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ANTI-MONEY LAUNDERING REQUIREMENTS: COSTS, BENEFITS AND PERCEPTIONS

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Foreword

Michael Snyder
Chairman, Policy and Resources Committee
Corporation of London

Reputation is central to the City of London's continued success as an international financial business centre. Companies are drawn to the London cluster for a host of reasons, but underpinning them all is the belief that London, and the UK generally, affords an open, equitable and honest environment in which to conduct business. Previous Corporation of London research has shown that when regulation is fair and proportionate, international companies are drawn to these benefits. By entering a market where standards are high, a company's reputation can be enhanced.

Yet London's reputation must be maintained without undermining its competitive position. The UK is engaged in an on-going competition with other jurisdictions to uphold its status and attract more international business. One important and highly visible measure of the balance between reputation and competitiveness is the effectiveness and cost of Anti-Money Laundering Requirements (AMLR) that countries employ to support their financial systems.

There is no doubt that, in comparative terms, the UK has applied AMLR with particular rigour. This research, commissioned by the Corporation of London and the Institute of Chartered Accountants in England and Wales, from the City-based consultancy Z/Yen, shows that the costs of AMLR in the UK are significantly higher than in other major jurisdictions. Those surveyed during the course of the research clearly believe that the UK has approached a 'tipping point' where past, current and future costs of such legislation are perceived to be greater than the benefits.

I particularly welcome the conclusion in this report that the way forward for UK authorities is to focus their efforts on improving the perceived effectiveness of current AMLR, rather than increasing the level of regulation still further. While the UK is perceived as being more heavily regulated than other major financial centres, UK

AMLR are not perceived as being more effective at detecting and deterring money laundering than the regulations in other jurisdictions.

To counter this perception there is clearly a need for a better job to be done in coordinating feedback between financial services institutions and authorities on the quality of AMLR reporting, in devising new methods of countering money laundering, and in increasing publicity about successful prosecutions. With such improvements, I believe there could be significant results in terms of improved AMLR practicality and effectiveness. Working with our partners at the ICAEW, the Corporation of London will continue to urge national and European authorities to ensure that future developments in AMLR are not introduced to the detriment of our international competitiveness.

*Michael Snyder
London
June 2005*

Foreword

Felicity Banks
Head of Business Law
Institute of Chartered Accountants in England & Wales

When this research was planned and commissioned, early in 2004, the Money Laundering Regulations had not yet come into force. While there was considerable experience of money laundering requirements and suspicion reporting by banks and other regulated financial service providers, there was little experience of the effects of the drawing into the regime of the new “regulated sector” including lawyers advising on commercial transactions, nor accountants or tax advisers. As we anticipated at that stage, the perceptions of those within the regulated sector is that the costs of the anti-money laundering regime in the UK are high, on an international comparison. They have continuing concerns over the effectiveness of the regime and the amount of feedback they get on both effectiveness and reporting.

In the eighteen months or so since then, I have been working as closely as I can with Government, law enforcement authorities and the writers of guidance, to try and bring improvements to the regime. I have seen a lot of recognition of the problems, and real efforts for reform. The process is slow, with the caution natural to people whose job is to fight terrorists and drug traffickers, but changes have been made and more are in the pipeline. There is also a considerable lag – recognition of a need for change precedes decisions on how to carry it out and the implementation of resulting reforms. Perceptions can lag even further behind, as people take time to recognise that initial concerns are beginning to be resolved or were unnecessary.

As an accountant, I hate economic crime – it offends me to the core when figures are twisted and distorted in the interests of the frankly evil. Crime not only affects our safety, but also introduces competitive distortions and unfairnesses that affect the well being of us all. The objectives of the anti-money laundering regime are simple and laudable: to reduce crime, by making it less profitable and cutting off its funding; to

protect the reputation and integrity of UK business and to avoid economic and competitive distortions. Every honest person working in commerce or finance must support these objectives. Cumbersome and difficult as it may be, needing further improvement as it does, I believe that the anti-money laundering regime not only deserves our compliance but our active support in trying to make it work effectively, even before reform and even more so as the regime becomes more cost effective.

In the meantime, this report provides a timely reminder that perceptions do matter, and neither the financial services sector nor the professions are yet satisfied that all efforts are being directed in the most effective way, and as a result that the high costs spent on AMLR in the UK represent good value for money. Government and the law enforcement authorities need to keep up the pace of reform, rigorously controlling requirements to ensure that no unnecessarily burdensome or onerous provisions remain present in either the legal background or the way it is applied. Perhaps even more important, communication with the regulated sector needs to be carried out in a way that convinces them that their contribution is both important and effective. The effectiveness of the regime cannot be optimised without the positive and willing compliance of those within its scope.

*Felicity Banks
London
June 2005*

Executive Summary

This study assesses the perceived costs and benefits of UK Anti-Money Laundering Requirements (AMLR) compared with other jurisdictions including the USA, Germany, France and Italy. It also examines how effective AMLR is and what impact the UK AMLR has on the competitive standing of the UK financial services industry. Research was carried out between September 2004 and April 2005 and involved 34 personal interviews and an online survey to which we received 386 responses.

The main themes to emerge from this study are as follows:

- AMLR costs in UK are significantly higher as a proportion of national GDP than in other major jurisdictions. The proportion of AMLR costs versus GDP is almost one quarter higher in the UK than in the USA, over double that in Germany and almost three times that in France and Italy.
- Almost two-thirds of UK respondents said that AMLR were too severe in proportion to the risks of money laundering. Just over one-third of international respondents said that AMLR were too severe in proportion to the risks. Perceptions of current costs, past cost increases and future cost increases are higher from UK respondents than from international respondents.
- Overall, UK-based companies comply with AMLR in order to avoid sanctions from the authorities, and not because they perceive AMLR as representing good business practice or as being effective at combating money laundering. Just over half of organisations from other jurisdictions comply because they believe that AMLR in their country represent good business practice.
- The rigorous implementation of international AMLR has not yet had a pronounced impact, either negative or positive, on the competitiveness of the UK as a financial centre. Respondents perceive that factors such as service levels, transaction costs, confidentiality and the size of the market are more important to competitiveness than AMLR.

- While the UK is perceived as being more heavily regulated than other major financial centres, UK AMLR are not perceived as being more effective at detecting and deterring money laundering than the regulations in other jurisdictions. There are very similar perceptions about the level of effectiveness of AMLR from UK respondents and international respondents.
- Our results suggest that very high AMLR costs may reduce the perception of AMLR effectiveness. People who have experienced very high costs tend to feel less positive about AMLR in general and about the effectiveness of AMLR in particular.
- If very high AMLR costs reduce the perception of AMLR effectiveness, then further expenditure should focus on improving the perceived effectiveness of current requirements, rather than increasing the level of regulation. One way of achieving this is to increase the perceived likelihood of money launderers getting caught, publicise the successes of the authorities and raise awareness of convictions, prison sentences and asset confiscations.
- There is a perception that AMLR in major jurisdictions will become more similar with each other over the next few years. Respondents and interviewees talk of a ‘levelling of the playing field’ that is most likely to be achieved by other jurisdictions increasing their AMLR rather than the UK relaxing theirs. Two-thirds of respondents from international markets believe that AMLR in their countries will become more extensive over the next five years.
- The effectiveness of AMLR could be significantly enhanced by closing regulatory gaps. High-Street bookmakers represent one such gap, falling outside AMLR and providing an easy path towards financial legitimacy. Another gap involves payments for overseas intellectual property which is then written off.

- An even more significant gap is the communications gap. There is insufficient feedback to financial services institutions about the quality of their reporting and on new methods of money laundering. There is also insufficient publicity on successful prosecutions. If improved, this could yield significant results in terms of AMLR practicality and effectiveness.
- Closing the communications gap should be one of the easier things to put right and would lead to greater AMLR effectiveness. If AMLR effectiveness improves then the costs of implementing AMLR will probably be perceived as less of a burden.

1. Introduction

This study provides an assessment of the perceived costs and benefits of UK AMLR compared with other jurisdictions including the USA, Germany, France and Italy. Our study relies on professional perceptions of how the costs and benefits associated with AMLR have changed and are likely to change. The study also examines people's perceptions on how effective AMLR are at preventing money laundering and the effects that AMLR have on the competitiveness of the UK's financial services industry.

1.1 What is money laundering?

Money laundering is one of those problems that is very hard to 'get a grip' on. There are a number of similar problems which involve threats with an unknown likelihood and severity, such as:

- The control of terrorism at airports – what is the right balance between passenger's safety and losing passengers because security takes too long and is too much of a hassle?
- Anti-virus software for computers – how much software do you load on to a computer to protect it, will the software work and what speed and performance sacrifices need to be made?

As such they share similar emphasis on questions such as:

- How big is the problem?
- How much of it goes on?
- How real is the threat?
- What is the best way to cope with the threat?
- How much to spend on prevention?

Put simply, money laundering is converting criminal income into assets that cannot be traced back to the underlying crime.

Money laundering is conventionally divided into three stages: the placement of funds derived from the crime, the layering of those funds in order to disguise their origins, and the integration of the funds into the mainstream economy.

Many forms of illegal activity are cash intensive. Drug dealing, for example, involves large sums of cash in small denominations. The first aim of the money launderer is to remove the cash from where it was acquired and put the cash in a place where it will not be detected. The next stage is to disguise the source of funds by creating complex layers of financial transactions. These transactions can involve offshore bank accounts; companies registered with nominee shareholders; complex dealing in shares, commodities and futures to name a few. The final stage of money-laundering is to integrate funds into the normal economy so that these funds appear to be legitimate. This integration is usually achieved by converting the money into apparently legal business earnings through normal financial and commercial operations.

Although terrorist financing often involves money laundering, failing to distinguish between terrorist financing and money laundering in AMLR is probably counter-productive for two reasons:

- The activity of placing, layering and integration does not necessarily apply with terrorist financing. The source of terrorist finance is not necessarily illegal, so there is no need to disguise the placement, neither does it need to be ‘integrated’ into the normal economy, because it is being used for illegal purposes. Layering may be carried out in order to protect the anonymity of the source, but even this layering is of less importance than in money laundering;
- The amounts required to finance even large terrorist actions can be fairly small.

1.2 What is AML?

Anti-Money Laundering (AML) can be defined as an activity which prevents, or aims to prevent money laundering from happening. This is an oversimplification of a complex situation. The definition of ‘criminal income’ varies by jurisdiction (some activities are illegal in some countries and not in others). Similarly, the ‘aims’ of AML are not necessarily the same in different jurisdictions. The aims might include to deter and detect organised crime, to reduce drug dealing, to deter terrorism or to maintain the reputation of the financial services industry.

1.3 What is AMLR?

The financial services industry in UK has been subject to Anti-Money Laundering Requirements (AMLR) since the introduction of the First Money Laundering Directive in 1991 (transposed into UK law through the Criminal Justice Act 1993 and the Money Laundering Regulations 1993). This directive was designed to give legal force in the EC to the Forty Recommendations¹ of the Financial Action Task Force (FATF), an international body linked to the OECD and established by the G7 Summit in Paris in 1989.

The key features of the First Directive are that Member States must ensure that money laundering is prohibited; financial institutions must require identification of their customers by means of supporting evidence when entering into business relations; financial institutions must maintain adequate records of transactions and identification for at least five years; financial institutions must cooperate with national law enforcement authorities and must inform them of any fact which might be an indication of money laundering; financial institutions must carry out adequate staff training to ensure that their staff are aware of the law and are trained to spot potentially suspicious transactions; Member States must extend the provisions of the Directive to any businesses which engage in activities which are “particularly likely to be used for money-laundering purposes”.

¹ The Forty Recommendations are an internationally-agreed benchmark of the measures that countries should take to deter and punish money laundering http://www1.oecd.org/fatf/40Recs_en.htm#Forty

These requirements have been enforced with increasing vigor by the FSA in the last few years. The requirements were increased by the passage of the Proceeds of Crime Act (PoCA) in 2002 which extends the definition of money laundering. PoCA combined and simplified the Criminal Justice Act of 1996 and the Drugs Trafficking Act of 1994. The Terrorism Act (TAct) of 2000 (as amended by the Anti-Terrorism, Crime and Security Act in 2001) now provides the law on terrorist financing. Additionally the Guidance Notes issued by the Joint Money Laundering Steering Group (JMLSG), a group of financial services trade associations, are used as a practical guide on implementing the regulations.

The UK 2003 Regulations were introduced in response to the EU's Second Money Laundering Directive (2001) which was introduced to update the First Directive in the light of experiences and global trends in money laundering. In particular the Second Directive addresses those activities and professions shown to be vulnerable to money laundering;

Prior to the Money Laundering Regulations 2003, AMLR applied only to banks and financial services institutions. The 2003 Regulations have extended AMLR to a number of other sectors, most notably accountants and lawyers. This has resulted in AMLR applying to approximately 19,000 organisations in the UK. The UK gives the appearance of implementing international requirements with a rigour not matched in other jurisdictions and exceeds international requirements in a number of aspects. It has been suggested by several senior members of London's financial services industry that this level of implementation could result in a competitive disadvantage that is not matched by benefits in terms of a safer and more law-abiding environment.

Table 1 - The UK AML six level framework

AML Level	Organisation	AML
Global	Financial Action Task Force	40 Recommendations
Continental	European Union	Money Laundering Directives
National	UK Government	Proceeds of Crime Act (2002)
Regulatory	Financial Services Authority	Money Laundering Regulations (2003)
Industry	e.g. JMLSG, ICAEW <i>et al</i>	Guidance Notes, guidelines
Organisational	MLRO, Compliance Management	Internal checks and procedures

1.4 The scale of money laundering

In the UK, or indeed in any other country, it is extremely difficult to estimate the scale of money laundering. A sustained effort by the Financial Action Task Force between 1996 and 2000 to produce such estimates failed. Most AML experts agree that no reliable estimates of how much laundered money passes through a national economy exist. One of the problems in trying to estimate the extent of money laundering is that there are different definitions of money laundering and what it includes in different countries. These different definitions make any meaningful comparisons very difficult.

Table 2 below gives broad estimates of the scale of money laundering and the shadow economies in the countries on which this study concentrates. In the UK, HM Customs and Excise estimate that annual proceeds of crime are between £19bn and £48bn. They offer £25bn as a ‘best estimate’ for the amount of money laundered. £25bn represents 19% of the ‘underground’ or ‘shadow’ economy which is estimated to be £132bn (approximately 13% of GDP). The bulk of the shadow economy in the UK consists of funds generated by tax evasion. Tax evasion itself falls within the UK AML legislation but is excluded from AML legislation in other jurisdictions.

Table 2 – GDP, shadow economies and estimates of the scale of money laundering

Country	GDP	% GDP in Shadow Economy	Shadow Economy	Estimated Money Laundering	Confiscations & Seizures
UK	£964bn	13%	£125bn	£25bn	£80m
USA	£5,850bn	9%	£527bn	£110bn	£340m
Germany	£1,290bn	16%	£206bn	N / A	N / A
France	£940bn	15%	£141bn	N / A	N / A
Italy	£788bn	27%	£213bn	N / A	N / A

Sources: OECD, The Economist Intelligence Unit, Reuter & Truman and Asset Recovery Agency extrapolated where necessary.

The value of transactions by UK-based banks is approximately £5,500bn per annum. The best estimate of money laundering of £25bn is, of course, a tiny fraction of overall transactions.

1.5 Latest developments in AMLR

The European Union (EU) is currently developing a Third Money Laundering Directive which is due to come into force later in 2005. The new Directive will consolidate and update the First and Second Money Laundering Directives (1991 and 2001 respectively) in particular by ensuring that the EU's AMLR are in line with FATF's revised Forty Recommendations. Draft articles for the proposed Directive were issued in March 2004 and a formal proposal was issued in May 2004.² It is hoped that this study will help inform discussions between regulators and the financial services industry regarding the new Directive.

