consider an exceptionally successful criminal venture, but that was not to underplay the damage that it did. Silk Road also illustrated some of the inherent shortcomings of buying and selling drugs online. There were problems with secrecy—within months, everyone knew about it—and user

confidentiality. The site promised that transactions were anonymous, but after the National Security Agency revelations, no one would believe that. Even the founder did not believe that there was confidentiality on the site, because he was alleged to have commissioned somebody to kill someone who was threatening to blackmail him by revealing the identity of users.

Another shortcoming was traceability of shipments; most of the shipments were made via the postal service, which was not the most effective way to sell drugs. The FBI got into Silk Road by tracking someone down in that way. The final shortcoming was trust. Many journalists tried to purchase drugs online; some of the drugs never arrived. There was a sister website that was simply a scam. It took people's deposits for drugs and never delivered. All those things showed that there were inherent problems with online drug dealing, which suggested that much as people may have heard about it, its contribution to the drugs industry might be overstated. The subject of online drug dealing took parliamentarians on to another area that probably was more relevant to the discussion, because it pointed more to legislative action that needed to be taken. Online drug dealing was clearly illegal, and there was more of an enforcement issue than a legislative issue.

He said that online drug dealing relied on electronic online payment systems. Silk Road used bitcoins—one of about 100 digital online currencies. Another payment system that had received a lot of media attention this year, because it was a bit more typical of those used, was Liberty Reserve. He pointed to a slide that showed that it was referred to as a black market bank. It was accused of laundering \$6 billion in transactions. He showed a photograph of the press conference that accompanied the arrests and prosecutions in relation to that site.

He explained how it worked and showed a simplified graphic. Liberty Reserve helped facilitate drug transactions. If Mr A wanted to buy drugs from Mr B, both parties would need to set up an account with Liberty Reserve, which was effectively an online bank. It did not ask for a lot of details, so there was no verification, and none of the usual "Know your customer" rules that were supposed to be applied. Mr A would take his cash to a money exchanger; he would not deal directly with Liberty Reserve, which was based in Costa Rica. The money was transferred to the bank. It was then transferred into LRs, the currency of Liberty Reserve, and flowed back through money exchangers to Mr B.

He said that if Silk Road had been described as the eBay of the drug market, Liberty Reserve was very much the PayPal of the drug market. It did not facilitate the transportation of drugs; it was about the back end and the money side of it. It was able to play a much more significant role, largely because it was not seeking to replace an existing system that worked quite well. It was replacing one of the less well functioning areas, which was getting cash back to people. It removed the need to transport cash across borders; it was just done electronically.

He said that his explanation was simplified; how things worked in the real world, and how the money moved into the legitimate financial sector, was more relevant to the discussion. In reality, there would not be the system where Mr B picked up his cash from a money exchange; it would be more likely that the money would enter the legitimate sector by moving from the unregulated entities in the chain—the bank, the Liberty Reserve or whatever—to an unregulated money exchanger, and on to a regulated money exchanger. Then it would flow back towards the recipients.

He gave the example of Technocash, a company that was regulated by the financial authorities in Australia. By all accounts, it was entirely legitimate. Its initiation had been partly funded by the Australian Government. The company said that it verified all users. It claimed to subscribe fully to the "Know your customer" rules, but one got through the net. Months later, the same company was also caught up in the Silk Road scandal, so it clearly was not just one customer who got through the net. By the time Silk Road had been

prosecuted, Technocash had already crashed; it was no longer in operation. That was because it relied on other banks in the legitimate sector, and those banks, including Westpac, stopped doing business with it, so it was forced out of business.

He said that all that raised questions about how the interactions worked. The picture was of a web, overlaid by many relationships involving many legitimate financial companies. The regulated money exchange, Technocash, had accounts with Westpac. Many large financial institutions were mentioned in the Liberty Reserve scandal, including Barclays. The websites of the unregulated people—the money exchangers—refer to legitimate payment services like MoneyGram and Western Union, and made links to sites where people could use Visa and other credit card systems to make payments.

He said that there was clearly an intersection between the illegitimate or unregulated and occasionally criminal sector and the legitimate sector. There was clearly a lot that banks and financial institutions could do to get to know their customer better. More could be done from the regulatory perspective to force banks to do that. Mr Bosworth-Davies had mentioned laws that could hold executives to account; in the United States, the House of Representatives was currently debating a Bill to hold bank executives more to account, under both criminal law—something that Mr Bosworth-Davies had discussed—and civil law, which was an easier hurdle to clear. There was the potential to bar people for life if it was found that they had not been sufficiently diligent in enforcing money laundering rules.

