

# The launderers and organized criminal group as a subject of laundering of the proceeds of crime

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**M**oney laundering has increased in scope and is believed to contribute to disruption of the financial system and uphold drug trade, trafficking of women and children for commercial sex, weapon smuggling, and terrorist financing. It is not only conducted by traditional criminals, but is often assisted by corrupt financial institution officials. The expansion of finance capitalism allowed for worldwide capital flows in a weakly regulated financial system. Financial havens and electronic payment technologies supporting anonymous customer relations have in turn offered opportunities to launder illicit proceeds without raising suspicion from public authorities. [8]

Money laundering is defined as “the processing of criminal proceeds in order to disguise their illegal origin”. [3] Although it obviously occurs outside normal economic statistics, the IMF estimates the sums laundered each year to be between two and five per cent of the global Gross Domestic Product (Gilmore 1999:21). By 1998 statistics this corresponds to sums ranging between 800 billion and 2 trillion US Dollars per year (Wechsler 2001:45). Money laundering is not a new phenomenon, but it has changed in the sense that it has increased in scope. The expansion of finance capitalism allows for world-wide capital flows in markets with few regulatory restrictions, a situation that can be exploited by actors involved in money laundering. A few transactions can move vast sums of money anywhere around the globe in the time it takes to press a few computer keys.

The funds can then be concealed in financial havens operating with strategies of secrecy and anonymity, preventing governments from tracing dirty money.

Before going any deeper into the definition of money laundering we need to define the term illicit and illegal as well as evade and avoid. Illicit is a complex term. It is defined by the Shorter Oxford English Dictionary as meaning “not allowed; improper; irregular; unlawful; esp. not sanctioned by law, rule or custom. Illegal is defined by the Webster.com “not allowed by the law: not legal, not allowed by the rules in a game”. There is therefore a difference between the true illegal operation and illicit one, but they both give the operator benefits. In the case illicit operation the benefit is most often to avoid paying taxes. Evading taxes is illegal by the definition of illegal and avoiding taxes is tax planning. [5]

Money laundering is considered to be a process by which criminals try to hide the origins and ownership of their criminal activities. The criminals try to disguise the source of their income and wealth. This led that the general belief of money laundering is one or all of the following definitions. First definition is turning dirty money into clean money, the second is that it's washing drug money and the third is that it is disguising criminal money. These definitions miss the point, that money laundering happens every time any transaction takes place or relationship is formed which involves any form of property or benefit, whether it is tangible or intangible which is derived from criminal activity [7] This differs from the three definitions above by adding other objects than money.

Organized crime operates among other busi-

nesses, entrepreneurs and corporations. It is actively attacking “normal” business and business across the world. It’s not just the Mafia. Today, organized crime comes at us from every corner of the globe. For example FBI work to cripple these national and transnational syndicates the best they can. Using all the tools they have got: undercover operations; confidential sources; surveillance; intelligence analysis and sharing; forensic accounting; multi-agency investigations; and the power of racketeering statutes that help them take down entire enterprises. They cooperate closely with international partners—in some cases, swapping personnel—to build cases and disrupt groups with global ties. (Federal Bureau of Investigation, FBI.) FBI defines organized crime as any group having some manner of a formalized structure and whose primary objective is to obtain money through illegal activities. Such groups maintain their position through the use of actual or threatened violence, corrupt public officials, graft, or extortion, and generally have a significant impact on the people in their locales, region, or the country as a whole. In 2010 a former head of the UN Office on Drugs and Crime (abbreviation UNCOD), Antonio Maria Costa, told that criminals are getting profits in the tens of billions of dollars. He claims that countries are not cooperating enough with each other and with the U.N. He calls the criminal businesses “superpowers”. They are well armed business organizations. According to UNCOD’s report in 2010; Europe’s heroin market accounts for \$ 20 billion, counterfeit goods detected on Europe’s borders have a value over \$ 10 billion per year. Human trafficking for sexual exploitation in Europe gives \$ 3 billion and smuggling of migrant workers to the USA and Europe brings \$ 7 billion per year. [6] Costa also expresses his concern that not only the economic is in danger, but since the criminals today can influence elections, politicians and military, the can gain power. It is not only a problem of developing nations. The illicit flows head north. The world’s biggest economies like G8 and the BRIC countries are the biggest markets for illicit trade. This chapter is mainly about organized crime groups. There are others that also are, by the definition, doing crimes like tax evasion, but not considered as organized crime groups. They are more or less normal

businesses. These kinds of cases are covered here later in other chapters. Drug business also seems to be an interest by others than organized crime.