Many of the provisions in the draft articles will have little impact in the UK, where the existing legislation is already compliant with the expected contents of the proposed Directive. For example, the offence of money laundering includes converting property knowing that the property is derived from 'criminal activity'. The definition of 'criminal activity' under the proposed Third Directive includes all offences punishable by a prison term of at least 6 months (12 months in some Member States) imprisonment. Since the equivalent provision of the UK's PoCA is already

wider than this, covering all criminal offences, no change to the UK position will be required.

One of FATF's latest initiatives, following their meeting in February 2005, is to promote regional branches of FATF in order to introduce more localised 'peer pressure' to get countries to adopt FATF's forty recommendations as well as the nine special recommendations. In March 2005 the JMLSG published consultation proposals³ which, if implemented, would affect the way firms operate and the way that customers are dealt with. The proposals are for a risk-based approach which would allow firms to focus their resources on the minority of customers who present a higher risk as well as simplifying and reducing documentation requirements.

² European Commission, *Preliminary Draft Articles for a Directive of the European Parliament and of the Council on Prevention of the Use of the Financial System for the Purpose of Money Laundering and Terrorist Financing* – March 2004.

³ Joint Money Laundering Steering Group (JMLSG), *Prevention of Money Laundering / Combating the Financing of Terrorism, Guidance for the UK Financial Sector, Taking Account of Risk – A Consultation Paper* – March 2005.

2. Research Methodology

This study was carried out between September 2004 and April 2005. We interviewed 34 senior professionals who are closely involved with AMLR in the UK and in other countries. These interviews took place between September and December 2004 and enabled us to design an appropriate online questionnaire. The people we interviewed included 11 Money Laundering Reporting Officers (MLROs), 4 Heads of Compliance or Security, 5 Directors, 6 Partners, together with members of the UK and USA Treasuries, 2 Senior Police Officers involved in investigating financial crime and other senior figures from regulatory authorities. A list of the organisations represented can be found in Appendix A.

We designed the questionnaire based on our desk research and personal interviews. We had to take account of a very diverse set of opinions in arriving at the final set of questions. We emailed a link to the questionnaire to several thousand people in many jurisdictions. These people included contacts involved in relevant sectors together with the ICAEW list of members who are involved with AMLR. The people we contacted included for example, senior managers in investment, wholesale, retail and private banks, partners in accountancy and law firms, and people involved in international regulation.

We received 386 responses as shown below in table 3:

Table 3 – Breakdown of respondents to the survey

Sector	UK	International	Total
Accounting	157	33	190
Law	21	9	30
Investment Banking	19	19	38
Other Banking	14	21	35
Other Financial Services	37	18	55
Other	33	5	38
Total	281	105	386

In total, 22 countries or jurisdictions were represented – Australia, Bahrain, Canada, Cayman Islands, France, Germany, Greece, Guernsey, Ireland, Isle of Man, Italy, Japan, Luxembourg, Mauritius, Monaco, Netherlands, Singapore, Spain, Sweden, Switzerland, United Kingdom & United States of America. A list of the survey questions and results is included as Appendix B.

The ICAEW members were particularly responsive to the survey. We recognise accountants represent over half the respondents and that there is a danger that their opinions have skewed the results. Where there is a statistically significant difference between responses from accountants and other respondents, we have clearly highlighted this difference in the report. It is fair to say that in general terms, accountants have slightly less positive perceptions regarding costs, benefits and effectiveness than some sectors. These perceptions are not however, any more negative than those of lawyers. In late February 2005 we conducted a small workshop to challenge the results of our survey and interviews. This was attended by some of the interviewees and other experts in the field of anti-money laundering. This proved a useful exercise which enabled us to verify our conclusions.

The research is in three broad categories and there are potential issues and difficulties in each:

2.1 Cost / benefit analysis

We set out to examine the following areas:

- perceptions of cost rises past and future by jurisdiction and sector;
- particular business sectors which might incur high costs;
- particular jurisdictions which might incur high costs;
- particular cost areas within businesses (e.g. training, record keeping, reporting);
- perceptions of benefits to organisations past and future by jurisdiction and sector;
- what the benefits are (e.g. increased revenue, reduced risk, reduced costs).

It is impossible to find reliable figures regarding costs and benefits of implementing AMLR. This shortage of quantitative information means that it is hard to estimate the

impact of current and future legislation. This study avoids trying to compare costs and benefits in different jurisdictions directly. Such a comparison would require very broad approximations of costs and estimation of largely unquantifiable benefits to the point that it would be very hard to validate and might even be detrimental by providing supposedly ‘hard’ cost/benefit data that was anything but hard.

AML costs can be divided into three distinct groups within an economy, those that affect the government, those that affect the financial services industry (or other industries included in AMLR) and those that affect the general public. It is the costs that affect the financial services industry that might interest us most in this study. However, there are numerous problems in determining costs. Financial institutions in jurisdictions that have traditionally required a more formal, specific proof of identity, e.g. a passport or national ID card, may have few additional costs complying with AMLR. Financial institutions, such as those in the UK, that have traditionally had less specific requirements, may see significant additional costs. So should the UK’s additional costs be compared with nil costs elsewhere? Or should one try and estimate the proportion of existing costs in non-UK jurisdictions that are equivalent to new UK costs?

Research into direct cost differentials across borders suffers from differences in definitions of money laundering, differences in internal management accounting, differences in regulatory regimes, differences in pre-existing standards of requirements and different cost allocation procedures:

- Put simply, money laundering is the conversion of property raised by crime. Different jurisdictions include different underlying crimes within their AMLR. For example, the offence of money laundering will include transferring or converting property in the knowledge that the property is derived from ‘criminal activity’. The definition of ‘criminal activity’ varies between jurisdictions. In some jurisdictions the definition includes all offences, in other jurisdictions only offences which are punishable by imprisonment of at least 6 months imprisonment and in other jurisdictions only offences that are punishable by imprisonment of at least 12 months.

- Another difficulty is that many organisations, especially banks, combine their anti-fraud and AML operations and do not allocate costs to each operation separately.

Costs can also be divided between initial setup costs and ongoing or continuing costs. It is the continuing costs that have a lasting effect on the competitive position of jurisdictions. It is the perceptions surrounding these continuing costs that are focused upon in this report.

Similarly, research into direct benefits is likely to encounter major problems as most organisations are unlikely to identify many benefits for themselves. Potential AMLR-related benefits tend to be to a country as a whole rather than to individual organisations. These AMLR-related benefits include an improved reputation as a fair and law abiding place to do business and improved competitive conditions arising from the reduction of illegal and fraudulent behavior.

2.2 Effectiveness of AMLR

We set out to examine the following four areas:

- Perceptions of how effective AMLR are at deterring and detecting money laundering;
- perceptions of whether AMLR are becoming and will become more effective;
- perceptions about the intentions of AMLR;
- the practicality and proportionality of AMLR.

The main problem with measuring effectiveness is, again, definition. In order to judge how effective AMLR are, we need to understand what AMLR are trying to achieve. AMLR could have several objectives including deterring and detecting organised crime, deterring and detecting terrorists, or reducing the potential for tax evasion. This study attempts to understand how those involved in AMLR perceive the main objectives of AMLR and how effective AMLR are at achieving those objectives.

2.3 Effects on competitive position

We set out to examine perceptions of changes in the competitive position of the financial services sector in different jurisdictions; perceptions of the factors attracting honest enterprises and perceptions of factors deterring money launderers.

The competitiveness of a country's financial services industry depends on a number of factors including the regulatory environment, the rigour with which the regulations are enforced, transaction costs, service levels, market size, the level of competition and cultural issues including language and brand familiarity. When measuring the effect on competitiveness that AMLR has, it is important to try and isolate other competitive factors.

This study relies on the respondents' ability to consider the effect AMLR has on a country's competitiveness in isolation. We also depend on our respondents' knowledge of other jurisdictions. Nevertheless, we try to arrive at a balanced assessment of AML effectiveness that weighs up the perceived costs of AML legislation; the perceived burden that this places on a jurisdiction's competitive position and the perceived benefits of maintaining a regulatory environment that is seen to provide greater security. We have added relevant quotes from the survey and interviews. It might appear that we selected an unrepresentative proportion of negative quotes. However, the quotes we collected were overwhelmingly negative in their tone. This might be expected as people who are generally happy with the current situation are less likely to add comments. We categorised the quotes received into four sections:

Table 4 – Breakdown of respondents to the survey

Category	Total Number of Quotes	Positive Quotes
AMLR-Related Costs	87	1
AMLR-Related Benefits	39	7
AMLR Effectiveness	129	2
Effects on Competitiveness	36	3

3. Results & Analysis

3.1 AMLR Costs

Lack of Cost Data

We tried to identify existing cost data from the main jurisdictions. Nobody we spoke to was aware of any comprehensive cost data – indeed several people were adamant that none exists. Our desk research revealed some fragmented cost data (including some numbers from HM Treasury and recent KPMG⁴ and PWC⁵ studies). We contacted a number of organisations in an attempt to uncover meaningful data.⁶

Peter Reuter & Edwin (Ted) Truman in their book *Chasing Dirty Money*⁷ discuss costs of AML at length. Reuter & Truman agree that the best analyses are by the UK authorities – specifically HM Treasury provides some help with AMLR related costs in its Regulatory Impact Assessment.⁸ Using HM Treasury for the UK figures, Reuter & Truman for the USA figures, and cross validating with other sources including Celent (a leading AML software supplier)⁹ we offer the following very broad estimates:

⁴ KPMG, *Global Anti-Money Laundering Survey 2004* – September 2004.

⁵ PricewaterhouseCoopers LLP and FSA, *Anti-Money Laundering Current Customer Review Cost Benefit Analysis*, May 2004.

⁶ e.g. HM Treasury, FSA, the Law Society, Association of Foreign Banks, US Treasury, FATF, Securities Industry Association, NCIS, British Bankers' Association and financial crime agencies in France, Germany and Italy.

⁷ Reuter, P. & Truman, E. *Chasing Dirty Money* – Institute of International Economics, November 2004.

⁸ HM Treasury, *The Full Regulatory Impact Assessment of the Money Laundering Regulations 2003*, - November 2003.

⁹ Celent, *Ranking the Vendors of Anti-Money Laundering Solutions* – July 2003.

Table 5 – AMLR-related costs - estimates for the UK and USA

Jurisdiction	Low Estimate	Best Estimate	Top Estimate
UK			
Banking Sector	£85m	£100m	£120m
Other Financial Services Institutions	£60m	£70m	£80m
Accountants & Lawyers	£60m	£65m	£70m
Estate agents, Casinos & Others	£15m	£18m	£20m
UK Total	£220m	£253m	£290m
USA			
Banks	£410m	£600m	£800m
Other Financial Services Institutions	£400m	£600m	£800m
USA Total	£810m	£1,200m	£1,600m

We took these figures and scaled them to the sizes of the relevant sectors of the financial services industries in other jurisdictions (using OECD, Department of Trade & Industry and Economist Intelligence Unit data). This results in the following very broad estimates of AMLR related costs:

Table 6 – AMLR-related costs - estimates for Germany, France and Italy

Jurisdiction	Low Estimate	Best Estimate	Top Estimate
Germany (Financial Services)	£120m	£150m	£180m
France (Financial Services)	£75m	£85m	£100m
Italy (Financial Services)	£55m	£70m	£85m

These approximations must be seen as very broad and are based on the amount of available data and carry the caveats outlined in chapter 2.

Comparison of international AMLR costs

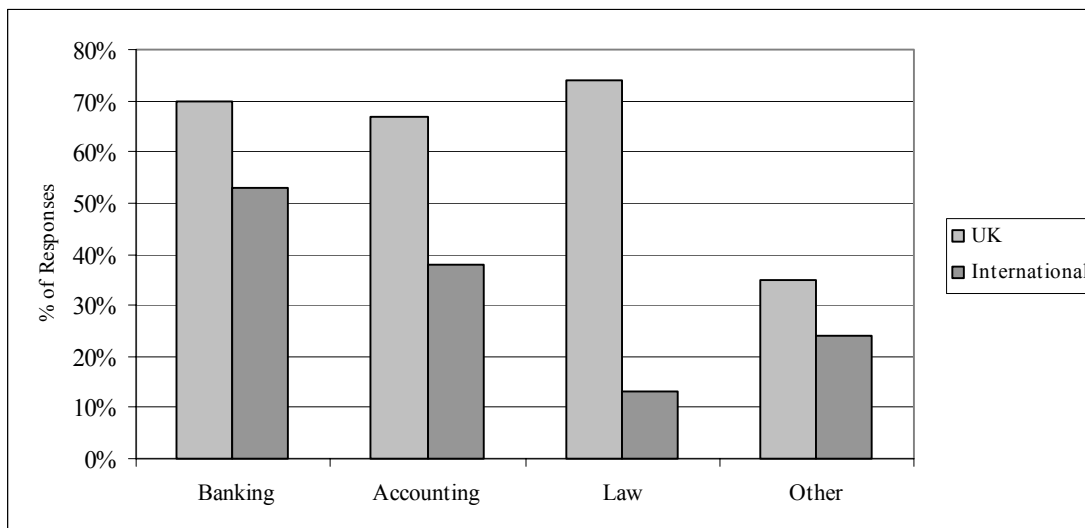
The survey asked people to rate AMLR-related costs in different jurisdictions (1 being ‘Very Low’ to 5 being ‘Very High’) the UK was given an average score of over 4.0, whilst the USA scored 3.7, Germany 3.3, France 2.9 and Others 2.7. Within the UK, accountants and lawyers had the highest average scores, 4.1 and 4.2 respectively.

There would appear to be little doubt that AMLR-related costs are perceived as higher in the UK than elsewhere. We heard no views that contradicted this and the overwhelming perception from the study confirmed this. Smaller professional services firms in the UK perceive that AMLR-related costs are particularly high:

“The costs of AML compliance are completely disproportionate for a small firm with a small firm client base” – a partner from a small UK accountancy firm

The percentage of respondents who perceive their AMLR-related costs to have risen by more than 50% in the last five years is shown below:

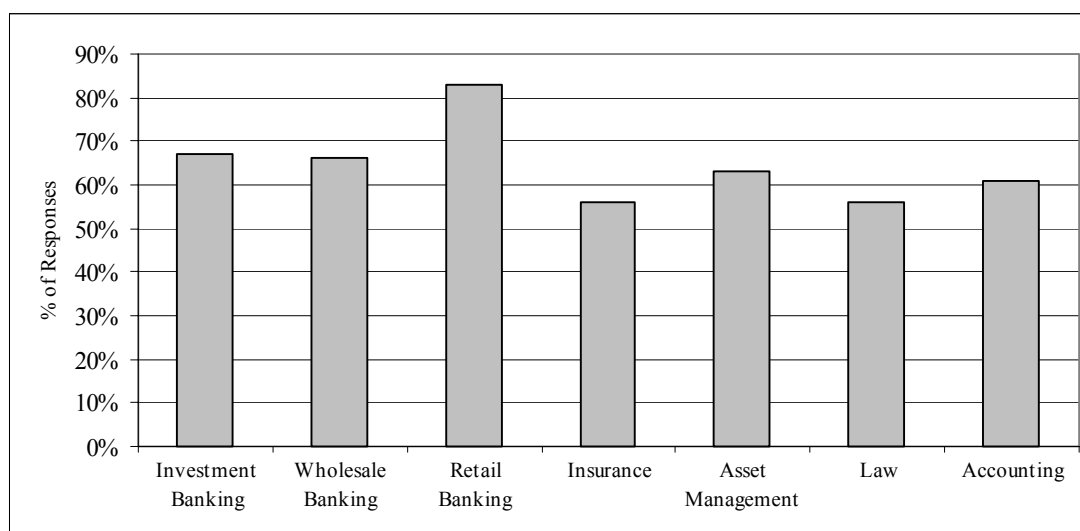
Chart 1 – AMLR-related costs - increases greater than 50% by sector



Retail banks

Both UK and international respondents perceive that retail banks have incurred particularly high AMLR-related costs. 83% of respondents perceive AMLR costs for retail banks as ‘High’ or ‘Very High’. This is higher than for any other sector:

