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# WHITE COLLAR CRIME AND RISK

Financial Crime, Corruption  
and the Financial Crisis

*Edited by*  
**Nic Ryder**



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Nic Ryder  
Editor

# White Collar Crime and Risk

Financial Crime, Corruption  
and the Financial Crisis

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Nic is a professor of financial crime who has published widely in this area. He is the author of four monographs, the *Financial War on Terror* (2015), *The Financial Crisis and White Collar Crime* (2014), *Money Laundering an Endless Cycle* (2012) and *Financial Crime in the 21st Century* (2011). Nic has also published two edited collections, *The Financial Crisis and White Collar Crime—Legislative and Policy Responses* (2017) and *Fighting Financial Crime in the Global Economic Crisis: Policy, Trends and Sanctions* (2014). He has also authored three text books, *The Law Relating to Financial Crime in the United Kingdom* (2013 and 2016) and *Commercial Law: Principles and Policy* (2012). He is in the process of writing his fifth monograph, *Market manipulation and the financial crisis*, that will be published in 2018 by Hart. Nic is the series founder and editor for Routledge's *The Law Relating to Financial Crime* and is a member of several editorial boards and contributing editor for Goode: Consumer Credit Law and Practice. Nic is the Co-I for the *Centre for Research and Evidence on Security Threats*, the initial funding is for three years, with £4.35 m from the UK security and intelligence agencies and a further £2.2 m invested by the founding institutions. Nic has been asked to consult on several financial crime matters for the BBC, the Wall Street Journal, Bloomberg, Insight, RBS Radio and ITN News. Ryder is supervising PhD students on money laundering, terrorist financing, tax evasion, banking regulation and bribery. Nic is an external examiner at the London School of Economics and has acted as an external examiner for many PhD exams.

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**Gary Wilson** Gary's research interests cover the broad field of corporate laws and he has a particular interest in corporate personality and in historical contemporary approaches to the theorisation and regulation of corporate entity. His work draws upon source material from a range of academic disciplines as well as having a strong focus on doctrinal law. Current projects are focused around an investigation into various facets of corporate personality and corporate accountability in an inter-disciplinary context. In a similar vein, Gary is also interested in the relationship between business, law and society more generally and recent work examines these issues in the specific context of banking and securities regulation.

**Sarah Wilson** is a specialist in financial crime and her other research interests include trusts law and the regulatory aftermath of the 2007–2008 financial crisis. Sarah's 2014 monograph *The Origins of Modern Financial Crime in Britain: Historical Foundations and Current Problems* was published by Routledge. Sarah has also published in many prestigious journals including the *Journal of financial crime*, *Law Crime and History* and the *British Journal of Criminology*. Sarah has held academic posts at Keele University, the University of Leeds and the University of Wales, Swansea.





# 1

## Introduction

Nic Ryder

The objective of this edited collection is to critically appraise the association and relationship between white collar crime and risk. The term “white collar crime” was famously used by Professor Edwin Sutherland,<sup>1</sup> who in his seminal 1939 presidential lecture to the American Sociological Society offered the following definition of white collar crime “a crime committed by a person of respectability and high social status in the course of his occupation”.<sup>2</sup> The term white collar crime is often used in common parlance and thus is one of which we assume we know its meaning, despite the fact that there is no internationally accepted definition of it. In England and Wales, financial crime can be said to include “any offence involving fraud or dishonesty; misconduct in, or misuse of information relating to, a financial market; or handling the proceeds of crime”.<sup>3</sup> The Financial Services Authority, now the Financial Conduct Authority, offered a similar definition, stating that it is “any offence involving money laundering, fraud or dishonesty, or market abuse”.<sup>4</sup> The Federal Bureau of Investigation defines financial crime as including the criminal activities of

