



U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

SECRETARY CLINTON
MEDIA CENTER
TRAVEL
CAREERS
BUSINESS
YOUTH & EDUCATION
MyStateDepartment 

- ABOUT STATE
- POLICY ISSUES
- COUNTRIES & REGIONS
- ECONOMICS, ENERGY & ENVIRONMENT
- ARMS CONTROL & INTERNATIONAL SECURITY
- CIVILIAN SECURITY & DEMOCRACY
- PUBLIC DIPLOMACY & PUBLIC AFFAIRS
- ASSISTANCE & DEVELOPMENT

Home » Under Secretary for Civilian Security, Democracy, and Human Rights » Bureau of International Narcotics and Law Enforcement Affairs » Remarks, Statements, and Releases » Bureau of International Narcotics and Law Enforcement Affairs Remarks » Bureau of International Narcotics and Law Enforcement Affairs Remarks (2012) » Illicit Financial Flows Dirty Money and Safe Havens as Enablers of Transnational Organized Crime

Illicit Financial Flows (Dirty Money) and Safe Havens as Enablers of Transnational Organized Crime

Remarks

David M. Luna

Director for Anticrime Programs , Bureau of International Narcotics and Law Enforcement Affairs

**American Society of Criminology 2012 Annual Meeting, Enablers of Organized Crime Session
Chicago, IL
November 17, 2012**



As prepared

Good morning.

It is good to be here this morning at the Annual Meeting of the American Society of Criminology (ASC), joining Dr. Ernesto Savona, Director of Transcrime and Professor of Criminology at the Università Cattolica del Sacro Cuore in Milan, and other distinguished colleagues to discuss enablers of organized crime and the global illegal economy.

I would like to thank the ASC for inviting me to Chicago this week, and I particularly commend Rob Wainwright, Director of EUROPOL, and Dr. Savona for their leadership this year in producing a report under the auspices of the World Economic Forum's Global Agenda Council on Organized Crime on the chief enablers of organized crime.

While the panel collectively will focus on issues related to cybercrime and internet insecurity, money laundering, and free trade zones, I would like to address an issue that is of increasing concern to those charged with protecting businesses and communities around the world: illicit financial hubs and how the provision of legal and professional services, either wittingly or unwittingly, facilitates the laundering of dirty money through illicit financial transactions. Such activities corrupt the integrity of financial systems around the world and the vitality of legitimate markets.

Money is the common denominator of every type of illicit activity, from terrorism to wildlife trafficking. If kleptocrats, criminal organizations, and terrorists cannot launder their money, they will have a harder time spending it, thereby decreasing their ability to finance their illicit activities and enjoy their wealth.

According to the United Nations Office on Drugs and Crime (UNODC), kleptocrats and criminal entrepreneurs hide the proceeds of their crimes in legal structures such as offshore shell companies and foundations and then launder most of that through financial institutions into the global financial system. As a result, illicit financial flows are flooding financial centers such as Dubai, London, New York City, Hong Kong, Sydney, and others.

There are instances where facilitators, or gatekeepers, use their expertise and credibility as industry professionals, such as bankers, lawyers, accountants, and other professional service providers, to facilitate and promote illegal financial activity. These corrupt professionals knowingly or through 'willful blindness' use their positions to enable criminal activity by facilitating the introduction and movement of illicit funds in the U.S. financial system, often by circumventing the compliance regimes designed to prevent and detect this activity. With the help of the facilitators, criminals are able to disguise the source of dirty money and secure the means to commit more crimes.

The same kinds of entities that, when corrupted, can become the principal facilitators of illicit financial flows, are also the

Stay Connected with State.gov














Country Profiles



 [SUBSCRIBE TO UPDATES](#)

greatest threat to the criminals themselves when they increase their compliance, strengthen internal controls, undertake due diligence to verify beneficial owners when establishing a business relationship with their customers, and expand their corporate social responsibility to protect against illicit actors that abuse their services and damage the integrity of the global financial system.

According to a UNODC Research Report published in 2011, an estimated \$1.6 trillion was laundered in the global financial system, of which an estimated \$580 billion is related to drug trafficking and other transnational criminal activities. Studies such as these further illuminate the dark corners of the illegal economy and the tangled pathways of illicit trade.

