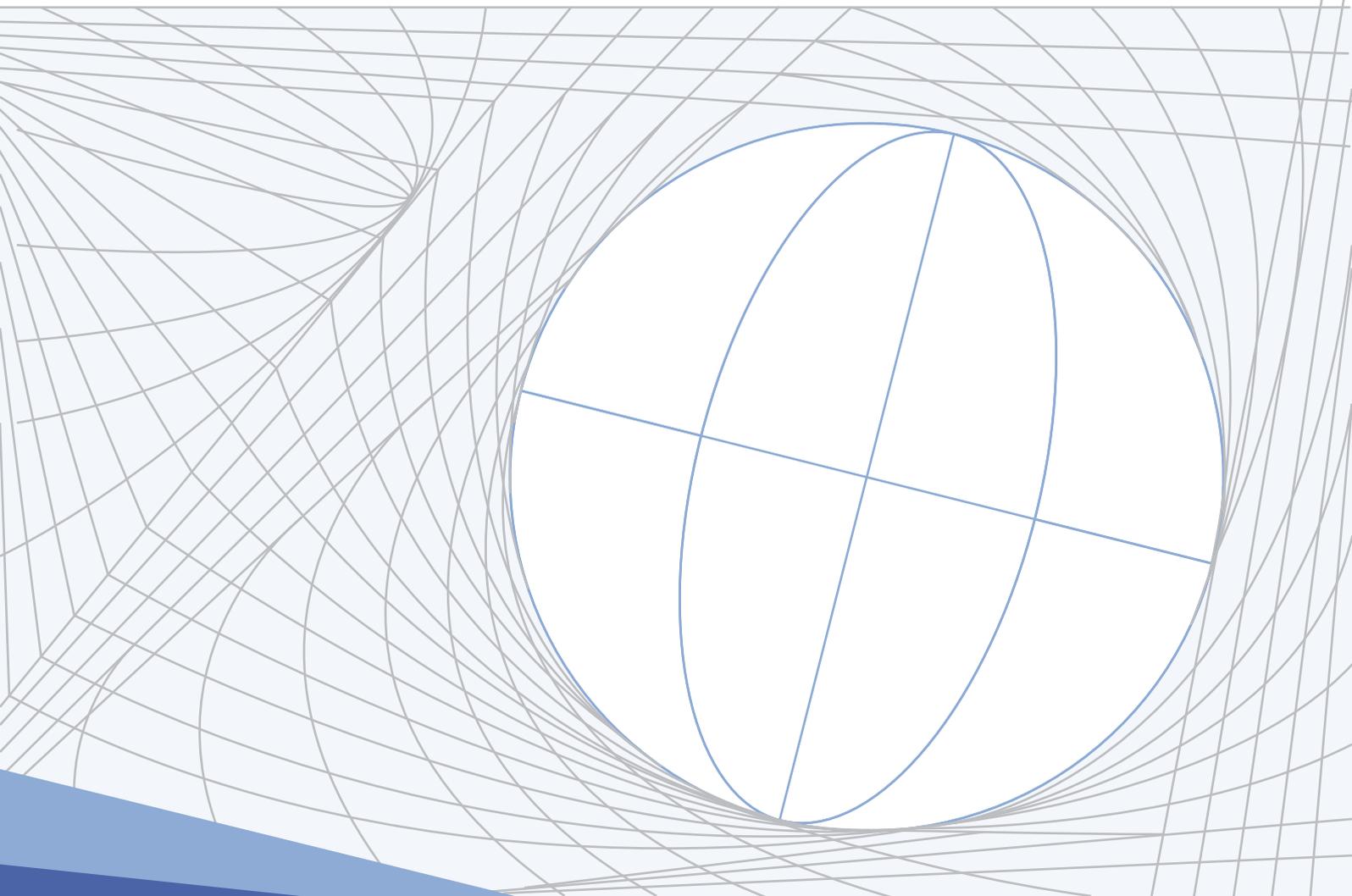




# **FROM ILLEGAL MARKETS TO LEGITIMATE BUSINESSES: THE PORTFOLIO OF ORGANISED CRIME IN EUROPE**

---

## **Executive Summary**







*With the financial support of the Prevention of and Fight against Crime Programme  
European Commission – Directorate-General Home Affairs.*



University of Utrecht



**POLIISI**



*Project OCP has been funded with support from the European Commission. This publication reflects the views only of the authors, and the European Commission cannot be held responsible for any use which may be made of the information contained therein.*



*From illegal markets to legitimate businesses: the portfolio of organised crime in Europe*

Final Report of Project OCP – Organised Crime Portfolio (HOME/2011/ISEC/AG/FINEC/4000002220)

[www.ocportfolio.eu](http://www.ocportfolio.eu)

Edited by Ernesto U. Savona and Michele Riccardi

**Authors (in alphabetical order):**

Monica Angelini  
Francesco Calderoni  
Diana Camerini  
Marta Chinnici  
Yulia Chistyakova  
Jeltsje Cusveller  
Marco Dugato  
Joras Ferwerda  
Luca Giommoni  
Jarmo Houtsonen  
Pilar Laguna  
Marina Mancuso  
Jerónimo Márquez  
Jesús Palomo  
Sarianna Petrell  
Michele Riccardi  
Nuria Ruiz  
Alexandre Salha  
Ernesto Savona  
Cristina Soriani  
Priscilla Standridge  
Brigitte Unger  
John Walker  
David Wall

Suggested citation: Savona Ernesto U. & Riccardi Michele (Eds.). 2015. *From illegal markets to legitimate businesses: the portfolio of organised crime in Europe*. Final Report of Project OCP – Organised Crime Portfolio ([www.ocportfolio.eu](http://www.ocportfolio.eu)). Trento: Transcrime – Università degli Studi di Trento. © 2015

ISBN 978-88-8443-595-8

Transcrime – Joint Research Centre on Transnational Crime  
Università Cattolica del Sacro Cuore di Milano – Università degli Studi di Trento  
Milan office (headquarters): Largo Gemelli 1 – 20123, Milano (Italy)

[www.transcrime.it](http://www.transcrime.it)

Graphic project: Ilaria Mastro and Teodora Tasic (Transcrime)



# Key Findings

---

## 1. Where do organised crime proceeds come from?

- The main illicit markets in the European Union generate around 110 billion euro each year. This figure corresponds to approximately 1% of the EU GDP.
- Illicit drugs (heroin, cocaine, cannabis, amphetamines and ecstasy) remain the most profitable 'traditional' market (28 billion euro yearly at EU level). Among emerging criminal activities, fraud appears to be the most lucrative (29 billion euro each year from MTIC VAT fraud alone).
- Illicit revenues are shared by a plurality of organised crime groups and criminal actors. The use of business facilitators and of legitimate companies to cover illicit trade is also widespread.
- The poly-crime nature of criminal groups in Europe expands the economies of scale among illicit markets, reduces groups' operational costs and increases their profit margins.