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corporate fraud, commodities and securities fraud, mortgage fraud, healthcare fraud, financial institution fraud, insurance fraud, mass marketing fraud and money laundering.<sup>5</sup> More recently, the term has been referred to as “financial crime”, “economic crime” and even “illicit finance”. The most obvious examples of white collar crime include fraud, money laundering, insider dealing, insider trading, terrorist financing, market abuse and more recently market manipulation. Other examples of white collar crime include, for example, “embezzlement, fraud and insider trading, on one hand, and market manipulation, profit exaggeration, and product misrepresentation”.<sup>6</sup> These types of white collar crimes have gained significant notoriety in the last 30 years via a plethora of high profile incidents including, for example, Enron, WorldCom, Bernard Madoff, Alan Stanford, Ivan Boesky, Michael Milken, Jérôme Kerviel, Martha Stewart, Azil Nadir, Nick Leeson, John Rigas, Bernard Madoff and the Libor scandal. Furthermore, in response to the threat and risk posed by white collar crime, which costs the UK economy in excess of £70bn per year, the government has implemented an unprecedented number of white collar crime legislative amendments. Examples include the Fraud Act 2006, the publication of the Fraud Review, the creation of the National Crime Agency and the introduction of the Bribery Act 2010. Furthermore, the threat and risk posed by white collar crime to the global economy has been graphically illustrated during the most recent financial crisis due to large-scale instances of market manipulation, fraud and abuse of the financial system.

Therefore, this edited collection is divided into five unique parts, each of which focuses on a different type of white collar crime, and its relationship with risk. For example, the first part of the edited collection relates bribery and corruption and contains two chapters by Professor Indira Carr (University of Surrey) and Professor Umut Turksen (University of Coventry). The second part of the edited collection contains two chapters on the association between financial crime and risk and contains chapters from Professor Michelle Gallant (University of Manitoba) and Professor Ester-Herlin Karnell (University of Amsterdam). The third considers the recent criminalisation of market abuse and market manipulation and contains two chapters from Andrew H. Baker (Liverpool John Moores University) and Dr Rick Ball (University of the West of England, Bristol). The penultimate

part of the collection considers the emerging area of the risk associated with cyber white collar crime and contains two innovative chapters from Alan S. Reid (Sheffield Hallem Univeristy) and Dr Clare Chambers-Jones (University of the West of England). The final part contains chapters dealing with the 2007 financial crisis and white collar crime and contains contributions from Dr Sarah Wilson (University of York), Gary Wilson (Nottingham Trent Univeristy), Professor Roman Tomasic (University of South Australia) and Professor Nic Ryder (University of the West of England).

## Notes

1. Green, S. 'The concept of white collar crime in law and legal theory' (2004) *Buffalo Criminal Law Review*, 8, 1–34, at 3.
2. See Sutherland, E. (1940) 'The White Collar Criminal', *American Sociological Review*, 5(1), 1–12, at 1. Sutherland, E. *White Collar Crime* (Dryden: New York, 1949) 9. Sutherland famously described white collar crime as "White-collar criminality in business is expressed most frequently in the form of misrepresentation in financial statements of corporations, manipulation in the stock exchange, commercial bribery, bribery of public officials directly or indirectly in order to secure favorable contracts and legislation, misrepresentation in advertising and salesmanship, embezzlement and mis-application of funds, short weights and measures and misgrading of commodities, tax frauds, misapplication of funds in receiverships and bankruptcies". See Sutherland, E. (1940) 'The White Collar Criminal', *American Sociological Review*, 5(1), 1–12, at 2–3.
3. Financial Services and Markets Act 2000, s 6(3).
4. Financial Services Authority, 'Fighting Financial Crime' <[http://www.fsa.gov.uk/about/what/financial\\_crime](http://www.fsa.gov.uk/about/what/financial_crime)> accessed 21 March 2012.
5. The Federal Bureau of Investigation, 'Financial Crimes Report to the Public' <<http://www.fbi.gov/stats-services/publications/financial-crimes-report-2010-2011/financial-crimes-report-2010-2011#Financial>> accessed 21 March 2012.
6. Kempa, M. 'Combating white-collar crime in Canada: serving victim needs and market integrity' (2010) *Journal of Financial Crime*, 17(2), 251–264, at 253.