He said that there was a lot more that regulators needed to do. They should monitor money laundering to understand it better, see how it worked in the real world, and look to see where banks were not doing as much as they could. That would further the development of new regulations.

He said that he would end in the same place as the money often ended up. In his presentation he had replaced Mr B on the slide with B Co. (Caribbean) Ltd, which represented a shell company. A shell company was basically a shell that was a dead end for investigators, as no one knew who owned it or where the money went. There had been international movement on shell companies, as the G8 this summer had agreed in principle to work towards international registers of beneficial ownership that would be available to authorities, so that they could check who was behind shell companies. Many campaigners had wanted a public register; that could be moved to in the future. If that was combined with other changes, such as the automatic exchange of taxpayer information between authorities, there could be movement towards a more transparent situation.

### **Drug-related Financial Fraud**

*Speaker:* **Richard Lowe**, Economic Crime Command Manager, UK National Crime Agency.

**Richard Lowe** said that he had observed the first session with interest and had been relieved when Baroness Meacher had said that there was still a role for enforcement, as that meant he still had the makings of a job. He had been even more relieved to hear Mr Bosworth-Davies say that bankers should be arrested, as that gave him two sets of people to concentrate on.

He said that the National Crime Agency was a new organisation, formed from existing agencies with the purpose of impacting on the threat of organised crime in the UK and internationally. It had a role in providing context and information to parliamentarians, who could then set priorities and pass laws so that they could have an impact on organised crime.

He said that money played a role at every stage of drug trafficking, from cultivation to processing, movement across borders, moving and storing the drugs, and bringing the drugs to market. When people looked at money laundering there tended to be an emphasis on cash, and the drugs business was still very much a cash business. At every stage of drug trafficking, most of the people involved were motivated by profit, and if the money laundering side of the drugs business was not dealt with, we would miss the opportunity to impact on the reason why so many people were involved in it.

He said being motivated by money was more understandable at the level of cultivation; an agricultural crop was selected, based on people's need to feed their families. In the UK market, the money motivation had a hugely destabilising effect on communities, set up negative role models for young people, and drew people into the drugs trade, where they could not hope to make money, but might aspire to be like the one local drug dealer who seemed to make a lot of money. Targeting money involved in the drugs market was not simply a case of finding the biggest drug trafficker or money launderer and putting that person in prison; it was about using the impact of interventions to try to change future behaviour.

He said that he had, sadly, had to do a lot of reading about money laundering, and had seen a lot of mention of the three stages of money laundering: placement, layering and integration. He did not really believe in that; he believed in looking at the role that people played in the illegal business that they were in. The most frequent starting point for investigations was looking at how successful drug traffickers managed cash. That was not just about leading a cash lifestyle from their profits, but about recycling cash into their criminal businesses to buy the next consignment of drugs, and to pay the people who had provided them with services.

He said that professional groups of money launderers had formed over the past 10 or 20 years to try to solve a problem for criminals. As the standards on anti-money laundering set by the Financial Action Task Force came into effect for banks, money exchanges and other financial service providers, criminals had been left with a problem, as they were not able to launder their money, so they turned to professional networks and groups to do it.

He made a distinction between groups and networks. Criminals often had a link to a group that would perform the services for them—collecting a bag of money, processing it and paying it to where the criminals wanted it. Behind those groups was a bigger international network of groups co-operating together to get transactions done. From a UK point of view, the driving force behind those international networks was most often cash from drug trafficking, but in other countries those networks operated by generating a pool of surplus cash—from the UK and other European markets, or from Canada, Australia and other markets—that they used to complete completely separate transactions. Those transactions may have been ordered in another country, where the people controlling the money laundering had a separate market. The cash generated from UK trafficking was being used to complete transactions that enabled capital flight from developing countries, to help commit import and export fraud against domestic revenues in other countries, and to move money for corrupt officials and politically exposed people.

He said that the scale of such transactions undermined domestic banks and money exchanges. There were examples of effectively grossly unfair competition in developing markets, because money exchanges that were complicit in money laundering, including ones that had migrated into being banks, had access to money and transactions that their competitors did not. The NCA saw a real risk in international markets, where money laundering systems could undermine fair competition, and the money exchanges and banks that tried to follow the rules.

He said that his speech might sound familiar, given the amount of documentation on what had been described as the black market peso exchange that was prevalent in South America. It could also have been familiar to people who used the word “hawala” to cover informal money remittance around the world in south Asia and the middle east.