Global organizations. As mentioned in the chapter one, the criminal organizations origin from different parts of the world and they have a long history. The Chinese Triads has about 100,000 members. Japanese Yakuza organization is estimated to have also around 100,000 members and a turnover around \$ 90 billion per year. This means that they are Japan’s biggest individual business. They have big businesses in Japan for property and loan fraud with prostitution, debt collection and extortion rackets. Mexico has its Los Zetas which is a half military based group. There was in 2008 6 290 murders and 70-90 daily kidnappings in Mexico. The organization give work for 150 000 persons. About 300 000 persons make their living by producing marihuana. That puts Mexico the runner up after Afghanistan. The system is like an army. They work as soldiers, hit men, drug dealers and other members. The phenomenon has taken its place in the Mexican economy and it seems to be there for good. The corruption and poor politics causes an overall degradation. During the last years about 60 000 arrests have been performed. The phenomenon is still going strong. It has achieved such a huge social and an economical meaning, that it hardly can be wiped away just like that. The common moral degradation and the corruption of the political and public sector of the whole Mexican governmental area, make the phenomenon strong there. Both the governing and opposition parties have got tangled in illegal acts. Many parties openly support and plead the drug dealers’ cases as well as the police forces and the judicial system. The Mexican organized crime group Golfo reminds the Italian groups’ early stage. The organizations are complicated networks, mafia wars and varying alliances in order to gain power and control. Relations with the economy and business elite is similar with the Italian mafia groups. The Mexican organized crime groups arrange their own representatives into mayors and conveners in the same way as was done in Italy by Mafia. In Mexico they started by smuggling alcohol to U.S during the prohibition in the 1930s. In the 1970s they switched over to drugs like the Cosa Nostra did in U.S. Los Zetas is directed

by Heriberto Lazcano and Ezequiel Cardenas, who is the brother of a famous Golfo group's leader Osiel Cardenas's brother. The Sinaloa Carte ( includes Pacific Cartel, Guzmán-Loera Cartel) is according to the United States Intelligence Community Mexico's most powerful organized crime group and "the most powerful drug trafficking organization in the world". According to the U.S Attorney General, the Sinaloa Cartel is responsible for importing into the United States and there distributing 200 tons of cocaine and large amounts of heroin during 1990 and 2008. One of the group's bosses stated in Chicago trial that the U.S agencies made an agreement that the American authorities would close an eye on the cartel's trafficking in exchange for information on the operations of enemy cartels. Los Angeles Times wrote that weapons were purchased on behalf of the powerful cartel by undercover informants working for the FBI and the DEA (abbreviation of U.S Drug Federal agency). Washington Times tells that the CIA is involved with the Sinaloa Cartel. There is blood flowing in Mexico. The drug wars are most violent and photos taken are unpleasant to look at. The transnational drug trade is worth up to \$400 billion a year and accounts for about 8 % of all international trade. The American government is not willing to prosecute the largest banks in the world for transferring and washing billions of dollars of this blood stained money. There will be more about this in chapter 9.5 about the HSBC bank. The Colombian cartels are highly organized, well equipped and financed. The US Government has reported that these international drug organizations have built powerful financial, transportation, intelligence and communications empires that challenge many small governments. The Cali cartel is said to be worth \$ 206 billion. Brothers Gilberto and Miguel Rodriguez are the leaders of it and were sentenced to 10 years' imprisonment in 1997. They still run their operations; even during they were in prison. Salvatore Mancuso leads the Autodefensas Unidas de Colombia (AUC) half military group. Mancuso roots from Italy Salerno Sapri. AUC fights against the leftist guerilla movement FARC and at the same time organizes cocaine transfer network. Mancuso was handed over to US in 2008. In the jungles in Columbia they have many airfields, which are not inspected. Mancuso has many Ndrangetan

associates. One of them is a business man from Rome Giorgio Sale, whose responsibilities were to buy and sell cocaine and launder millions of dollars. Mancuso's revenue is billions. With that money he can finance an 11.000 soldier's army, which is very cruel towards farm laborers, civilian population as well as commissioners, judges and others who challenge their mission. Nigerian groups are famous globally for their financial frauds, which have cost for example the U.S. alone an estimated \$1 billion to \$2 billion each year. Schemes are various they target individuals, businesses, and government offices. Nigerian groups operate in more than 80 countries.

Mafia. Italian criminal societies are known as the Mafia. Costa Nostra group comes from Sicily. They specialize in heroin trafficking, political corruption, military arms trafficking. Ndrangetans come from Calabria Italy. They specialize in kidnapping and political corruption, drug trafficking, murder, bombings, counterfeiting, gambling, frauds, thefts, labor racketeering, loan sharking, and alien smuggling. Camorra group comes from Napoli area. It is specialized in cigarette smuggling and collects payoffs from other criminal groups for any cigarette traffic through Italy. The Camorra is also involved in money laundering, extortion, alien smuggling, robbery, blackmail, kidnapping, political corruption, and counterfeiting. In 2008 the chief general manager of the bank of Spain remarks that there are far more 500 euro's notes than in any other European country. He states that only in the Iberian Peninsula there is 110 million 500 euro's notes where as the whole Europe has 464 million notes. Spain is ideal place for mafia people, because in Spain there is no special regime for mafia prisoners like Italy's Article 41bis (also known as hard prison regime; to protect that the prison cannot give instructions to it's' mafia members). The Spanish climate is similar to Italy's. The laws there are ideal for a person who has escaped from Italy. It is easy to start a fraud company and launder money. The estate business bloomed in Costa del Sol many years. According to Italian and Spanish investigators of police forces 50 kilometers Costa del Solo's coastline is covered with betony which is paid with laundering money from Italy. The construction businesses, restaurants, nightclubs, discos and bars are controlled by the "Napoli