# Part 1

## Bribery and Corruption



# 2

## Corruption, Development, Financial Institutions and Politically Exposed Persons

Indira Carr

### 2.1 Introduction

Freeing more than a billion “fellow men, women and children from abject and dehumanizing conditions of extreme poverty” and a commitment to “create an environment – at the national and global levels alike – which is conducive to development and to the elimination of poverty” are amongst the goals listed in the United Nations (UN) Millennium Declaration adopted on 18 September 2000.<sup>1</sup> The Declaration was translated into a roadmap, setting out measurable goals such as the Millennium Development Goals (MDG) to be achieved by 2015. The first goal was to eradicate extreme poverty and hunger by reducing “by half the proportion of people whose income is less than \$ 1 a day”, achieving “full and productive employment and decent work for all, including women and young people”, and reducing “by half the proportion of people who suffer from hunger”.<sup>2</sup>

The key factors for reducing poverty are seen as infrastructure development, investment, economic growth and equitable distribution within developing and least developed countries.<sup>3</sup> Indeed the Millennium

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Declaration itself links development with the elimination of poverty. However, the year 2015 which had been set as by the MDGs for the elimination of poverty has come and gone but poverty continues to be a problem. Surprisingly, many of the developed nations are also seeing a growth in poverty. For instance, in the UK (the sixth largest economy) one in five of the population live below the poverty line, that is they “experience life as a daily struggle”.<sup>4</sup>

The elimination of poverty continues to be a goal when in 2015 the UN adopted the Sustainable Development Goals (SDG). Clause 1.1 states as its target eradication of “extreme poverty for all people everywhere, currently measured as people living on less than \$ 1.25 a day” by 2030. The US\$1.25 per day figure stated in the SDG reflects the international poverty line that was set by the World Bank (WB) in 2005. The WB has been assessing poverty figures since 1979 and, in 1990, its World Development Report<sup>5</sup> set the international poverty line<sup>6</sup> at US\$1 per day which was raised to US\$1.25 in 2005. In late 2015, the figure was raised further to US\$1.90 per day to preserve the purchasing power of the previous figure of US\$1.25 in the poorest countries of the world.<sup>7</sup>

A serious concern facing development, investment, economic growth and equitable distribution is corruption at the highest levels, amongst the political and bureaucratic elite, and the accompanying risk of laundering the proceeds of corruption. In order to reduce these risks, it is important that there are adequate laws and regulatory mechanisms. The international community, consisting of international financial institutions (FIs) such as the World Bank, national development agencies such as UK’s Department for International Development (DFID),<sup>8</sup> Swedish International Development Agency (SIDA)<sup>9</sup> and US Agency for International Development (USAID),<sup>10</sup> international organisations such as the UN<sup>11</sup> and the Organisation for Economic Co-operation and Development (OECD),<sup>12</sup> and non-governmental organisations such as Transparency International (TI)<sup>13</sup> have focused their attention to addressing the corruption issue through a variety of measures including treaties, codes of conduct and guidelines, conditionalities (conditions tied to loans) and anti-corruption toolkits. This chapter examines the links between development, corruption, money laundering and the measures adopted to prevent money laundering by the political and bureaucratic

elite (often termed politically exposed persons or PEPs) who, by and large, are the main beneficiaries of corruption.

## 2.2 Development, Growth and Corruption

As indicated in the Introduction, there is a close link between development and elimination of poverty. Before proceeding with anti-corruption and anti-money laundering initiatives, it is important to see how development boosts economic growth and how corruption negatively impacts upon such growth.