Chart 2 – AMLR-related costs for retail banks



The percentage of respondents who perceive retail bank AMLR-related costs as ‘High’ or ‘Very High’ is 86% for UK respondents and 77% for international respondents. Retail banks have very large numbers of clients and the ‘Know Your Customer’ (KYC) requirements are therefore correspondingly high:

“The money we have had to spend on KYC systems is huge – and I doubt it has stopped one money launderer – they will always get hold of the necessary documents” – Head of compliance UK retail bank

AMLR-related cost increases for banks are undoubtedly high. A KPMG study into AMLR costs for banks concluded that cost rises over the past three years average 61%.¹⁰

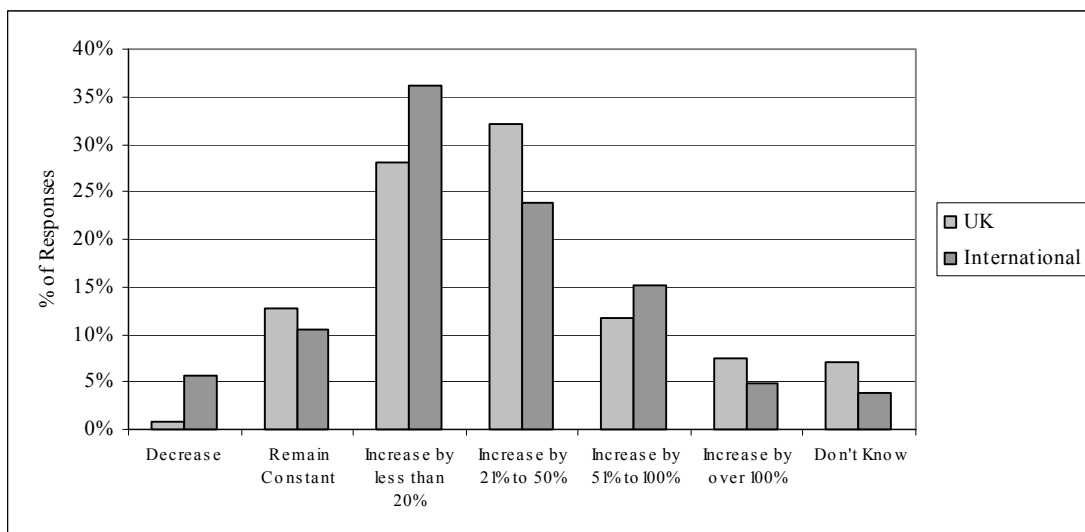
If we take our survey results and use the mid-points of our cost increase bands (e.g. use 75% for the cost increase band of between 50% and 100%), the average perceived percentage increase in AMLR-related costs for banks, over the past five years, is 67%.

¹⁰ KPMG. *op cit.*,

People have perceptions of higher AMLR-related costs for banks than for other sectors. However, most respondents rate AMLR-related costs within their own sector higher than respondents from other sectors.

We also asked people to indicate how much they expected AMLR-related costs to increase over the next five years. Over 75% of all respondents expect further significant AMLR-related cost increases over the next 5 years. Lawyers and accountants expect particularly high cost increases.

Chart 3 – AMLR-related costs – expected future increases



Lawyers are, on average expecting the highest AMLR-related cost increases over the next five years. 29% of UK lawyers and 33% of international lawyers predict an AMLR-related cost increase of over 50% in the next five years. A further 33% of international lawyers expect an AMLR cost increase of between 20% and 50% in the next five years

“There is only one way for costs to go over the next few years – and that is up” – Partner in large, UK-based law firm

Opportunity costs for lawyers & accountants

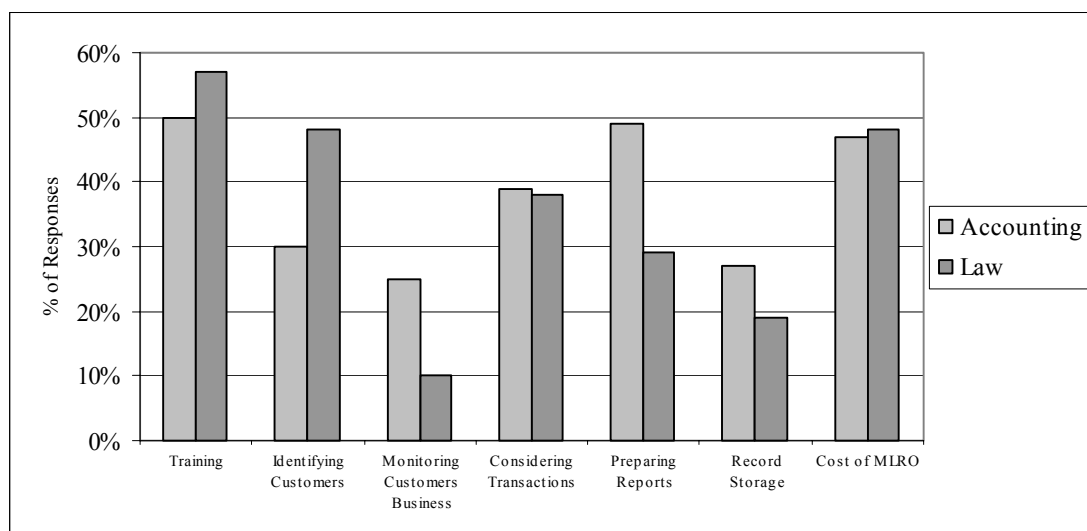
Many of the professional services companies we contacted said that their highest costs are lost opportunity costs of fee earners attending AML training in order to comply with AMLR.

“The opportunity cost of training fee earners is very high” – MLRO in medium-sized, UK-based law firm

Several have made attempts at producing estimates of opportunity costs by calculating the hours taken in training and multiplying this by an ‘average’ charge-out rate. Training for each fee earner is no more than four or five hours a year. Opportunity costs are only really lost when the fee earner is at full capacity all year. We think it unlikely that the values put on lost opportunity costs represent genuine costs to the firms involved as it is unlikely that most fee-earners cannot ‘spare’ a few hours each year for training.

We asked people to rate different AMLR-related costs. 50% of UK-based accountants and 57% of UK-based lawyers perceive training costs to be ‘High’ or ‘Very High’. The chart below shows the percentage of respondents that perceive other cost categories as ‘High’ or ‘Very High’.

Chart 4 – AMLR-related costs for UK-based law and accounting firms



We were interested to see whether the size of professional services firms had a bearing on perceptions of AMLR-related costs. We created a cost score for accountants from the answers to questions and assessed their average cost score against the size of firm. There would appear to be very little difference in cost perception among different sizes of firm. The average cost score for firms with fewer than 100 employees is 4.28 whereas the average cost score for firms with more than 5,000 employees is 4.27. This apparent similarity in perceived costs, conceals the feeling amongst smaller professional services firms that small companies are unduly burdened because they have less ability to bear such high costs. Several representatives of small law and accounting firms pointed out that the cost of a senior MLRO is the same in a small company as in a large company.

3.2 UK regulation and costs are high

One very clear message, with which virtually everyone agreed, is that the financial services industry in the UK has a more rigorous and consequently more costly, implementation of international AMLR than other major financial centres. One of the reasons that the UK implementation of AMLR is more rigorous than in other jurisdictions is that the UK has implemented the Second Money Laundering Directive, whereas several European countries, including France and Italy have yet to do this. Italy, for example, has recently eased the rules on false accounting and granted an amnesty on illegal accumulation of offshore funds.¹¹

Another example of the UK implementation of AMLR being more rigorous is that the UK AMLR covers all underlying crimes, including tax evasion, whereas other jurisdictions limit the scope of the crimes to which the regulations apply. In the UK more sectors of the financial services industry fall within AMLR than in other countries. Examples of these sectors include lawyers and accountants.

Several of our interviewees operate in several different jurisdictions and there was general agreement that their operations in the UK were subject to more rigorous AMLR than elsewhere. There was one interviewee that said the German approach to AMLR was more rigorous than the UK in a few respects, notably with a rule that

¹¹ *The Economist* – 29 January 2005, p.79.

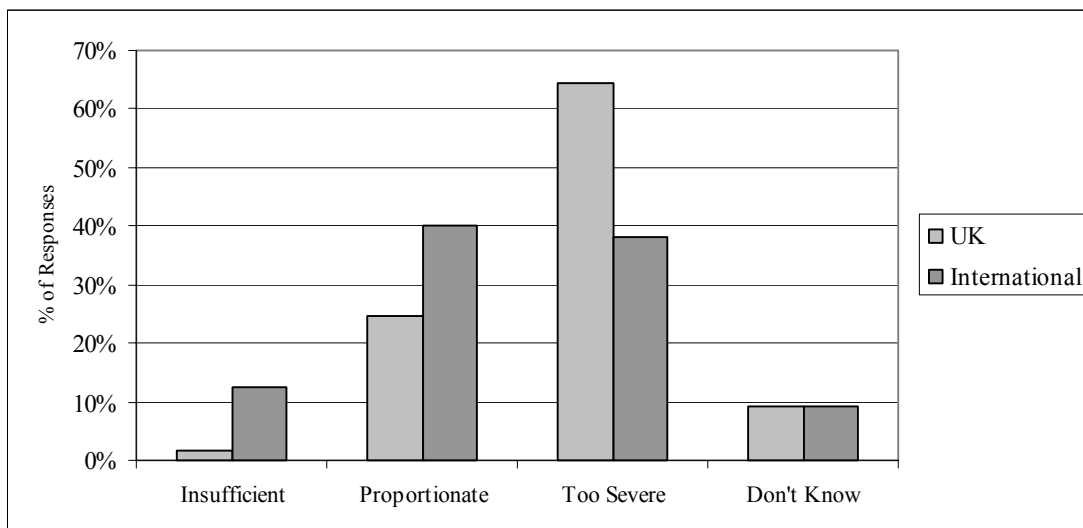
requires organisations to confirm regularly the reliability of their staff. This was the only example we heard of a more rigorous interpretation of FAFT’s forty recommendations than in the UK.

We asked how proportional people think that AMLR is to the risks of money laundering. The results are fairly convincing. We asked if the level of AMLR was proportionate to the risk of money laundering in each respondents’ sector. 65% of UK respondents said the level of AMLR was too severe, while only 38% of international respondents felt the level of AMLR was too severe. 40% of UK-based banking respondents felt that AMLR were proportionate and 43% felt AMLR were too severe for the risks.

However responses from UK-based accountants and lawyers were more skewed towards AMLR being too severe. 77% of UK-based accountants and 84% of UK-based lawyers felt AMLR too severe for the risks involved in their sectors.

“Sledgehammer to crack a nut”
– MLRO UK-based law firm

Chart 5 – Is AMLR proportionate or too severe?



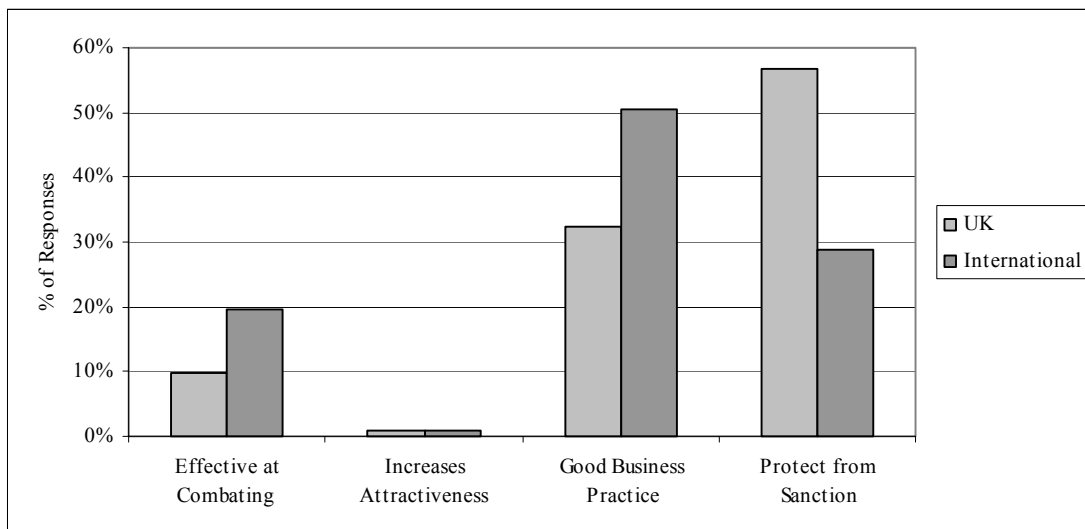
We asked respondents about how practical AMLR were to implement. 75% of UK accountants (against 39% of international accountants) and 84% of UK lawyers (against 33% of international layers) felt AMLR were ‘Impractical’ or ‘Very Impractical’.

“The current requirements are a completely disproportionate response to money laundering – there are far too many reports, far too much wasted time and far too much bureaucracy – and you can quote me on that!” – London based accountant

Compliance

We asked people why they complied with AMLR. 57% of UK respondents said that their organisations complied with AMLR to avoid sanctions from the authorities, while only 32% said they complied because AMLR represent good business practice. Of the international respondents, 51% said they comply because they believe that AMLR in their country represent good business practice and only 28% comply to protect themselves from sanctions.

Chart 6 - Reasons for complying with AMLR



Less than 10% of UK respondents said that they complied with AMLR because the requirements were effective at combating money laundering. This contrasts with 20% of international respondents who comply because they believe AMLR are effective at combating money laundering.

Over 50% of UK lawyers comply because they think AMLR are good business practice. Only 22% of UK accountants comply for this reason. 73% of UK accountants comply with AMLR to protect themselves from sanction.

UK banks are generally less worried about sanctions from the authorities and are increasingly taking a 'risk-based' approach – meeting the bare minimum AMLR requirements but putting more effort, time and cost into strict control of areas of their business that are at most risk from money launderers. This approach is recommended in the recent JMLSG proposals and is supported by FSA. Many people believe that PoCA should be amended to reflect this approach.

Two-thirds of UK-based organisations comply with AMLR in order to avoid sanctions from the authorities, rather than because they perceive AMLR as representing good business practice or as being effective at combating money laundering. Just over half of organisations from other jurisdictions comply because they believe that AMLR in their country represent good business practice.

When asked about AMLR cost increases in different jurisdictions, people felt that the UK had seen higher cost increases over the past five years than other jurisdictions. 55% of UK respondents said that AMLR costs in UK have risen by more than 50%. Only 36% of international respondents said that AMLR costs in their country had risen by more than 50%.

The best estimates of AMLR costs made above (bearing in mind the caveats given there) are restated here alongside total GDP estimates:

Table 7 – AMLR costs versus GDP

Country	Best AMLR Cost Estimate	Total GDP Estimate	% AMLR Cost versus GDP
UK	£255m	£964bn	0.026%
USA	£1,200m	£5,850bn	0.021%
Germany	£150m	£1,290bn	0.012%
France	£85m	£900bn	0.009%
Italy	£70m	£788bn	0.009%

It would appear from the above figures that private sector AMLR costs in UK are significantly higher as a proportion of national GDP than in other major jurisdictions. The proportion of AMLR costs versus GDP is almost one quarter higher in the UK than in the USA, over double that in Germany and almost three times that in France and Italy.

An interesting point concerns the relative balance between the costs borne by the private sector and the costs borne by the government and regulators. There is, predictably, very little firm data on this balance between private and public sector but a perception that came across from several of the interviewees and respondents from the USA is that UK private sector organisations pay a larger proportion of the total AMLR cost than in USA. Some of the survey respondents, especially from professional services firms in the UK, say that the UK government expects the private sector to take on too much of the regulatory responsibility. One of several similar comments:

“I find it completely unfair to expect professional accountancy firms to be unpaid police and customs officers” – MLRO medium-sized UK-based accounting firm

Regulators argue that professional services firms are over-reacting to their recent inclusion within the regulations. Regulators feel that the detection of money

laundering will inevitably come as a result of activity within the private sector. However, if the regulators rely on the private sector to detect money laundering, then in order to provide an incentive regulators must give confidence that enforcement of the regulations will be effective.

