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‘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 per cent 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