Illicit money flows into the United States through conduits, including facilitators allowing access to the financial system or financial institutions ignoring their anti-money laundering obligations. These illicit channels allow kleptocrats, criminals, and in some cases terrorists or their sympathizers, to inject billions of dollars of illicit wealth into the stream of licit commerce and business, corrupting markets, financial institutions, officials, and communities.

To illustrate the extent of dirty money entering global financial and capital markets, let's examine a couple of recent U.S. law enforcement cases. In March 2010, Wachovia Bank, one of the largest banks in the United States, entered into a deferred prosecution agreement with the Department of Justice. Wachovia was charged with willfully failing to maintain an anti-money laundering program from May 2003 through June 2008, in violation of the Bank Secrecy Act. During this time, it failed to effectively monitor for potential money laundering activity involving more than \$420 billion in cross-border financial transactions with high-risk Mexican currency exchange houses, including millions of dollars used to purchase airplanes for drug cartels. As part of the agreement, the bank agreed to forfeit \$110 million to the United States, which represents proceeds of illegal narcotics sales that were laundered through Wachovia, and FinCEN also assessed a \$110 million civil money.

In another recent case, MoneyGram International Inc.— a global money services business—entered into a deferred prosecution agreement with the Department of Justice this month and agreed to forfeit \$100 million. MoneyGram admitted to criminally aiding and abetting wire fraud and failing to maintain an effective anti-money laundering program.

Ladies and gentlemen, convergence defines the global economy today. The world we live in is one in which legal business transactions and legitimate commerce both facilitate and feed off the illegal economy; one in which illegal arms brokers and narcotics kingpins are acting in practice as the new CEOs and venture capitalists. From Wall Street to other financial centers across the globe, illicit networks are infiltrating and corrupting licit markets.

In the process, they are preventing fair and open markets from reaching their full economic potential, and, in the developing world, keeping communities from building the markets and investment frontiers of tomorrow.

The bottom line: As long as illicit networks are able to launder their money and continue to enjoy the proceeds of their criminal ventures, they are contributing to:

- Insecurity and destabilization in many of today's geopolitical hot spots;
- Continued looting of national wealth by kleptocrats;
- Weakening the state of the global economy and financial markets;
- Economic stagnation, as criminals sell counterfeit apparel, luxury goods, cigarettes, alcohol, and other goods directly to communities, without any revenue to finance economic development or social services;
- The deterioration of public health, as well as the lives of individuals, as counterfeit medicines appear on streets or on the internet across the developed and developing world, killing people, denying the sick effective treatment and allowing deadly diseases to mutate and become untreatable;
- The deterioration of the environment, climate change and the destruction of vital habitats and ecosystems as endangered wildlife is trafficked, forests are illegal logged, or criminals are allowed to illegally dump for profit toxic waste that contaminates food and water supplies;
- The deterioration of human capital, erosion of families, and the denial of individuals' basic freedoms and dignity as people of all ages are trafficked for profit, instead of communities investing in education and skills-development training to help emerging economies become the new markets of tomorrow; and
- Increased harms to young children who are becoming drug addicts much earlier, and in some cases as young as 4-8 years of age.

Global criminal activity allows the black market to thrive and depress the value of, and demand for, goods and services produced that are contributing positively to the legitimate economy and therefore contributing to global economic growth. It diverts money from the balance sheets of legitimate businesses and national revenues and keeps cash in the hands of criminals, who build larger and larger illicit networks.

Illicit financial flows and illicit networks threaten the stability of governments and the prosperity of our economies.

National revenue and assets intended to finance the future are instead embezzled and stashed away for private gain,

impairing the ability of communities and businesses to make the investments necessary to create resilient pathways for economic growth and give people hope for a brighter tomorrow.

Via public-private partnerships and as stewards of global peace, financial stability, and development, we must work together to help meet the governance and security challenges posed by illicit trade and illicit financial flows that threaten the prosperity of all economies and integrity of markets. Greater transparency across the global financial system can help mitigate illicit capital flows.

We must shut down today's criminalized markets and illegal economy, and not allow policies that lead to crippled, unproductive markets driven by short-term gains and ill-gotten profits by deviant and criminal actors and networks, who siphon national wealth away into offshore accounts hidden from tax and law enforcement authorities, and who pillage national assets, human capital, and natural resources necessary to build tomorrow's new markets and investment frontiers.

