

## Clipping your ticket at both ends

The raison d'être for organized crime is money. It is a profit-driven exercise in which every move is calculated to advance the pecuniary interests of the crime syndicate. If there are rivals, it is because they are muscling in on "territory." If there is violence, it is to settle scores because of incursions into another gang's market share or a failure by a member of the gang to perform according to instructions. Losing the money or drugs can be a capital offence. But generally, organized crime groups work well together for a reason; it increases everybody's share of the profits.

In our global village, organized crime syndicate work well across national borders. Artificial political demarcations are simply that, invisible lines drawn over landscape. Borders are mere impediments. Air, sea and vehicle, even foot, travel allow persons to move product and money across borders, often with impunity. Just as we all must develop our technological savvy to remain current in business, so must crime groups. Use of e-mail and social media are second nature to those growing up today, and that includes criminal actors.

The commercial benefit of the internet and all it has to offer comes when a business can harness it for pecuniary benefit. The best website, the easiest e-access, a strong social media presence, simple invoicing and payment systems differentiate winners and losers in today's virtual business world. The same applies to organized crime. Although they may not use websites and other "traditional" forms of outreach, it is the ability to adapt old methodologies to this brave new world that allows them to leverage their business model. Such is the case with money service businesses.

These businesses offer services to patrons which are not readily available elsewhere in the financial industry in a particular location or can do it cheaper and more efficiently. The global anti-money laundering scheme, largely driven by the FATF, requires that MSBs, similar to other financial entities, comply with anti-money laundering rules, just as banks and other mainstream financial organizations must do. This generally requires registering with the national financial intelligence unit, establishing a compliance regime, reporting large and/or suspicious transactions and maintaining appropriate records.

There are however MSBs which do not comply with government requirements or carry-on business where regulation is sparse or unenforced. These so-called underground bankers or informal remittancers have existed since the earliest of time. They are referred to by various designations, hawala being a term of specificity that has become synonymous with the underground trade generally. These unregistered entities transact business from a distance, within family or ethnic groups, within criminal organizations or through collegial connections.

Unregistered remittancers rely upon one foundational ingredient – trust. This must exist between the sender and the receiver. Money deposited or left with one will not be sent to the other party through electronic or other means. A virtual handshake over e-mail or other electronic platform will suffice, and the correspondent banker will release the same funds to a designated party. The entire transaction, for any amount of money, occurs without an electronic or paper footprint, other than a notation in the books of the respective underground banker and a curt message from one to the other.

Being an unregistered banker comes with its risks, both legal and pecuniary. To compensate for that risk, a fee is charged which tends to be higher than a standard transaction fee in the mainstream financial industry. Both underground bankers will share the fee in whatever way has been predetermined. A settling of accounts will take place over time and may involve the use of third parties or the purchase of commodities for shipment. The methods are endless. The pinnacle of success in the informal world is to clip your ticket at both ends, in



other words, to obtain a commission from the sender but also to obtain a commission at the other end of the transaction, from an individual supplying cash that must be disguised or laundered. Enter the Vancouver Model.

Nestled around a beautiful natural harbor on the far west coast of Canada, Vancouver is a small city by world standards which pushes well above its weight. As a gateway to Asia, it has one of the largest airports and seaports on the western seaboard of North America. It has strong ties to Asia, long-standing diasporas of Asian and South Asian descent, easy access to the USA and Mexico, is part of a liberal democracy and has an international flair, having hosted a world's fair and the summer Olympics. All these environmental and social factors also make it extremely attractive to transnational organized crime.

A few years ago, John Langdale, an academic and organized crime expert, at Macquarie University in Australia twigged to unusual activity in Vancouver's casino industry. He wrote about it in a presentation to law enforcement. He described a phenomenon that involved high-stakes gamblers moving large sums of money out of China through informal transmitters, thus avoiding Chinese currency export law, and retrieving their money in the form of Canadian currency given to them in bags of cash when they arrived in Vancouver.

The phenomenon had been seen by law enforcement and regulators; however, its full extent was not explored before a trickle of money became a flood, estimated to be in the hundreds of millions of dollars. Langdale called it the Vancouver Model and noted that it was relatively unique because the money given to the high rolling and newly arrived gamblers was often the proceeds of domestic drug trafficking and other crime in Canada.

The scheme was so efficient that the informal transmitters were literally clipping their ticket at both ends, by obtaining a cut of the money deposited with the banker in China and a cut of the money that had to be laundered in Canada. Their shares were simply the cost of doing business for the sender and the trafficker.

By 2015, several years after the scheme began, the police were on the case, followed by internal measures within government, commissioned reports and, currently, a public inquiry. Not surprisingly, the inflow of unsourced cash into casinos progressively decreased. Will this neutralize the organized crime groups that had discovered an efficient way to launder their cash? Highly unlikely.

Organized crime groups are incredibly resilient. They tend not to be slow-moving bureaucracies. They operate with few external restrictions. When one opportunity closes, they seek another. Where that will be is the constant question for law enforcement. It is also why anti-money laundering is such a difficult and frustrating field of endeavor. It is also why compliance, knowing one's customer and recognizing anomalies is so important in the ongoing battle against organized and profit-driven crime.

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