The development agenda is not a recent initiative. The World Bank (WB) which comprises the International Bank of Reconstruction and Development (IBRD) and the International Development Authority (IDA)<sup>14</sup> is a major international financial institution that provides low interest loans and in some cases interest-free loans to countries for infra-structural development. Reconstruction and poverty reduction are important aspects of their work.<sup>15</sup> Since its inception, the WB has provided funds that run into billions of US dollars. For instance, the cumulative lending between 1945 and 2015 to India was US\$102,135 million, to Nigeria US\$19,319 million, to Kenya US\$9851 million and to Tanzania US\$11,434 million.<sup>16</sup> The lending covered a number of sectors ranging from agriculture, health, to energy and mining, transportation and public administration, law and justice. Taking the year 2014 as an illustration, the total lending of IBRD and IDA was US\$40.8 billion, and of this, the lending in percentage terms by region was 26% to South Asia, 26% to Africa, 15% to East Asia and Pacific, 14% to Europe and Central Asia, 12% to Latin America and the Caribbean, and 7% to Middle East and North Africa.<sup>17</sup> The share of the total lending by sector was Public Administration, Law and Justice 22%; Transportation 17%; Energy and Mining 16%; Water, Sanitation and Food Protection 11%; Education 8%; Health and Other Social Services 8%; Agriculture, Fishing and Forestry 7%; Finance 5%; Industry and Trade 4% and Information and Communication 1%.<sup>18</sup> India, China and Brazil figured among the top ten borrowers from IBRD and for loans from IDA India, Nigeria, Kenya and Tanzania were in the top ten.<sup>19</sup> These data provide an interesting

picture of the amounts of money that are exchanged between the lender and the borrowing state.

Any infrastructural improvement project is inevitably going to involve the bureaucratic (public officials) and political elite and the private sector creating ample opportunities for corruption right from the very start, that is, from the identification of needs and prioritisation of projects to their implementation and completion. Lobbying of these elite groups by the private sector, their local representatives and agents for prioritising projects are commonplace, thus creating a zone for corruption in its various guises including bribes and kickbacks to take root. Bribes are also used as tools in the drafting of specifications with a view to favouring particular tenderers, the award of tenders, and in their implementation and completion. In the performance of the contract, it is not unusual to over invoice and list ghost workers to disguise payment of bribes to public officials. Bribes to public officials for completion certificates despite sub-standard work are not unusual either. An illustration provided by Cremer is an eye-opener. Cyclone shelters that had been built at great cost in Bangladesh were crumbling a few years after construction as sub-standard materials had been used by the contractors. He concluded that it was “safe to say that economic conditions underlie most cases. Civil servants or officials of para-governmental organisations accept inadequate building materials and neglect inspections in exchange for kickback[s] or bribe[s] from the contractor, who gains added income from providing lower quality”.<sup>20</sup> Interestingly, a WB report on one of their funded projects indicates that public procurement processes are often manipulated, and the funder finds it extremely difficult to obtain information for the purposes of establishing the “leakages” that occur. In this particular instance, the WB found that “fiduciary practices in procurement, implementation and financial management systems’ were weak and ‘winners were pre-arranged in a majority of the contracts’”.<sup>21</sup>

India is one of the largest borrowers from both the IBRD and IDA and is also a highly corrupt country according to TI’s Corruption Perception Index (CPI).<sup>22</sup> In 2014, a credit of US\$107 million from the IDA was allocated to road construction in the Indian state of Mizoram with the intention of increasing transport connections between India, Bangladesh, Myanmar and Nepal.<sup>23</sup> While this development is no doubt good for the



