

## BOOK REVIEW/COMPTE RENDU

**Margaret E. Beare** and **Stephen Schneider**, *Money Laundering in Canada: Chasing Dirty and Dangerous Dollars*. Toronto: University of Toronto Press, 2007, 320 pp. \$32.95 paper (978-0-8020-9417-9), \$75.00 hardcover (978-0-8020-9143-7)

In this timely book, the authors argue the need for a critical re-appraisal of the goals and practical realities of anti-money laundering (AML) and counter-terrorist financing (CTF) policies.

Helpfully situated in the context of selected regional and international pressures, the authors provide an historical overview of the framework of proceeds of crime and AML legislation in Canada. "Money laundering" refers to converting or concealing monies or assets derived from illegal activity to give the appearance of legitimacy. Beare and Schneider critically explore the weakness of claims making about the harm of laundering. For instance, the authors characterize a number of efforts to assess the size and scope of laundering as "scientific wild-assed guesses" (p. 52) and dismiss as "hyperbolic rhetoric, without substantiation" (p. 63) much of the potential impact of laundering in corrupting business, competition, financial institutions and economies, and in fuelling further crime. The diffusion of this accepted "common-sense evidence" is connected to "empire building" through the proliferation of various international AML bodies, domestic financial intelligence units and law enforcement; herein, all parties are keen to be perceived by the international community, and the United States in particular, as counteracting the threat (pp. 63, 72–73). The authors contend that the official agenda seems determined to avoid questions of the costs of compliance upon "deputized" reporting entities (REs) or the impact of the strategy beyond process outputs such as arrests, prosecutions, and forfeitures.

Using a Royal Canadian Mounted Police (RCMP) database, a review is provided of money laundering cases (N=149) for the period 1993–1998 which were "closed" following forfeiture as the result of a conviction or plea bargain. This material offers insight into the range of predicate offences (drugs, customs/excise, theft or fraud) and the various techniques and methods employed, including the sectors of the economy in which the laundering took place and whether professionals such as accountants or lawyers were (wittingly or unwittingly) involved. This

republished material does not appear to provide substantive improvement over previous iterations from 2004 and the various segments that appeared in journal articles. Readers are lumbered with the mathematically and analytically troublesome sight of figures with percentages that add up to more than one hundred. In some instances, the categories add up to 381% of the “percentage of all cases” (p. 86). The text is similarly troublesome, as readers confront copious descriptive statistics that often repeat the figures. Perhaps this chapter would have benefited from a typology or typologies to help the reader understand where and in which contexts category overlap occurs.

The chapter on assessing proceeds of crime enforcement and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is disappointing. The material on the development of the enforcement architecture to target proceeds of crime seems interesting enough and sufficiently critical. In the remainder of the chapter concerning the national financial intelligence unit (FIU), however, Beare and Schneider err sufficiently to undermine their central argument(s). The authors had trouble in accurately writing FINTRAC’s official name; they even took it upon themselves to relabel it the “Financial Intelligence Transaction Analysis Centre” (pp. 147, 194–195). Their stated access to a range of enforcement and government agencies, and the available evidence, much of this in the public domain, contrasts starkly with the factual and interpretive errors that follow.

The reader would have been assisted in understanding the functioning of the AML strategy if the authors had engaged with (rather than merely cited) the laundering legislation of 2000 and subsequent amendments. The sociological imagination of Beare and Schneider abstracts FINTRAC’s organizational behaviour from its enabling legislation. This fails to recognize that contempt of Parliament and the availability of serious criminal penalties have a very “real” impact upon individual and organizational behaviour. The national AML strategy primarily reflects the wisdom of the Parliament of Canada and yet the authors seem determined to pin system deficiencies upon FINTRAC: “a black hole — [into which] information of an unknown sort is fed in, and information of an unknown sort leaves with no record of impact!” (pp. 197–198).

The authors seem to ascribe status to FINTRAC as a lead (or the lead) agency in AML/CTF, in part by noting that it has received over 72% of the funding under the National Initiative to Combat Money Laundering (NICML), 2000-01 to 2003-04 (p. 202). This seeming imbalance is misleading and a reasonable interpretation would place these figures in the context of existing proceeds of crime/AML/counter-terrorism resources for long-established agencies as well as the post-9/11 diversion of prior-

ities and resources. I would have to agree that “The Math is not promising” (p. 202), but not for the reasons given by the authors.

A ratio is advanced to assess efficiency and effectiveness with respect to the inputs and outputs of two models: (1) the 1989 and 1991 legislation which introduced, among other investigative and prosecutorial elements, a system of “voluntary suspicious transaction reports” (VSTRs) to law enforcement; (2) the 2000 legislation and subsequent amendments which introduced a comprehensive and mandatory system of transaction reporting to FINTRAC, including MSTRs, large cash transactions and international wire transfers, etc. It comes as no surprise that you can generate a tighter ratio between report inputs and prosecution/forfeiture outputs with a small stream of “adverse” (suspicious) transaction reports as opposed to a large stream of “adverse and nonadverse” transaction reports. The method of assessment is prejudicial and unhelpful; it does not provide a sound empirical basis to compare the advantages and disadvantages of the two models.

The authors argue that the information FINTRAC discloses to investigative agencies “is so brief that it tends to be useless to law enforcement” (p. 198). This claim is both implausible and illogical. A FINTRAC disclosure in relation to persons under investigation or those connected to such persons offers enforcement agencies access to transactional and related information that would otherwise require a judicial warrant. It is noted that the police “hesitate” to submit information to FINTRAC for fear of compromising investigations and that they tend to submit information towards the end of an investigation before closing a file for insufficient evidence (pp. 199–200). Are Beare and Schneider serious? How can one entity simultaneously be a black hole (see above), a threat to investigation integrity, and be expected to perform a mythological phoenix function by salvaging investigations that police are closing for lack of evidence? Surely, investigative agencies have overcome initial reticence with an agency introduced in 2000 into the Canadian security and intelligence complex.

The remaining chapters of the book address issues of AML compliance and the adaptation of AML to CTF with little evidence to substantiate its potential to address the latter. The concluding chapter argues that we are witnessing a “runaway horse” in the form of AML/CTF policy.

Many readers may applaud the authors as they rail against the profusion of “harmonized” laundering controls to address a range of real and/or perceived social evils in jurisdictions around the world. Nevertheless, Beare and Schneider also adopt an undifferentiated approach to the subject matter (post-2000) as they avoid critical inquiry into the evidence and the terrain that comprises the mechanisms to tackle “Money Laun-

dering in Canada.” Readers looking for innovative and rigorous academic analysis may be disappointed with this book.

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