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TITLE: International Money Laundering: Are We Looking from the Right Angle?

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Abstract

The anti-money laundering policies assume that money launderers are fully rational actors who always act to maximize their economic returns over time. Criminologists criticized this approach for being simplistic and decontextualizing the criminal decision-making process, not accounting for the broader array of advantages that criminals may pursue with their actions. This paper tests the factors that drive criminals' decisions to launder illicit proceeds abroad by the means of a gravity model built on information related to foreign jurisdictions involved in 338 money laundering investigations carried out by Italian law enforcement agencies over the period 2016-2022. The results indicate that profitability is important but also factors other than economic returns may explain international money laundering schemes. Money launderers tend to prefer countries close to Italy, both from a geographical and cultural point of view. Similarly, also politically stable countries and with low levels of corruption play a relevant role. However, *ceteris paribus*, countries with high level of secrecy seem to discourage money launderers. The results contribute to the understanding of the threat side of money laundering and provide relevant empirical insights to develop more effective policies that take into account the complex and relational nature of the phenomenon.

Keywords: money laundering, financial flows, gravity, drivers

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1. Introduction

Money laundering refers to the process of disguising the illicit origin of gains derived from crime. With the growth of a globalized and interconnected economy, money laundering is argued to have gained an international dimension involving illicit proceeds flowing around the globe and threatening the integrity and stability of the global financial system (IMF 2021). Such threat image, periodically proposed again by international bodies, has justified the establishment of a wide array of legislations, regulations and policies over the last decades, leading to the rise of a global anti-money laundering regime to prevent illicit proceeds from entering the financial system in the first place.

Money laundering seemed only to concern developed countries until the late 1990s. However, based on the narrative of “only as strong as the weakest link in the chain” (Sharman 2008, 641), the Financial Action Task Force (FATF) – the watchdog founded by the G7 in 1989 and mandated with setting international standards to fight money laundering – has extended anti-money laundering controls to almost all countries in the world over the last decades, in a bold attempt to avoid the displacement of illicit proceeds to countries with no such controls in place. In that sense, the FATF has started to review the efforts undertaken by single countries and, ultimately, blacklist those found not compliant. The first FATF blacklist, published in 2000, contained 15 countries, mainly small islands in the Caribbean and the Pacific. After several modifications following harsh criticism, FATF blacklists started containing fewer countries over the years, resulting only in Democratic People’s Republic of Korea, Iran and Myanmar in October 2022². However, we have seen large money laundering scandals in several countries (e.g Panama Papers, Swisse Leaks), some of which have never been included in the above-mentioned blacklist (e.g. Denmark and the Danske Bank scandal), thus supporting the critics around the effectiveness of such instrument (Riccardi 2022).

² See: <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-october-2022.html>

Despite the pervasiveness and wide reach of the global anti-money laundering regime, empirical knowledge on what drives the decision-making process of money launderers and which countries are more vulnerable to illicit proceeds is still scarce, resulting in anti-money laundering policies built on a weak grounded base. In this sense, criminologists ask for more empirical research to investigate the determinants of transnational money laundering. Answering this call for research, the present paper analyzes 338 money laundering investigations carried out by the three main Italian law enforcement agencies over the period 2016 – 2022: (a) *Guardia di Finanza* (the Italian Economic Crime Police responsible for dealing with money laundering and financial crimes), (b) *Polizia di Stato* (the Italian State Police) and (c) *Carabinieri* (the Italian military-organized Police Force). Addressing the aforementioned gaps is essential to advance criminological knowledge on the threat side of money laundering and support the design and implementation of more effective policies, thus fostering the dialogue between scholars and anti-money laundering practitioners that has been extremely poor to date.

The present paper is structured as follows. In the next section we explore the theoretical perspectives on the behaviours of money launderers and the drivers that existing literature highlighted as relevant in influencing criminals' decisions to launder their illicit proceeds in specific foreign jurisdictions. The data and the methodological approach used for the analysis are detailed in the 'Methodology' section. We provide the main findings of the analysis in the 'Results' section where we also discuss and assess the validity of the analyzed factors, together with potential policy implications.

2. Criminal decision-making and money laundering

Theoretical perspective

The study of criminal behavior has traditionally been multidisciplinary, receiving contributions from a wide array of social sciences, with economics as the most recent entry (Bushway and Reuter 2008). However, most of the contributions to the literature on money laundering come from economists (van Duyne, Harvey, and Gelemerova 2018). Following Gary Becker's seminal work "Crime and punishment: an economic approach" (1968), several

economists started modelling money launderers as rational actors who always aim at maximizing their expected utility making the optimal choice among a set of predetermined alternatives that are exogenously given and not influenced by external factors (Urbina and Ruiz-Villaverde 2019). In this sense, criminals, similarly to licit entrepreneurs, make cost-benefit investments in those countries that guarantee the highest economic returns (Barone and Masciandaro 2011).