## 2. Where are organised crime proceeds invested in the legitimate economy?

- Illicit proceeds are widely laundered in the European legal economy. Evidence of organised crime investments is found in almost all EU MS.
- In the 7 OCP countries, investments concentrate in areas with a strong presence of organised crime (e.g. Southern Italy), ones strategic for illicit trafficking (e.g. Andalusia), with key ports and airports (e.g. Amsterdam/Rotterdam), border regions (e.g. north-western Italy and south-western France), tourist areas (e.g. PACA or Costa del Sol) and large cities (e.g. Rome, Madrid, London, Paris, Berlin, Bucharest).
- Bars and restaurants, construction, wholesale and retail trade (especially of food products and clothing), transportation, hotels and real estate are traditional sectors of infiltration.
- There is growing evidence of infiltration into renewable energy, waste and scrap management, logistics, money transfer businesses (MTB) and VLT, slot machines, betting and gaming.

- Chinese OCGs, Russian/Georgian OCGs, Italian mafias, Motorcycle gangs and OCGs of British, Dutch and Turkish origin constitute the majority of cases. Differences in terms of investment strategy exist among criminal groups and countries.
- Drivers of criminal investments are profit, money laundering, control of the territory, influence on the political sphere, social consensus, personal benefit or concealment of criminal activities.

## 3. What proceeds are confiscated?

- According to the few available data, assets confiscated from OC are increasing in Europe in terms of both number and value.
- Most confiscated assets are movable goods (cash and vehicles) while there is almost no confiscation of companies.
- As a result, a gap exists between where OCGs invest and what is recovered by European authorities.

## 4. What research and policy implications?

- The study should extend to all 28 EU MS in order not to miss the transnational nature of organised crime investments.
- All the experts of the EU 28 MS (LEAs, AROs, FIUs, prosecutors, researchers, private organisations) should network to collect better data and cases of organised crime infiltration in legitimate businesses.
- An innovative methodology should be developed for shifting from a cold picture of past cases (such as this report) to an assessment of the factors facilitating criminal infiltration, in order to reduce the risk that this could occur.
- The organization of LEAs, FIUs and AROs should be reshaped so as to focus on these high-risk situations. So, the prevention activity of public agencies and private companies.
- At the same time, the confiscation of infiltrated companies should be improved, and the use of instruments alternative to seizure (e.g. administrative penalties and temporary suspensions) should be increased.

# Executive summary

---

This is the final report of **Project OCP – Organised Crime Portfolio** ([www.ocportfolio.eu](http://www.ocportfolio.eu)).<sup>1</sup> Aim of OCP is to carry out an **exploratory study** of the economics of organised crime in Europe, and in particular to address three research questions, which are covered by the three sections of this report:

- Where organised crime proceeds are generated, from which **illicit markets** (Part 1);
- Where these proceeds are then **invested in the legitimate economy**, in which regions, assets and business sectors (Part 2);
- The extent to which these proceeds are **confiscated** by European authorities (Part 3).

The project focuses on **seven EU member states** (Finland, France, Ireland, Italy, the Netherlands, Spain and the United Kingdom), represented by OCP partners, and for which provides an in-depth analysis. However, the report also presents a broader examination of the situation in Europe as a whole.

OCP deals with issues crucial from a policy standpoint but which are characterised by a lack of data and of previous studies. OCP addresses this research gap by adopting an **innovative methodology** and using a **wide range of information**, both qualitative and quantitative, deriving from very different sources.

Despite its pioneering nature and its data limitations, this report represents a **first step towards better understanding** of how the organised crime business works. In line with the Transcrime research agenda, it is a **starting point for a better identification and reduction of the opportunities** exploited by criminals to infiltrate illicit and legitimate markets in Europe.

In this sense, this report constitutes an important tool for both public and private institutions to improve the **assessment of the risks** of organised crime infiltration and to strengthen the **tracing and the confiscation** of criminal assets in Europe.

---

1. Project OCP has been carried out with the financial support from the Prevention of and Fight against Crime Programme of the European Union - European Commission, DG Home Affairs, and has been developed by an international consortium of eight partners: Transcrime – Joint Research Centre on Transnational Crime ([www.transcrime.it](http://www.transcrime.it)) of the Università Cattolica del Sacro Cuore di Milano and the Università degli Studi di Trento (Italy), coordinator of the project; Police University College (PCF – Finland); Agence de Gestion et de Recouvrement des Avoirs Saisis et Confisqués (AGRASC – France); An Garda Síochána - Criminal Assets Bureau (CAB – Ireland); Guardia di Finanza (GDF – Italy); Universiteit Utrecht (UU – The Netherlands); Universidad Rey Juan Carlos (URJC – Spain); Durham University (UDUR – United Kingdom).

## Part 1: Where do organised crime proceeds come from? Illicit markets in Europe

Illicit markets in Europe are changing rapidly in size, products, actors, routes and flows, but they remain **key sources of proceeds** for organised crime in Europe.

To analyse their role in the economy of OCGs, Project OCP has produced one of the **first measurements at European level of the revenues from illicit markets**, and a review of the **main criminal actors** among which these revenues are shared.<sup>2</sup> In particular:

- For some markets (heroin, cocaine, trafficking of firearms, illicit trade in tobacco products, counterfeiting, MTIC fraud), OCP has calculated new estimates for all the 28 EU MS;
- For other markets it has collected existing estimates, in some cases available for all the 28 MS (cannabis, amphetamines, ecstasy, cargo theft) or only in few countries (trafficking in human beings, illegal gambling and match-fixing, extortion racketeering and usury).

Both when calculating and collecting estimates, OCP has employed a transparent and verifiable methodology, which is described in detail in Chapter 2 and in the Methodological Annex.

### *How large are the revenues from illicit markets?*

Appraising the magnitude of the revenues generated by illicit markets is not straightforward. Data are lacking, and there is the risk to produce 'mythical numbers' with no empirical proof. Taking into account these challenges, the estimates calculated by OCP reveal that:

- Illicit markets in the European Union produce **about 110 billion euro each year**.<sup>3</sup>

---

2. Focus has been posed on ten main illicit markets: trafficking of illicit drugs (heroin, cocaine, cannabis, amphetamine, ecstasy), trafficking in human beings, illicit trafficking in firearms, illicit trade in tobacco products, counterfeiting, illegal gambling and match fixing, extortion racketeering, usury, fraud and organised property crime. Not all of them can be defined 'markets', as not all of them imply the existence of a demand and a supply, but they are often defined as 'markets' for the sake of simplicity. Corruption has not been considered as an illicit market per se but as an enabler on which organised crime often relies when active in the illicit and the legitimate economy.

