PROFILING PART 1

THE PSYCHOLOGY OF MONEY LAUNDERERS

BY DAVID THOMAS

Statement of intent

Understanding more about why money launderers behave in the way they do will assist "Anti-Money Launderers" to undertake their roles more effectively.

ABOUT THE AUTHOR

David Thomas was Head of the UK Fraud Investigation Unit (FIU) from 2006 to 2010, having earlier been appointed by Sir Stephen Lander (Chair of the UK's Serious Organized Crime Agency and former Director-General of MI5) to be the financial crime expert to review and to improve the UK Suspicious Activity Reporting (SAR) Regime.

During his time as Head of UK FIU, David received a commendation from the UK Home Secretary for"*vision, leadership and technical expertise.*" He is internationally recognized as an expert in developing aligned anti-money laundering strategies with a deep understanding of suspicious activity reporting (SAR), money laundering, threats, terrorist financing and wider financial crime.

David was Project Leader and Chair for the Financial Action Task Forces's (FATF) project to design, research, and author the first *Money Laundering and Terrorist Financing Global Threat Assessment* published in July 2010.

From 2006 to 2007, David served on the Egmont Group Committee and subsequently to 2010 he participated in each annual Plenary, and the Operational and Training Working Groups, frequently presenting the UK experience.

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DEFINITIONS

This paper uses my definitions that may or may not coincide with more formally adopted terms.

"*Psychology*" – this is not a scientific paper, I am not a qualified psychologist. I use this term to capture my study of the mind and behavior of those that launder criminal money.

I classify Money Launderers into four categories:

A. Those that commit predicate offenses and launder their own money;

B. Those that commit predicate offenses, launder their own money, and also launder the proceeds of other criminals;

C. Those in business that do not commit predicate offenses, but launder the proceeds of others' crimes as part of their otherwise legitimate business;

D. Those who launder the proceeds of others' crimes as their only business activity.

WHO, WHAT, WHERE, WHEN, HOW, AND WHY?

These are the six basic questions that Anti-Money Launderers should ask about everything. It is usual to find answers to the first four questions, but rarely do the "*How*" and "*Why*" get addressed, given that these are not required to meet compliance regulations. Demonstrating knowledge that somebody (Who) has done something (What) at some time (When) and somewhere (Where) is typically sufficient for regulatory purposes. Facts relating to the "*How*" may sometimes be collected as an indirect product of proving "*What*" was done. However, "*Why*" it was done has no place in proving the facts. The "*Why*" generally only comes into play during defensive pleas of mitigating circumstances "*I did it to feed my starving family.*"

The result of this relegated emphasis on the "*Why*" means that we, the Anti-Money Launderers, lack the necessary context to do our job – we do not understand the enemy. This lack of understanding denies us the ability to influence the launderers' choices in lifestyle and behavior.

The "*Why*" is the motive to commit a crime – the force/the opportunity/the ambition/the necessity/the greed/the danger of ignorant complicity. It is the most powerful of all of the above six questions. And as the most powerful it holds the greatest vulnerability for the criminal and presents the greatest opportunity for the Anti-Money Launderers. *Remove the motive and you will remove the crime.*

WHY DO MONEY LAUNDERERS LAUNDER?

Those in category A (above) – individuals who *commit predicate offenses and launder their own money* – do so out of necessity. Their successful predicate acquisitive crimes generate money, and anything they then do with that money is criminalized as money laundering. The only way they can stop laundering is to stop their predicate criminal activity – it is interesting to think that the vast majority of all of those that commit money laundering are not doing so by choice.

That necessity suggests that they will not be, indeed cannot be, deterred by AML measures alone. And yet, that is what Anti-Money Launderers limit themselves to in their thinking and in their actions. In order to influence the choices and behaviors of **category A** launderers, the Anti-Money Launderers need to focus on undermining the motive for the predicate offence, not just the laundering activity. We can achieve that in part by creating a strong likelihood that every acquisition crime will fail

by being detected and end in the total and permanent confiscation of all gains.

We must therefore assess whether the global AML efforts are affecting the minds and behaviors of this category of money launderer to the extent that they are turning away from a life of predicate crime. There is little or no study demonstrating the extent to which the confiscation of one criminal's accrued proceeds demotivates other criminals to the extent that they turn towards a law-abiding life. Such a deterrent effect should be at the core of our AML efforts, particularly deterring the young and potential next generation of acquisitive criminals – and yet, nothing in our international standards, national legislations, or regulations drives targeted influencing activity nor measure-ment of sociological effect.[1]

Financial Action Task Force (FATF) is reviewing and revising the international mutual evaluation standards with more attention on effectiveness. This should result in some improvements, but international thinking is not sufficiently ambitious to consider such strategic social effects.

One can imagine that if the sons of criminals were to witness the undoing of their fathers, the loss of everything the family has become accustomed to after many years of a lavish lifestyle, and the inevitable stresses and break-ups of family relationships, they might draw the conclusion that crime really isn't worth it in the end. These youngsters, the potential next criminal generation, might then go on to choose another life path, both law abiding and socially acceptable.