Despite its wide success among deterrence criminologists (Akers, Sellers, and Jennings 2021), the standard economic approach based on expected utility theory has been heavily criticized for being too short-sighted and failing to take into account several other factors that may influence criminals' choices. Assuming that individuals weigh costs and benefits before making decisions does not necessarily mean that this process is completely rational and utility-maximizing, nor that all people make the same decisions over time and in different situations (McCarthy 2002; Paternoster and Pogarsky 2009). This idea stands at the basis of the rational choice theory that was introduced in the criminological domain by Cornish and Clarke (1986). Although still relying on economic principles, this version of the rational choice theory adopted the concept of "bounded rationality" introduced by Simon (1955). Criminals' rationality is inherently limited and cost-benefit calculations are not always accurate, thus leading to sub-optimal decisions (Cornish and Clarke 2008; Leclerc and Wortley 2014). Furthermore, sole economic return is not enough to explain the criminal decision-making process as other factors also play a key role. Crime is a purposive act as it is committed to get a wide array of benefits, such as "sexual gratification, excitement, autonomy, admiration, revenge, control, reduction of tension, material goods, and so on" (Cornish and Clarke 2008, 25). Money may be used to buy most of these benefits and, therefore, it is a convenient benefit in its own right. However, the underlying variety of other motives, purposes and benefits associated to offending should be overlooked.

The rational choice theory appears to be a suitable theoretical framework for analyzing money laundering since it is rarely driven by emotions; quite the contrary, as it usually requires a certain degree of calculated planning. However, based on the general critique to the standard economic approach, the present study does not consider only economic profitability but rather

aims at testing the broader advantages that criminals may pursue when deciding in which country to invest their illicit proceeds. For this purpose, an extensive literature review of the empirical studies on the behavior of money launderers has been carried out and will be detailed in the next paragraphs.

Empirical research

Academic research on the behaviors of money launderers is still scarce, especially if compared to those studies trying to estimate the magnitude of the phenomenon and assessing the effectiveness of anti-money laundering policies (Kruisbergen, Kleemans, and Kouwenberg 2015). Within this scarce literature, even fewer studies have addressed the geographical scope of offenders when dealing with their illicit proceeds and provided insights on foreign countries involved in transnational money laundering schemes. The next sections describe the main driving forces (or pull factors) of money laundering flows that have been highlighted by criminological research. We grouped them in the three categories already proposed by Riccardi (2022): (a) Proximity; (b) Security; (c) Secrecy.

Proximity

In the international trade framework, the volume of trade between two countries increases when the countries have larger economies and when they are closer - in both geographical and cultural terms (Anderson 1979). This principle is assumed to be valid also for illicit proceeds. Starting from the first attempt by Walker (1999), gravity models have increasingly been adopted to study illicit financial flows worldwide (Walker and Unger 2009; Ferwerda et al. 2020a; Aziani, Ferwerda, and Riccardi 2020). Cultural and geographical proximity may influence criminals' decisions by offering potential known counterparts, reducing potential barriers (e.g. language barriers) and facilitating the access to relevant information. Several studies found that most criminals invest their illicit proceeds in the country where the predicate offence has been committed, in neighboring countries or back in the home country of the offender (if he/she is foreign) (Steinko 2012; Kruisbergen, Kleemans, and Kouwenberg 2015). Such countries allow

criminals to remain close to their illicit proceeds, investing in economic (and social) contexts they know and feel safe, while also providing lower laundering costs by relying on known contacts.

Security

Criminals tend to invest in countries that are characterized by stable economies, low political violence and high rule of law (Aziani, Ferwerda, and Riccardi 2020). This combination allows criminals to: (a) invest their illicit proceeds in secure environments and minimize the potential risk of loss due to external factors (e.g. conflicts), (b) better camouflage their actions since “hiding money is easier in a bigger pool of money” (Ferwerda et al. 2020a, 4) and (c) have access to better financial services. Conversely, countries with high levels of corruption may either attract or deter illicit proceeds. If, from the one side, paying bribes to corrupt officers represents an additional cost that criminals must bear; on the other, corrupt countries may offer higher changes to avoid detection (Aziani, Ferwerda, and Riccardi 2020).