3. This figure refers to the estimate of the annual revenues only from those illicit markets for which estimates were available or have been produced for all the 28 EU MS: trafficking of illicit drugs (heroin, cocaine, cannabis, amphetamines, ecstasy), illicit trafficking in firearms, illicit trade in tobacco products, counterfeiting, MTIC fraud and cargo theft. It does not include trafficking in human beings, illegal gambling and match fixing, extortion racketeering and usury, for which quantifications exist only in few countries. Estimates refer to different years, but most to 2010.

- This figure is **approximately 1% of the EU GDP**.<sup>4</sup> The weight on GDP is higher in southern and eastern European countries (see maps below).
- The seven OCP countries (Finland, France, Ireland, Italy, the Netherlands, Spain and the United Kingdom) produce **about 60% of this amount (64 billion)**.
- **Illicit drugs** are still the most profitable 'traditional' market (nearly 28 billion yearly at EU level, 20 in OCP countries alone); of which **heroin** is the most profitable (8 billion euro in the EU). However, **new synthetic substances** (such as methamphetamines) and the increase in **home-made illicit drugs** (such as home-grown cannabis) are reshaping this market (see Section 4.1).
- **Fraud**, in its various forms (e.g. MTIC fraud, VAT carousel fraud, plastic fraud, insurance fraud, social benefits fraud, etc. - see Section 4.9) is becoming one of the most profitable illicit activities, attracting many OCGs. **MTIC fraud** alone produces more than 29 billion euro at EU level each year according to the estimates calculated in this report.<sup>5</sup>

- **Trafficking in human beings** (for both sexual and labour exploitation purposes) is an important activity for OCGs, but estimates of the scale of revenues are almost non-existent (except in some countries).<sup>6</sup>
- There are few measures of the proceeds from **organised property crime** and **illicit trafficking in firearms (ITF)**. Especially the former has attracted a large number of criminal groups given the high returns and the low risks (for example the theft of medicines, see Section 4.10), but only limited figures on cargo theft are available (about 420 million euro in revenues at EU level).
- Given the lack of figures on these markets, the overall quantification (**110 billion**) may be underestimated.

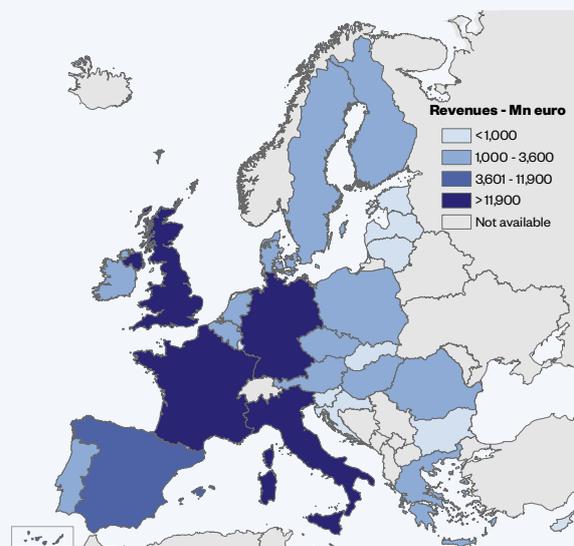
**Table 1 – Revenues from illicit markets per year – billion euro**

Illicit market	7 OCP countries	Whole EU
<b>Illicit drugs</b>	<b>20.2</b>	<b>27.7</b>
Heroin	5.7	8.0
Cocaine	5.3	6.8
<i>Cannabis</i>	<i>5.4</i>	<i>6.7</i>
<i>Amphetamines</i>	<i>1.6</i>	<i>2.8</i>
<i>Ecstasy</i>	<i>2.2</i>	<i>3.5</i>
<b>Trafficking in human beings (THB)</b>	Estimate available only in few EU MS	
<b>Illicit trafficking in firearms (ITF)</b>	-	<b>0.4</b>
<b>Illicit trade in tobacco products (ITTP)</b>	<b>5.2</b>	<b>9.4</b>
<b>Counterfeiting</b>	<b>21.6</b>	<b>42.7</b>
<b>Illegal gambling</b>	Estimate available only in few EU MS	
<b>Extortion racketeering</b>	Estimate available only in few EU MS	
<b>Usury</b>	Estimate available only in few EU MS	
<b>MTIC fraud</b>	<b>16.9</b>	<b>29.3</b>
<b>Cargo theft</b>	<b>0.36</b>	<b>0.42</b>
<b>TOTAL</b>	<b>64.2</b>	<b>109.9</b>

Source: Transcrime-OCP estimates. In italics estimates by other authors

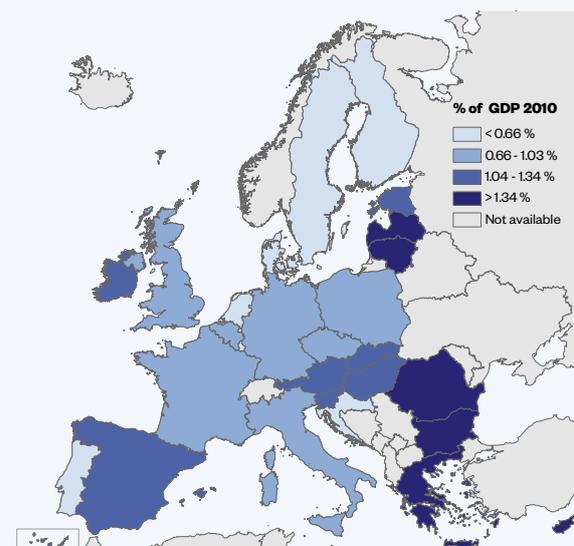
- **Counterfeiting** is *potentially* very profitable (estimated to produce 42 billion euro annually in the EU), given the willingness of European citizens to purchase counterfeit products. However, it is still unclear if and how the actual illicit supply is able to satisfy the potential demand (see Section 4.5).
- **Illicit trade in tobacco products** (see 4.4) is able to produce revenues equal to those of some illicit drugs (e.g. cocaine in OCP countries) according to estimates.

**Figure 1 – Estimates of the revenues from illicit markets in the EU. Absolute values<sup>7</sup>**



Source: Transcrime elaboration on OCP estimates

**Figure 2 – Estimates of the revenues from illicit markets in the EU. Percentage of GDP 2010<sup>8</sup>**



Source: Transcrime elaboration on OCP estimates and Eurostat data

4. The rate has been calculated on the consolidated EU GDP 2010, reference year for most of the estimates.

5. Missing Trader Intra Community fraud refers to a particular type of organised VAT fraud producing a loss to the government budget and an extra profit for the fraudster. Typically, a company buys goods free of VAT from a supplier located in one EU MS, and sells it domestically, including the VAT in the price, but disappearing before remitting the VAT to the government (see Section 4.9).

6. For example in Italy THB for sexual exploitation has been estimated to produce around 3 billion of euro annually (Mancuso, 2014; see Section 4.2).

7. It covers the following illicit markets and activities: heroin, cocaine, cannabis, amphetamines, ecstasy, ITTP, counterfeiting, illicit trafficking in firearms, MTIC frauds and cargo thefts.