3.3 UK competitiveness probably not yet affected, but few benefits

The rigorous implementation of international AMLR has not yet had a profound impact, either negative or positive, on the competitiveness of the UK as a financial centre. Respondents perceive that there are more important factors impacting on the competitiveness of a particular jurisdiction than the regulatory environment in general and AMLR in particular.

The table below shows the percentage of respondents who thought the attractiveness of each country mentioned had decreased, remained unchanged or increased as a result of AMLR (without the respondents who answered ‘Don’t Know’).

Table 8 Changes in attractiveness in each country

Country	UK	USA	Germany	France	Italy
Attractiveness Decreased	36%	40%	12%	20%	23%
Attractiveness Remained Unchanged	46%	47%	78%	70%	62%
Attractiveness Increased	18%	13%	10%	10%	15%

There are a number of ways of interpreting these results. For each country there is a substantial percentage of respondents who selected ‘Remained Unchanged’. This figure is significantly smaller in the UK and USA (46% and 47% respectively) than in the other three countries. This shows that perceptions about the attractiveness of the UK and USA have changed more than in the other markets. Of the people who perceive that attractiveness has changed in UK, twice as many feel that attractiveness has decreased as feel that attractiveness has increased. Of the people who perceive attractiveness has changed in USA, three times as many feel that attractiveness has decreased as feel that attractiveness has increased.

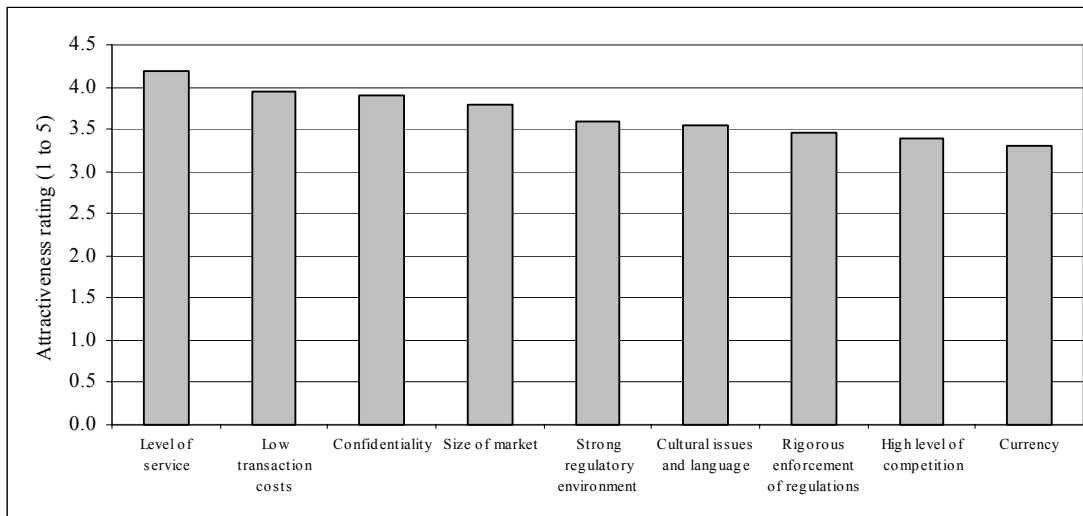
Three times as many people feel that attractiveness has decreased in UK as feel it has decreased in Germany (36% versus 12%). Our survey results and all the evidence from professionals within the industry seems to agree the UK financial services industry is ‘on the edge’ of losing competitiveness because of the level of AMLR. Several of our interviewees said that the situation at present is ‘tolerable’ but any further AMLR will be surely be detrimental to competitiveness.

The percentage split of responses by sector is interesting. 19% of respondents from UK banks perceived that the UK is now less competitive as a result of AMLR. 35% of respondents from UK accountants perceived that the UK had become less competitive as a result of AMLR and 47% of respondents from UK law firms felt this way. We should bear in mind that the perceptions of accountants and law firms do not start from the same position. Banks have had to deal with AMLR for much longer than accountants and law firms who have only had to deal with AMLR since the 2003 regulations.

It would appear from these figures that many lawyers perceive the UK has become less competitive as a result of AMLR implementation. However, our interviews with law firms suggested that they had not lost out competitively because they still held other, non AMLR-related competitive advantages over international competitors.

The survey asked respondents to rate the importance of a number of factors that make a particular jurisdiction attractive to business. The average scores are shown on the page opposite:

Chart 7 – The relative importance of factors of ‘attractiveness’



It is clear that respondents perceive factors such as service levels, transaction costs, confidentiality and the size of the market as more important to the competitiveness of a particular country than the strength of the regulatory environment (which includes AMLR). Since there are so many factors that are rated as more important than regulation, it is not surprising that few respondents see the UK AMLR having a major negative effect on the competitiveness of London as a financial services centre. Even though a strong regulatory environment is not the most important factor in determining competitiveness, many interviewees perceive that UK is approaching a level of regulation which will start to adversely affect competitiveness.

The overall level of UK financial services regulation generally is a concern to senior figures in financial services. The Centre for the Study of Financial Innovation (CSFI) conducts an annual study of risks to the financial services industry.¹² The 2005 study concludes:

“The remorseless rise in regulation dominates this year’s Banana Skins survey... This is the first time this risk [over-regulation] has topped the poll in the ten years that the survey has been conducted, though its steady rise has been charted over the last three years”

¹² CSFI, *Banking Banana Skins* – February 2005.

There are also wider concerns about the scale of regulation in all industries. *Financial Director* magazine (March 2005) reported two surveys of CEO's that found that the issue that business leaders are most worried about is over-regulation and the costs of compliance in their industries. The top 1,000 US corporations are spending on average \$5.1 million each on just Sarbanes-Oxley compliance according to Korn/Ferry.¹³ AMLR are seen as part of this wave of regulation. Of course, one effect of so much concern about over-regulation is that participants in this study may not distinguish the AMLR component of regulation or may have a 'knee-jerk' reaction to questions about regulation, i.e. 'too high', 'too much cost'.

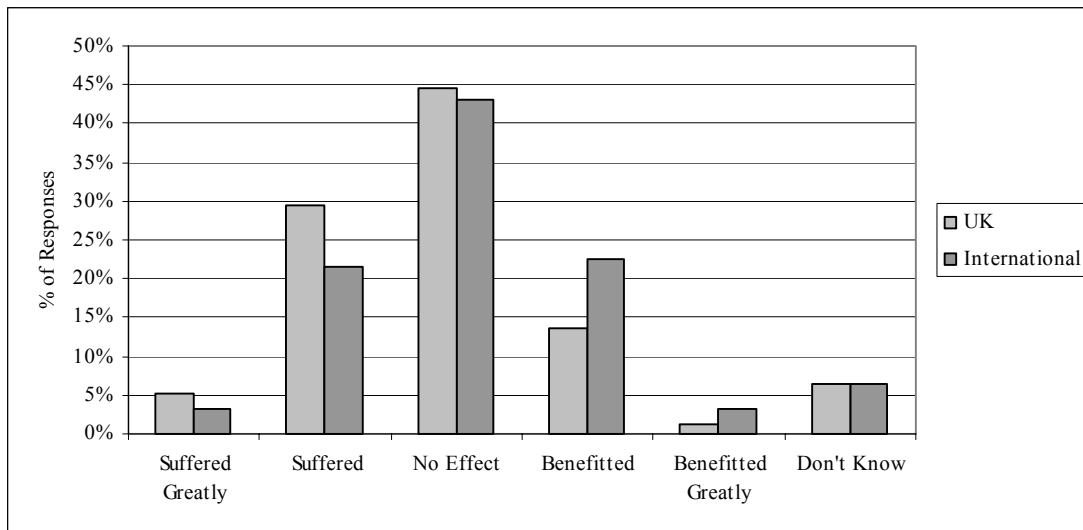
We asked people how much their organisation had benefited or suffered from implementing AMLR (ignoring AMLR-related costs). 44% of UK respondents and 43% of international respondents perceived that if costs are ignored, AMLR had no detrimental or beneficial effect to their organisation. Only 15% of UK respondents and 26% of international respondents perceived that their organisation had 'Benefited' or 'Benefited Greatly'.

There are however some interesting differences between sectors in the responses we obtained. Professional services companies perceive very few benefits – only 6% of UK-based accountants perceived any benefits. 50% of UK-based banks (and 46% of international banks) said that they had 'Benefited' or 'Benefited Greatly' from AMLR.

“We see no real benefits at all – AMLR is just one of the costs of doing business” – MLRO London-based accounting firm

¹³ Korn/Ferry: *International's 31st Annual Board of Directors Study - 2004*

Chart 8 – Have organisations benefited or suffered from AMLR?



This chart shows that when international respondents were asked about whether their organisations have benefited or suffered as a result of AMLR, the distribution of their perceptions is fairly balanced. The distribution of UK respondents' perceptions is skewed towards their organisations having suffered. Of the people who felt their organisation had suffered, 33% said that they had lost customers and 43% said that they had experienced increased administration dealing with AMLR-related issues.

Few AMLR-related benefits are perceived

Many of the respondents to our survey perceived very few AMLR-related benefits to their organisation. Most people acknowledge 'social' benefits or benefits to the whole economy. Benefits specifically mentioned were 'living in a more honest society', 'discouraging criminal gangs and drug dealers' and 'helping to fight terrorism'.

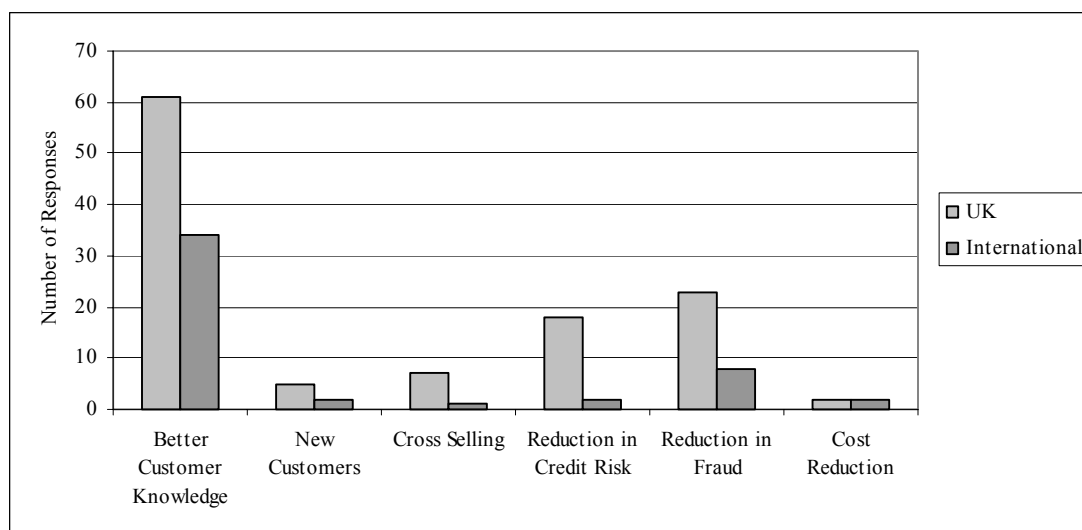
Several interviewees felt that benefits can only be measured against direct costs, in other words measuring the direct costs to the government against how much money is seized as a result of having AMLR in place.

"The cost to the government of running NCIS will not be recovered in cash seizures" – MLRO for a private bank.

Which benefits are evident to organisations?

It is clear from the chart below that better knowledge of customers was the main benefit perceived by respondents overall.

Chart 9 - AMLR-related benefits



Retail banks perceived that a reduction in credit risk and fraud was also a significant benefit to them. Retail banks generally perceived that better customer knowledge was a benefit but some doubted that they were able to make use of this increased knowledge.

3.4 UK AMLR no more effective than elsewhere

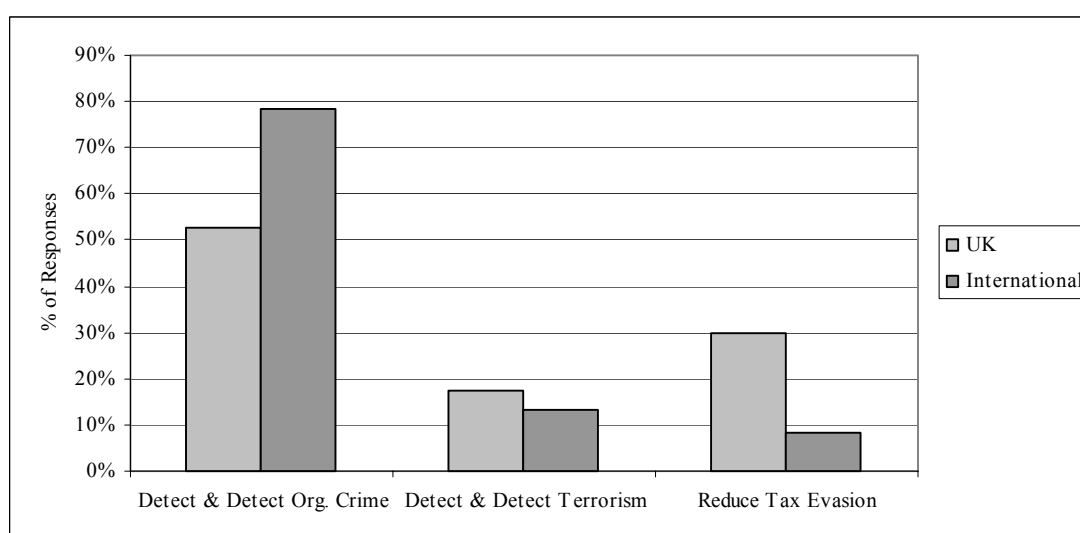
The UK is perceived as being more heavily regulated than other major financial centres. The UK incurs more AMLR-related costs than elsewhere. People involved in the financial services industry in UK do not perceive many benefits to their firms from AMLR. One might hope that with all these negative factors, AMLR would at least be effective at combating money laundering. However, UK AMLR are not perceived as being more effective at detecting and deterring money laundering than AMLR in other jurisdictions.

“The only benefit to the UK is greater tax revenues - criminals will not get caught” – Compliance Director and MLRO – UK –based accounting firm

The main intention of AMLR

In trying to judge effectiveness it is important to have a clear understanding of what the objectives of AMLR are. One can then determine perceived effectiveness at achieving that specific objective. We asked people what they believed to be the main intention of AMLR in their country. 53% of UK respondents said that they thought the main intention of AMLR was to detect and deter organised crime. 30% of UK respondents (38% of accountants and 32% of lawyers) said that they thought the main intention of AMLR was to reduce the scope for tax evasion. 78% of international respondents said that they thought the main intention of AMLR was to detect and deter organised crime and only 8% of international respondents said that they thought the main intention of AMLR was to reduce the scope for tax evasion.

Chart 10 - The main intention of AMLR



We compared the perceptions of AMLR effectiveness for UK respondents who perceived different primary objectives of AMLR:

Table 9 AMLR effectiveness versus primary objective – UK respondents

Primary Objective	Overall Effectiveness Score	Effectiveness Score at Achieving Primary Objective
Deter & Detect Organised Crime	2.86	2.97
Reduce the Scope for Tax Evasion	2.37	1.77
Deter & Detect Terrorists	2.85	2.66

On average, respondents who thought the primary objective was to deter and detect organised crime rated AMLR effectiveness the highest, both in terms of ‘general’ effectiveness and effectiveness at achieving the primary objective. The respondents who thought the primary objective was to reduce the scope for tax evasion rated AMLR effectiveness the lowest, both in terms of ‘general’ effectiveness and effectiveness at achieving the primary objective.

The effectiveness of AMLR

We asked how effective AMLR are at deterring and at detecting money laundering. 24% of UK respondents and 54% of international respondents perceived AMLR as being ‘Good’ or ‘Very Good’ at deterring money laundering. 29% of UK respondents and 39% of international respondents perceived AMLR as being ‘Good’ or ‘Very Good’ at detecting money laundering.