Secrecy

Anti-money laundering policies and controls aim at increasing the costs of laundering illicit proceeds in a specific jurisdiction. Therefore, criminals may avoid countries with strict anti-money laundering controls and turn to countries characterized by low levels of corporate, payment and financial transparency (Does de Willebois et al. 2011; Ferwerda, Riccardi, and Aziani 2018; Jofre, Bosisio, and Riccardi 2022). Such “no questions asked banking” (Walker and Unger 2009, 836) may help them in concealing the illicit nature of their proceeds and the beneficial ownership of their assets.

3. Current study

Money laundering is argued to have gained an international dimension with criminals engaging in ever more complex schemes and illicit proceeds flowing to exotic offshore jurisdictions. Such image has emerged and thrived also due to the scarce empirical research on the topic. Few studies have addressed the geographical scope of offenders when dealing with their illicit proceeds finding that, contrary to what commonly assumed, it is rather limited. More empirical research is needed to point out which countries are more vulnerable to illicit proceeds

and what are the main determinants of such financial flows. Answering this call for research, the present paper addresses the following research question: *What are the factors that influence the choice of a specific foreign jurisdiction in which to launder illicit proceeds?*

3.1. Methodology

The methodology developed for the present research was based on publicly available data retrieved from several heterogeneous sources. It involved several analytical steps including data aggregation, processing and analysis, as well as multivariate regression modelling. The analysis focused on Italy as it is a suitable case study for several reasons. First, it is an advanced economy in the EU, which is exposed to significant money laundering risks posed by illicit proceeds mainly generated domestically, due to the relevant role of organized crime, in particular mafia-type, the high level of underground economy and the widespread use of cash (FATF 2016; MEF 2018). However, it is also characterized by a “mature and sophisticated AML/CFT regime, with a correspondingly well-developed legal and institutional framework” (FATF 2016, 5). Finally, Italy was also the first country to criminalize money laundering in 1978 to support law enforcement actions against Mafia and the Brigade Rosse (van Duyne and Levi 2005), thus having law enforcement agencies with a long history of crime fighting and a specific expertise in tracing crime money.

3.2. Variables

We selected several variables that are assumed to be relevant for the decision-making of money launderers based on previous criminological research highlighted in the literature review.

3.2.1. Dependent variable

The target variable aimed to identify which countries were involved in money laundering schemes with Italy as the country of origin, as well as to quantify the prevalence/frequency of such connections. Given the transnational dynamic of money laundering, we focused on international money laundering hence the origin-destination route of the money flow. In doing

so, we used as proxy the number of cases that involved money laundering between Italy and a j foreign country.

This information was extracted from the official press releases published by the three main Italian law enforcement agencies (*Guardia di Finanza*, *Polizia di Stato* and *Carabinieri*) on dedicated sections of their websites³ to inform the general public about their investigative activities. The web scraping resulted in 546 press releases that contained anywhere the term “money laundering” over the period 2016-2022⁴. Each of the resulting press releases was then manually reviewed to identify and include in the analysis only those involving criminal cases where at least one individual was charged with money laundering based on the Italian Criminal Code (Art. 648 c.p., Art. 648 ter c.p., Art. 648 ter 1 c.p.). Overall, the final sample consisted of 338 unique criminal cases involving money laundering in Italy over the period 2016-2022.

3.2.2. Independent variables

The independent variables to be evaluated relate to the four different determinants of money laundering discussed in the literature review. These included:

1. Profitability, which was assessed using economic data obtained from World Bank⁵, including national GDP growth (2018/2019), as well as foreign investment, both inflows and outflows (2019), measured as percentage of national GDP.
2. Proximity, operationalized using different distance metrics from the CEPII dataset that account for the physical and cultural proximity between the countries, including the geodesic distance (in kilometers) between Rome (the capital of Italy) and the capital city of the each foreign countries, along with most common dummy variables used in gravity equations, such as contiguity, colonial history and common language (Mayer and

³ Press releases are available at the following websites: *Guardia di Finanza* (<https://www.gdf.gov.it/it/gdf-comunica/notizie-ed-eventi/comunicati-stampa>), *Polizia di Stato*, (<https://www.poliziadistato.it/archivio/category/178>) and *Carabinieri* (<https://www.carabinieri.it/in-vostro-aiuto/informazioni/comunicati-stampa>). Last visit by the Authors in June 2022.

⁴ This specific timespan was chosen because it was the only available one for the three different law enforcement agencies.

