

Brexit 'could make the UK the money laundering capital of the world'

Leaving the EU will isolate the UK from neighbouring states and weaken its defences against illicit transactions, according to data analytics company Quantexa.

Behind every occurrence of organised crime is some form of money laundering, according to COO and Global Head of Product Imam Hoque. He said: "Terrorists need to fund their attacks, drug dealers need to legitimise their unlawful gains and people traffickers need to collect the proceeds of their slaves. All capital illicit in origin must be 'cleaned' if it is to ever become useable.

"Criminals searching for a method to launder money will gravitate towards structural weaknesses, opportunistically moving from locality to locality in search of a chink in the armour to exploit. Globalisation has helped to facilitate this by leading the international financial system towards a structure which does not respect physical borders. Further, with trillions of transactions taking place within fractions of a second, the sheer quantity of exchanges makes it exceedingly difficult to differentiate legitimate dealings from nefarious ones. Taking advantage of this, serious criminals are now increasingly global, operating in multiple jurisdictions at one time."

He added that the most effective response to this has been cooperative action, commonly organised at the European level. Brexit moves the UK in the opposite direction, isolating it from neighbouring states and, as such, weakening its defences against illicit transactions. He said: "This weakness will attract criminals, and the UK risks becoming the preferred locale for such criminal activity. With the government then being forced to devote extra resources to combatting an increased felonious element, money will be leached away from critical government priorities such as healthcare, education and policing," he said.

Hoque continued: "At present, the UK retains membership of Europol, the law enforcement agency of the European Union. Europol has a remit to tackle European-wide serious and organised crime threats, and much of its work involves anti-money laundering efforts. In addition to providing an arena in which joint action can be organised, Europol also maintains a Europe-wide criminal information and intelligence database, the Europol Information System (EIS). The EIS collates the national databases of 24 member states, making them searchable by all Europol members. For example, if an investigation was being conducted into a Swedish national in France, the French police would be able to check whether they had been connected to crime which had taken place elsewhere on the continent.

"With money laundering being internationally organised, the EIS has proven to be a useful tool for investigators. However, the UK may not continue to enjoy its benefits post-Brexit. It is incredibly likely that the withdrawal process will lead to the UK leaving Europol, and even if the government were to sign a new bilateral security agreement with the EU, indications from Brussels suggest that the UK will no longer be able to access the EIS on an unrestricted basis. This loss of shared intelligence will greatly hinder the ability to combat illicit flows, as British officials will be unable to 'follow the money trail' once it has left their locality.

“The sophistication of money laundering means that any legislation designed to combat it must be equally complex. The UK must look to align its own anti-money laundering standards with those set by global leaders, such as the United States or the EU. The UK’s proximity to the EU and its existing financial relationships suggests that the UK may have to adopt EU standards, as European-wide compliance will be necessary for post-Brexit interaction. However, like most other EU-related matters, the UK will no longer be in a position to influence them, so its ability to combat money laundering could be curtailed.

“Criminals gravitate towards areas of weakness and Brexit has the potential to adversely affect the UK’s system of defence against money laundering. In order to ensure the UK remains at the vanguard of the fight, it should seek to enter into reciprocal data sharing and extradition agreements with neighbouring localities. It must also resist the urge to lose track of its ethics in pursuit of monetary gain. However, whether this will take place remains to be seen.”