City of London money laundering unlimited

We are fond of lecturing developing countries on the virtues of dropping trade restrictions in order to attract inward investment. And, in at least one significant way, we are walking our talk. The UK has become the international criminals 'laundry of choice'.

London is no slouch when it comes to attracting foreign investment. Right now (with the dollar sliding) cash rich foreign investors are feverishy snapping up multi-million pound properties in the city and buying up British companies with a mind to profit. Described as 'Private Equity Investors', their activity is said to thrive on their ability to borrow vast sums of money at low rates of interest.

In Crossing the Rubicon, Michael Ruppert observes that access to cheap money (loans) is what ultimately makes one operator a winner and the next one an 'also ran'. For a company, cheap loans mean reduced costs mean higher profits mean higher dividends mean greater demand for company shares and bonds which means more buying power. Criminals, Ruppert suggests, will happily offer cash loans to reputable companies well below the market rate of interest. For the criminal, the opportunity to channel ill-gotten gains through a respected institution is a chance to make serious cash safe to spend without fear of prosecution.

Financial institutions and cash rich criminals are obvious partners, as has sometimes been revealed, as in the case of BCCI. This is no secret. In fact, the CIA factbook, in the Illicit Drugs section, refers to the UK as a 'money-laundering center'. Afghan opium alone (with production expected to peak at over 6000 tonnes this year) is creating very large amounts of dirty laundery. Globally, according to IMF estimates, a total of between $590 billion and $1.5 trillion is laundered every year.

So what makes the UK such a popular destination for dirty money? A discussion on BBC Radio 4's 'File on 4' offers some pointers. Corrupt politicians from Kenya, Nigeria and the Congo have all been able to buy multi-million pound properties in London.

Loop holes, which the government show no signs of closing, allow companies to be registered without the full details of who owns them. Whilst the name of every shareholder has to be recorded in the company's statutory registers and at Companies House, an individual can hide their ownership by having another company act as a nominee shareholder. Officials explain that companies may wish to do this to keep secret the ownership of their company for valid commercial reasons. But why wouldn't someone want to be associated with a company that they owned or ran?

Does the money market care that public limited companies are falling into the hands of unaccountable individuals at knock-down prices? Does the market care where all the cheap money came from to give these wealthy individuals such collosal loan-raising leverage? I guess not. We like commissions. We like bonuses. The market adores inward investment. Weak enforcement of regulations completes the picture. Although obliged by the Proceeds of Crime Act to report any suspicious transactions, in 10 years not a single UK bank employee has been prosecuted for failing to do so.

We remain the 'laundry of choice'.

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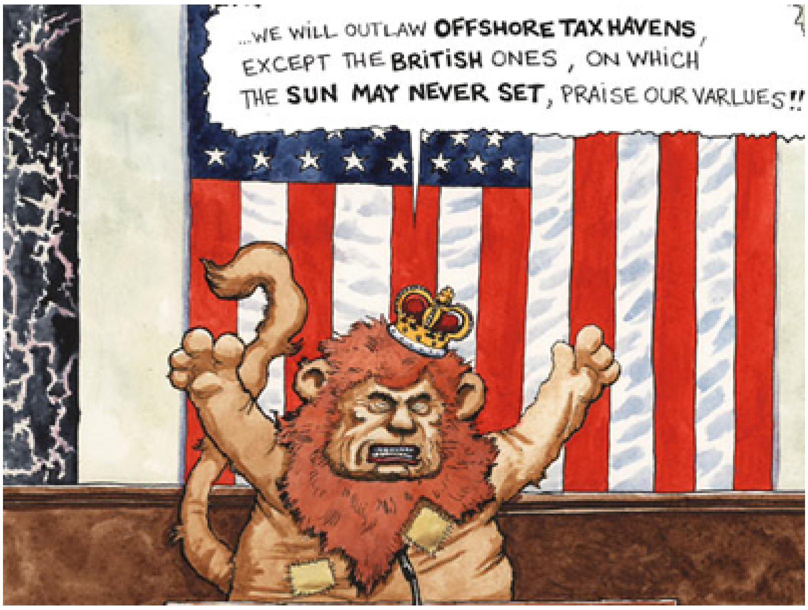

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