

How to Launder Money

It is said that, in order to maximise the readership of a posting, the heading must provoke interest or outrage. A kind of clickbait for LinkedIn.

If you have got this far it worked. Stay with me, it gets better.

The heading of this post is the title of a book recently published by #GeorgeCottrill a confidant of #Nigel Farage and a leading light in #ReformUK. Now George has not produced an actual guide on how to undertake this activity but rather a description of how it is done. The launch, at Westminster, was attended by Nigel and other luminaries. Having served time for wire fraud, George certainly appears to have decent first-hand knowledge.

Books by former jailbirds are often informative and interesting, “McVicar: By himself” by the former armed robber turned journalist was turned into a film starring Roger Daltrey. Howard Marks, the former international drug smuggler, wrote the best seller “Mr Nice”. So good luck to “Posh George”.

What interested me was neither his life story nor his links to Reform, but rather one of the themes in the book put forward by George (or his co-author the financial investigator, #LawrenceBurkeFiles) namely that the current anti money laundering regime doesn't work. They are right, it doesn't.

Before I get personal, let's look at some of the sums used by the AML industry to show how bad the problem is. One popular one is that it represents 2-5% of global GDP. Given the IMF World Economic Outlook estimates global GDP at about \$123.5 trillion this puts laundering at between \$2.3 and \$5.8 trillion. The nominal GDP of the UK stands at \$3.96 trillion. The problem with this estimate on the level of money laundering is that it is based on a number of best guesses, some of which are dubious. I have discussed the questionable basis of these figures previously.

However, for the AML industry this figure is great. It justifies all the bureaucracy and spending on the fight against this pernicious activity. Add to that terrorist funding and proliferation and you have a great call for a blank cheque. It is also self-perpetuating as the level is impossible to reduce. As it is based on global GDP, every time GDP increases so does the amount being laundered and so does the “need” for more regulation. Best of all it allows for righteous indignation. If the AML industry is challenged it can only be because the challengers are against the global fight against criminals, terrorists and sanction busters.

It was once said that, from the manufacturers point of view, the tobacco industry sold the best product in the world. As Warren Buffett famously commentated “I’ll tell you why I like the cigarette business. It costs a penny to make. Sell it for a dollar. It’s addictive. And there’s fantastic brand loyalty”. The AML industry is the new tobacco

industry. In its case the mantra is “We write the standards with minimum oversight or accountability. It costs us nothing to regulate, the costs are born by the industry and ultimately the consumer. We control the moral high ground and our success or lack of it can never be accurately measured.”

I spent much of my career in the fight against money laundering. I wrote on it, lectured on it and bored people rigid about it. I still believe in the fight, just not the way it is being fought. It is now out of control, many of the regulations simply serve to add costs to business for no real benefit. Indeed, it harms the economy as it restricts competition and the fluidity of capital. Much of the industry recognise this but remain silent out of fear. Financial firms remain silent because they fear regulatory opprobrium. Small nations stay silent for fear of being placed on the naughty list by the FATF and subject to sanction. Large nations like the USA do not need to fear as no one is going to put them on a list regardless of how poor their AML standards are.

The AML industry itself comprised of international and national bodies, regulators, consultants, software designers and the rest, have a personal stake in the current regime. Normally they are hardworking, intelligent and well intentioned. Some are overzealous and misinterpret the requirements (being overly cautious because of the ridiculous level of sanctions now imposed) They are not the problem, The problem is the lack of oversight, particularly political oversight.

Only political action will end this cycle; only political action will force a refocus away from the absurd KYC rules currently in place which cannot even stop scammers using the banking system to defraud innocent members of the public.

Regretfully beating up the finance industry still seems to be popular amongst many politicians, particularly those on the left. They need an enemy and any weapon they can use to attack what they regard as the physical embodiment of the capitalist system is worth using.

In the words of Aldous Huxley “To be able to destroy with a good conscience, to be able to behave badly and call your bad behaviour ‘righteous indignation’ this is the height of psychological luxury, the most delicious of moral treats”. It is a shame that those treats come at such a price to the economy, finance industry and consumer.

So, George, good luck with your book. If it contributes even slightly, to a more rational discussion about how we tackle money laundering, it will have done some good.

Because the uncomfortable question remains: are we genuinely reducing financial crime, or have we simply built an industry around the appearance of doing so?