Chart 11 - AMLR effectiveness at deterring money laundering

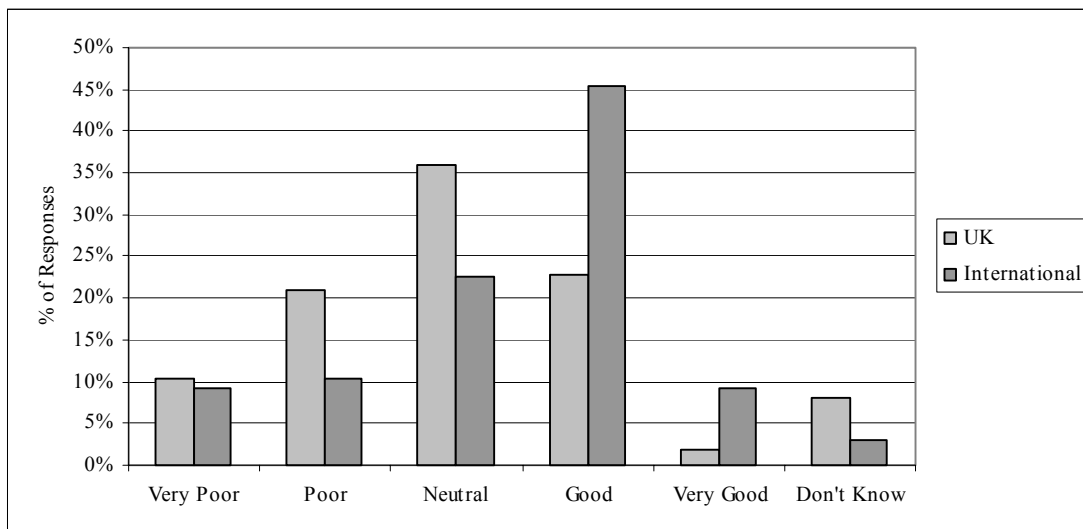
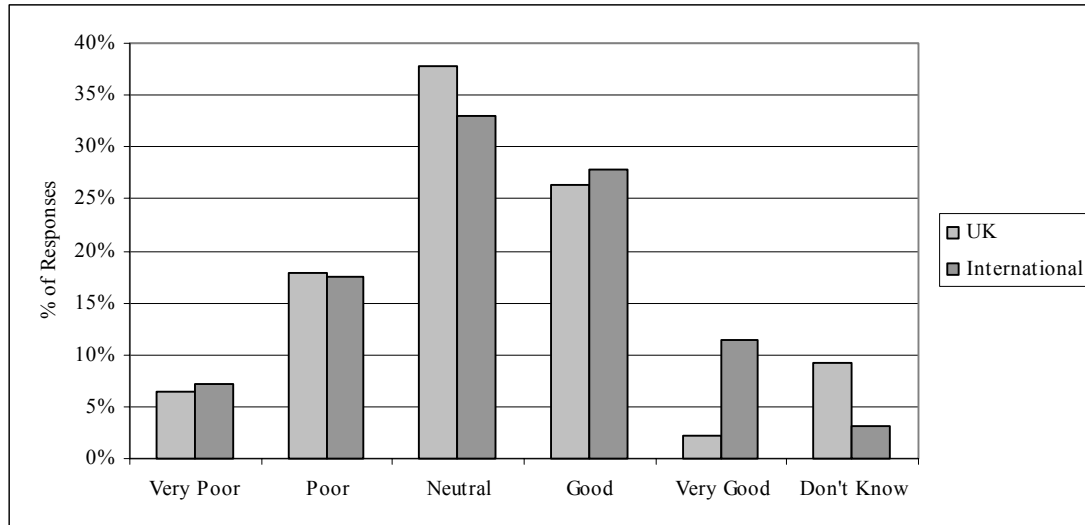


Chart 12 - AMLR effectiveness at detecting money laundering



The percentage of international respondents who believe that AMLR in their country is effective (‘Good’ or ‘Very Good’) in deterring and detecting money laundering is higher than the percentage of UK respondents who believe that AMLR is effective (‘Good’ or ‘Very Good’) in deterring and detecting money laundering.

“Whilst we go through the motions and comply with AMLR, I am absolutely certain that nothing we do will deter an organised criminal” – Partner UK-based accounting firm

These survey results indicate that the percentage of international respondents who believe that AMLR in their country is effective in deterring and detecting money laundering is higher than the percentage of UK respondents who believe that AMLR is effective in deterring and detecting money laundering. However, many UK financial services professionals believe that AMLR themselves are potentially effective but implementation is ineffective. The key area of customer identification (Know Your Customer or KYC) provides a good example of this.

“The idea of customer identification is clearly sensible but the actual customer identification process that most banks employ is simply not effective – it is a box ticking exercise” – MLRO UK-based retail bank

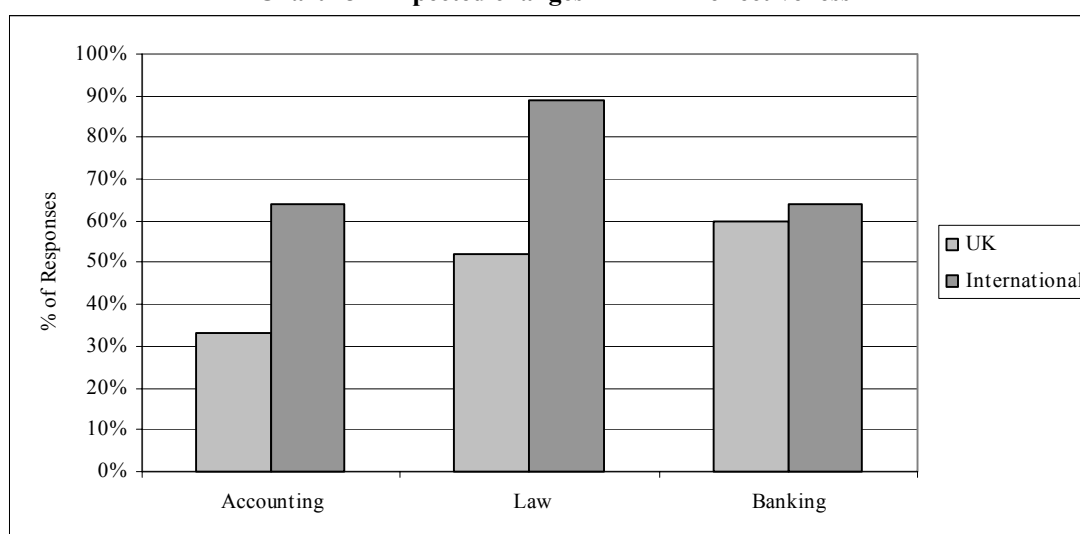
Changes in effectiveness

We asked people how effective AMLR will be in five years time compared to now. 67% of international respondents expect AMLR in their country to become 'More' or 'Much More' effective over the next five years. Only 39% of UK respondents expect AMLR in UK to become 'More' or 'Much More' effective over the next five years.

The difference in perceptions between UK and international respondents is particularly noticeable in professional services. 64% of international accountants expect AMLR in their country to become 'More' or 'Much More' effective over the next five years. Only 33% of UK accountants expect AMLR in UK to become 'More' or 'Much More' effective over the next five years.

89% of international lawyers expect AMLR in their country to become 'More' or 'Much More' effective over the next five years. Only 52% of UK accountants expect AMLR in UK to become 'More' or 'Much More' effective over the next five years.

Chart 13 - Expected changes in AMLR effectiveness



Many people believe that the KYC regulations in the UK are the strictest of all the major jurisdictions. Several respondents from the USA consider the UK KYC regulations to be far too strict – only after the 2001 terrorist attack on the World Trade Centre did the USA extend KYC to stockbrokers and dealers. However, many people feel that KYC in the UK is a basic first line of defence against money launderers and

money launderers will always ensure they have the right documentation to pass what has become a rather mechanised ‘box ticking’ procedure.

Another example of how UK AMLR requirements are potentially effective but fail in implementation is Suspicious Activity Reports (SARs). The number of SARs has increased dramatically over the past few years – estimates of the annual number of SARs submitted to NCIS are about 180,000 in 2005 – up from approximately 145,000 in 2004. Banks, accountants and lawyers are encouraged to submit a SAR on a ‘just in case’ basis because the penalties for not reporting a transaction which is found to be related to money laundering are severe and include personal liability for the organisation’s MLRO. Several interviewees felt that the issue of personal liability may have made a difference to the way that AMLR are implemented. 57% of UK respondents say that they comply with AMLR to protect themselves from sanction rather than because they believe they are effective or represent good business practice.

There are so many SARs now being submitted that NCIS does not have the resources to deal with them. In order to make the SARs mechanism more effective, a way of limiting the number is being called for by all sectors of the financial services industry. There has been a great deal of discussion in the accountancy profession about setting a *de minimis* financial limit. If a transaction is below this limit, a SAR would not be required. Many accountancy respondents said that reducing the number of SARs is the main way of making AMLR more effective. Many accountants believe that reducing the number of SARs should be achieved by excluding specific ‘low risk’ transaction types rather than setting a *de minimis* financial limit.

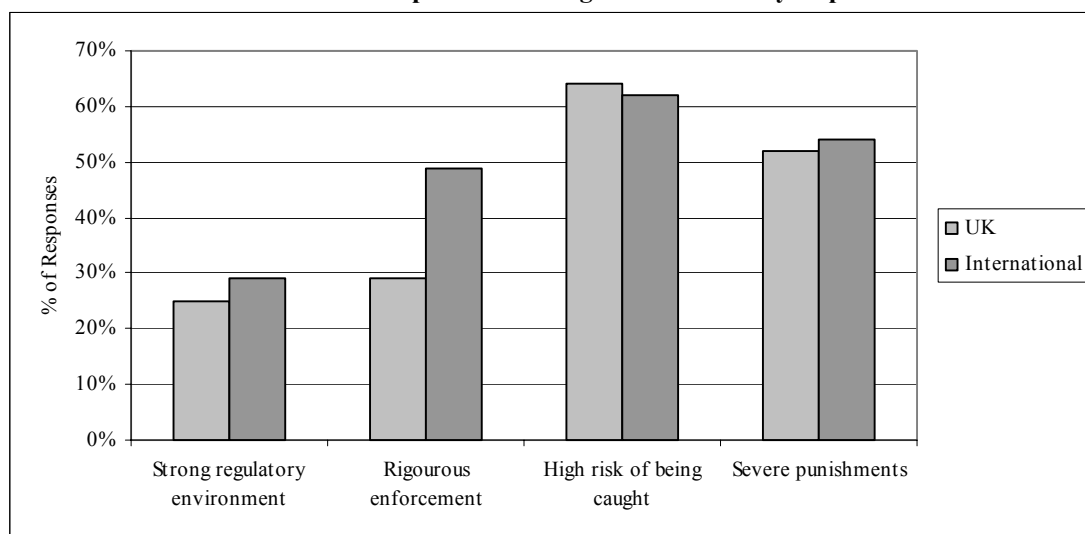
3.5 The likelihood of being caught is the biggest deterrent

Many criminal theorists suggest that a person will only commit a crime if they believe that the benefits will outweigh the costs. The ‘cost’ of punishment must outweigh the benefits of the crime if the punishment is to act as a deterrent. Increasing the perceived probability of conviction or the severity of the punishment makes the prospect of crime less attractive and is likely to deter the individual from committing the crime.

When asked to rate the importance of factors in deterring money launderers, 88% rated the likelihood of being caught as ‘Important’ or ‘Very Important’. 81% rated the severity of the punishment as ‘Important’ or ‘Very Important’ against only 74% who rated a strong regulatory environment as ‘Important’ or ‘Very Important’. 64% of respondents (65% of UK respondents and 62% of international respondents) rated a high perceived risk of being caught as ‘Very Important’. 53% of respondents (52% of UK respondents and 55% of international respondents) rated severe punishments as ‘Very Important’.

These ratings compare with 27% of respondents who rated a strong regulatory environment as ‘Very Important’ and 34% of respondents who rated rigorous enforcement of the regulations as ‘Very Important’.

Chart 14 - % of Respondents rating deterrents ‘Very Important’

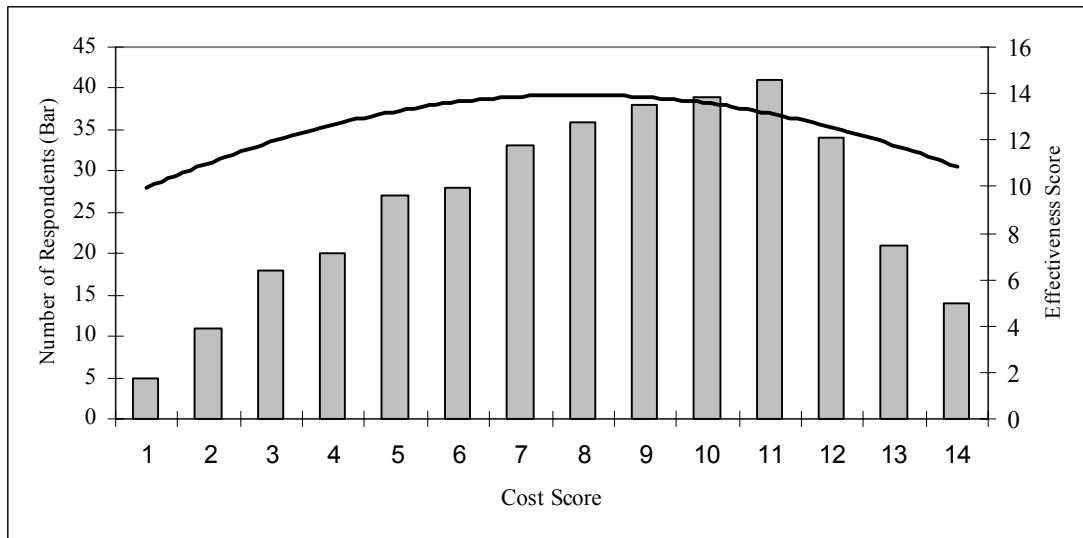


Raising the perceived likelihood of being caught and raising awareness of severe punishments are thought likely to deter money laundering. Deterring money laundering is clearly a primary objective of AMLR. The amount by which money launderers are deterred can be viewed as one measure of AMLR effectiveness. It follows that raising the perceived likelihood of being caught and raising awareness of severe punishments will increase AMLR effectiveness.

We found an interesting relationship between perceived AMLR-related costs and perceived AMLR effectiveness. We created a ‘cost perception score’, based on the

answers to cost perception related questions in the survey, and related this to an ‘effectiveness perception score’ based on answers to effectiveness perception questions. We compared the two scores and the results are shown in Chart 15:

Chart 15 - AMLR costs and AMLR effectiveness



The curve on the chart above indicates that people who perceive AMLR costs to be high (10 or above) tend to perceive AMLR effectiveness to be lower than those who perceive AMLR costs to be in the mid-range (7 to 9). The modal (most frequent) cost score was 11 and well over half the respondents had a cost score of 9 or above. At a cost score of 9, the effectiveness score curve starts to decline. The results suggest that very high AMLR costs may reduce the perception of AMLR effectiveness. People who have experienced very high costs tend to feel less positively about AMLR in general and about the effectiveness of AMLR in particular. It might be that there is a positive correlation between the level of AMLR and the level of AMLR criticism.

If very high AMLR costs reduce the perception of AMLR effectiveness, then further expenditure on AMLR might be more effectively directed at increasing the perceived likelihood of money launderers getting caught than at increasing the level of regulation. Professionals familiar with AMLR in the UK and internationally, believe that increasing the level of expenditure on the regulatory environment is not likely to yield great effectiveness in deterring money laundering.

"The effectiveness of the AML regime will not increase with more money spent on it" - Senior MLRO major European investment bank

However, spending money on raising public (and money launderers') awareness of money launderers being caught and punished severely is likely to deter money laundering better. As one interviewee put it:

"Big money laundering is conducted by very sophisticated people – they will always find ways round the regulations. The way to stop them is to make money laundering itself less attractive" – Senior partner major international law firm

3.6 AMLR in different jurisdictions to become more similar

There is a perception that AMLR in major jurisdictions will become more similar over the next few years. Respondents and interviewees talk of a 'leveling of the playing field' that is most likely to be achieved by other jurisdictions increasing their AMLR rather than the UK relaxing theirs.