⁵ <https://databank.worldbank.org/home.aspx> (last visited: September 2022).

Zignago 2011). Religion and currency information was extracted from publicly available dataset provided by private organizations and individuals⁶ and further processed to obtain dummy variables equal to the unit if two countries have the same most common religion and official currency. Migration exchange was measured using information on migration flow between the different countries and Italy, which was retrieved from the International Migrant Stock dataset published in 2019 by the United Nations⁷.

3. Security, which included several World Development Indicators from World Bank⁸ (2019), such as control of corruption, political stability, rule of law, voice accountability and governance effectiveness, as well as number of terrorist attacks during 2019 from the Global Terrorism Dataset⁹.
4. Secrecy, measured by the Financial Secrecy Index (2019) developed and published by Tax Justice Network and three relevant sub-components including KI-1 on Banking secrecy, KI-3 on Company ownership registration and KI-6 on Company ownership publication. FATF and EU blacklists and greylists were also considered.

3.2.3. Control variables

Several geographic and demographic data were used as control variables, namely the country area (km²) and landlockedness as well as economic and population metrics obtained from World Bank¹⁰.

⁶ Religion information: <https://worldpopulationreview.com/country-rankings/religion-by-country> (last visited: December 2022). Currency information: https://www.sport-histoire.fr/en/Geography/Currencies_countries_of_the_world.php (last visited: December 2022).

⁷ https://www.un.org/development/desa/pd/sites/www.un.org.development.desa.pd/files/undesa_pd_2019_migrant_stock_origin_destination_dataset.xlsx (last visited: December 2022).

⁸ <https://databank.worldbank.org/home.aspx> (last visited: December 2022).

⁹ <https://www.start.umd.edu/gtd/> (last visited: December 2022)

¹⁰ <https://databank.worldbank.org/home.aspx> (last visited: December 2022).

3.2.4. Descriptive statistics

The resulting dataset consisted of 231 observations related to country pairs, equal to all the combinations with Italy always as origin and all the other world countries. Table 1 presents the summary statistics of the dataset.

Table 1: Descriptive statistics of the variables.

Variable	Obs	Mean	Std. Dev.	Min	Max	Source
No. References (i, j) – <i>Dependent</i>	231	1.714	4.665	0	33	Guardia di Finanza, Polizia di Stato, Carabinieri
Area (j)	231	587544	1774711	7	17075400	CEPII
Landlocked (j)	231	0.165	0.372	0	1	CEPII
Population (j)	210	36059384	140295030	10764	1407745000	World Bank
GDP (j)	203	4.17E+11	1.89E+12	47271463	2.14E+13	World Bank
Geographic distance (i, j)	231	6513.1	4492.2	230.0	18572.2	CEPII
Contiguity (i, j)	231	0.022	0.146	0	1	CEPII
Italian colony (j)	231	0.009	0.093	0	1	CEPII
Italian language (j)	231	0.013	0.113	0	1	CEPII
Common currency	231	0.100	0.300	0	1	Other
Common religion	219	0.694	0.462	0	1	Other
Stock of migrants (i, j)	186	33406	100389	3	1074382	United Nations
Stock of migrants (j, i)	98	27302	82320	13	578841	United Nations
Control corruption (j)	205	0.007	0.997	-1.722	2.170	World Bank
Political stability (j)	209	0.008	0.988	-2.771	1.884	World Bank
Rule of law (j)	205	0.006	0.989	-2.351	2.058	World Bank
Government effectiveness (j)	204	0.003	0.993	-2.208	1.655	World Bank
Voice accountability (j)	205	0.007	0.989	-2.279	2.221	World Bank
Terrorist attacks (j)	231	36.264	154.314	0	1804	GTD
Financial Secrecy Index (j)	132	63.884	10.170	37.550	79.825	Tax justice Network
FSI KI-1 Banking secrecy (j)	130	48.977	18.541	7	100	Tax Justice Network
FSI KI-3 Company registration (j)	130	81.538	25.736	0	100	Tax Justice Network
FSI KI-6 Company publication (j)	130	86.019	31.456	0	100	Tax Justice Network
FATF blacklist (j)	230	0.196	0.398	0	1	FATF
FATF greylist (j)	230	0.130	0.338	0	1	FATF
EU blacklist (j)	230	0.274	0.447	0	1	EU
EU greylist (j)	230	0.126	0.333	0	1	EU
FATF/EU black/greylist (j)	230	0.283	0.451	0	1	FATF/EU
GDP growth (j)	203	1.502	5.803	-15.529	29.299	World Bank
Foreign investment – Inflows (i, j)	190	4.661	13.474	-11.684	163.044	World Bank
Foreign investment – Outflows (i, j)	175	1.397	14.194	-42.018	163.525	World Bank