He said that the National Crime Agency had contributed to a typology paper entitled “The role of Hawala and Other Similar Service Providers in Money Laundering and Terrorist Financing”, which the Financial Action Task Force was due to publish shortly. The unwieldy title had been arrived at because different people had described the situation in their own country as hawalas, when the reality was that networks and groups had been formed—often in areas of conflict or displaced people—to provide a service, such as money exchange, that was not provided by banks. When countries stabilised, those groups looked for a new market, which often turned out to be the black market.

He said that the travel agents and money exchanges that Rowan Bosworth-Davies had mentioned, which had been banking and moving cash in the UK, had been a substantial area of law enforcement attention. That sort of market led the NCA to identify international groups that made money movements possible. They substantially undermined other countries, particularly those in which the exchange rate was set and there was a lack of access to foreign exchange.

He said that it was interesting to hear about the concentration on banks and their activities around the world, and that he would not try to counter what had been said about banks getting it wrong. In the UK, the NCA concentrated on people who were either complicit in, or vulnerable to abuse by, criminal money laundering. It was important to help those who were being abused to understand the risks and threats that they faced, and to exclude that abuse from their businesses. It was also important to counter the ability of those who were complicit—or those who would replace them after their arrest—to fill that gap for criminal customers. The NCA had focused on that in the UK money service business sector, because money exchanges and bureaux de change had been a starting point for criminals with bags of cash.

He said that the greatest impact on the banks had been the large fines recently imposed on them internationally, particularly where US dollar transfers had been found to be linked to criminality. That had had a major effect on the banks’ appetite for risk, and as a result it was now very difficult in the UK for a money service business to get a bank account. Although the majority of UK money service businesses were honest and served communities who had little access to other financial business, rather than identifying risks, countering threats and continuing to bank with those businesses, the banks had decided that there was too much risk in the sector. The NCA now had to consider how good money could be helped to flow through non-bank institutions to ensure that migrant remittances to countries such as Somalia continued to have a beneficial effect. The organisation was, therefore, working with the Department for International Development, the Treasury and the Foreign Office on concepts such as safe remittance corridors to try to ensure that the remittance money continued to flow, but that complicit or abused businesses were excluded from those corridors.

He said that he hoped that through law enforcement against the prevalent threat—looking at how out-and-out criminals handled the bag of cash that they ended up with after a criminal transaction—the NCA could move on to understand more about the risks and threats within the UK and internationally, and perhaps share information with other countries where the driving force of criminal cash in the UK or Europe undermined development, banking and financial structures.

## Case Study (Ghana)

*Speaker:* **Hon. Papa Owusu-Ankomah**, Member of Parliament, Ghana.

*Papa Owusu-Ankomah* said that Ghana was an emerging market economy and a democracy, and the financial markets, particularly banking and its regulation, were not as developed as those in Europe, the Americas and parts of Asia. The financial regulatory architecture was in its nascent stages. In recent years, efforts had been made to improve on the legislative architecture for the financial sector to bring it into line with best international practices for regulation. As a result of past experiences, however, only about 10% of the population in Ghana used banks, and it was not uncommon for people to engage in cash transactions to the tune of £300,000, for example if they bought a house or a car; delegates could therefore imagine the vulnerability of Ghana, and other countries in West Africa, to abuse by drug money.

He said that the Ghanaian Parliament had enacted an anti-money laundering Act in 2008, which was supposed to be the leading legislation, to monitor the proceeds of crime. The financial intelligence unit was supposed to track and investigate suspicious financial transactions, and the economic crimes unit, which was part of the police, investigated organised crime, including drug trafficking. The Economic and Organized Crime Office was set up by statute to investigate individuals and corporate bodies that were suspected of engaging in criminal enterprises and using the proceeds. Its remit included drug trafficking, but it had a broad mandate. It was previously the Serious Fraud Office. It was set up by an Administration who were considered to have used it to harass political opponents, so it had not been very well accepted initially, although its role had become broadly accepted as the years rolled by.

He said that people suspected of engaging in criminal enterprises had their assets, particularly their bank accounts, frozen through orders of the High Court to enable investigations to proceed without much interference. The Narcotics Control Board combated drug trafficking generally; Ghana believed in interdiction.

He said that the discussion had been interesting. Transit countries, after decriminalising certain drugs, might set up a regulatory regime in which tax was paid for bringing in a certain quantity of cocaine. In practice, it might not be easy to implement such policies. Policy makers were compelled to think outside the box to meet challenges.

