

# THE OTHER SIDE OF THE COIN

An Analysis of Financial and Economic Crime



EUROPEAN FINANCIAL AND ECONOMIC  
CRIME THREAT ASSESSMENT 2023

## Executive summary

### ABOUT THE REPORT

Europol’s inaugural threat assessment on financial and economic crimes in the European Union (EU) is a comprehensive and in-depth evaluation of the threats posed by financial and economic crimes at EU level. The report describes the complexities of financial and economic crimes and the criminal ecosystem that virtually sustains and links all other criminal activities. It covers the mandate of the European Financial and Economic Crime Centre (EFECC), and includes insights in money laundering, corruption, frauds, intellectual property crime, and commodity and currency counterfeiting. It also illustrates the power of asset recovery in the fight against financial and economic crimes. The report captures the pervasiveness and destructiveness of financial and economic crimes affecting the EU, to support all relevant stakeholders in untangling the intricate variety of financial and economic crimes.

# KEY ELEMENTS OF FINANCIAL AND ECONOMIC CRIME

## **Millions of victims, billions of euros lost**

Victimisation as a result of financial and economic crimes, also including online fraud schemes and intellectual property crimes, is unprecedented and likely underreported. Millions of victims are affected in the EU, also in large part due to the accelerated cyber-dimension of such crimes and the increasing online presence of citizens, businesses and public institutions alike. The impact of financial and economic crimes is enormous, not only financially, but also in terms of mental and physical health, while the repeated re-victimisation of the targets of frauds further amplifies the harm of such crimes. Criminal actors' profits are massive, with single cases at times amounting to billions of euros in damage caused. The financial interests of the EU and its Member States are targeted via sophisticated VAT, customs and subsidy fraud schemes, thus hampering the overall economic stability and recovery of the Union.

## **Professional experts provide a wide range of services to criminal networks**

Criminal actors involved in financial and economic crimes rely extensively on professional experts that serve as essential enablers of their criminal activities. They demonstrate a high level of cooperation with service providers who facilitate the infiltration of criminal profits into the legal economy, including the financial and real estate sector, or set up complex legal commercial entities for criminal purposes and for hiding ultimate beneficial owners.

## **A problem of global scale with the EU as prime target for remote criminal actors**

Financial and economic crimes represent a problem of a global scale. The EU, with its strong economy and high standard of living, is a prime target of criminal operators often operating from outside the EU, taking advantage of jurisdictions with deficits in international anti-money laundering standards and in law enforcement cooperation. They coordinate criminal activities from such places, making strategic use of distance and communications technology to stay under the radar of law enforcement. Criminal activities in such jurisdictions outside the EU inevitably pose a risk to the security and prosperity of the EU, and can be only effectively addressed through global cooperation, including - but also beyond - the field of law enforcement.

## THE DRIVERS OF TODAY'S FINANCIAL AND ECONOMIC CRIME

Financial and economic crimes continue to evolve, driven by developments in the broader environment such as technological acceleration and global and regional geopolitical crises. However, they are also influenced by the evolution of serious and organised crime; adept in exploiting opportunities, criminal actors involved in financial and economic crimes display new expertise, target more victims than ever, and put further distance between themselves and their criminal activities.

See Infographic 1 -  
The engines of crimes

## MONEY LAUNDERING, CRIMINAL FINANCES & CORRUPTION; THE ENGINES OF CRIME

For the machine of serious and organised crime to function and thrive, three main components need to operate at full speed. Firstly, the capability to launder industrial levels of illicit profits. Secondly, a sophisticated financial crime ecosystem that allows for criminal business continuity. Thirdly, an ever-expanding web of corruptors and corrupted, enabling criminals to have access to information and power. Money laundering, criminal finances and corruption are as pervasive and disruptive for society as they are indispensable for criminal actors. Their far-reaching tentacles corrode the rule of law, grind down people's trust in the justice system and its institutions, and weaken societal and economic growth. Due to their intrusive yet imperceptible nature, they are also among the most difficult criminal activities to investigate and tackle.