Source: Authors' elaboration

3.2.5. Methods

We decided to rely on an adaptation of a gravity model as it is a methodology that has already proved to be useful for estimating money laundering flows (Ferwerda et al. 2012; 2020b) and illicit financial flows (Ferwerda, Riccardi, and Aziani 2018). In particular, several money laundering gravity models were estimated, one for each independent variable, to assess the performance of the models and the influence and significance of the predictor variables. In doing so, we considered the natural logarithm transformation of the commonly used multiplicative gravity model to obtain a generalized linear model, which is estimated based on a maximum likelihood optimization characterized by a Poisson distributed variance function. All proposed models are of the following form:

$$\ln Frequency_{i,j} = \beta_0 + \sum_c \ln Controls_{i,j} + \sum_p \ln Indep Var_{i,j} + \varepsilon_{i,j}$$

3.2.6. Limitations

The present paper suffers of several limitations that need to be discussed before presenting and interpreting the main findings of the analysis. The first limitation refers to case selection. The sample used in the present study only included money laundering cases investigated by Italian law enforcement agencies. This choice inevitably raises the question of the degree to which Italy is a generalizable case, especially given its peculiarities, such as the outsized role of organized crime groups – in particular Italian Mafias - active in the country. Although this concern is certainly pertinent, it should be remarked that how “laundering is carried out depends on local circumstances and changes from crime to crime, from criminal group to criminal group, and from country to country” (Levi and Soudijn 2020a, 10). For its own nature, money laundering is context-specific (Riccardi 2022). Therefore, the choice of such a particular case inevitably limits the scope of the present research but the generalization to other countries is also inherently hampered by the criminal phenomenon itself.

Second, cases were identified through a purposive sampling as they were selected based on their availability. Criminal investigations on money laundering that, for any reasons, were not covered by Italian law enforcement agencies with an official press release on their websites are

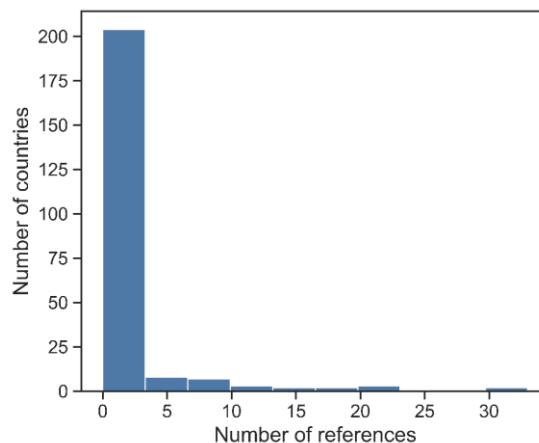
not included in the sample. The non-probability selection of the sample implies that these cases are not representative of the entire population under study.

Third, the analysis relies on information emerged from criminal investigations. Data only cover criminals and money laundering activities that came to the attention of Italian law enforcement agencies and, not secondary, were targeted in successful investigations. This issue could lead to an ‘institutional’ bias where certain actors falling outside the scope, priorities and resources of law enforcement agencies are not targeted by criminal investigations (Bjelland and Dahl 2017). For example, given the well-known challenges in cross-border criminal investigations, this issue may result in a more frequent detection and enforcement of local – and potentially simpler – money laundering schemes rather than complex and transnational ones.

