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| <b>Institution: Cardiff University</b>   |
| <b>Unit of Assessment: UoA23 Sociology</b>   |
| <b>Title of case study: Improving control over illicit money flows and recovering the proceeds of crime (Casestudy4)</b>   |
| <p><b>1. Summary of the impact</b> (indicative maximum 100 words)</p> <p>Since the 1980s, there has been a wave of global activity seeking improved control of money laundering and confiscation of crime proceeds. This set of research studies, based around the work of Professor Mike Levi, constitutes core empirical analysis of the scale of financial crimes, and what can be <i>properly</i> said about the impacts of social and formal control measures against them. The studies have informed and helped to shape the fraud, money laundering and organised crime strategies of the UK Home Office, UK enforcement agencies, and international bodies such as the EC Justice and Home Affairs and IMF post-2008.</p>  |
| <p><b>2. Underpinning research</b> (indicative maximum 500 words)</p> <p>The spectre of criminals living luxuriously without any visible means of legitimate support has been both a negative role model for ‘communities’ and an indicator of deterrence/prevention failures in recent decades. Mike Levi (Professor of Criminology at Cardiff University, 1991 – Present)’s research uses a combination of elite ethnography, interviews with private and public sector internationally, and statistical analysis to provide one of the first rigorous empirical analyses of the scale of financial crimes. It also explores how business, regulatory and criminal justice controls actually operate against transnational crimes, for example showing that verified frauds cost the UK at least £11.9 billion in 2005. This work has highlighted the lack of evidence that money laundering controls have led to less crime or altered criminal careers, proving that while that shaming and informal settlement may be appropriate for tax offenders with a stake in respectability, they have no measured effect on sociopathic loners or professional criminal networks.</p> <p>Early examples of Levi’s work [3.1] conceptually and empirically revealed: how bankers and others identified (or not) ‘suspicious transactions’ by their customers and filtered these suspicions to the Financial Intelligence Unit; how the police and courts investigated (or not) proceeds of crime; how prosecutors and defence counsel dealt with these issues in court, and deficiencies in the follow up of confiscation orders, illuminating the limits of enforcement in ways still valid today. This work included the first (and still almost the only) study of the policing ‘yield’ of money laundering controls, constructively challenging and refining standard senior police and political assertions about their effectiveness.</p> <p>This work diversified into research analysing the legal and practical problems involved in investigating and recovering proceeds of Grand Corruption for the World Bank [3.2] and an analysis confounding conventional wisdom around e-gambling risks, showing how money laundering might occur but concluding that unless gambling firms were themselves controlled by criminals, internet gambling was unattractive as a laundering method and was of modest scale [3.3].</p> <p>An EC/Home Office-funded study of the prevention of organised crime in Europe showed that most European Member State ‘strategies’ were merely reactive and highlighted the need for a shift away from seizures and arrests as performance indicators of organised crime reduction [3.4]. It showed that we did not yet have (or collect) meaningful evidence of impact for most organised crime strategies. Levi carried out the first empirical study of how lawyers were used to enable fraud and money laundering and how regulators combatted this as part of a four-country EC-funded study of the regulation of the legal professions [3.5]. Levi led a Rapid Evidence Assessment study of the cost of fraud commissioned by the Association of Chief Police Officers, which for the first time developed criteria for data quality and a typology of fraud, breaking data into different victim and method categories, which has served as a baseline for further work [3.6] This was developed for the Financial Services Authority into a clear analysis of what roles the FSA does and could play in financial crime reduction [3.6].</p> <p>Professor Levi was a member of staff at Cardiff University while he carried out this research. His collaborators were Lisa Osofsky, Michael Gold, Mike Maguire, Kent Matthews (all Cardiff University); Jack Blum (US lawyer), Tom Naylor (McGill University Canada), and Phil Williams</p> |

## Impact case study (REF3b)

(Pittsburgh University); John Burrows, Matt Hopkins and Matt Fleming (MHB Consultancy); and Nicholas Dorn (Erasmus, formerly long-term researcher at Cardiff University), John Howell and Dave Artingstall (JH & Co Consultancy)

### 3. References to the research (indicative maximum of six references)

[3.1] Levi M. (1997) Evaluating the 'New Policing': Attacking the money trail of organised crime, *Australian and New Zealand Journal of Criminology*, 30(1) 1-25 ISSN 0004-8658

[3.2] Levi, M. (2012) 'How Well Do Anti-Money Laundering Controls Work in Developing Countries?' In P. Reuter (ed.), *Draining Development? Controlling Illicit flows from developing countries*, Washington DC: World Bank Press. pp 373-414. ISBN 978-0-8213-8869-3  
<https://openknowledge.worldbank.org/bitstream/handle/10986/2242/668150PUB0EPI0067848B09780821388693.pdf>

[3.3] Levi, M. (2009) 'E-gaming and money laundering risks: a European overview', *ERA-Forum*, 10 (4), December: 533-546, DOI - 10.1007/s12027-009-0143-2.