He said that Ghana was focused on the fight against money laundering. In 2006, the Government decided to try to develop a legislative framework to make Ghana a financial hub, if not for Africa, then for West Africa, but they realised that they lacked the necessary human resources to combat attempts by organised crime to flood the country's banking sector with money. The implementation of that policy had been suspended. Emerging economies were vulnerable to the international drug trade.

He said that the fastest-growing sector in Ghana was the banking sector. There were always applications from people wanting to set up banks. Science graduates wanted to work in the banking sector because it was the best-paid sector in Ghana. As the UK and other developed economies and democracies fought the threat of money laundering from organised crime, the problem ended up in developing economies. Global discussions had to be deepened, so that emerging economies could become more aware of the threats from organised crime, particularly drug trafficking.

## Questions from Delegates

**Chernor Maju Bah** (*ECOWAS*) said that he was the Deputy Speaker of the Sierra Leone Parliament. He agreed with Mr Bosworth-Davies that there were laws to control all the problems that had been discussed, but that enforcement had been a problem. There was a need to accept reality. Were parliamentarians prepared to enforce the laws, or were there double standards? At what stage were those laws to be applied—when they benefited Governments, or when they hurt them? Who had the power to ensure effective enforcement?

He said that a contributor had talked about withholding donor funds or loans to countries in need. At what stage would those measures be used against countries in South America, Africa or Asia, such as Pakistan—Pakistan had been helped by the UK and the USA—to ensure compliance with those laws? There was a need to ensure that laws were applied appropriately.

He said that, as Papa Owusu-Ankomah noted, although North Africa had some sophistication, the movement of funds in West Africa using the internet or cyberspace was not common. The internet was not as effective there as people wanted it to be; fibre was only just arriving in some countries. People would not want to spend an hour accessing their e-mail using the telephone. However, the countries that had the capacity to engage in these activity had to be looked at, whether or not they were scapegoats.

He said that Mr Bosworth-Davies quoted a banker who said that bankers were a protected species. The banker might have said that because he was having dinner with him, so he should not have minded the banker too much, but there were protected species.

**Mehmet Sağlam** (*Turkey*) asked Mr Bosworth-Davies by whom the “protected species” were protected.

**Rowan Bosworth-Davies** thanked Mr Sağlam for his timely intervention. He said that the gentleman to whom he spoke was a main board director of Barclays bank. Mr Bosworth-Davies had spoken at a conference on money laundering in a private club to which bankers paid £15,000 a year to belong. If people paid that much, they did not want to hear bad news. He had spoken about money laundering laws, and he had given his opinion that, from the day money laundering laws had been enacted in Britain, no agency had been willing to take responsibility for enforcing the regulations. The only way to ensure compliance was to have certain people prosecuted. In the financial sector, prosecution was the kiss of death; things were different for working-class criminals. Those in the financial sector did not even have to go to prison; conviction was enough. He said that the banker told him that he was absolutely right, but that people of his class—class was still a huge issue in the UK—would be protected by the establishment.

He said it was quite incredible how nothing seemed to happen in too many cases in the UK when people in what Edwin Sutherland had called the upper socio-economic group were caught. That might be a scandalous thing to say, but he would not apologise for it; it was his experience, gained over more than 40 years, that when members of the upper reaches of the British establishment got into trouble, their problems somehow went away.

**Erica Roxana Claire** (*Bolivia*) said that in countries where bank transactions were not frequent, or where transactions were made in cash, rather than electronically, public events were one method of laundering money. Famous artists were invited to perform; in Europe,

that would cost a lot of money. Casinos and game houses were legal in Europe and elsewhere, but Bolivia had had to close them all to prevent money laundering. The issue was complicated. If Bolivia, a small country, enacted the policies that consumer countries applied, it could cause conflicts for Bolivia, because its internal fight would be in vain.

**Fatma Nur Serter** (*Turkey*) said that she had not heard any mention of the relationship between drug trafficking and terrorism. She asked what role terrorism played in drug trafficking. Turkey had a problem with terrorism and terrorist organisations, which played an important role in drug trafficking and money laundering.

**Matías Conde Vázquez** (*Spain*) said that large crime networks were extending their reach to attract more money launderers, and instead of being closed down, were growing. People needed to be educated so that they did not let themselves be turned into money launderers, but that was easier said than done. It would be difficult to convince an entire population that they should not let themselves become involved in money laundering.

**Maria Angelica Cristi** (*Chile*) said that the last two questions were important and interesting. She asked whether UK authorities, especially judges, had produced any regulations against drug consumption. Was there any regulation similar to the patriotic amendment, so that a country could know whether banks were involved in money laundering?