4. Results and Discussion

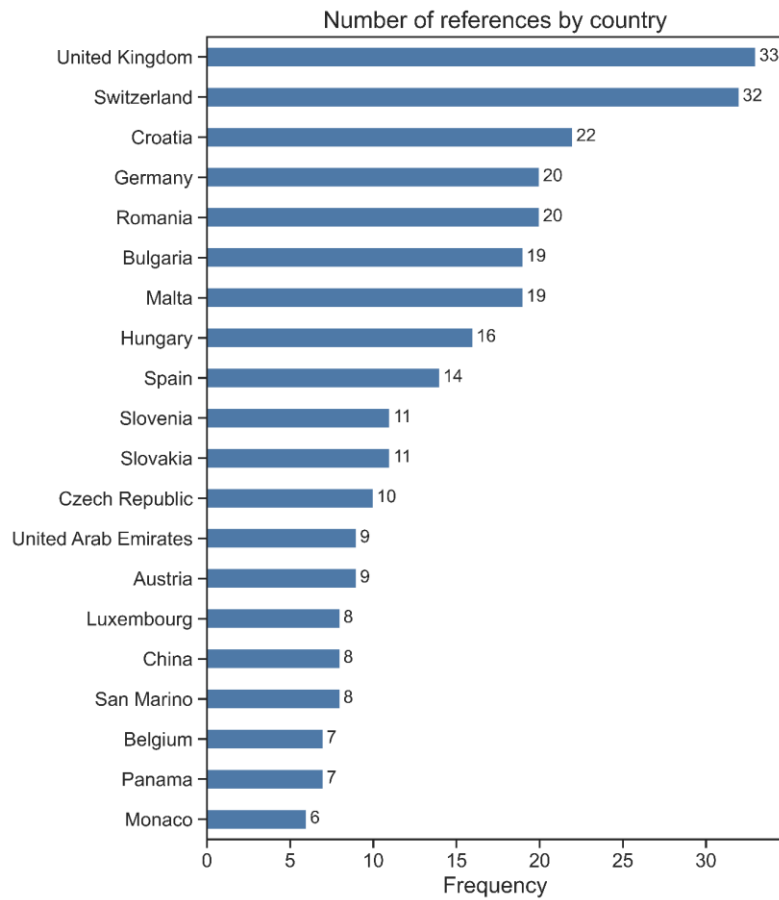
The dependent variable presented a right-skewed distribution ranging from 1 to 23 (Figure 1), which suggests a high frequency of low values (i.e., most of country connections are sporadic).

Figure 1: Distribution of the dependent variable.



Overall, 77 unique countries were involved in the money laundering schemes detected in the 338 criminal investigations used for the present analysis. As expected, most of the references involve European countries, including the United Kingdom, Switzerland, Croatia, Germany, Romania, Bulgaria, Malta, Hungary, Spain, Slovenia, Slovakia and Czech Republic (see Figure 2).

Figure 2: Top 20 most frequent foreign countries.



Profitability (Table 1) does play a relevant role in explaining the choice of a specific country by money launderers. GDP growth has a positive and significant – although small – effect on the target variable. Similarly, also foreign investments – both inflows and outflows - have a positive and significant effect. Overall, results confirm that criminals invest in growing economies that may maximize their earnings in the long term. The result is not surprising given the profit-orientation of predicate offences and the role of money laundering in allowing criminals to enjoy the fruits of their crimes.

Table 2: Results of gravity models – Profitability

	(1) GDP Growth	(2) Foreign Investment – Inflows	(3) Foreign Investment – Outflows
Area, ln (j)	-.217*** (.046)	-.241*** (.049)	-.255*** (.05)
Landlocked (j)	-.022 (.126)	-.048 (.132)	-.046 (.135)

Population (j), ln	-.076 (.083)	.017 (.094)	.027 (.095)
GDP (j), ln	.638*** (.056)	.568*** (.054)	.549*** (.054)
Geographical distance, ln	-1.192*** (.071)	-1.188*** (.075)	-1.197*** (.076)
GDP growth (j)	.054*** (.013)		
Foreign investment - Inflows (j)		.009*** (.002)	
Foreign investment - Outflows (j)			.005* (.003)
_cons	-2.774*** (.859)	-2.182** (.952)	-1.597* (.937)
No. Observations	203	187	172
Akaike's Crit	650.977	618.227	606.215
Bayesian Crit	674.169	640.844	628.248

Regarding geographical proximity (Table 3), we observe that the coefficient of geographic distance is negative and significant in all models. Conversely, contiguity (i.e. border sharing) has a positive and significant impact on the target variable. In this sense, money launderers in Italy appear to launder their illicit proceeds in neighboring countries, with a preference for bordering ones. When it comes to cultural proximity, results are less straightforward. While common religion had a highly positive and significant influence over the target variable, common currency appeared to have a negative and significant impact. In this sense, results seem to suggest that money launderers in Italy may prefer countries with different currencies to convert their Euros – often in cash – and make the audit trail more difficult for law enforcement agencies. Similarly, common official language and common colony proved to have no significant influence on the target variable, probably because not many countries, apart from Italy, speak Italian as well as being its ex-colonies (historically concentrated in the North and East Africa). However, these variables may be far more relevant for other countries, such as the United Kingdom, which have a more widespread language and a stronger colonial history.