There is little difference in perception of future cost increases between UK and international respondents. However, two-thirds of respondents from international markets believe that AMLR in their countries will become 'More' or 'Much More' effective in five years time compared with now. Only 39% of UK respondents believe that AMLR in the UK will become 'More' or 'Much More' effective in five years time compared with now.

22% of international respondents perceive that their organisations will experience greater AMLR-related benefits over the next five years. Only 8% of UK respondents perceive that their organisations will experience greater AMLR-related benefits over the next five years.

The EU is proposing a Third Money Laundering Directive, now undergoing consultation.¹⁴ Many of the provisions in the draft articles will have little impact in the UK, where the existing legislation already exceeds the expected contents of the proposed Directive. For example, the offence of money laundering will include transferring or converting property in the knowledge that the property is derived from ‘criminal activity’. The definition of ‘criminal activity’ under the proposed Directive will include all offences which are punishable by a prison term of at least 6 months (or in some Member States a prison term of 12 months). Since the equivalent provision of the UK’s PoCA already goes wider than this, covering all criminal offences, no change to the UK position will be required.

It is apparent that a number of countries in the EU have not yet complied with the previous Directive which came into effect in 2001. Several senior professionals have pointed out that some jurisdictions are a long way behind the UK in terms of their AMLR framework. They feel that it will take these jurisdictions many years to ‘catch up’.

Many people in jurisdictions outside the UK recognise that the UK is heavily regulated and incurs high AMLR-related costs but believe that it is no more effective at deterring and detecting money laundering than their own jurisdictions. This perception raises the question of what motivation is there for other jurisdictions to ‘catch up’ with the UK. We argue that the UK is the first jurisdiction to implement AMLR in such a rigorous manner and that it is now in a position to improve the effectiveness by redirecting expenditure.

3.7 Regulatory and communications gaps in AMLR

There are gaps in AMLR regulations and gaps in communications that undermine the effectiveness of the AML effort in the UK. It is believed that these can be closed without a dramatic increase in AMLR themselves.

¹⁴ European Commission, *op cit.*,

Regulatory gaps

Many professionals believe that AMLR could be more effective with a collective pooling of AML intelligence about client activity. In the UK, NCIS has a very important role in collecting AML intelligence but currently does not have sufficient resources to perform this role as effectively as it might. Several people we spoke to believe that if regulators are serious about reducing money laundering, then they need to employ greater resources in NCIS.

There is no international enforcement agency tracking international financial criminals and money launderers. Cross-border transactions are an important feature of money laundering and national regulators find it difficult to tackle this problem effectively.

Whilst PoCA covers all businesses, the Anti-Money Laundering Regulations themselves do not apply to all types of business. It is likely that there are gaps in the regulations that money launderers could exploit. Gambling is currently being investigated by NCIS as high-street bookmakers fall outside the regulations and provide an easy path towards financial legitimacy. Similarly, general insurance companies are not included within the regulations (although life assurance is covered). Business providing services for cash are another example of a regulatory gap. Early drafts of the EU Third Directive included business providing services for cash (only above €15,000) although they have been excluded in the latest previous draft.

Hedge funds, although covered by the regulations, have a particular issue which regulators are now recognising as a significant way of layering funds. Their business often involves derivatives. These have complex structures which involve several different parties. Administrators, managers, custodians and investors can all potentially be money launderers.

Communications gaps

It is evident that there is a communications gap in the UK. This gap takes two main forms, the lack of feedback and the lack of publicity.

Feedback to financial services institutions regarding the quality and quantity of SARs is inadequate. Organisations that produce SARs get virtually no feedback on the value of their reports, based upon the answers to Question 18 in our survey. Only 8% of UK respondents said that feedback was 'Effective' or 'Very Effective'. These organisations therefore can not improve the value of their reports. Feedback would probably result in fewer but better researched and more qualified reporting. Lack of feedback, combined with severe penalties and personal liability, leads organisations to over-report. A high proportion of SARs that the NCIS currently receive, record 'suspicious', but not necessarily illegal, transactions.

The regulatory authorities provide organisations with little information about new money laundering techniques and typologies. New typologies are evolving all the time – many are linked to other forms of financial crime. The FSA increasingly thinks that anti-fraud and AML should be dealt with in the same department within financial services organisations. Retail banks are beginning to join the two functions. Indications are that joining anti-fraud and AML is already providing a useful insight into patterns of criminal activity.

Another type of inadequate feedback regards successful prosecutions, successful convictions and asset seizures. Financial institutions would benefit from the knowledge that their costs, time and effort has resulted in some positive outcome. There is also a need for greater general publicity of successful convictions and asset seizures. The general public, and also money launderers, need to see that the regulations and their enforcement as being successful. Seeing successful enforcement will raise the perceived likelihood of being caught, which has been shown to be the most effective deterrent. A clear link between AMLR and the crimes which affect the general public most (for example drug dealing and robbery) will lead to improved public perception of AMLR.

A good example of effective communication in a similar area is the Health & Safety Executive Public Register of Convictions¹⁵ which is published on the internet. A similar format could enhance general awareness of successful money laundering prosecutions. There are currently a number of organisations and agencies that publish and distribute newsletters regarding arrests and prosecutions for financial crime.¹⁶ These seem to have only a limited circulation and generally go to interested professionals rather than the general public. A widening of the circulation would probably raise awareness.

It is likely that the lack of feedback affects perceptions within the industry. People in financial services institutions tend to see only the increased administration, increased costs and increased time spent on AMLR. They do not see **benefits** and they do not see results in terms of money launderers being caught. It is hardly surprising therefore that they perceive AMLR itself as a ‘bad’ thing.

¹⁵ www.hse-databases.co.uk/prosecutions

¹⁶ These include the Concerted Inter-Agency Criminal Finances Action Group and the Asset Recovery Agency.

4. Conclusions

The main themes in summary are:

- AMLR-related costs in the UK are perceived as being higher than in other jurisdictions;
- the high AMLR-related costs in the UK are not perceived as generating greater benefits to UK-based organisations;
- the UK has not yet become competitively disadvantaged due to AMLR-related costs but it is approaching a ‘tipping point’;
- the high AMLR-related costs in the UK are not perceived as generating greater effectiveness in deterring money laundering;
- the UK can become more effective at deterring money laundering by raising the perceived likelihood of money launderers being caught;
- it seems likely that other jurisdictions will incur greater costs in the future as they raise the level of their regulations towards the UK level.

Overall the effectiveness of AMLR could perhaps best be enhanced by closing regulatory and communication gaps. It is likely that there are currently several regulatory gaps in AMLR. However, an even more significant gap in the anti-money laundering effort is the communications gap. Areas of communications which, if improved, could yield significant results in terms of AMLR practicality and effectiveness include:

- ‘Joined-up intelligence’ – insufficient resources are aimed at this. Many professionals believe that AMLR could be more effective with a collective pooling of AML intelligence about client activity. In the UK NCIS has a very important role in collecting AML intelligence but currently does not have sufficient resources to perform this role as effectively as it might.
- Feedback to financial services institutions regarding the quality and quantity of SARs would appear to be inadequate.

- Feedback on successful prosecutions and convictions to financial institutions – and general publicity of successful convictions and asset seizures - appears to be inadequate.
- Feedback on money-laundering typologies to look out for, again appears to be inadequate.

If improved communications can advance AMLR practicality and effectiveness this should be viewed mainly as good news – closing the communications gap should be one of the easiest things to get right.

Greater AMLR effectiveness must be the primary objective. If the effectiveness of AMLR is improved, then money laundering will be increasingly deterred, prosecutions and asset seizures will become more frequent and can be made more visible. If these improvements happen then we believe that the costs of implementing AMLR will be perceived as less of a burden and more of an acceptable cost of doing business in a modern, civilised society. It is perhaps appropriate that we let a regulator have the final word:

“AMLR is not a question of cost – we have to spend the money – the real question is how to make what is spent more effective” – UK Regulator

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Appendix A – Interviewees

We interviewed representatives of the following organisations:

Banks

- Deutsche Bank
- Citigroup
- Abbey
- ICICI Bank
- HSBC
- SG Hambros
- Lloyds TSB
- Arab Bank
- ABN AMRO

Accountants

- Kingston Smith
- Frank Hirth Plc
- Deloitte
- KPMG
- Institute of Chartered Accountants in England & Wales
- Association of Chartered Certified Accountants

Lawyers

- DLA
- Devonshires
- Clyde & Co
- Berwin Leighton Paisner
- Linklaters
- Norton Rose
- The Law Society

Regulators & Others

- Financial Services Authority
- Asset Recovery Agency
- City of London Police
- Metropolitan Police Financial Investigation.
- US Treasury
- HM Treasury
- Haymarket Management Services Limited
- Goshawk
- International Underwriting Association
- MHA Consulting

We were helped by several interviewees who offered to forward the survey to their membership or networks. These included:

- Institute of Chartered Accountants in England & Wales;
- International Underwriting Association;
- Association of Chartered Certified Accountants;
- MLROs from several leading banks;
- Association of Foreign Banks;
- US Treasury – FATF contacts;
- US Embassy - IRS Criminal Investigations;
- American Banking Association;
- Securities Industry Association in USA;
- American Council of Life Insurers;
- British Bankers' Association;
- The Law Society;
- representatives of the financial crime agencies in France, Germany and Italy.

Appendix B – Survey results

Below are the results of the most of the survey questions (we have excluded those which required a written response or confidential information such as respondents' names, email addresses and organisations). Please note that not all respondents answered all questions – total responses are not 386 for all questions.

Q4 - How do you think the costs of implementing AMLR in your organisation have changed over the past 5 years?

Q4 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Decreased	0	2	0	1	0	0	0	2	0	5	5
Remained Constant	2	3	5	3	0	1	12	5	19	12	31
Increased by less than 20%	1	3	26	14	3	5	12	6	42	28	70
Increased by 21% to 50%	6	10	20	1	2	1	13	3	41	15	56
Increased by 51% to 100%	8	9	28	1	2	0	5	2	43	12	55
Increased by over 100%	13	11	74	11	12	1	12	3	111	26	137
Don't Know	3	2	4	2	2	1	16	2	25	7	32
Total	33	40	157	33	21	9	70	23	281	105	386

Q5 - How much do you think the costs of implementing AMLR are likely to change over the next five years?

Q5 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Decrease	1	4	1	1	0	0	0	1	2	6	8
Remain Constant	2	5	21	1	2	1	11	4	36	11	47
Increase by less than 20%	9	10	41	18	8	2	21	8	79	38	117
Increase by 21% to 50%	14	11	54	5	4	3	18	6	90	25	115
Increase by 51% to 100%	4	7	18	3	2	3	9	3	33	16	49
Increase by over 100%	0	1	14	3	4	0	3	1	21	5	26
Don't Know	3	2	8	2	1	0	8	0	20	4	24
Total	33	40	157	33	21	9	70	23	281	105	386

Q6 - How high are AMLR costs for the following sectors? - Investment Banking Buy Side

Q6 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	3	1	0	0	0	1	1	2	4	6
Low	5	4	2	2	2	1	6	5	15	12	27
Moderate	3	11	20	4	0	1	12	4	35	20	55
High	11	10	43	12	4	6	19	9	77	37	114
Very High	3	8	24	8	5	0	14	1	46	17	63
Don't Know	11	4	67	7	10	1	18	3	106	15	121
Total	33	40	157	33	21	9	70	23	281	105	386

Q6 - How high are AMLR costs for the following sectors? - Investment Banking Sell Side

Q6 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	2	1	0	0	0	1	1	2	3	5
Low	1	3	5	1	2	0	7	4	15	8	23
Moderate	4	9	20	7	1	2	12	3	37	21	58
High	9	16	42	11	5	6	21	12	77	45	122
Very High	8	8	24	7	3	0	11	0	46	15	61
Don't Know	11	2	65	7	10	1	18	3	104	13	117
Total	33	40	157	33	21	9	70	23	281	105	386

Q6 - How high are AMLR costs for the following sectors? - Wholesale Banking

Q6 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	2	2	0	0	0	0	2	2	4	6
Low	0	1	4	2	2	1	2	3	8	7	15
Moderate	7	10	17	10	0	1	21	5	45	26	71
High	14	18	43	7	6	6	19	10	82	41	123
Very High	4	4	27	8	4	0	9	0	44	12	56
Don't Know	8	5	64	6	9	1	19	3	100	15	115
Total	33	40	157	33	21	9	70	23	281	105	386

Q6 - How high are AMLR costs for the following sectors? - Retail Banking

Q6 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	3	0	0	0	0	0	1	0	4	4
Low	1	1	3	1	1	1	2	0	7	3	10
Moderate	3	1	14	9	0	1	5	3	22	14	36
High	5	14	44	7	4	5	21	8	74	34	108
Very High	16	16	48	12	7	1	27	9	98	38	136
Don't Know	8	5	48	4	9	1	15	2	80	12	92
Total	33	40	157	33	21	9	70	23	281	105	386

Q6 - How high are AMLR costs for the following sectors? - Insurance

Q6 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	2	0	0	0	0	0	1	0	3	3
Low	2	9	2	6	2	1	2	5	8	21	29
Moderate	4	9	33	8	5	2	20	5	62	24	86
High	7	7	39	7	2	4	20	4	68	22	90
Very High	3	3	31	5	2	0	12	5	48	13	61
Don't Know	17	10	52	7	10	2	16	3	95	22	117
Total	33	40	157	33	21	9	70	23	281	105	386

Q6 - How high are AMLR costs for the following sectors? - Asset Management

Q6 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	2	0	0	0	0	1	3	1	5	6
Low	1	6	2	7	0	0	4	0	7	13	20
Moderate	8	9	30	6	2	2	11	5	51	22	73
High	8	14	42	5	6	5	22	11	78	35	113
Very High	1	2	25	7	3	0	19	2	48	11	59
Don't Know	15	7	58	8	10	2	13	2	96	19	115
Total	33	40	157	33	21	9	70	23	281	105	386

Q6 - How high are AMLR costs for the following sectors? - Law

Q6 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	10	1	4	0	0	3	2	4	16	20
Low	3	6	5	7	1	4	7	3	16	20	36
Moderate	6	6	26	5	1	3	23	5	56	19	75
High	7	7	44	5	8	2	15	3	74	17	91
Very High	2	1	38	8	10	0	5	4	55	13	68
Don't Know	15	10	43	4	1	0	17	6	76	20	96
Total	33	40	157	33	21	9	70	23	281	105	386

Q6 - How high are AMLR costs for the following sectors? - Accountancy

Q6 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	8	0	4	0	0	3	1	3	13	16
Low	3	10	5	7	0	4	8	5	16	26	42
Moderate	6	6	21	7	1	2	22	3	50	18	68
High	8	6	66	4	6	2	10	7	90	19	109
Very High	0	1	60	10	4	0	11	2	75	13	88
Don't Know	16	9	5	1	10	1	16	5	47	16	63
Total	33	40	157	33	21	9	70	23	281	105	386

Q7 - Please rate the AMLR related initial investment cost for the following areas: Identifying your Customers

Q7 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	2	5	0	2	2	9	6	17	10	27
Low	0	2	28	9	2	1	21	4	51	16	67
Moderate	6	13	54	10	3	3	12	7	75	33	108
High	14	11	43	5	8	2	10	2	75	20	95
Very High	9	11	26	5	5	0	4	4	44	20	64
Don't Know	3	1	1	4	1	1	14	0	19	6	25
Total	33	40	157	33	21	9	70	23	281	105	386

Q7 - Please rate the AMLR related initial investment cost for the following areas: Monitoring Customers Business

Q7 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	2	7	0	1	2	9	4	18	8	26
Low	3	3	42	15	12	4	22	3	79	25	104
Moderate	8	11	56	7	4	1	15	4	83	23	106
High	11	15	34	5	2	1	8	8	55	29	84
Very High	7	8	16	1	1	0	1	2	25	11	36
Don't Know	3	1	2	5	1	1	15	2	21	9	30
Total	33	40	157	33	21	9	70	23	281	105	386