[3.4] Levi, M. and Maguire, M. (2004) 'Reducing and preventing organised crime: An evidence-based critique', *Crime, Law and Social Change*, 41 (5), pp. 397-469. DOI: <http://dx.doi.org/10.1023/B:CRIS.0000039600.88691.af>

[3.5] Middleton, D. and Levi, M. (2005) 'The role of solicitors in facilitating 'Organized Crime': Situational crime opportunities and their regulation', *Crime, Law & Social Change* 42 (2-3): 123-161. DOI: <http://dx.doi.org/10.1007/s10611-005-5655-2>

[3.6] Levi, M., Burrows, J., Fleming, M. and Hopkins, M. (with the assistance of Matthews, K.). (2007) *The Nature, Extent and Economic Impact of Fraud in the UK*. London: Association of Chief Police Officers.

<http://www.cardiff.ac.uk/socsi/resources/ACPO%20final%20nature%20extent%20and%20economic%20impact%20of%20fraud.pdf>.

[All publications available from HEI on request]

### GRANTS

This research has resulted from major competitive ESRC grants:

- Michael Levi, 'Controlling the international money trail', ESRC (Future Governance Research Programme), 2000-03, £95,262.
- Michael Levi, 'The Patterns, Organisation and Governance of Economic Crimes', ESRC (Professorial Fellowship), 2007-10, £260,646.

### 4. Details of the impact (indicative maximum 750 words)

At the **national UK level**, Levi's work on fraud costing principles and typologies of impact (developed in a study for ACPO and in Levi and Burrows, 2008) were used as the baseline for annual fraud indicators by the new National Fraud Authority, who also appointed Levi to advise on its (classified) identity theft strategic assessment.[5.1] On the back of this, with colleagues elsewhere, in 2009 Levi helped the Financial Services Authority develop an evidence-influenced strategic view of the harms (scale and impact) of a broader range of financial crimes – including fraud, market abuse (e.g. insider trading) and money laundering – and how they might be prioritized and counteracted.[5.2]

Levi's work on organised crime (with Maguire) helped to stimulate those developing the Serious and Organised Crime Agency to focus on harm reduction rather than conventional law enforcement outputs, reframing organised crime as looser networked crime and examining the use of administrative measures to supplement criminal enforcement. In a letter of support, the first Director General of SOCA notes that "With SOCA, we looked at work he had done around harm reduction, which led to the inclusion of that approach within the strategy of SOCA which was published in the first Annual report of the agency. It guided much of the development of the Serious Organised Crime Threat Assessment, which led to the Serious Organised Crime Control Strategy,

## Impact case study (REF3b)

which allowed many government agencies, police and intelligence services to work together in coordination to address the threats posed to the UK”, concluding that Levi’s “work has definitively shaped much of the underpinning strategy and thinking within law enforcement and the government, particularly the Home Office”[5.3]. Levi adapted an e-crimes harm framework for the Police eCrime Unit of the Metropolitan Police, which they use for their annual reporting. As the former head of this unit states, this framework helped provide “a true reflection of the impact police operations have when deployed to combat cyber crime.” As a result, the Unit was able to put together a “business case which subsequently secured £30m treasury funding over a four year period and based on the 1:21 return on investment evidenced an end of year four Harm Reduction target of £504m”. The former head of unit notes Levi’s “significant assistance in creating the Harm reduction process (which is now being utilized in several other areas of policing in addition to cyber), and your ongoing support which has been instrumental in helping policing deliver these impressive results and in reducing harm to the UK” [5.4].

The influence of Levi’s work on organised crime policy has continued with his unpublished internal literature review on organised crime for the Home Office, and in-house seminar to policy-makers there, which underpinned “the organised crime research strategy subsequently published by the Home Office in late 2010” [5.5]. Levi’s work on organised crime prevention and the costs of fraud was used extensively in a Home Office economic study, [The impact of organised crime in the UK: revenues and economic and social costs](#), and fed into the Prime Minister’s Strategy Unit paper [Extending our Reach](#), to which he was appointed to an internal review team. The deputy director of the strategy unit at the time notes that “Michael was recommended to me by senior practitioners in both the Serious Organised Crime Agency and the police and I can confirm that his research was invaluable in the development of the final report...In particular, his research on the importance of prevention was highly influential and impactful” [5.6].