Table 3: Results of gravity models – Proximity

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Geographic distance	Contiguity	Colonial Ties	Common Language	Common Currency	Common Religion	Migratory Exchange	Migratory Exchange
Area, ln (j)	-.234*** (.046)	-.238*** (.046)	-.229*** (.047)	-.232*** (.046)	-.249*** (.046)	-.293*** (.05)	-.229*** (.051)	-.248*** (.063)
Landlocked (j)	.008 (.125)	.079 (.129)	.005 (.125)	-.016 (.129)	-.126 (.132)	.07 (.125)	-.002 (.129)	.185 (.147)
Population (j), ln	.023 (.081)	.008 (.08)	.019 (.081)	.034 (.081)	-.019 (.081)	.186** (.087)	-.183* (.093)	.03 (.135)
GDP (j), ln	.553*** (.05)	.579*** (.051)	.552*** (.05)	.544*** (.051)	.612*** (.052)	.441*** (.053)	.572*** (.052)	.296** (.127)
Geographical distance, ln	-1.148*** (.069)	-1.214*** (.075)	- (.069)	-1.134*** (.071)	-1.248*** (.072)	-1.052*** (.072)	-.861*** (.097)	-.791*** (.104)
Contiguity		-.371** (.158)						
Italian colony (j)			-.529 (1.015)					
Italian language (j)				.155 (.19)				
Common currency (j) (Euro)					-.48*** (.122)			
Common religion (j) (Christianity)						.74*** (.18)		
Stock of migrants, ln (Italy as origin)							.212*** (.041)	.158*** (.061)
Stock of migrants, ln (Italy as destination)								.1 (.068)
_cons	-2.234*** (.835)	-2.112** (.845)	- (.839)	-2.313*** (.836)	-1.995** (.818)	-2.581*** (.901)	-3.656*** (.927)	-.544 (1.615)
No. Observations	203	203	203	203	203	199	182	90
Akaike's Crit	664.151	660.433	665.829	665.498	650.265	636.01	588.609	434.434
Bayesian Crit	684.03	683.626	689.021	688.691	673.457	659.063	611.037	454.432

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Money launderers from Italy seem to prefer countries with a high political stability and low levels of corruption (Table 4). In so doing, they can ensure the security of their illicit proceeds by stashing them in stable political contexts over time, thus avoiding external events that may cause uncertainty (e.g. revolutions). Similarly, low levels of corruption allow criminals to also minimize the costs they must bear to launder their illicit proceeds (e.g. paying bribes to corrupt officials).

Conversely, coefficients for rule of law, government effectiveness and terrorist attacks are not statistically significant.

Table 4: Results of gravity models – Security

	(1) Control of Corruption	(2) Political Stability	(3) Rule of Law	(4) Government Effectiveness	(5) Voice Accountability	(6) Terrorist Attacks
Area, ln (j)	-.149*** (.032)	-.148*** (.029)	-.149*** (.031)	-.156*** (.032)	-.21*** (.035)	-.143*** (.03)
Landlocked (j)	.873*** (.127)	.658*** (.125)	.826*** (.127)	.863*** (.128)	.689*** (.124)	.763*** (.126)
Population (j), ln	-.479*** (.093)	-.102 (.084)	-.263*** (.094)	-.404*** (.095)	-.075 (.08)	-.336*** (.062)
GDP (j), ln	.931*** (.084)	.563*** (.064)	.701*** (.088)	.866*** (.097)	.539*** (.059)	.783*** (.045)
Control of corruption (j)	-.207** (.094)					
Political stability (j)		.535*** (.116)				
Rule of law (j)			.113 (.112)			
Government effectiveness (j)				-.13 (.127)		
Voice accountability (j)					.53*** (.088)	
Terrorist attacks, ln (j)						-.065 (.043)
_cons	-13.795*** (1.003)	-10.563*** (.696)	-11.497*** (1.05)	-13.266*** (1.194)	-9.752*** (.711)	-12.312*** (.707)
No. Observations	195	197	195	195	195	203
Akaike's Crit	965.167	974.053	968.963	968.959	945.427	1008.893
Bayesian Crit	984.805	993.752	988.601	988.597	965.065	1028.772

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Regarding secrecy (Table 5), we can see that the three sub-components of the Financial Secrecy Index have a small but negative and significant influence over the target. These results certainly warrant further discussion. Instead of suggesting the deterrent effect of Secrecy on criminals' choices to , they seem to suggest that, *ceteris paribus*, secrecy appears less relevant if already controlling for proximity and profitability. As already discussed, criminals may choose countries close to Italy, both geographically and culturally, as well as those characterized by high economic growth. When these conditions are present, secrecy may only represent an additional risk, in terms of increased law enforcement scrutiny, that criminals are not willing to take. This idea is further

supported by the results for blacklists/greylists by FATF or the EU. Financial transactions towards these countries require enhanced due diligence checks by obliged entities on the sender as well as on the source of the funds, thus inevitably attracting unwanted attention on illicit proceeds. Under these conditions, criminals may simply switch to other countries that, although not offering the same secrecy levels, may provide contexts good enough to launder illicit proceeds as well as lower detection risks.