Unfortunately the affected criminal himself does not react in such a way. We can draw on the findings of psychologist Burrhus Frederic Skinner to assert that the offender does not

associate punishment with the crime when it follows too long afterwards (confiscation is often many years after the crime), but rather believes the punisher to be unjust. This is further reason for the Anti-Money Launderers to do all they can to shorten the time lapse between offense and confiscation.

I now look at the minds and behaviors of those in **category B** – those that *commit predicate offenses, launder their own money, and also launder the proceeds of other criminals*. They are, in essence, similar creatures to **category A**, but additionally they choose to launder the proceeds of the crimes of others. This behavior is not driven by necessity like our previous group, nor by greed; it is driven by the need to be loved.

Abraham Maslow's *Hierarchy of Needs* identified the human needs for love, acceptance, and belonging as drivers for behavior, followed by the need for self-esteem and the esteem of others. These launderers are increasing their criminal social status by assisting others – they want to be admired, respected, and even needed. Their sense of self-worth increases in proportion to their circle of reliant associates.

This desire to be loved is a vulnerability that can be exploited by the Anti-Money Launderers. The respect from criminal peers needs to be overwhelmed by societal odium; we should shape a society in which the risk of being unloved by many is greater than the likelihood of being loved by a few. However, globally there is little or no public disdain attached to money laundering. Some jurisdictions have run campaigns to raise public awareness, and, while many of these have resulted in spikes of public reporting, there is no enduring social stigma. Other jurisdictions have attempted to name and shame convicted offenders (though rarely

money launderers), but in my personal view these campaigns tend to miss the most crucial issue. The offenders and their criminal peers perceive the shame to lie in getting caught, not in committing the crime, and there is sometimes latent respect amongst the public for criminal audacity (for example, there is often a positive, almost romantic, status attributed to jewel thieves and bank robbers by the public.) Shaming for AML offenses needs to methodically influence, by building fact-based beliefs concerning the range of real life harms caused to individuals, businesses, communities, and societies. By increasing emotional responses against laundering activities, and by presenting concrete recommendations for action, we stand a far greater chance of influencing activity. Currently there is nothing in our international standards, national legislations, or regulations to drive targeted influencing activity in this area or measurement of public opinion.

The third **category (C)** covers *those people in business who do not commit predicate offenses, but launder the proceeds of others' crimes as part of their otherwise legitimate business.* These money launderers can be found across nearly all industries, not only in the regulated financial sectors. These are individuals or groups of individuals who own, or are employed in, legitimate businesses and who choose to accept monies that they know or reasonably suspect to be derived from crime. I exclude those who neither know nor suspect – these people are victims rather than conspirators. And, I also exclude those that accept and launder the money, but do so within the laws of the land, by reporting their activities to the relevant authorities, for example. Readers from the business sector should realize that this third category includes fellow employees.

In order to understand why an otherwise law-abiding employee should choose to launder criminal proceeds, we can look again at Maslow's *Hierarchy of Needs*.

One of the basic needs is security; for example, the trigger could be a failing business, the threat of unemployment, or even a physical threat. Provided these reasons are genuine, then any person in this category is a victim (of circumstance) and needs to be protected. In the wider world, there are many effective strategies to prevent people from falling victim to a range of temptation and threat, but once again, there is little or nothing in our international standards, national legislations, or regulations to protect persons/businesses and prevent money laundering. It is, perhaps, more startling still that there is no way to measure the preventative effect.

The fourth **category (D)** represents career criminals – those who *launder the proceeds of others' crimes as their only business activity*. For these people, their lifestyle choice is to launder the proceeds of/from the crimes of others. They are either former acquisitive crime group members who change their roles and risk exposure from a perceived "*hard edge*" crime to a more sophisticated "*white-collar*" and often ambiguous area of crime, or they are a **category C** person who has benefited from high commissions, enjoyed the attraction of being associated with (and loved by) the underworld, and who has either not received any overt attention from the Anti-Money Launderers (including previous employers), or who has successfully seen them off.

They are driven by necessity – it is their livelihood – by the need to belong and be needed, to be respected as a professional,

and ultimately to realize their own potential or "*self-actualization*," a state reached by a minority of the population. Such a range of needs presents an open field of vulnerabilities for the creative and free-thinking Anti-Money Launderers.

CONCLUSION

Disturbingly, Carl Rogers identified a psychologically fully functioning person as someone who lives in every moment without worrying about past deeds or future consequences and who follows his or her own intuition rather than the will of others. Unintentionally, he has described the unmoderated ego of criminals, leaving me to conclude that money launderers are more psychologically healthy than their stressed, rules-based, compliance-driven Anti-Money Laundering counterparts.

References

[1] The author would like to hear of any examples that contradict this assertion.

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