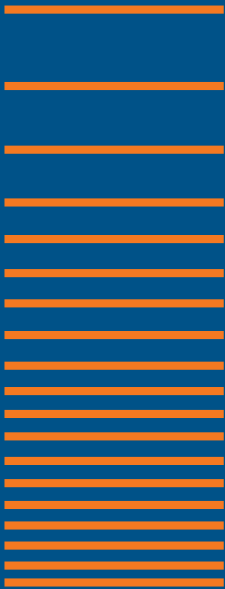


The 6 need-to-knows about Financial Investigation



Introduction

Organised crime poses a vast problem in the European Union. Every year, many individuals fall victim to organised crime like human trafficking - and smuggling, fraud, drugs-and arms trafficking and terrorism. Committing crimes is a profitable business: organised crime in the European Union alone generates around **110 billion euro each year**. Only a very small section of that money is recovered by the authorities. Simultaneously a significant amount of the proceeds of crime is laundered across the European legal economy. Evidence of organised crime investment is found in almost all EU Member States. This poses a threat to our societies and this has to stop.

Financial Investigation is a very effective instrument in the fight against organised crime and terrorism. In this brochure we will briefly explain what financial investigation is, why investigating the financial trails of organised crime and terrorism is crucial, the types of crime it can be applied to and the preconditions to apply this investigation method. In the last pages of this booklet you will find a case-study that will illustrate Financial Investigation in practice and the objectives the Netherlands Presidency would like to achieve.

1 Definition of Financial Investigation

In financial investigations the movement of money and other values during the course of a criminal activity is identified and documented. In most cases criminals and terrorists need financial means to commit crime and therefore leave financial trails. They have to make operational costs, e.g. for the purchase and transport of drugs or weapons, to cover personal expenses and to pay fees or salaries to accomplices. As financial profit is often the main motivation for perpetrating crimes the proceeds are spent on goods and laundered into the economy frequently using legitimate companies and facilitators. The financial and paper trails that all these transactions and contacts leave are collected and analysed by the police and other investigative authorities during an investigation and can be used:

| 2 |

- to identify the extent of criminal or terrorist networks or the scale of criminality;
- to develop evidence to be used to prosecute and convict criminals;
- to identify and trace the proceeds of crime, terrorist funds and/or any other assets that are subject to confiscation.

Financial investigation is an *additional* investigative instrument in the law enforcement toolbox and can be deployed to get the leading individuals from a criminal organization behind bars **and** to take away their money and assets. *Without the leading people and the financial means it is very difficult to continue criminal activities.* This makes financial investigation a very effective tool in disrupting organised crime and terrorism.

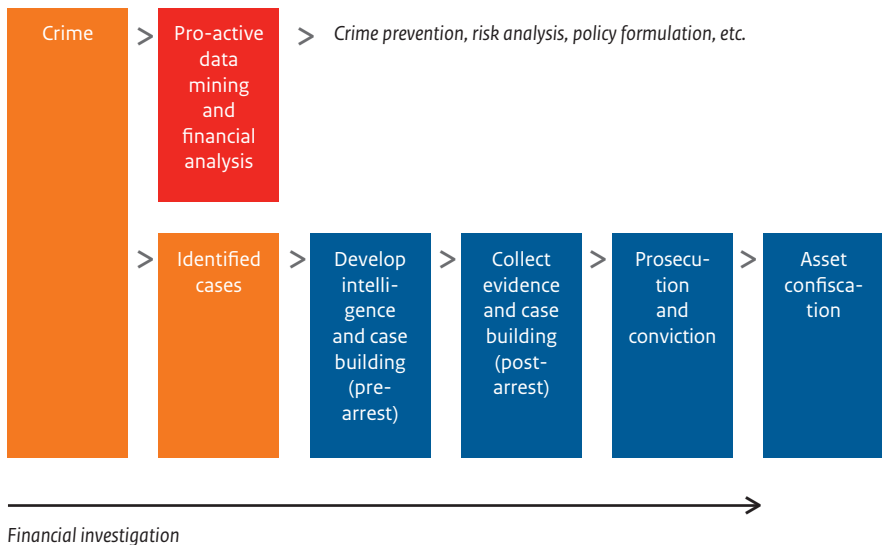
2 Financial Investigation can be applied to any type of crime