region, much caution also needs to be exercised in the expenditure of funds, since the construction sector is globally notorious for engaging in corrupt practices<sup>24</sup> and as the examples cited in the previous paragraph indicate. Given the allegations not so long ago on how millions of dollars were squandered in the Commonwealth Games held in India<sup>25</sup> and the subsequent civil movement by the Indian anti-corruption activist, Anna Hazare,<sup>26</sup> “how much of the monies lent by donors such as the WB at the end of the day do get spent on the projects they were earmarked for? And, do they really help in eliminating poverty or do they help in making the elites richer?” These questions become all the more alarming when there are reports in respected newspapers about how donors turn a blind eye to corruption and lend money. In 2006, in an opinion piece in the *Financial Times*, according to Michael Holman, the dossier that was compiled by Mr. James Githongo, the Kenyan anti-corruption supremo which was backed by secret tape recordings “kept Kenya’s parliamentary public accounts committee riveted in last weekend’s session at the country’s high commission in London. Yet amid all the publicity, we may be missing the point: neither the World Bank nor the bilateral donors seem to have learnt any lesson from their experience in Zaire. And if you hope Mr Githongo’s dossier, revealing some US\$ 700m of ministerial sleaze, will stiffen the spine of Kenya’s donors, do not hold your breath”.<sup>27</sup> Another well-publicised case of bribery is the Lesotho Highland Water Project funded by a multitude of bilateral donors and the WB. The project was for bringing water from Lesotho to South Africa. A consortium of companies which included the UK construction company Balfour Beatty<sup>28</sup> was reported to have paid over US\$2 million in bribes used to manipulate various processes.<sup>29</sup>

This problem of corruption has not gone unnoticed amongst the Western political circles. In 2004, Emad Mekay reported that the US Senate Committee concluded that the WB had lost US\$100 billion, nearly 20% of its lending portfolio, in corruption. Senator Dick Lugar was of the view that every development bank dollar does not reach its intended recipient and corruption remains a serious problem. Lugar relied on the figures estimated by Jeffrey Winters of Northwestern University, one of the panellists. According to him, the WB “has participated mostly passively in the corruption of roughly 100 billion [US] dollars of its loan funds intended for development”, whilst “other

experts estimate[d] that between five and 25 percent of the 525 billion dollars the Bank has lent since 1946 has been misused...amount[ing] to 26-130 billion dollars”.<sup>30</sup>

The presence of large-scale corruption in the donee countries affecting funded projects was not unknown to the WB officials but historically no action had been taken by the WB until the late 1990s. The reason given was corruption was an internal political matter for the donee state and the WB could not intervene in internal matters. This stance was justified on the basis of the Articles of the WB which did not provide it with a mandate to make lending decisions on the basis of political considerations or to intervene in the political structures and matters of a state.<sup>31</sup> This attitude however suddenly changed in 1996 when the then President of the World Bank James D Wolfensohn saw corruption as an economic matter. According to him, for developing countries to achieve growth and reduce poverty “the cancer of corruption” needed to be dealt with. In his address to the WB and the International Monetary Fund (IMF), he said that “[i]n country after country, it is the people who are demanding action on this issue. They know that corruption diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures, and deters foreign investors. They also know that it erodes the constituency for aid programs and humanitarian relief. And we all know that it is a major barrier to sound and equitable development”.<sup>32</sup>

The Wolfensohn speech could be said to have introduced a new era in the anti-corruption movement in the development funding context and also influenced the policies of bilateral donors. Around the same time as the Wolfensohn’s speech, the OECD was also making great strides towards the adoption of its Convention on the Bribery of Foreign Public Officials in International Business Transactions (Anti-bribery Convention) in 1997. The driver for this Convention was the aftermath of the US Watergate scandal which had cast shadows on the conduct of US businesses whilst engaging in overseas trade.