Q7 - Please rate the AMLR related initial investment cost for the following areas: Considering Transactions

Q7 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	2	4	1	2	2	4	4	11	9	20
Low	4	5	36	7	4	3	20	4	64	19	83
Moderate	12	7	44	7	5	3	18	8	79	25	104
High	8	18	45	9	5	0	11	4	69	31	100
Very High	5	8	27	5	4	0	2	3	38	16	54
Don't Know	3	0	1	4	1	1	15	0	20	5	25
Total	33	40	157	33	21	9	70	23	281	105	386

Q7 - Please rate the AMLR related initial investment cost for the following areas: Preparing Reports

Q7 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	2	9	1	2	2	6	6	18	11	29
Low	8	2	24	14	4	4	22	3	58	23	81
Moderate	11	15	39	3	6	1	17	8	73	27	100
High	8	17	50	6	6	1	10	5	74	29	103
Very High	2	4	34	5	2	0	0	1	38	10	48
Don't Know	3	0	1	4	1	1	15	0	20	5	25
Total	33	40	157	33	21	9	70	23	281	105	386

Q7 - Please rate the AMLR related initial investment cost for the following areas: Record Storage & Retrieval

Q7 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	2	5	2	2	3	9	5	17	12	29
Low	2	11	45	12	7	1	22	5	76	29	105
Moderate	15	10	59	4	6	3	13	8	93	25	118
High	8	13	30	7	3	0	10	5	51	25	76
Very High	3	4	16	4	2	1	2	0	23	9	32
Don't Know	4	0	2	4	1	1	14	0	21	5	26
Total	33	40	157	33	21	9	70	23	281	105	386

Q7 - Please rate the AMLR related initial investment cost for the following areas: Training

Q7 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	2	3	1	0	2	3	5	7	10	17
Low	1	3	7	9	2	2	17	4	27	18	45
Moderate	8	16	41	3	3	1	17	2	69	22	91
High	14	13	65	7	9	1	14	9	102	30	132
Very High	6	6	41	9	6	2	6	2	59	19	78
Don't Know	3	0	0	4	1	1	13	1	17	6	23
Total	33	40	157	33	21	9	70	23	281	105	386

Q7 - Please rate the AMLR related initial investment cost for the following areas: Cost of an MLRO

Q7 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	2	11	3	4	2	10	6	26	13	39
Low	2	9	18	9	4	2	13	3	37	23	60
Moderate	13	10	43	6	0	2	12	6	68	24	92
High	11	11	44	6	6	1	12	5	73	23	96
Very High	3	5	40	6	6	1	6	1	55	13	68
Don't Know	3	3	1	3	1	1	17	2	22	9	31
Total	33	40	157	33	21	9	70	23	281	105	386

Q8 - Please rate the AMLR related annual cost for the following areas: Identifying your Customers

Q8 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	2	6	0	1	2	9	8	17	12	29
Low	0	4	44	12	4	2	21	2	69	20	89
Moderate	13	17	56	8	5	2	15	8	89	35	124
High	10	14	31	3	6	2	10	4	57	23	80
Very High	6	2	16	4	4	0	3	1	29	7	36
Don't Know	3	1	4	6	1	1	12	0	20	8	28
Total	33	40	157	33	21	9	70	23	281	105	386

Q8 - Please rate the AMLR related annual cost for the following areas: Monitoring your Customers Business

Q8 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	3	7	0	2	2	7	7	17	12	29
Low	3	4	43	11	10	3	26	1	82	19	101
Moderate	10	15	65	8	6	1	12	8	93	32	125
High	12	15	25	5	1	2	11	6	49	28	77
Very High	4	2	14	3	1	0	1	1	20	6	26
Don't Know	3	1	3	6	1	1	13	0	20	8	28
Total	33	40	157	33	21	9	70	23	281	105	386

Q8 - Please rate the AMLR related annual cost for the following areas: Considering Suspicious Transactions

Q8 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	2	3	1	1	2	6	5	11	10	21
Low	7	8	34	8	6	3	20	4	67	23	90
Moderate	8	9	56	7	5	2	19	9	88	27	115
High	12	17	41	8	6	1	11	4	70	30	100
Very High	2	4	20	4	2	0	1	1	25	9	34
Don't Know	3	0	3	5	1	1	13	0	20	6	26
Total	33	40	157	33	21	9	70	23	281	105	386

Q8 - Please rate the AMLR related annual cost for the following areas: Preparing & Submitting Reports

Q8 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	2	5	2	2	2	8	9	16	15	31
Low	8	11	26	13	6	2	20	1	60	27	87
Moderate	13	7	43	4	6	2	19	9	81	22	103
High	6	17	53	4	4	2	8	4	71	27	98
Very High	2	2	27	5	2	0	0	0	31	7	38
Don't Know	3	1	3	5	1	1	15	0	22	7	29
Total	33	40	157	33	21	9	70	23	281	105	386

Q8 - Please rate the AMLR related annual cost for the following areas: Record Storage & Retrieval

Q8 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	6	10	1	2	3	10	7	23	17	40
Low	4	10	48	15	8	1	24	4	84	30	114
Moderate	14	14	54	3	6	3	12	8	86	28	114
High	8	7	26	4	1	1	11	4	46	16	62
Very High	3	3	15	5	3	0	0	0	21	8	29
Don't Know	3	0	4	5	1	1	13	0	21	6	27
Total	33	40	157	33	21	9	70	23	281	105	386

Q8 - Please rate the AMLR related annual cost for the following areas: Training

Q8 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	2	6	1	1	2	6	6	14	11	25
Low	0	10	15	9	2	2	15	2	32	23	55
Moderate	14	14	55	7	5	2	19	5	93	28	121
High	11	11	57	5	8	0	13	7	89	23	112
Very High	4	3	22	6	4	2	5	2	35	13	48
Don't Know	3	0	2	5	1	1	12	1	18	7	25
Total	33	40	157	33	21	9	70	23	281	105	386

Q8 - Please rate the AMLR related annual cost for the following areas: Cost of MLRO

Q8 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	1	6	10	4	4	2	11	6	26	18	44
Low	4	6	24	9	3	2	15	3	46	20	66
Moderate	12	12	46	5	3	1	12	6	73	24	97
High	10	13	42	4	8	2	11	4	71	23	94
Very High	3	3	31	6	2	1	6	2	42	12	54
Don't Know	3	0	4	5	1	1	15	2	23	8	31
Total	33	40	157	33	21	9	70	23	281	105	386

Q9 - Please estimate AMLR costs in different countries: UK

Q9 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	2	0	0	0	0	0	1	0	3	3
Low	0	2	0	1	1	1	3	2	4	6	10
Moderate	5	3	29	11	4	0	12	3	50	17	67
High	13	9	66	5	5	4	31	9	115	27	142
Very High	9	14	44	12	9	3	13	4	75	33	108
Don't Know	3	7	13	3	1	1	9	4	26	15	41
Total	30	37	152	32	20	9	68	23	270	101	371

Q9 - Please estimate AMLR costs in different countries: USA

Q9 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	2	1	0	1	1	0	2	2	5	7
Low	0	2	7	1	3	0	3	0	13	3	16
Moderate	5	6	18	12	2	3	15	3	40	24	64
High	8	13	18	8	4	3	16	4	46	28	74
Very High	7	9	16	4	2	0	8	4	33	17	50
Don't Know	9	5	79	7	6	1	25	7	119	20	139
Total	29	37	139	32	18	8	67	20	253	97	350

Q9 - Please estimate AMLR costs in different countries: Germany

Q9 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	2	1	0	2	0	2	1	5	3	8
Low	1	3	8	2	1	2	4	3	14	10	24
Moderate	9	6	23	12	4	2	15	2	51	22	73
High	4	13	18	9	3	2	13	3	38	27	65
Very High	0	5	6	3	1	0	1	2	8	10	18
Don't Know	14	9	83	7	7	2	31	10	135	28	163
Total	28	38	139	33	18	8	66	21	251	100	351

Q9 - Please estimate AMLR costs in different countries: France

Q9 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	2	4	1	3	0	2	1	9	4	13
Low	2	9	15	3	1	4	8	3	26	19	45
Moderate	11	9	17	12	5	1	18	4	51	26	77
High	2	2	16	4	2	0	8	3	28	9	37
Very High	0	1	5	2	0	0	0	1	5	4	9
Don't Know	15	14	82	8	7	2	30	9	134	33	167
Total	30	37	139	30	18	7	66	21	253	95	348

Q9 - Please estimate AMLR costs in different countries: Italy

Q9 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	3	10	4	3	1	5	1	18	9	27
Low	3	9	17	2	3	2	12	6	35	19	54
Moderate	8	6	12	13	2	1	10	2	32	22	54
High	4	4	11	2	2	0	7	1	24	7	31
Very High	0	1	6	1	1	0	1	2	8	4	12
Don't Know	14	13	83	10	7	3	31	9	135	35	170
Total	29	36	139	32	18	7	66	21	252	96	348

Q9 - Please estimate AMLR costs in different countries: Others

Q9 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Low	0	3	0	0	0	0	0	1	0	4	4
Low	0	4	0	2	0	3	0	2	0	11	11
Moderate	0	5	0	9	0	1	0	2	0	17	17
High	0	1	0	1	0	0	0	5	0	7	7
Very High	0	2	0	5	0	0	0	2	0	9	9
Don't Know	9	10	51	6	4	2	18	1	82	19	101
Total	9	25	51	23	4	6	18	13	82	67	149

Q11 - How effective do you think AMLR in your country are at: Detecting Money Laundering

Q11 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Poor	0	4	16	0	0	1	1	2	17	7	24
Poor	1	4	34	5	5	4	7	4	47	17	64
Neutral	11	14	50	10	8	2	30	6	99	32	131
Good	13	12	37	8	4	1	15	6	69	27	96
Very Good	1	5	2	3	1	0	2	3	6	11	17
Don't Know	4	0	10	2	1	1	9	0	24	3	27
Total	30	39	149	28	19	9	64	21	262	97	359

Q11 - How effective do you think AMLR in your country are at: Deterring Money Laundering

Q11 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Poor	0	4	23	2	2	1	2	2	27	9	36
Poor	3	2	38	4	2	1	12	3	55	10	65
Neutral	10	7	55	7	8	1	21	7	94	22	116
Good	12	22	24	10	4	5	20	7	60	44	104
Very Good	1	4	0	3	2	0	2	2	5	9	14
Don't Know	4	0	9	2	1	1	7	0	21	3	24
Total	30	39	149	28	19	9	64	21	262	97	359

Q12 - Are AMLR in your country more effective than 5 years ago?

Q12 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Much Less Effective	0	2	2	0	1	0	0	1	3	3	6
Less Effective	0	1	4	2	1	0	3	2	8	5	13
About the Same	1	7	38	6	2	2	13	4	54	19	73
More Effective	17	18	82	15	11	7	31	9	141	49	190
Much More Effective	8	9	8	3	3	0	9	4	28	16	44
Don't Know	4	2	15	2	1	0	8	1	28	5	33
Total	30	39	149	28	19	9	64	21	262	97	359

Q13 - How effective do you expect AMLR will be in five years time compared to now?

Q13 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Much Less Effective	0	2	3	0	1	0	0	1	4	3	7
Less Effective	1	1	12	0	1	0	6	1	20	2	22
About the Same	7	11	76	8	7	1	25	5	115	25	140
More Effective	15	23	43	13	7	8	21	10	86	54	140
Much More Effective	3	2	6	5	3	0	4	4	16	11	27
Don't Know	4	0	9	2	0	0	8	0	21	2	23
Total	30	39	149	28	19	9	64	21	262	97	359

Q14 - How practical are AMLR to implement?

Q14 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Impractical	2	6	50	4	5	1	7	5	64	16	80
Impractical	6	10	61	7	11	2	27	5	105	24	129
Practical	17	22	35	14	3	3	20	9	75	48	123
Very Practical	1	0	2	1	0	0	1	2	4	3	7
Don't Know	4	1	1	2	0	3	9	0	14	6	20
Total	30	39	149	28	19	9	64	21	262	97	359

Q15 - Which of the following statements most accurately reflects your approach to implementing AMLR?

Q15 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Effective at Combating	8	14	6	3	1	0	11	2	26	19	45
Increases Attractiveness	0	0	1	0	0	0	1	1	2	1	3
Good Business Practice	14	17	34	15	10	6	27	11	85	49	134
Protect from Sanction	8	8	108	10	8	3	25	7	149	28	177
Total	30	39	149	28	19	9	64	21	262	97	359

Q16 - Which of the following do you believe is the main intention of AMLR?

Q16 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Detect & Detect Org. Crime	24	32	66	19	10	8	38	17	138	76	214
Detect & Detect Terrorism	5	7	26	5	3	0	12	1	46	13	59
Reduce Tax Evasion	1	0	57	4	6	1	14	3	78	8	86
Total	30	39	149	28	19	9	64	21	262	97	359

Q17 - How effective are AMLR at: Deterring & Detecting Organised Crime

Q17 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Ineffective	0	3	25	2	1	0	2	2	28	7	35
Ineffective	5	5	50	10	2	2	20	5	77	22	99
Neutral	11	16	37	8	8	0	19	7	75	31	106
Effective	10	11	21	6	7	6	11	6	49	29	78
Very Effective	0	1	0	2	0	0	0	1	0	4	4
Don't Know	4	3	16	0	1	1	12	0	33	4	37
Total	30	39	149	28	19	9	64	21	262	97	359

Q17 - How effective are AMLR at: Reducing the Scope for Tax Evasion

Q17 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Ineffective	0	3	7	0	0	0	1	3	8	6	14
Ineffective	11	10	21	9	3	1	9	3	44	23	67
Neutral	6	13	50	11	6	4	23	9	85	37	122
Effective	7	10	51	7	8	3	15	5	81	25	106
Very Effective	0	0	8	1	2	0	3	1	13	2	15
Don't Know	6	3	12	0	0	1	13	0	31	4	35
Total	30	39	149	28	19	9	64	21	262	97	359

Q17 - How effective are AMLR at: Deterring & Detecting Terrorists

Q17 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Ineffective	1	5	41	2	4	0	10	4	56	11	67
Ineffective	11	7	45	11	6	3	19	5	81	26	107
Neutral	10	18	28	12	5	1	15	11	58	42	100
Effective	4	8	16	2	3	3	8	1	31	14	45
Very Effective	0	0	0	1	0	0	0	0	0	1	1
Don't Know	4	1	19	0	1	2	12	0	36	3	39
Total	30	39	149	28	19	9	64	21	262	97	359

Q18 - How effective are the regulatory authorities in terms of: Feedback

Q18 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Ineffective	5	5	42	6	3	3	11	2	61	16	77
Ineffective	6	13	47	7	9	2	21	8	83	30	113
Neutral	10	13	29	8	4	1	13	6	56	28	84
Effective	3	1	6	3	3	1	5	2	17	7	24
Very Effective	1	1	1	1	0	0	1	0	3	2	5
Don't Know	5	6	24	3	0	2	13	3	42	14	56
Total	30	39	149	28	19	9	64	21	262	97	359

Q18 - How effective are the regulatory authorities in terms of: Successful Prosecutions

Q18 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Ineffective	2	3	17	3	3	1	6	1	28	8	36
Ineffective	15	15	43	13	4	1	22	7	84	36	120
Neutral	7	12	24	5	4	2	13	7	48	26	74
Effective	1	4	4	2	4	2	3	1	12	9	21
Very Effective	0	0	0	1	0	0	0	0	0	1	1
Don't Know	5	5	61	4	4	3	20	5	90	17	107
Total	30	39	149	28	19	9	64	21	262	97	359

Q18 - How effective are the regulatory authorities in terms of: Asset Confiscation

Q18 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Ineffective	2	4	22	3	2	1	5	1	31	9	40
Ineffective	12	5	31	13	3	1	17	3	63	22	85
Neutral	9	17	29	5	4	4	12	7	54	33	87
Effective	2	8	6	1	4	0	10	5	22	14	36
Very Effective	0	0	0	1	0	0	1	0	1	1	2
Don't Know	5	5	61	5	6	3	19	5	91	18	109
Total	30	39	149	28	19	9	64	21	262	97	359

Q18 - How effective are the regulatory authorities in terms of: Disruption of Criminal Activity

Q18 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Ineffective	1	3	29	2	3	1	5	2	38	8	46
Ineffective	9	7	31	13	1	0	22	6	63	26	89
Neutral	11	18	27	3	7	3	9	6	54	30	84
Effective	3	6	8	5	4	2	8	3	23	16	39
Very Effective	0	0	0	1	0	0	0	0	0	1	1
Don't Know	6	5	54	4	4	3	20	4	84	16	100
Total	30	39	149	28	19	9	64	21	262	97	359

Q19 - Is the level of AMLR proportionate to the risks of money-laundering in your sector?