Financial Investigation can and should be applied to all types of serious and organised crime such as human trafficking - and smuggling, fraud, drugs-and arms trafficking and terrorism. A general misconception is that financial investigation is confined to the fight against economic crimes such as fraud, tax crimes, corruption or money laundering. Only a minority of financial investigations are carried out to collect evidence in criminal cases in various domains, or to develop intelligence on criminal or terrorist networks. Also, the financing of organised crime is often skipped in threat assessments and strategic analyses of organised crime. This shows that the full potential of financial investigations is yet to be understood, developed and implemented.

3 Financial Investigation throughout criminal proceedings

Ideally, financial investigations are applied in all stages of criminal investigations and judicial proceedings. From a proactive identification of crime or criminal networks, to case investigations and evidence building, up until prosecution and conviction of offenders and asset confiscation. In many cases however, financial investigators are only brought into a criminal investigation at the end stage in order to trace and identify the proceeds of crime and to confiscate. This is a missed opportunity. Financial investigations should start the earliest opportunity possible: in the 'golden hour' of the investigation. The initial period frequently determines whether an investigation will succeed or fail.

| 4 |



Source: Brown et al. (2012)

4 Wide-Ranging financial awareness is essential

Financial awareness is needed at all levels of the law enforcement system: from basic financial awareness at community policing level to highly specialist forensic accountancy expertise needed to unravel the 'corporate veil' behind complex cross-border money laundering structures. General (community) policing can play a major role in detecting unexplained wealth. It's important that criminal investigators are aware of the need to collect financial evidence at a crime scene and to call in specialist financial expertise when needed. Moreover, financial expertise among prosecutors and judges is crucial to understand and assess the files prepared by the financial investigators.

| 5 |

5 Cross-border is key to success in financial investigations

In an ever-globalizing world, organised crime and terrorism nearly always crosses borders and so will the money trails that it leaves behind. In financial investigation *effective cross-border cooperation and exchange of information* between the involved authorities are essential to achieve success.

6 The importance of multidisciplinary cooperation

Besides cross-border cooperation, multidisciplinary cooperation is important as well. When *public authorities involved in financial investigations such as law enforcement, public prosecutors, Financial Intelligence Units (FIU) and tax authorities combine their expertise, work together and share information, the best results are delivered.* Moreover, there's an increasing awareness and wish that private parties such as banks, real estate agencies and other professional service providers could and should also provide valuable input in financial investigations.

Financial Investigation: a case-study



| 7 |

Financial investigation in human trafficking

Sexual exploitation is a lucrative business. The recent Dutch-Hungarian 'Wimber' case shows the added value of using financial investigations as a method to combat crime. In this case a network of Hungarian criminals forced Hungarian women to work in the Netherlands as prostitutes. The criminals remained in their country. Women were forced to earn 600 to 700 euros a day. Money was sent to Hungary by money transfer or cash transport.

The human traffickers spent large amounts of money in Hungary on cars, jewellery and real estate to cover their traces. Dutch and Hungarian police investigated criminals' finances to identify the magnitude of the crime and the links between the victims and perpetrators.

A cross-border Joint Investigation Team (JIT) was established. This enabled investigators in both countries to share financial information easily. Tracking the finances has led to the arrest of the suspects and confiscation of their assets.

Netherlands Presidency 2016

Financial investigation is a priority in the Netherlands Presidency of the Council of the European Union in the first half of 2016 and is also marked as a priority by the succeeding presidencies of Malta, Slovakia and the United Kingdom. Our objectives are to:

- Facilitate the use of financial investigation in the fight against all types of organised crime and international terrorism;
- Increase the knowledge and understanding of financial investigation procedures and techniques among law enforcement practitioners; and
- Improve cooperation in this field in cross-border investigations.

On the website of the Netherlands Presidency <http://www.eu2016.nl> you can watch a video about Financial Investigation.

Further reading

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