The apathy towards (acceptance of) corruption generally, until the late 1990s, could perhaps be historically explained by the widely accepted views of the time. In the 1960s, academics such as Leys,<sup>33</sup> Leff<sup>34</sup> and Nye<sup>35</sup> saw corruption as a function of easing excessive bureaucracy that businesses faced and kick-starting economic growth in the many post-colonial

states such as India and Tanzania which influenced by socialist ideologies had adopted a command economy model with the unfortunate result of restraining economic growth.<sup>36</sup> While payment of bribes to the political and bureaucratic elite kick-started the economy, there was a gradual realisation that whatever positive impact corruption may have had was simply an illusion, especially when a point of saturation is reached. What useful role could corruption play when infrastructure development and economic growth that may be witnessed are based on sub-standard constructions, facilities and amenities that do not benefit the majority of citizens? What is the point of embedding corruption in the value systems of the political and bureaucratic elite that bodes ill for the common man from a governance perspective? There is no doubt that corruption increases red tape (the very phenomenon it was meant to ease) since it is a convenient method of extracting fees from those who wish to engage in transactions with the state be they businesses or citizens. The practice of bribes and kickbacks motivated by self-seeking interests and convenience not only breeds grand corruption amongst the elite but also petty corruption by low-level officials such that everyday life for the common man is a constant journey of negotiations with state officials to obtain basic services such as access to education, health and justice. In extreme forms, the state becomes a financial predator which could result in civil movements and civil unrest.<sup>37</sup> So it is not at all surprising that Wolfensohn in his address said it was the citizens who were demanding that action be taken on the issue of corruption such that there is equitable development. Indeed in many countries the anti-corruption civil movement has mobilised policy-makers to focus on combating corruption. The civil movement led by Anna Hazare referred to earlier is an instance of this.

In the 1990s, the anti-corruption narrative found new voices, and economists started linking corruption to lower economic growth. For instance, according to Bardhan (in his widely cited paper) “[c]orruption has its adverse effects not just on static efficiency but also on investment and growth. A payment of bribes to get an investment license clearly reduces the incentive to invest...[W]hen public resources meant for building productivity-enhancing infrastructure are diverted for politicians’ private consumption (cement for public roads or dams used for luxury homes) growth rates obviously will be affected adversely”.<sup>38</sup>

Klitgaard and Rose-Ackerman<sup>39</sup> whilst viewing corruption as anti-economic growth also offered a model known as the principal-agent-client (PAC)<sup>40</sup> model which outlined the environmental conditions conducive to corruption. According to this model, corruption is the betrayal of the principal's (P) interest by the agent (A) in pursuit of his own interests by accepting or seeking a benefit from the client (C) who is the service seeker. For corruption to occur, P must be in a monopolistic (powerful) position, the agent must have some discretion in administering the services, and there must be a lack or near lack of accountability. This model could be said to reflect the Weberian rational-legal model of administration which promotes the public and private sphere of officials are separate and that this separation has to be maintained.<sup>41</sup>

The key features proposed by the above model were greater transparency and accountability. The WB was influenced by this model and set about improving governance in donee states. It promoted better governance by devoting funds to public administration, law and justice. As we saw above, the share of the total lending to the public administration, law and justice sector was 22% in 2014. In the process of promoting better governance, the WB has also resorted to a mechanism called "conditionalities" which has attracted some criticism.<sup>42</sup> Loans are given by the WB on the understanding that donee states will introduce transparency in their administrative processes of the public sector including public procurement and also make changes to their law that reflect the international standards promoted by regional and international anti-corruption conventions. The upside of this approach is that many developing countries have an impressive and comprehensive set of anti-corruption laws including money laundering. Most of them have ratified regional and international anti-corruption conventions. One could view this cynically and say that they have done this purely in order to obtain loans rather than for bringing about *real* changes in the behaviour of the political elite and public officials. This statement can be supported by the near-total lack of enforcement of anti-corruption laws in developing countries. It must however be acknowledged that recently the political leaders of Nigeria, India and China have pledged their support for enforcing anti-corruption laws. As to whether this gathering momentum will reach the required commitment to make a real difference remains to be seen. Despite the enforcement deficit on the plus side from a legal perspective, there is greater convergence in the anti-corruption laws across states.