8. It covers the following illicit markets and activities: heroin, cocaine, cannabis, amphetamines, ecstasy, ITTP, counterfeiting, illicit trafficking in firearms, MTIC frauds and cargo thefts.

### Who shares the illicit revenues? The actors

Revenues from illegal markets in Europe **are shared by a plurality of actors and not monopolized** by a few criminal organisations. The number, nature, composition and level of organisation of these actors change according to the country, the market, the opportunities and the particular stage of the illicit supply chain in which they are active:

- Although **large and structured groups** may be still important in those criminal activities entailing a high level of organisation, **smaller groups** and **free-lance criminals** have become central, especially in emerging markets such as synthetic drugs, home-grown cannabis, fraud or ITTP (see respectively 4.1, 4.4, 4.9).
- **Criminal groups composed of one dominant nationality or ethnicity** still play a key role in some markets (for instance Albanian and Turkish OCGs in heroin trafficking) but they are increasingly changing into **heterogeneous, multi-ethnic** and **inter-connected** OCGs.
- Also important are **functional links**, such as those with the countries of origin of illicit goods (e.g. the links of gangs from *quartiers sensibles* in France with North African groups in the trafficking of cannabis – see 5.2) and **cultural ones** (e.g. among different national chapters of **Outlaw Motorcycle gangs** - see 5.1).
- Some criminal groups **specialize in particular illicit activities** (e.g. some Eastern European OCGs in organised theft – see 4.10) and move across Europe to carry out these activities (e.g. property crimes or frauds).
- But most groups are increasingly involved in **multiple crimes**, i.e. active in more than one market simultaneously (e.g. Chinese OCGs in counterfeiting, sexual exploitation, illegal gambling and tax fraud in Italy – see 5.4).
- This may lead to economies of scale deriving from the use of the **same routes and channels** to traffic different illicit goods, which may **reduce operational costs** and increase **OCGs' profit margins**.

Given this fragmented and dynamic picture, it is **difficult to assess who earns how much** in illicit markets in Europe. Future research should seek a better understanding of how illicit proceeds are split among the different criminal actors and the different members of the same criminal group.

### Where and how will criminal groups produce illicit revenues in the future? Emerging trends

The evidence collected by project OCP has highlighted some emerging trends which must be taken into account to fully understand **how the revenues of illicit markets** may change in the future:

- First, there is evidence that OCGs may **gradually shift** from traditional markets (e.g. drugs or THB) to new, less risky, underrated but very profitable illicit activities, such as **fraud** or **organised property crime** (e.g. of medicines, vehicles, car parts). Besides creating new actors, these activities may also attract traditional OCGs (e.g. Italian mafias such as Camorra groups).
- Second, increasing use is made of **legitimate companies** in illicit markets, for example:
  - In **fraud schemes**, as shell companies in VAT carousels, excise or insurance frauds;
  - As **fronts for illicit activity** (e.g. . transport or shipping companies to hide the smuggling of drugs);
  - To **'launder' stolen products** (e.g. fake wholesalers in order to repack and sell stolen medicines back to hospitals and pharmacies, see 4.10).
- Third, **new products** are emerging in a **twilight zone between licit and illicit**. For example, *illicit white* cigarettes, which are legally produced in one country and illegally smuggled to other (see 4.4), are expanding; or firearm replicas which, when manipulated, can become illicit firearms (see 4.3).

These trends are reshaping illicit markets in Europe, but they are also important drivers of the **business strategies** of organised crime groups when they move from the illegal economy to legitimate markets (see Part 2).

### From the generation of illicit revenues to investments in the legitimate economy

Not all the proceeds generated by illicit markets are then available for investment in the legitimate economy. Criminal groups must cover a range of expenses, including:

- **Operational costs**, such as the purchase of wholesale drugs and transportation costs;
- **Management costs**, such as the payment of salaries of criminal group members or subsidies to their families;
- **Personal expenses**, to cover living expenses or the cost of a certain lifestyle;
- **Money laundering costs**, such as the fees paid to professionals hired to launder illicit proceeds;

Applying an innovative methodology (see chapter 6) to the heroin market, this report estimates that, for instance, **between 25% and 42% of the revenues** from heroin in the 7 OCP countries (between 1,160 and 3,160 million euro) may be available, after subtracting costs, for investment in the legal economy.<sup>9</sup>

9. The model developed in Chapter 6 covers the costs for purchase of raw materials and costs of living of the criminal actors involved in the supply chain. It does not cover transportation costs, management costs and money laundering fees.

## Part 2: Where do proceeds go? Organised crime investments in the European legitimate economy

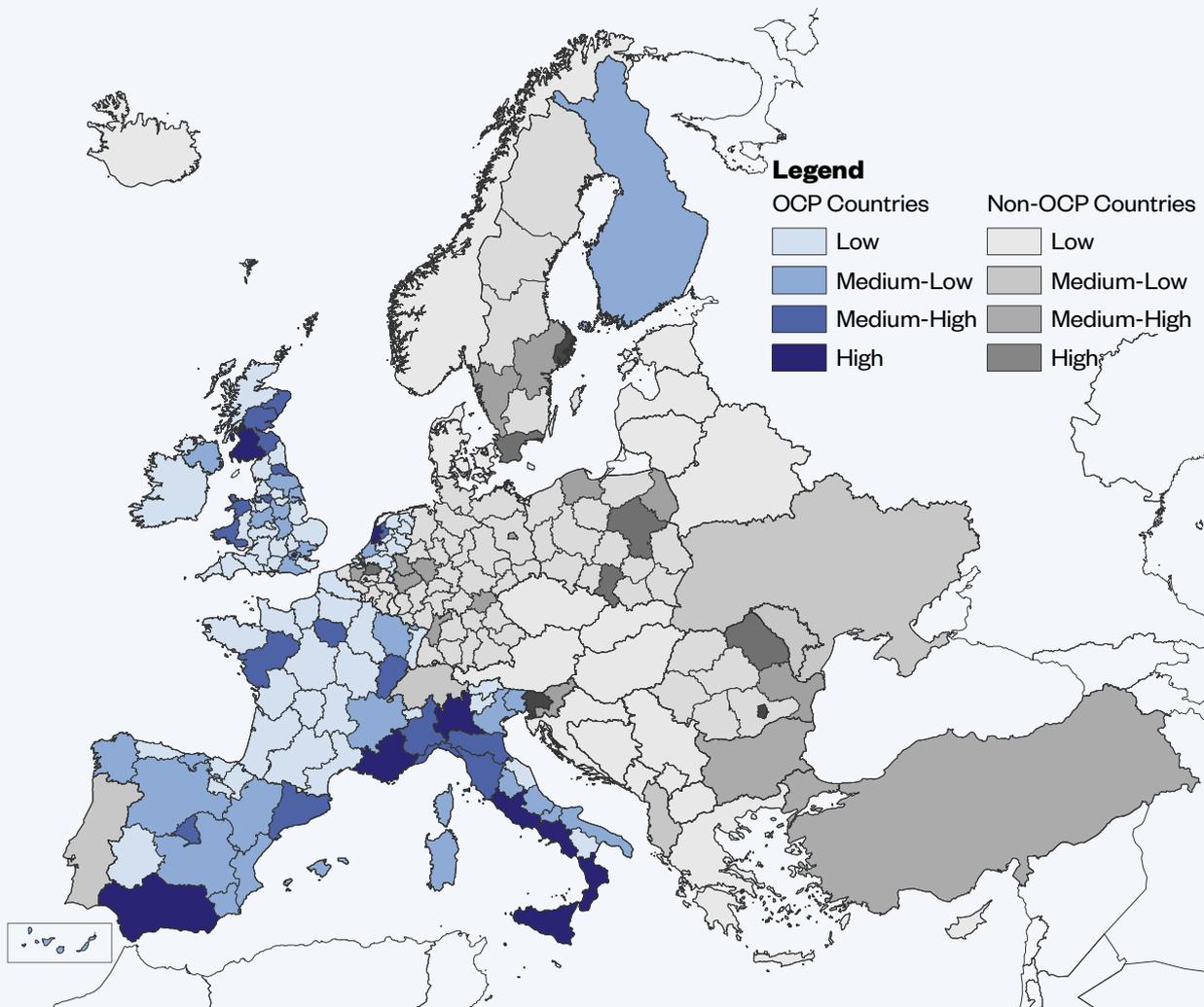
Once all the costs of illicit operations have been covered, where are the proceeds invested in the legitimate economy? OCP provides a **first exploratory overview of the investment portfolio** of organised crime groups in the 7 OCP countries. It considers:

- The **geographic regions** where investments occur;
- The **types of assets**;

- The **business sectors**;
- The different investment strategies of **criminal actors**;
- The **drivers** which could explain these different investments strategies.

To this end, given the lack of official data and in order to collect as much evidence as possible, a **broad definition of investment** was used (see Chapter 2) to conduct a **large-scale collection of cases** of investments from a wide **variety of sources** (judicial files, reports by LEAs, FIUs, AROs, academic studies, open sources).

**Figure 3a – European regions (NUTS 2) with evidence of organised crime investments - Percentages of the country total<sup>10</sup>**



Source: Transcrime elaboration on DOCI

10. Classes identified using Jenks natural breaks optimization. Although references to OCGs are available in most countries, in some cases they do not report indications about the relevant NUTS 2, or the number of references with NUTS 2 indication is too low to be meaningful and representative. Therefore, some countries (Austria, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Greece, Croatia, Hungary, Ireland, Lithuania, Luxembourg, Latvia, Malta, Portugal, Slovakia) are classified according to their national values

### ***In which geographic areas do criminal investments occur?***

Although the analysis focused systematically only on the 7 OCP countries (which represent 70% of the evidence gathered), cases of organised crime investments **were found in almost all EU MS (24 out of 28)**, and in a large number of non-EU neighbouring countries as well.

A concentration of investments was found in specific regions:

- In **Italy**: the southern regions, Lazio and north-western regions (especially Lombardy);
- In **France**: PACA - Provence-Alpes-Côte d'Azur, Île-de-France and eastern border regions;
- In **Spain**: Andalusia, Madrid and, to a lesser extent, south eastern regions;
- In **UK**: the London area and south-western Scotland;
- In the **Netherlands**: Amsterdam and Rotterdam and their neighbouring areas;
- In **non-OCP countries**: some areas like Berlin, the Düsseldorf-Köln area, Bucharest and the Romanian border with Moldavia.<sup>11</sup>

According to this exploration, criminal investments tend to be larger in areas with a historically strong **presence of OCGs** (e.g. southern Italy), in **border regions**, or in areas which may play a **crucial role in illicit trafficking** (e.g. Andalusia, or Rotterdam and Marseille with their harbours), **large urban areas** (e.g. London, Amsterdam, Madrid, Berlin) and **tourist or coastal areas** (e.g. Côte d'Azur, Murcia, Malaga or European capitals) which can provide investment opportunities, for example in the real estate or hotel sector.

While some regions (e.g. southern Italy – see 8.4) witness the infiltration of **mainly local groups**, other areas record investments of a **wide range of OCGs**: for instance southern Spain has cases of investments by Italian mafias, Russian OCGs, Motorcycle gangs and other groups (see Section 8.6).

### ***In which types of assets?***

Evidence collected by the OCP project shows that assets of all types make up the investment portfolios of organised crime groups:

- **Registered assets**, such as cars or boats, which are *instrumental* to many illicit activities (e.g. boats for drug transportation), as well as *status-symbols* for criminal group members and reflection of the criminal group's culture (e.g. "choppers" for motorcycle gangs);
- **Movable goods**, such as jewels, valuables, luxury-watches, but also financial instruments and bank accounts/cash;
- **Real estate properties**, ranging from lands, to villas, to flats. Immovable goods are considered safe investments by OCGs because they ensure high returns (especially in areas with buoyant real estate markets, such as PACA or

Costa del Sol – see 8.2 and 8.6) and profits in the forms of rents. Owning real estate can also facilitate illicit activities (e.g. houses can host brothels or deposits for illicit goods), fraud (e.g. mortgage frauds – see in Ireland 8.3) and control of the territory (e.g. in Italy, see 8.4);

- **Companies**, which are crucial investments and play a multifaceted role in the strategies of criminal organisations.

### ***In which business sectors?***

According to the evidence collected, the business sectors with the most cases of criminal investments are (see Section 7.3):

- Bars and restaurants;
- Construction;
- Wholesale and retail trade, in particular of food products and of clothing;
- Transportation;
- Real estate activities;
- Hotels.

Other economic activities that, according to the collected data, have emerged in recent years as particularly attractive to organised crime investments are, among others, **renewable energy, waste and scrap management, money transfer businesses (MTB) and casinos, VLT, slot machines, betting and gaming** (see 7.3).