In terms of **international policy making**, Levi’s analysis of e-gambling and money laundering [see 3.3] provided the evidential basis for the Council of Europe’s Moneyval committee to conduct a money-laundering typologies exercise on that subject, to which he was adviser; it was also used and cited explicitly in the German government’s revision of its money laundering legislation in 2013 to include online gambling. His research on proceeds of crime enforcement was a key part of the DG-Home proposal for a 2012 directive on the confiscation of proceeds of crime. In addition to advising on the background report published with the proposed directive [5.7], Levi’s work was used in the Directive explanatory document to make the case for the need to incentivise asset recovery.[5.8]

His reformulation of organised crime as networked crime has subsequently become conventional wisdom: see, e.g. the Europol Serious and Organised Crime Threat Assessment (2013), on which he was an adviser/critical friend. In a letter of appreciation, the Director of Europol singles out Levi’s work: “of all the help we received, yours was especially useful”. [5.9] This is the foundation for the EU Policy Cycle and its prioritisation of different crimes within the Union and its Member States. Finally, his work on the costs of cybercrime as part of a team asked by the UK Ministry of Defence to do a critical overview of evidence has been refined and submitted to the CRIM committee of the European Parliament at their request, and fed into his project for them on the cost and impact of organised crime in Europe. It is one of several of Levi’s works cited in the World Economic Forum Global Agenda Council on Organized Crime’s 2012 report on organized crime enablers.[5.10] His involvement as one of the founding members of that committee – now merged into the Illicit Trade and Organised Crime Global Agenda Council – helped to shape its orientation towards a strategic focus on intervening against key enablers rather than against more frontline criminal actors, and to his participation in its 2013-14 project on measuring the impact of illicit trade and organised crime globally.

**5. Sources to corroborate the impact** (indicative maximum of 10 references)

[5.1] National Fraud Authority (2010) *Annual Fraud Indicator* (London: National Fraud Authority). Pages, 2, 4 & 5.

<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/annual-fraud-indicator/afi-2010?view=Binary>. Or

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/118536/afi-2010.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118536/afi-2010.pdf).

Confirms the utility of his cost of fraud study as the baseline for their work, and contains Levi's Introduction to their first annual fraud indicator report setting out the changes since that work.

**[5.2]** FSA (2009) *FSA Scale and Impact of Financial Crime Project. Impacts of Financial Crimes and Amenability to Control by the FSA: proposed framework for generating data in a comparative manner* (London: Financial Services Authority) pages, 6, 9, 14, 16, 17, 18, 22, 23, 32, 39.

[http://www.fsa.gov.uk/pubs/other/scale\\_and\\_impact\\_paper.pdf](http://www.fsa.gov.uk/pubs/other/scale_and_impact_paper.pdf). Confirms Levi helped the FSA develop an evidence-influenced strategic view of the harms of a broader range of financial crimes. Refines cost of fraud work, extending it to insider dealing, suggesting a model of how to relate the scaling of financial and social harms to what the FSA (now Financial Conduct Authority) can do itself, what it needs other agencies to help with, and what seem to be intractable problems where help can have little impact.

**[5.3]** Letter of support from former Director General of the Serious and Organised Crime Agency Confirms the ongoing influence of Levi's work on organised crime prevention and proceeds of crime on the thinking of the agency.

**[5.4]** Letter of support from then Head of the MPS Police eCrime Unit. Confirms the utility of Levi's e-crime Harms model to the performance audits of the unit.

**[5.5]** Letter of support from Programme Head: Organised and Cyber Crime Research, Home Office, Confirms the assistance provided by Levi's analyses for the development of Home Office policy on organised crime.

**[5.6]** Letter of support from former deputy director of Prime Minister's Strategy Unit and Fulbright Scholar, Harvard; currently specialist adviser to Ed Milliband. Confirms the value of Levi's contribution to the government strategy in *Extending Our Reach*.

**[5.7]** Matrix Insight (2009) *Assessing the effectiveness of EU Member States' practices in the identification, tracing, freezing & confiscation of criminal assets* (2008-9) (Brussels: European Commission) [http://ec.europa.eu/home-affairs/news/intro/docs/20120312/final\\_asset\\_recovery\\_report\\_june\\_2009.pdf#zoom=100](http://ec.europa.eu/home-affairs/news/intro/docs/20120312/final_asset_recovery_report_june_2009.pdf#zoom=100)[5, p.3] Confirms Levi's role in providing expert advice to this study.

**[5.8]** *Commission Staff Working Paper: Accompanying Document To The Proposal For A Directive Of The European Parliament and The Council on The Freezing And Confiscation Of Proceeds of Crime in The European Union* ([http://ec.europa.eu/home-affairs/news/intro/docs/20120312/1\\_en\\_impact\\_assesment\\_part1\\_v4.pdf#zoom=100](http://ec.europa.eu/home-affairs/news/intro/docs/20120312/1_en_impact_assesment_part1_v4.pdf#zoom=100))[6, p.58]. Confirms the importance of Levi and Osofsky's study of confiscation in the UK, and confirms the importance of the Matrix study (5.8) to the Impact Assessment for its Proposal for a Directive on the freezing and confiscation of proceeds of crime in the European Union.

**[5.9]** Letter from Director of Europol highlighting Levi's contribution to the development of the Serious and Organised Crime Threat Assessment. Confirms Levi's role in refining the SOCTA report.

**[5.10]** *Organized Crime Enablers*, Geneva: World Economic Forum. 28pp. <http://www.weforum.org/reports/organized-crime-enablers>. Confirms Levi's role in the work and cites several of his works [notes 1, 51 (twice), & 68] to support the conclusions and recommendations reached.

[All reports/webpage available from HEI on request]