The WB has also introduced sanctions in the form of debarment in order to introduce integrity in their funded projects. For instance, in the Lesotho Highland Project referred to earlier, Acres International was debarred by the Sanctions Committee of the WB for three years.<sup>43</sup> This is seen as a sign that the WB is sending out a clear message, although there have been a number of questions raised about the delay in starting enquiries and also the period of debarment. Bilateral donors have also adopted the practices of the WB, and donors such as DFID do require states to have anti-corruption measures. The DFID seems to have evolved its approach over time and has adopted a nuanced approach in that they seem to place the issue in the wider context of the history, politics and existing conditions within the state in order to drive change.<sup>44</sup> This drivers of change (DOC) approach “reject[s] sweeping judgments about governance in particular contexts and espous[es] the somewhat instrumental position that donors must work with whichever agents and institutions in recipient countries”.<sup>45</sup> This approach being diplomatic in flavour raises the question of how far it can go in bringing about actual change on the ground. Other bilateral agencies have adopted approaches linked to their foreign policy. Chottray and Hulme’s comparative work on the positions adopted by the US and the UK provides a useful starting point.<sup>46</sup>

Before proceeding to the next section on the links between corruption and money laundering and how the anti-corruption conventions address this link, it is important to say a few words about how corruption has been addressed by the non-donor community for the sake of completeness. It is widely acknowledged that businesses (i.e. the private sector) are the major suppliers of bribes.<sup>47</sup> Combating the supply side of bribery has been addressed using a combination of hard law and soft law. The OECD Anti-bribery Convention which has become a major contributor to ensuring that integrity is infused into the overseas dealings of businesses is an illustration of hard law measures. On the soft law side, the OECD’s Guidelines for Multinational Corporations are well known and well established.<sup>48</sup> TI has also devised the Business Principles for Countering Bribery which provides a framework<sup>49</sup> for promoting business integrity.<sup>50</sup> Besides, Corporate Social Responsibility (CSR) also has the potential to promote anti-corruption where seriously followed by companies rather than being used as an illusory veil of reputational respectability.<sup>51</sup>

## 2.3 Money Laundering, Corruption and the Anti-corruption Conventions

It is not the intention here to examine the concept of money laundering and the various techniques used by the money launderers. For the purposes of this chapter, money laundering is understood as disguising or hiding the proceeds of crime from enforcement authorities by largely using the banking and financial sectors.

Initially, money laundering has been associated with the drug trade, and hence the first convention that made the hiding of the proceeds of crime an offence, the UN Vienna Convention against Illicit Trade in Narcotic Drugs and Psychotropic Substances, 1988,<sup>52</sup> focused on drugs. Subsequent legal instruments such as the Council of Europe Convention of the Laundering, Search, Seizure and Confiscation of the Proceeds of Crime 1990 have widened it to include other crimes. There is growing appreciation that the corrupt engage in money laundering also in order to disguise the source of their wealth that has been acquired illegitimately. The close link between money laundering and corruption, however, has been largely ignored. As Chaikin and Sharman observe, the main reason for this lack of connection is because “[t]he policy communities and specific institutions created to fight one or other type of crime arose with separate and unrelated missions. Functional specialization and bureaucratic inertia have tended to freeze this separation in place. Financial intelligence units...see corruption as outside their area of responsibility, and anticorruption bodies regard money laundering in the same way. Additionally, in many developing countries there is a belief that AML [Anti-money Laundering] and anticorruption policies and institutions have been foisted upon them by outsiders”.<sup>53</sup> There is however ample evidence that the elite utilise other techniques such as the use of corporate vehicles<sup>54</sup> in the form of shell companies to hide their ill-gotten gains through corruption. When Ferdinand Marcos was removed from power in 1986, it was discovered that he had moved monies accumulated through kickbacks, bribes and diversion of foreign funds received as international aid to a number of foreign jurisdictions including Switzerland.<sup>55</sup> A very recent sensational case, Malaysian