Although future research projects should examine the factors and vulnerabilities determining the attractiveness of these sectors, there seems to be a prevalence of:

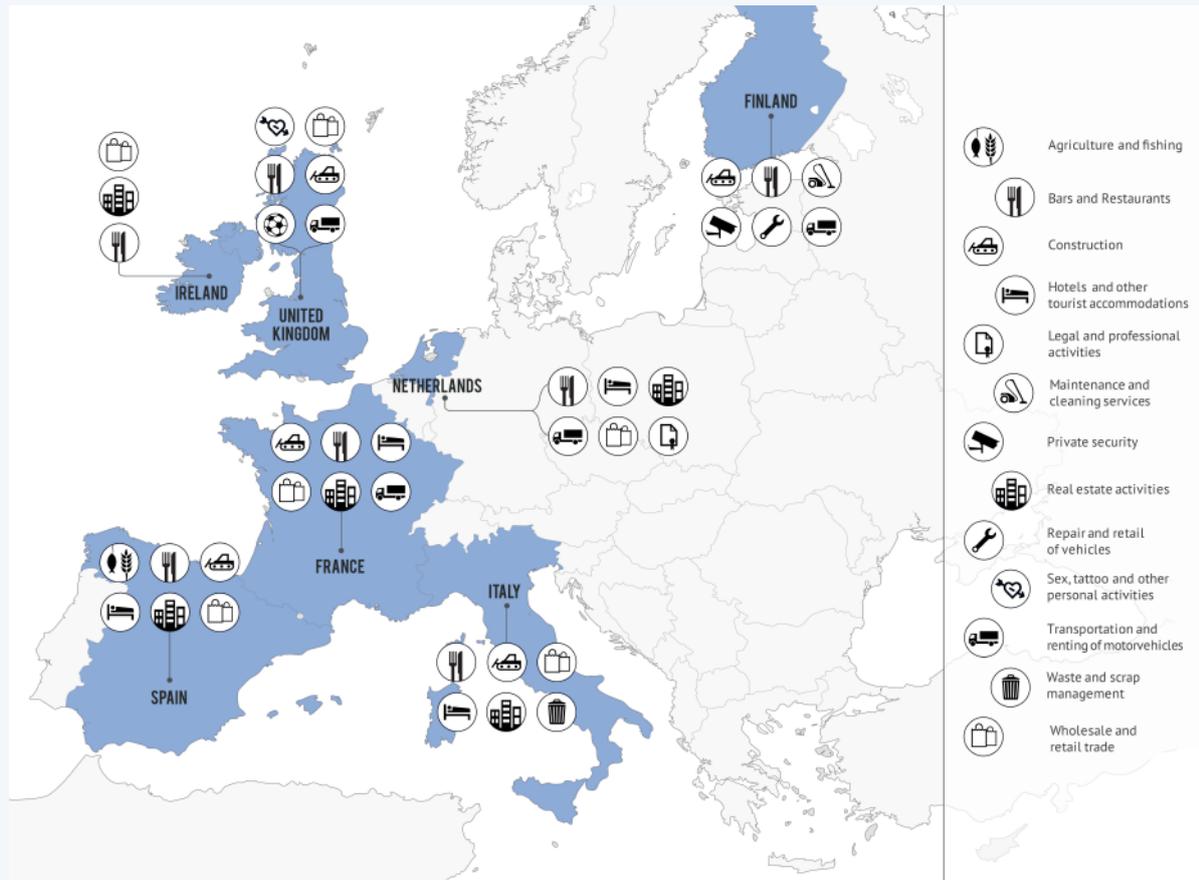
- **Cash-intensive** sectors, which can facilitate money laundering;
- **Low-tech, labour-intensive and not export-oriented** sectors;
- Sectors with a high involvement of **public administration** and/or **public subsidies**;
- **Territorial-specific** sectors, which can benefit and/or facilitate the control of the territory by criminal groups.
- Sectors with **weak or developing regulation**, which may imply weaker monitoring or more infiltration opportunities (e.g. renewable energy or VLT and gaming).

But above all, these sectors are **often functional for the commission of other illicit activities**: for example, transportation is often used as a front for the trafficking of illicit goods or MTB for transferring illicit funds.

Despite these general rules, there are **differences among countries**. These may depend on many variables, including the country's business structure and entrepreneurial culture (e.g. criminal investments in agriculture and fishery are higher in Spain than, for instance, in Finland – see 8.6), investment opportunities, differences in terms of national administrative and regulatory systems or the nature of the illicit activities conducted by the criminal groups active in the country (e.g. the infiltration of transportation companies is higher in *transit countries* like the Netherlands – see 8.5).

<sup>11</sup> Since the collection of cases was systematic only in the 7 OCP countries, the evidence collected in other EU MS should be interpreted cautiously and only as a preliminary picture of the situation.

**Figure 3b – Business sectors with highest evidence of organised crime investments - 7 OCP countries**



Source: Transcrime elaboration on DOCI

**What are the differences among actors?**

Besides countries and business sectors, there are also differences among **organised crime groups**.

- First, as in illicit markets, a **plurality of criminal actors**, ranging from large and structured organisations to smaller and looser criminal gangs, invest in the legitimate economy;
- Taking into account data biases<sup>12</sup> the criminal groups for which there is most evidence of investments in the legitimate economy are **Italian mafias** (especially Camorra and 'Ndrangheta), **Chinese OCGs**, **Russian/Georgian OCGs** but also **Motorcycle gangs** and criminal groups of **British, Dutch and Turkish** origin and nationality;
- Evidence of **Italian mafia** investments can be found not only in Italy but also in a large number of European countries, and in particular in real estate, construction companies, bars, restaurants and the wholesale and retail of food products;
- **Chinese OCGs** presence is especially high in the wholesale and retail trade, bars and restaurants, personal services (e.g. massage parlours) and money transfer agencies. Moreover, there is growing evidence of transfers of illicit proceeds generated in Europe (e.g. from counterfeiting, tax fraud or labour exploitation) to China (especially through MSB) (e.g. in Italy, Spain and UK);