Q19 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Insufficient	0	4	3	5	0	0	1	3	4	12	16
Proportionate	12	17	24	8	3	4	26	10	65	39	104
Too Severe	13	14	114	12	16	3	26	8	169	37	206
Don't Know	5	4	8	3	0	2	11	0	24	9	33
Total	30	39	149	28	19	9	64	21	262	97	359

Q20 - Which regulatory or enforcement agency in your country is most effective at preventing money laundering?

Q20 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Central Bank	1	7	14	7	1	2	3	2	19	18	37
Regulator	13	9	19	6	5	0	21	9	58	24	82
Government Department	0	2	8	2	1	2	2	2	11	8	19
Police	10	12	49	7	3	1	18	4	80	24	104
Tax Authorities	4	6	35	4	7	4	10	1	56	15	71
Other	2	3	24	2	2	0	10	3	38	8	46
Total	30	39	149	28	19	9	64	21	262	97	359

Q22 - Ignoring AMLR costs, how much has your organisation benefitted or suffered from implementing AMLR?

Q22 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Suffered Greatly	1	2	10	0	0	0	2	1	13	3	16
Suffered	5	3	54	5	7	4	8	8	74	20	94
No Effect	5	15	68	16	8	2	31	7	112	40	152
Benefitted	12	17	9	3	3	0	10	1	34	21	55
Benefitted Greatly	2	1	0	1	0	0	1	1	3	3	6
Don't Know	3	1	3	1	0	2	10	2	16	6	22
Total	28	39	144	26	18	8	62	20	252	93	345

Q23 - If your organisation has suffered (again ignoring costs), why is this?

Q23 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Loss of Customers	10	8	21	0	1	2	3	7	35	17	52
Fines	0	2	2	0	0	0	0	1	2	3	5
Other Sanctions	1	0	2	4	0	0	3	0	6	4	10
Other	5	4	48	7	8	1	14	3	75	15	90
Total	16	14	73	11	9	3	20	11	118	39	157

Q24 - If your organisation has benefitted, which of the benefits below are evident?

Q24 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Better Customer Knowledge	22	24	18	7	5	0	16	3	61	34	95
New Customers	1	1	1	0	0	0	3	1	5	2	7
Cross Selling	5	0	1	0	0	0	1	1	7	1	8
Reduction in Credit Risk	6	1	4	0	2	1	6	0	18	2	20
Reduction in Fraud	6	7	6	0	1	1	10	0	23	8	31
Cost Reduction	0	1	1	0	0	0	1	1	2	2	4
Total	40	34	31	7	8	2	37	6	116	49	165

Q25 - Will your organisation experience greater or smaller AMLR-related benefits in the next five years?

Q25 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Much Smaller Benefits	0	4	32	2	1	0	0	1	33	7	40
Smaller Benefits	3	5	18	2	2	1	9	3	32	11	43
Remain about the Same	17	21	89	15	13	6	47	13	166	55	221
Greater Benefits	6	9	5	7	2	1	5	2	18	19	37
Much Greater Benefits	2	0	0	0	0	0	1	1	3	1	4
Total	28	39	144	26	18	8	62	20	252	93	345

Q27 - Rate the importance of the following in making a country attractive to honest enterprises: Strong Regulations

Q27 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	2	7	0	0	0	0	1	7	3	10
Unimportant	0	1	12	0	0	0	2	0	14	1	15
Neutral	5	6	45	4	4	2	8	1	62	13	75
Important	11	18	48	15	11	6	30	11	100	50	150
Very Important	9	11	19	6	3	0	13	7	44	24	68
Don't Know	3	1	9	0	0	0	6	0	18	1	19
Total	28	39	140	25	18	8	59	20	245	92	337

Q27 - Rate the importance of the following in making a country attractive to honest enterprises: Enforcement

Q27 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	1	2	5	0	0	0	0	1	6	3	9
Unimportant	0	0	12	0	0	0	1	1	13	1	14
Neutral	6	12	57	4	8	2	12	2	83	20	103
Important	12	15	40	15	7	5	32	10	91	45	136
Very Important	6	9	16	6	3	1	8	6	33	22	55
Don't Know	3	1	10	0	0	0	6	0	19	1	20
Total	28	39	140	25	18	8	59	20	245	92	337

Q27 - Rate the importance of the following in making a country attractive to honest enterprises: Transaction Costs

Q27 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	2	2	1	0	0	0	1	2	4	6
Unimportant	2	0	2	0	2	0	1	1	7	1	8
Neutral	2	9	13	1	0	4	9	1	24	15	39
Important	11	14	60	10	9	2	21	5	101	31	132
Very Important	11	13	54	13	7	2	22	11	94	39	133
Don't Know	2	1	9	0	0	0	6	1	17	2	19
Total	28	39	140	25	18	8	59	20	245	92	337

Q27 - Rate the importance of the following in making a country attractive to honest enterprises: Service Levels

Q27 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	2	1	0	0	0	0	1	1	3	4
Unimportant	0	0	0	0	0	0	0	0	0	0	0
Neutral	2	2	7	1	0	1	3	1	12	5	17
Important	11	8	51	8	7	1	22	6	91	23	114
Very Important	13	25	70	16	11	6	27	11	121	58	179
Don't Know	2	2	11	0	0	0	7	1	20	3	23
Total	28	39	140	25	18	8	59	20	245	92	337

Q27 - Rate the importance of the following in making a country attractive to honest enterprises: Competition

Q27 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	4	1	0	0	0	0	1	1	5	6
Unimportant	2	3	10	0	0	0	2	0	14	3	17
Neutral	10	9	47	3	8	2	25	4	90	18	108
Important	8	16	56	13	6	4	16	11	86	44	130
Very Important	6	6	16	8	4	2	8	4	34	20	54
Don't Know	2	1	10	1	0	0	8	0	20	2	22
Total	28	39	140	25	18	8	59	20	245	92	337

Q27 - Rate the importance of the following in making a country attractive to honest enterprises: Currency

Q27 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	2	0	1	0	0	0	1	0	4	4
Unimportant	0	2	6	1	1	0	4	1	11	4	15
Neutral	13	8	40	6	6	4	21	4	80	22	102
Important	8	14	67	10	7	4	16	8	98	36	134
Very Important	5	10	13	7	2	0	8	5	28	22	50
Don't Know	2	3	14	0	2	0	10	1	28	4	32
Total	28	39	140	25	18	8	59	20	245	92	337

Q27 - Rate the importance of the following in making a country attractive to honest enterprises: Size of Market

Q27 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	2	1	0	0	0	0	1	1	3	4
Unimportant	1	1	0	0	0	0	1	0	2	1	3
Neutral	0	9	18	5	5	2	14	3	37	19	56
Important	13	13	64	7	6	3	20	10	103	33	136
Very Important	12	12	45	13	7	3	15	6	79	34	113
Don't Know	2	2	12	0	0	0	9	0	23	2	25
Total	28	39	140	25	18	8	59	20	245	92	337

Q27 - Rate the importance of the following in making a country attractive to honest enterprises: Confidentiality

Q27 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	2	0	0	1	0	0	1	1	3	4
Unimportant	1	3	1	0	0	0	3	1	5	4	9
Neutral	7	7	20	3	3	3	8	2	38	15	53
Important	8	10	50	11	8	1	13	8	79	30	109
Very Important	10	16	59	11	6	3	29	6	104	36	140
Don't Know	2	1	10	0	0	1	6	2	18	4	22
Total	28	39	140	25	18	8	59	20	245	92	337

Q27 - Rate the importance of the following in making a country attractive to honest enterprises: Cultural Issues

Q27 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	2	0	0	0	0	0	1	0	3	3
Unimportant	1	2	7	1	1	0	1	1	10	4	14
Neutral	3	8	32	4	4	3	21	3	60	18	78
Important	14	17	65	10	10	4	14	6	103	37	140
Very Important	8	6	25	10	2	1	16	7	51	24	75
Don't Know	2	4	11	0	1	0	7	2	21	6	27
Total	28	39	140	25	18	8	59	20	245	92	337

Q28 - How has AMLR changed the attractiveness of of the following countries? UK

Q28 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Much Less Attractive	0	2	10	0	0	0	0	1	10	3	13
Less Attractive	5	2	37	7	8	0	17	4	67	13	80
Unchanged	14	16	49	8	4	5	15	6	82	35	117
More Attractive	5	5	7	3	1	2	14	4	27	14	41
Much More Attractive	0	0	0	1	0	0	1	0	1	1	2
Don't Know	3	7	32	6	4	1	10	3	49	17	66
Total	27	32	135	25	17	8	57	18	236	83	319

Q28 - How has AMLR changed the attractiveness of of the following countries? USA

Q28 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Much Less Attractive	2	2	2	1	0	0	1	2	5	5	10
Less Attractive	11	5	7	7	3	1	11	2	32	15	47
Unchanged	5	14	16	5	4	5	13	5	38	29	67
More Attractive	2	5	3	4	0	0	3	3	8	12	20
Much More Attractive	0	0	1	1	0	0	0	0	1	1	2
Don't Know	6	8	96	7	8	2	29	5	139	22	161
Total	26	34	125	25	15	8	57	17	223	84	307

Q28 - How has AMLR changed the attractiveness of of the following countries? Germany

Q28 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Much Less Attractive	0	2	0	0	1	0	0	1	1	3	4
Less Attractive	0	1	2	1	2	1	3	1	7	4	11
Unchanged	10	17	22	15	5	4	15	9	52	45	97
More Attractive	1	4	2	1	0	0	2	0	5	5	10
Much More Attractive	0	0	1	1	0	0	0	1	1	2	3
Don't Know	16	9	98	7	7	3	36	5	157	24	181
Total	27	33	125	25	15	8	56	17	223	83	306

Q28 - How has AMLR changed the attractiveness of of the following countries? France

Q28 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Much Less Attractive	0	2	0	0	0	0	0	1	0	3	3
Less Attractive	0	5	3	4	2	2	4	1	9	12	21
Unchanged	12	13	19	11	4	3	13	10	48	37	85
More Attractive	0	2	2	1	0	0	4	0	6	3	9
Much More Attractive	0	0	2	1	0	0	0	0	2	1	3
Don't Know	14	9	97	8	8	3	36	5	155	25	180
Total	26	31	123	25	14	8	57	17	220	81	301

Q28 - How has AMLR changed the attractiveness of of the following countries? Italy

Q28 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Much Less Attractive	2	0	0	0	0	1	1	0	3	1	4
Less Attractive	7	0	5	3	2	2	1	5	15	10	25
Unchanged	10	10	9	19	3	3	10	9	32	41	73
More Attractive	1	1	1	2	0	1	0	5	2	9	11
Much More Attractive	0	1	1	2	0	0	0	2	1	5	6
Don't Know	11	15	8	99	3	8	5	36	27	158	185
Total	31	27	24	125	8	15	17	57	80	224	304

Q28 - How has AMLR changed the attractiveness of of the following countries? Others

Q28 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Much Less Attractive	0	2	0	0	0	0	0	1	0	3	3
Less Attractive	0	2	0	1	0	0	0	1	0	4	4
Unchanged	0	5	0	4	0	2	0	6	0	17	17
More Attractive	0	1	0	1	0	0	0	3	0	5	5
Much More Attractive	0	0	0	2	0	0	0	0	0	2	2
Don't Know	7	8	59	8	3	2	18	1	87	19	106
Total	7	18	59	16	3	4	18	12	87	50	137

Q29 - How do you think AMLR will affect the competitive position of financial services in your country in five years?

Q29 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Much Less Competitive	0	2	13	2	0	0	0	1	13	5	18
Less Competitive	7	6	39	2	7	2	13	6	66	16	82
Unchanged	10	19	58	12	6	5	25	7	99	43	142
More Competitive	8	10	7	6	3	1	12	4	30	21	51
Much More Competitive	0	0	0	1	0	0	0	0	0	1	1
Don't Know	3	2	23	2	2	0	9	2	37	6	43
Total	28	39	140	25	18	8	59	20	245	92	337

Q30 - Please rate the importance of the following in deterring money launderers: Strong Regulatory Environment

Q30 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	2	2	1	0	0	0	1	2	4	6
Unimportant	0	1	16	0	0	0	5	0	21	1	22
Neutral	5	4	14	3	4	2	9	1	32	10	42
Important	10	20	70	15	8	4	25	9	113	48	161
Very Important	11	10	31	6	6	2	14	9	62	27	89
Don't Know	2	2	7	0	0	0	6	0	15	2	17
Total	28	39	140	25	18	8	59	20	245	92	337

Q30 - Please rate the importance of the following in deterring money launderers: Rigorous Enforcement

Q30 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	2	1	0	0	0	1	1	2	3	5
Unimportant	0	0	11	0	0	0	3	0	14	0	14
Neutral	3	5	20	2	2	0	4	1	29	8	37
Important	13	12	60	11	9	4	32	7	114	34	148
Very Important	10	18	41	12	7	4	13	11	71	45	116
Don't Know	2	2	7	0	0	0	6	0	15	2	17
Total	28	39	140	25	18	8	59	20	245	92	337

Q30 - Please rate the importance of the following in deterring money launderers: High Risk of Being Caught

Q30 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	2	1	0	0	0	1	1	2	3	5
Unimportant	0	0	6	0	1	0	0	0	7	0	7
Neutral	0	1	1	1	1	0	1	2	3	4	7
Important	6	9	36	9	2	1	13	6	57	25	82
Very Important	20	25	88	15	14	7	36	10	158	57	215
Don't Know	2	2	8	0	0	0	8	1	18	3	21
Total	28	39	140	25	18	8	59	20	245	92	337

Q30 - Please rate the importance of the following in deterring money launderers: Severe Punishments

Q30 - Scores	Banking		Accounting		Law		Other		Total		GRAND TOTAL
	UK	Int.	UK	Int.	UK	Int.	UK	Int.	UK	Int.	
Very Unimportant	0	2	1	0	0	0	1	1	2	3	5
Unimportant	2	0	8	1	2	0	3	0	15	1	16
Neutral	1	2	12	1	0	0	5	2	18	5	23
Important	7	15	39	6	5	4	15	4	66	29	95
Very Important	16	18	73	17	11	4	28	12	128	51	179
Don't Know	2	2	7	0	0	0	7	1	16	3	19
Total	28	39	140	25	18	8	59	20	245	92	337



The City of London is exceptional in many ways, not least in that it has a dedicated local authority committed to enhancing its status on the world stage. The smooth running of the City's business relies on the web of high quality services that the Corporation of London provides.

Older than Parliament itself, the Corporation has centuries of proven success in protecting the City's interests, whether it be policing and cleaning its streets or in identifying international opportunities for economic growth. It is also able to promote the City in a unique and powerful way through the Lord Mayor of London, a respected ambassador for financial services who takes the City's credentials to a remarkably wide and influential audience.

Alongside its promotion of the business community, the Corporation has a host of responsibilities which extend far beyond the City boundaries. It runs the internationally renowned Barbican Arts Centre; it is the port health authority for the whole of the Thames estuary; it manages a portfolio of property throughout the capital, and it owns and protects 10,000 acres of open space in and around it.

The Corporation, however, never loses sight of its primary role – the sustained and expert promotion of the 'City', a byword for strength and stability, innovation and flexibility – and it seeks to perpetuate the City's position as a global business leader into the new century.