The United States is committed to combating transnational crime, corruption, and money laundering. In July 2011, we released a National Strategy to Combat Transnational Organized Crime: Addressing Converging Threats to National Security. A key pillar of the Strategy is to enhance international cooperation with key partners to combat the lethal nexus of organized crime, narco-trafficking, and terrorism, and to protect our communities from the violence, harm, and exploitation wrought by transnational threat networks.

The Strategy also challenges the U.S. government and our international partners to work together to combat transnational criminal organizations and converging threat networks, and take that fight to the next level by breaking their corruptive power; attacking their financial underpinnings; denying entry to criminal actors; stripping them of their illicit wealth by imposing financial sanctions and severing their access to the financial system. International cooperation within the frameworks of the Financial Action Task Force (FATF), the UN Conventions against Corruption (UNCAC) and Transnational Organized Crime (UNTOC), sharing intelligence, and leveraging resources must also be elements of a coordinated strategy to anticipate, disrupt, and dismantle these threats.

Thank you.

■ Back to Top

[Blog](#) | [What's New](#) | [FAQ](#) | [Contact Us](#) | [Subject Index](#) | [Search](#) |  | [Share](#) | [Mobile](#) | [Email this Page](#) | [Video](#) | [Photos](#)
[External Link Policy](#) | [Privacy Policy](#) | [FOIA](#) | [Copyright Information](#) | [White House](#) | [Other U.S. Government Info](#) | [Archive](#)

Media Center

[Public Schedule](#)
[Daily Press Briefings](#)
[Press Releases & Special Briefings](#)
[Remarks, Testimony by Senior Officials](#)
[Key Policy Fact Sheets](#)
[Reports and Publications](#)
[International Media Engagement](#)
[Photo Gallery](#)
[Translations](#)
[Foreign Press Center](#)
[Video Products](#)
[Email Subscriptions](#)
[RSS News Feeds](#)
[More...](#)

Travel

[Passports](#)
[Visas](#)
[Travel Information](#)
[Emergency Services](#)
[Intercountry Adoption](#)
[Parental Child Abduction](#)
[Foreign Per Diem Rates](#)
[More...](#)

Careers

[Foreign Service Officer](#)
[Civil Service Officer](#)
[Foreign Service Specialist](#)
[Civilian Response Corps](#)
[International Organizations](#)
[Student Programs](#)
[USAJobs: Working for America](#)
[More...](#)

Business

[Business Support: Frequently Asked Questions \(FAQ\)](#)
[Global Partnership Initiative](#)
[Commercial and Business Affairs Office](#)
[Key Officers of Foreign Service Posts](#)
[Trade Policy and Programs](#)
[Country Commercial Guides](#)
[Defense Trade Controls](#)
[Small and Disadvantaged Business Utilization](#)
[Recovery and Reinvestment Act](#)
[FY2010 Service Contract Inventory Summary and Detail Report](#)
[More...](#)

Secretary Clinton

[Remarks](#)
[Travel](#)
[Photos](#)
[Biography](#)
[More...](#)

Youth and Education

[Discover Diplomacy](#)
[Global Youth Issues](#)
[Student Website](#)
[Diplomatic History](#)
[Office of Overseas Schools](#)
[Exchange Visitor Program](#)
[Fulbright Program](#)
[Student Career Programs](#)
[Youth Exchange Programs](#)
[U.S. Diplomacy Center](#)
[Intercountry Adoption](#)
[Parental Child Abduction](#)
[More...](#)

About State

[Mission Statement](#)
[QDDR](#)
[Organization Chart](#)
[Budget](#)
[Rules and Info Collection](#)
[Partner With State](#)
[Secretary of State Hillary Rodham Clinton](#)
[Senior Officials](#)
[Alphabetical List of Bureaus and Offices](#)
[Advisory Groups](#)
[Biographies](#)
[Plans, Performance, Budgets](#)
[Open Government Initiative](#)
[No FEAR Act.](#)
[Inspector General Hotline](#)
[U.S. Embassies and Other Posts](#)
[U.S. Mission to the United Nations](#)
[More...](#)

Illicit Financial Flows (Dirty Money) and Safe Havens as Enablers of Transnational Organized Crime

The Office of Website Management, Bureau of Public Affairs, manages this site as a portal for information from the U.S. State Department. External links to other Internet sites should not be construed as an endorsement of the views or privacy policies contained therein.