men”. [1] After the Yugoslavian war 1991-1995, the humanitarian help by UN and European Union to Bosnia was exploited by one of the mafia families. “A local lady interpreted us. She proposed me (meaning Campanella) all kinds of investments.” This meant that the Villbate family arrived to Bosnia. Villbate family is very strong. They originate from the area between Sicily and Palermo. In Bosnia everyone could be bribed. The Villbate families delegate in Bosnia was Francesco Campanella. In Sarajevo he takes care to be active in getting a part of the humanitarian help by UN and EU. Unfortunately the Bosnian bank account is on a ladies name. There is some 40 000 DEM profits saved there. The local lady Mrs. Dada the interpreter, took the money from the bank account and left. Although the Villbate family had bad luck in Bosnia, they did not forget the route to Balkan. A police report in Germany evidences that in 2009 the Italian mafia clan from San Luca owned a huge amount of pizzerias in Germany. Germany understood the possible future development and laid down a new law. It allows confiscating a mafia person’s property. In Germany as in many other European countries the law development was not very fast and allowed the mafia families to locate themselves firmly in local business environments. Forgione says in an interview to Taloussanomat, that Mafia can be violent in Italy, but elsewhere mafia lives within the normal economy and business, where it cannot be recognized as criminal. The Schengen Agreement has helped the criminal organizations by its borderlessness.

Narcotics Kingpin Organizations list. For many years U.S government has compiled [4] a list of all the international organizations that operate with drugs. The list is called Narcotic Kingpin Organizations list. It is a huge list with hundreds of pages and with thousands of names of organizations, banks, and companies. After the 11.9.1999 U.S government made a new law Patriot Act. The Mexican organizations, as well as the Mafia organization Ndragheta with many other organizations are in the list. The government can confiscate the members’ assets and close their bank accounts. Ndragheta being in the list was supported by the fact that they help the Columbians get richer and stronger all the time.

Other organizations. Even thought this chap-

ter is about organized crime, there are cooperators, who are big players in the drug business. A report “Afghanistan Opium Survey 2013 Summary findings” by United Nations Office of Drugs and Crime stated that opium production is at an all-time high. It has risen since U.S occupation in Afghanistan started in 2001. Afghanistan has been under the military control of US and NATO forces for more than twelve years.

There are negative macroeconomic consequences of unchecked money laundering. It challenge strange changes in money demand, risks to bank soundness, contamination effects on legal financial transactions, and increased volatility of international capital flows and exchange rates due to unexpected cross-border asset transfers. It supports corruption and crime and damages the honest society and weakens democracy and the rule of the law.

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#### Xülasə

Açar sözlər: çirkli pulların yuyulması, pul, cinayət yolu ilə əldə edilmiş vəsaitlər, mütəşəkkil cinayətkar qrup, narkotik vasitələr, narkotik vasitələrin qanunsuz dövriyyəsi, mafia, biznes.

Məqalədə mütəşəkkil cinayətkar qrup cinayət yolu ilə əldə edilmiş vəsaitlərin yuyulması cinayətinin subyekti kimi nəzərdən keçir-

rilir. Eyni zamanda çirkli pulların yuyulması birinci anlayışda çirkli pulların təmiz pullara çevrilməsi kimi, ikinci anlayışda narkotik vasitələrin satışından əldə olunan gəlir kimi, üçüncü anlayışda isə cinayət yolu ilə əldə edilmiş pulun maskalanması kimi nəzərdən keçirilir. Həmçinin tədqiqatlar göstərir ki, çirkli pulların yuyulması miqyasca təsirini genişləndirərək maliyyə sistemlərinin dağılmasına səbəb olur, cinsi məqsədlər üçün qadın və uşaq alverin, eyni zamanda narkotik və silah qaçaqmalçılığını və terrorçuluğun maliyyələşdirilməsini dəstəkləyir.

### **Резюме**

Ключевые слова: отмывание денег, деньги, доходы полученные преступным путём, отмыватели, организованная преступность, наркотические средства, незаконный оборот наркотиков, мафия, бизнес.

В статье отмыватели и организованная преступная группа рассматриваются как субъект отмывания доходов, полученных преступным путем. Так же отмывание денег в первом описании определяется как превращение грязных денег в чистые деньги, во втором описании, что она моет деньги от продажи наркотиков, а в третьем что она маскирует криминальные деньги. Тем не менее, исследования показывают что, отмывание денег увеличилось в объеме и, как полагают, способствует нарушению финансовой системы и поддерживает торговлю наркотиками, торговлей женщинами и детьми для коммерческого секса, контрабанды оружия, и финансированием терроризма.

*“Ignorance of the law is no good excuse, where every man is bound to take notice of the laws to which he is subject”*

-THOMAS HOBBS