**Jaime Mario Trobo** (*Uruguay*) said that he was concerned about narco-states—Governments and states that facilitated money laundering or drugs trafficking. There was not just narco-terrorism, but narco-Governments, who facilitated drug trafficking, especially in Latin America.

**Paola Melendres** (*Bolivia*) said that from 2001 to 2007, she worked in Bolivia as the co-ordinator for international assistance, extradition and judicial orders to seize illegal assets. She would often hand over drug traffickers to certain countries, European ones in particular. Those extradited were almost always foreigners. For every 10 or 20 extradited, one was Latin American. The rest were Europeans or from the United States.

She said that she had operated with few resources. Her office was clearly informed how it should manage its resources to deal with drug trafficking under the UN convention. In Bolivia, that money does not exist. Explanations were needed, because they never had access to that money.

One month ago, she read in a Bolivian newspaper that more than \$1 billion had been thrown out of a plane into the Santa Cruz national park. Coca leaf growth is prohibited there, but there are no satellite cameras to help find such assets. European co-operation had been requested, but Bolivia had a left-wing Government, and co-operation was based on free trade, so Bolivia did not have access to that co-operation.

She said that although the \$1 billion was a small amount compared with the huge amounts laundered between banks, it was a huge amount for Bolivia. The news was earth-shattering for Bolivians. When the Bolivian armed forces found out that the money came from a Spanish bank, it was even more shocking. That happened a month ago. The UN convention established the exchange of information, but it was not fruitful, because Bolivia had not received much information.

**Richard Lowe** said that, on the links between the narcotics trade and terrorism, some countries made a distinction between insurgencies and terrorism. He had seen that around the world. He had seen drug-trafficking routes and production in the same space where terrorists groups and insurgent groups were operating. He had seen drugs provide a source of income to terrorist groups and insurgents. He had seen those groups actively involved in the drugs trade for profit, or to support their other activities, and had seen drugs trafficking used as a way to contest governance and authority with the Government of an area. That was an issue in not just production areas, but areas where there were trafficking routes, and where there was a need to move drugs to consumers.

He said there was also a major issue with money laundering. Groups that serviced drug traffickers in an industrial way might also be available on a smaller scale to insurgents and terrorists, who were not asked questions, because drugs money launderers were not used to asking questions. That problem was reflected in much of the literature. The Financial Action Task Force had just issued a paper on West Africa, to which all the West African countries had contributed.

He said that dealing with the money-laundering threat from Spain was part of the way the agency was addressing the problem. Over a period of years, it had recognised that just arresting and convicting people was not a way of countering the threat from criminality. Where it arrested people and identified activity, it was increasingly trying to understand what enabled that activity.

In the financial world, banks, money exchanges or money launderers often made it possible for the criminals to work. If we understood that and educated those who were being abused—through trade associations, regulators and communications with service providers such as banks—we could amplify the effect of law enforcement interdiction.

He said that for many years, in the UK financial system, people in particular key roles had had to demonstrate that they were fit and proper to hold that role. That was an increasingly powerful sanction, and even if people were not prosecuted and did not go to prison, it could have an impact on their livelihood and their ability to get another job if they were found not to be fit and proper to hold their role.

He said that he had detected a movement away from risk in the financial sectors in recent years. Authorities could exploit that internationally. The biggest fines had come in the US. That gave parliamentarians something to exploit domestically to get people thinking about what the approach should be.

**Tom Bergin** said that, on the “protected species” point, he tended not to see a lot of evidence of conspiracies, but he saw different approaches, with meaningful, different outcomes. The UK tax authority took it as read that large corporations did not engage in criminal tax evasion. Its internal literature and its record showed that it took the view that that was tax avoidance and bending rules. There might be disagreements about the interpretation of the rules, but it was a civilised relationship.

He said that that was not the case in the United States. The authorities would take the line that a large accounting firm or multinational corporation had attempted to defraud the Government. Other countries had looked at that. France was prosecuting one international company for alleged tax fraud. One could therefore take a different approach in which there was no protection.

He said that, on educating people, the weak information was a big flaw in writing about criminal activity. Criminals did not file tax returns or regulatory slips, so journalists did not

know what went on, whereas they did in other areas of the economy they wrote about. That was inherent in the situation.

He said that we did not produce the amount of information that we could. We would not get a lot of case examples from the cases Richard's organisation worked on. When the cases went to court, little information was made available. The information he had as an investigative journalist about people doing bad things was limited. Consequently, journalists were unable to write well-informed stories about where the problems and weaknesses were, and policy makers did not become aware of the issues. The system was not as efficient at closing those gaps as it could be.