‘Cyber crime, security and financial crime - what SMEs need to know and how to protect yourself’

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Introduction

• What is white collar crime?
• The extent of financial crime
• Fraud
• Money Laundering
• Cyber Crime
• Conclusions
What is white collar crime?

- “a crime committed by a person of respectability and high social status in the course of his occupation” (Sutherland, 1939)
- “someone who has committed a financial crime and who has a certain level of standing (i.e. that of management) within a business or corporation” (Harrison and Ryder, 2013)
What is white collar crime?

• White collar crime has also been referred to as:
  – ‘financial crime’,
  – ‘economic crime’ and
  – ‘illicit finance’.

• Examples of white collar crime include money laundering, insider dealing, fraud and market manipulation.
The extent of financial crime

- Fraud
- National Fraud Authority (2011)
  - £39bn
- National Fraud Authority (2012)
  - 73bn
- National Fraud Authority (2013)
  - £52bn
The extent of financial crime

• Money Laundering
  – the FATF have extrapolated amount of the laundered profits could be in the region of 2 percent of the global GDP.
  – IMF -
    • $590 billion to $1.5 trillion
  – FATF
    • $500 billion
The threat of financial crime

• ‘Destabilise national economies’ (Financial Action Task Force, 2004)
• ‘The integrity of a nation’s financial institutions can be eroded’ (Ryder, 2011)
• ‘The effects of financial crime can ultimately threaten national security’ (Ryder, 2011)
• Financial crime will almost certainly also have an adverse impact on the economies of countries.
What is money laundering?

- Processing of criminal proceeds to disguise their origin
- Concealing
- Disguising
- Converting
- Transferring or removing
- Facilitates the acquisition

- Retention
- Use or control
- Acquisition
- Use
- Possession

• Above relate to proceeds of criminal activity
The scale of money laundering

• International Monetary Fund
  – Between 2 and 5% of Global GDP
  – $590 billion to $1.5 trillion
  – £20 to £50 billion (UK)

• Financial Action Task Force
  – $500 billion
How is money laundered?

• Three recognisable stages:
  – Placement
  – Layering
  – Integration
The threat to businesses

• Criminal sanctions
  – Proceeds of Crime Act 2002

• Financial Penalties
  – Financial Conduct Authority
  – Credible Deterrence

• Reputation
  – HSBC
  – Standard Chartered
What is fraud?

• “Persuading someone to part with something” (Doig, 2006)
• “Deceit or an intention to deceive” (Omerod and Williams (2007)
• “Act of deception intended for personal gain or to cause a loss to another party” (Serious Fraud Office, 2006)
Some classic instances of fraud

• Bank of Credit and Commerce International,
• Barings Bank,
• Enron
• WorldCom
• Bernard Madoff
• Alan Stanford
• Polly Peck (Azil Nadir),
• Mirror Group Pension Scheme,
• Guinness
• Barlow Clowes
• Mortgage fraud
• Market manipulation
• Insider fraud
The threat posed by fraud

• Criminal sanctions
  – Fraud Act (2006)
  – Maximum custodial sentence of 10 years

• Financial Penalties
  – Financial Conduct Authority
  – Unlimited
  – Applicable to employees and companies

• Reputation
What is cyber crime?

• Cybercrime is often interchangeably referred to as ‘Internet crime’

• “offences or undesirable behaviour committed through or assisted by, any computer mediated or electronic device committed using the Internet or another computer network as a component of the crime” (Hache and Ryder, 2011)
The threat posed by cyber crime

- We send 294bn emails and five billion SMS messages
- Over 91 per cent of UK businesses and 73 per cent of UK households have internet
- In excess of £50bn is spent online in the UK
Threat posed by cyber crime

• Research indicates that 19 British people fall victim to some sort of online scam every minute.
• Over 50% of British population has been affected by some sort of cybercrime.
• The most common threats to online security being viruses, credit card scams and social networking fraud.
Extent of cyber crime

- ‘Cyber-crime has been estimated to cost as much as $1 trillion per year globally’ (HMG 2010)
- **120,000** cyber attacks against UK computers every day
- **44m** attacks per year
- Cyber crime costs the UK £27bn per annum
Effect on citizens

• Economic cost of cyber crime to UK citizens is £3.1bn per annum.
• This estimate includes:
  – £1.7bn per annum for identity theft
  – £1.4bn per annum for online scams
  – £30m for scareware and fake anti-virus
Effect on business

• Cost of cyber crime to UK businesses is £21bn per annum.

• This estimate includes:

  £9.2bn per annum from IP theft,
  £7.6bn per annum from industrial espionage
  £2.2bn per annum from extortion
  £1.3bn per annum from direct online theft
  £1bn per annum from the loss or theft
Threat posed by cyber crime

• Consider the following:
  – Treat all unsolicited emails (especially those from unknown senders) with caution
  – Don’t open attachments in emails that you’re not expecting
  – Don’t share files or programs with other users
  – Don’t use free software unless you know it’s reputable and safe
  – Install anti-virus software
Conclusions

Fraud
• Becoming the crime of choice for organised criminals and terrorists
• Tougher sanctions
• Cyber crime
• Adverse impact on the economy
• E-Fraud
• Card fraud

Money Laundering
• Too many vulnerable governments have not criminalised all forms of money laundering
• Too many governments place restrictions on AML measures
• International cooperation not sufficient
• The Internet
• Laws and regulations fail to keep pace