Table 5: Results of gravity models – Secrecy

	(1) FSI	(2) FSI KI- 1	(3) FSI KI- 3	(4) FSI KI- 6	(5) FATF Blacklist	(6) FATF Greylist	(7) EU Blacklist	(8) EU Greylist	(9) FATF /EU
Area, ln (j)	-1.186*** (.033)	-1.147*** (.033)	-1.135*** (.032)	-.13*** (.032)	-1.146*** (.03)	-1.155*** (.03)	-1.163*** (.031)	-1.163*** (.031)	-1.159*** (.031)
Landlocked (j)	1.059** * (.126)	1.132** * (.148)	1.028** * (.129)	.882*** (.126)	.805*** (.123)	.868*** (.125)	.766*** (.126)	.826*** (.123)	.823*** (.123)
Population (j), ln	-.108* (.066)	-.176*** (.065)	-.198*** (.064)	-.257*** (.064)	-.335*** (.06)	-.37*** (.06)	-.352*** (.06)	-.365*** (.06)	-.346*** (.06)
GDP (j), ln	.454*** (.054)	.534*** (.051)	.562*** (.051)	.649*** (.054)	.764*** (.045)	.815*** (.046)	.773*** (.044)	.783*** (.044)	.766*** (.045)
Financial secrecy index (j)	-.041*** (.006)								
FSI KI-1 Banking secrecy (j)		-.007** (.003)							
FSI KI-3 Company ownership registration (j)			-.004** (.002)						
FSI KI-6 Company ownership publication (j)				-.011*** (.002)					
FATF blacklist (j)					-.375** (.159)				
FATF greylist (j)						.538*** (.163)			
EU blacklist (j)							-.403* (.218)		
EU greylist (j)								-.319** (.129)	
FATF/EU black/greylist (j)									-.269** (.109)
_cons	- 4.423** * (.981)	- 8.022** * (.818)	- 8.517** * (.771)	- 9.276** * (.778)	- 11.83** * (.68)	-12.7*** (.727)	-11.6*** (.696)	-11.6*** (.688)	-11.5*** (.703)
No. Observations	124	122	122	122	202	202	202	202	202
Akaike's Crit	839.137	880.108	880.085	852.501	1002.59 3	998.808	1004.98 1	1002.33 3	1002.41 1

Bayesian Crit	856.059	896.933	896.909	869.325	1022.44	1018.65	1024.83	1022.18	1022.26
					3	8	1	2	1

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

5. Conclusions

The present study demonstrated the multi-faceted nature of money laundering. Criminals should not be reduced to actors who simply pursue economic returns. While profitability is certainly relevant, criminals also follow several other drivers when laundering their illicit proceeds. Overall, they tend to invest in countries which are close to Italy, both from a geographical and cultural point of view, as well as offering similar, if not higher, level of political and economic stability, thus securing their illicit proceeds in the long term. Conversely, results showed that jurisdictions with an high financial secrecy (in terms of banking, payment and ownership) as well as those in blacklists/greylists may somewhat represent an additional risk in terms of law enforcement scrutiny that criminals may not be willing to take in some instances.

Results further stressed the relational dimension of money laundering, previously highlighted by Riccardi (2022). In this sense, based on the idea that “laundering is carried out depends on local circumstances and changes from crime to crime, from criminal group to criminal group, and from country to country” (Levi and Soudijn 2020b, 10), it is important to highlight that countries most vulnerable to illicit proceeds change based on the country the illicit proceeds originate from. As a result, universal money laundering blacklists/greylists that all countries must *a priori* follow may be less adequate to effectively map money laundering risks at the international level compared to multiple (national) blacklists/greylists stemming from empirical evidence from each country. Again, ML high-risk countries for Italy may be significantly different compared to the ones for other countries, even within the European Union itself. The present study provided a dynamic methodological approach that can be easily replicated and adjusted to other countries, taking into consideration their specific characteristics and vulnerabilities. Future research should focus on investigating this issue to provide further

empirical evidence on the behaviours of criminals, thus contributing to both the criminological knowledge and the development of evidence-based policies.

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