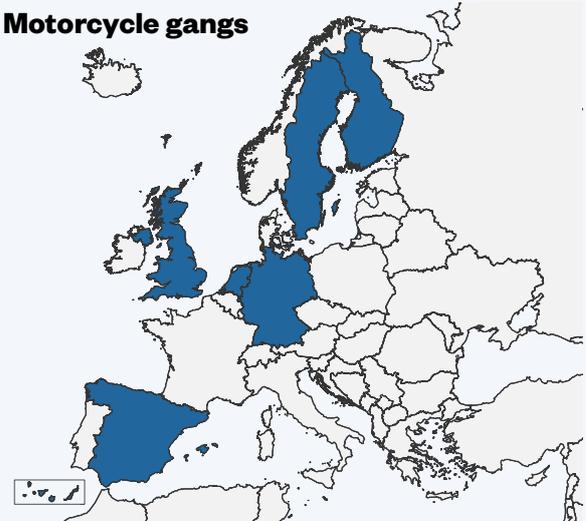
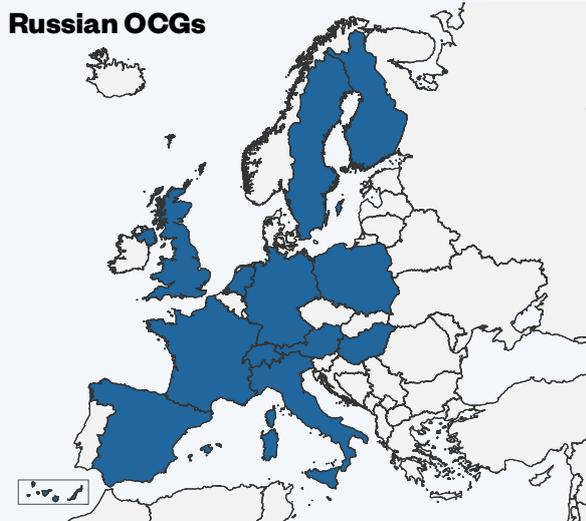
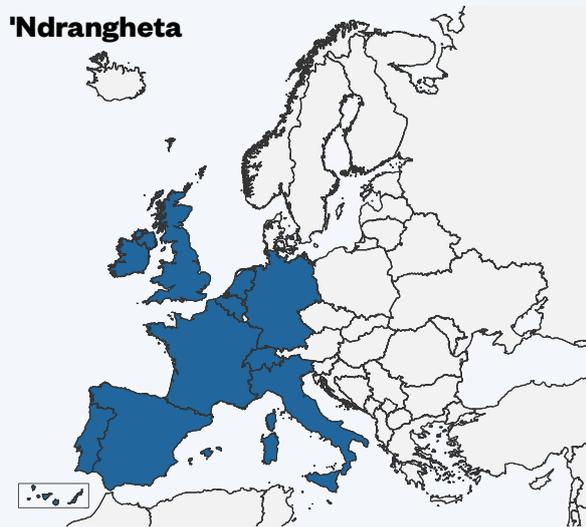
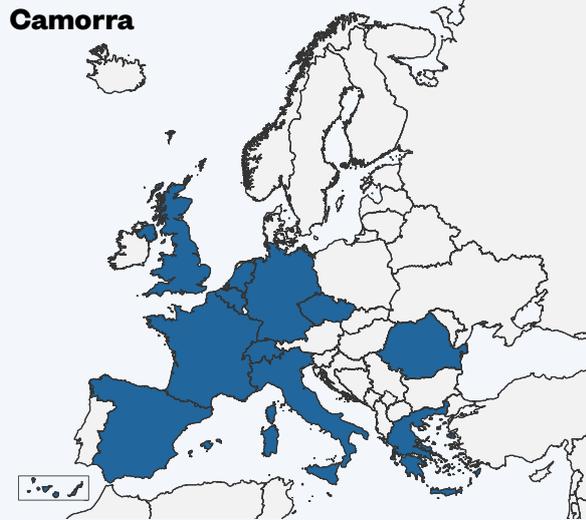
- **Russian/Georgian OCGs** are, according to the evidence collected, present in the largest number of EU countries, in particular in the wholesale and retail trade, bars, restaurants, real estate, hotels and casinos and gaming;
- Evidence can be found of investments by **Motorcycle gangs** in the private security industry, construction, renovation and repair and retail of vehicles, with an increasing level of sophistication and in a larger number of countries (including southern EU MS such as Spain – see 8.6);
- **Turkish, Colombian and North African OCGs** seem to prefer moving and investing the proceeds generated in Europe (e.g. from drug trafficking) abroad, often in their **country of origin** (e.g. in real estate), also using money transfer agencies under their control;

Other emerging issues should be highlighted:

- First, the evidence collected confirms the key role that **professionals** and **company service providers** may play especially in high-level money laundering and fraud schemes;
- Second, the growing role of **freelance entrepreneurs**, belonging to the so-called *grey area*, connected with multiple OCGs at the same time, and acting either as frontmen for criminal groups or as *facilitators* (e.g. of Cosa Nostra or Camorra investments in the wind power sector in Italy, see Section 8.4).

<sup>12</sup> The data collection, which focused on the 7 OCP countries, may overestimate the role and the weight of OCGs, such as Italian mafias or British OCGs, originating from the 7 OCP EU MS.

Figure 4 - European countries with evidence of organised crime investments - Selected categories of OCGs



Source: Transcrime elaboration on DOCI

- Third, the increasing number of cases of **cooperation** and **joint ventures** between different groups in the management of legitimate businesses and legitimate markets (e.g. between Camorra and Chinese OCGs in the clothing industry).<sup>13</sup>

#### **What are the drivers of organised crime investments?**

In summary, the OCP project shows that the investments in the legitimate economy are widely used by criminal groups to serve a variety of purposes, and in particular:

- To **launder criminal proceeds**;
- To increase **profits**, e.g. through speculation on the real estate market;
- To strengthen **control of the territory**, e.g. through investments in real estate properties or in highly territorial-specific businesses;
- To **infiltrate the local political, business and administrative** sphere, e.g. with companies active in public procurements;
- To increase **social consensus**, e.g. through the creation of jobs or the provision of public services;
- To satisfy **personal benefits**, including the purchase of status symbols;
- To **facilitate illicit activities**, for example through the investment in and control of:
  - Wholesale trade companies (especially of food products) as fronts for drug trafficking;
  - Transportation, logistics and import-export companies, to cover the smuggling of illicit, counterfeit or stolen goods;
  - Bars and restaurants, clubs and hotels as covers for prostitution rings or drug markets;
  - Money service businesses to facilitate the transfer of illicit funds across borders.
  - Oil and gas companies to commit fraud (e.g. tax frauds, excise frauds, fuel laundering, etc.).

Criminal groups in Europe do not invest in the legal economy solely to launder money; they use legitimate businesses as **tools to exert their power, influence** and to **exploit economies of scale** with the criminal activities in which they are involved. OCGs do not discriminate between illicit and legitimate markets, but **see them as a continuum** along which to grasp profit opportunities and expand their influence.

## **Part 3: What proceeds are recovered? The confiscation of criminal assets in Europe**

But to what extent are the proceeds generated by organised crime from illicit markets and then invested in the legitimate economy **recovered by the authorities**?

Despite the general consensus on the crucial role of the **confiscation of criminal assets** in the fight against organised crime in Europe (as confirmed by the introduction of the new Directive 2014/42/EU), answering this question is not simple.

First, because of the **lack of statistics**; second, because of the many **differences among the confiscation regimes** in EU countries (e.g. different types of confiscation, predicate offences and types of assets – see Chapter 10) which make it difficult to compare the available data.

In order to gain better understanding of these problems, and in an attempt to answer the question above, OCP has:

- Assessed the **level of availability of data** on confiscated assets throughout the 28 EU MS;
- Analysed, on the basis of the available data, the **amount and types of assets confiscated** for serious and organised crime across the 7 OCP countries.

#### **What is the availability of data on confiscated assets in Europe?**

According to the assessment conducted by OCP among EU AROs and AMOs, it emerges that (see Chapter 11 for details):

- Data on confiscated assets in Europe are **lacking and of poor quality**. While some countries (e.g. Italy, the Netherlands) collect good statistics, others do not;
- The use of **IT systems** to organise data is infrequent;
- Owing to the legislative differences, **methods and criteria** for the collection of data on confiscation vary widely across EU MS;
- Data are often collected within the same country by **several agencies**, involved in different stages of the asset recovery process or based in different geographic locations. This means that statistics are not often available in a centralized dataset, with uniform information;
- Data can refer to **different stages** of the asset recovery process and even provide overlapping information on the same court proceedings;
- It is often not possible to clearly distinguish the **main offence(s)** for which an asset was confiscated;
- Other **useful information** (e.g. location and condition of the confiscated asset, date of seizure/confiscation, type or name of the related criminal group) is often missing;
- In most cases, assets are **not associated with a unique ID** code throughout the recovery process, and this makes it impossible **tracing the assets** throughout the whole process.

13. Other interesting cases can be found among Italian mafias for the management of some important fruit markets in Italy (see 8.4) and a sophisticated money laundering scheme involving 'Ndrangheta, former Irish paramilitary members, and Spanish OCGs aimed at investing into tourist resorts in Southern Europe (see 8.4).

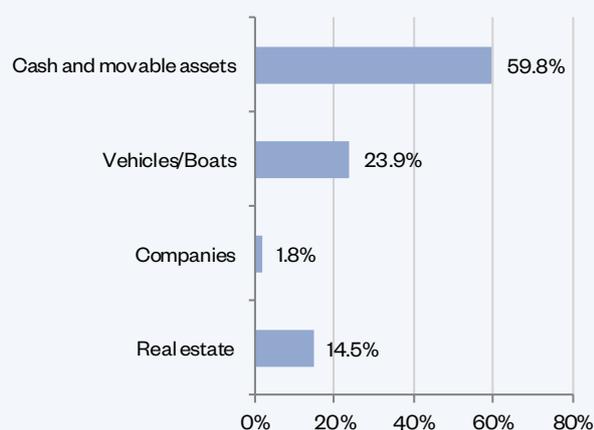
### How many and what types of assets are confiscated, according to the available data?

Despite these obstacles to determine a clear picture of the state of confiscation overall, the case by case analysis of the 7 OCP countries reveals that (see Chapter 12):

- **The number and value** of confiscated assets has increased over past ten years in most of the countries for which data are available;
- The majority of confiscated assets are **movable assets**. Cash, bank accounts, vehicles, boats and, to a much lesser extent, real estate are commonly seized (see below);
- Except for in Italy, there is a clear **absence of confiscated companies**. Confiscation of companies is not a widespread practice, despite the evidence of criminal investments across many different business sectors in EU MS.

The available data therefore show that **significant discrepancy between what criminals invest in and what is actually confiscated** by EU authorities, not only in terms of *amount* but also in terms of *types* of criminal assets.

Figure 5 – Average percentages of types of assets confiscated in five OCP countries<sup>14</sup>



Source: OCP analysis on AROs public reports and OCP data

14. The considered data is from Patja (Finland), AGRASC (France), CAB (Ireland), ANBSC (Italy) and PNSD (Spain). See chapter 12 for details.

### Research and policy implications

Given its pioneering nature, its data limitations and the limited number of EU MS covered, this report has to be considered only a **first step** towards a better understanding of the economics of organised crime in Europe, and a starting point for further studies in this field. In particular, the OCP report has highlighted several challenges which should be addressed by future research and policy initiatives (see Chapter 13).

From a research standpoint:

- This report provides a cold picture of the activity of OCGs in illicit and legitimate markets in Europe according to police and judiciary cases. However, there is the need to pass from cold pictures of past cases to **heat maps of risk**, which could highlight not only where risks of criminal infiltration are, but also where they could emerge in the future.
- In order to do so, it is necessary to **extend the study to all the 28 EU MS**, in order not to miss the *transnational* nature of criminal investments and to identify the areas where to focus research and policy initiatives.
- OCP has provided a 'wide-angle' picture, highlighting **macro patterns and trends** of OCGs in illicit and legitimate markets. There is the need to enrich this macro approach with a **micro approach** which could focus on more specific issues. Future research initiatives should integrate the findings of this study with other research projects, more limited-in-scope, conducted at EU level.<sup>15</sup>

From a policy perspective:

- This report has clearly highlighted that data in this field (e.g. on confiscated assets, on STRs, etc) across EU MS are lacking and of poor quality. EU agencies should **propel the collection of better data** across European countries and **guarantee access to researchers** active in this field.
- This report has shown that a discrepancy exists between what criminals invest in and what is confiscated by European authorities, in particular with regard to criminal investments in legitimate businesses. There is the need to **improve the confiscation of companies**, by improving their **tracing** (e.g. through strengthening the financial investigation skills of European LEAs and FIUs and giving them better access to centralised registries and IT tools),<sup>16</sup> by improving the **regulation** (e.g. widening the use *extended confiscation* or *third-party confiscation*) and improving the **management** of the companies once confiscated. Also the use **alternative instruments** to seizure (such as temporary suspension of business administration or administrative penalties for companies 'polluted' by organised crime) should be explored and expanded.

15. For example with the findings of Project ARIEL ([www.arielproject.eu](http://www.arielproject.eu)), funded by DG Home Affairs and expected to finish in spring 2015. ARIEL has been carrying out a script analysis of some selected cases studies of organised crime infiltration into legitimate companies in 5 pilot EU countries in order to better understand how OCGs acquire and keep control of European corporate entities.

16. For example EU funded Project EBOCS ([www.eboocs.eu](http://www.eboocs.eu)) will produce an IT prototype available to LEAs, FIUs and AROs to ease the collection and analysis of data on shareholders and administrators across different business registries of five EU MS. Should this pilot tool be extended to other countries, it would facilitate in a crucial way transnational investigations to identify the beneficial owners behind infiltrated legitimate businesses.

- Finally, this report has stressed the need for better **public-private partnerships** (e.g. through a more effective exchange of data and of best practices) to prevent that criminal groups could exploit loopholes in legal supply chains to carry out criminal activities such as theft, fraud, counterfeiting or money laundering.

Based on the current research gaps and the policy perspective, future projects should adopt a more **integrated approach** to better combat organised crime infiltration and prevent its spread in new areas of the European legitimate economy.

The **development of risk assessments** should be coupled with an holistic analysis of the opportunities that organised criminal groups exploit to infiltrate the legal economy. In turn this requires a micro-approach focusing also on the **contextual vulnerabilities**, such as legislation and the level and type of crime control policies. All **28 EU MS** need to collaborate in the systematic collection of homogenous and comparable data. The data collection process should require the **collaboration of experts from different countries and backgrounds** (including LEAs, FIUs and AROs, academic, public officials and representatives of the private sector) to allow for a better interpretation of information as well as to increase the shared knowledge regarding this phenomenon.

Finally, European institutions and national governments should provide human and technological resources in order to meet these challenges. The **organisation of LEAs, FIUs and AROs** could be reshaped in order these agencies can better **identify, assess and manage the risks** of criminal infiltration into illicit and legitimate markets.

Following an **opportunity reduction approach** and focusing on high-risk situations could lead to the achievement of these results with fewer resources and less costs for European citizens.