### **Money laundering underpins nearly all forms of organised crime**

Virtually all forms of serious and organised crime depend on money laundering. Almost 70 % of criminal networks operating in the EU make use of money laundering to fund their activities and conceal their assets. Money laundering is performed through informal value transfer systems, cash smuggling, transfer of funds, trade-based money laundering, digital asset trading and/or investments in the legal economy. An ever-growing list of digital assets is used to launder proceeds of crime. The abuse of legal business structures is key in money laundering, with layers of corporate structures spread across multiple jurisdictions – often offshore – hiding the real beneficial owners. Professional money launderers have established a parallel underground financial system to process transactions and payments away from surveillance mechanisms. Some high-level money brokers hold a central position in the criminal ecosystem. Offering wide-ranging unregulated and worldwide banking and escrow services to multiple criminal organisations, they have links to the upper echelons of organised crime.

## **A system of criminal finances and investments**

Some criminal actors have established a system of criminal finances and investments to administer their vast amount of laundered assets gathered throughout years of criminal activity. Criminal revenues, already laundered into physical and financial assets, are being lawfully administered by a series of private companies and by financial and other experts, sometimes unaware of the criminal origin of the assets. When needed, the ownership of these assets is exchanged between companies, either as a means for payments and/or as an investment. The fact that there are no financial transactions involved during the exchange of ownership makes it challenging for investigators to link the movement of assets to a criminal venture.

[See Infographic 2 - Criminal finances and investments](#)

## **Corruption is an indispensable instrument for organised crime.**

Corruption is a key enabler of most criminal operations. 60 % of the criminal networks operating in the EU use corruptive methods to achieve their illicit objectives. No sector, no function and no country is immune from corruption. The costs of corruption remain marginal in the economy of organised crime. Bribery varies according to the situation. The huge profits of organised crime enable criminal networks to pay high bribes to facilitate further crime. Networks of corrupted individuals operate in multiple organisations and geographic locations. In some cases, corruption is facilitated by independent brokers acting as service providers.

[See Infographic 3 - The tools and targets of corruption](#)

## **Asset recovery**

Asset recovery is a powerful deterrent and an effective tool to tackle serious and organised crime. It deprives criminals of their ill-gotten assets and prevents them from reinvesting them in further crime or integrating them into the mainstream economy. Based on recent estimations, the amount of assets that law enforcement manages to take away from the hands of criminal networks still remains below 2 % of the yearly proceeds of organised crime. The remaining 98 % provides the fuel for organised crime. Increasing efforts are being made by EU legislators, Member States and law enforcement to corrode the economic power of serious and organised crime through the recovery of confiscated assets. Yet the amount of captured proceeds still represents just a drop in the ocean of the immense illicit – and untaxed – revenues gained by criminal networks.

## THE WORLD OF FRAUDS

Fraud schemes cause significant harm, both financial and otherwise. The criminal actors engaged in fraud schemes span from opportunistic individuals to highly organised networks, aided by external criminal service providers with relevant expertise. As most frauds nowadays are cyber-enabled, fraudsters are avid customers of cybercrime-as-a-service, making use of tools and/or data on offer. Fraudsters either target pools of potential victims or victimise selected targets. Re-victimisation of targets is a common practice. The most common types of fraud targeting individuals, private and public sector, include investment frauds (especially crypto-investments), business email compromise, e-commerce frauds, tech support frauds, romance frauds and phishing campaigns. Social engineering and impersonation are the most used techniques. Criminal actors operate several fraudulent schemes that have a detrimental impact on the financial interest of one or more Member States and of the EU as a whole. Every year, billions of euros are defrauded via subsidy frauds, excise frauds (tobacco, energy fuel and alcohol), customs import frauds, and VAT fraud schemes. Some fraud schemes are linked to sporting events.

## INTELLECTUAL PROPERTY CRIME AND COUNTERFEITING

Criminal networks involved in intellectual property crime infiltrate every step of the legal supply chain, with a direct impact on public health and the safety of consumers. The crime area remains hard to investigate, as most of the counterfeited commodities traded within the EU originate from abroad, making the detection of the key players much harder. Furthermore, the digitalisation of trade and transport has shifted most of the distribution online, further distancing criminals from their commodities. The commodities and sectors most affected by IPC in the EU are the automotive, clothing and accessories, cosmetics and perfumes, foodstuff, labels and packaging material, pesticides, pharmaceutical products, piracy and toys. The threat of currency counterfeiting has diminished in line with the increase of cashless payments.

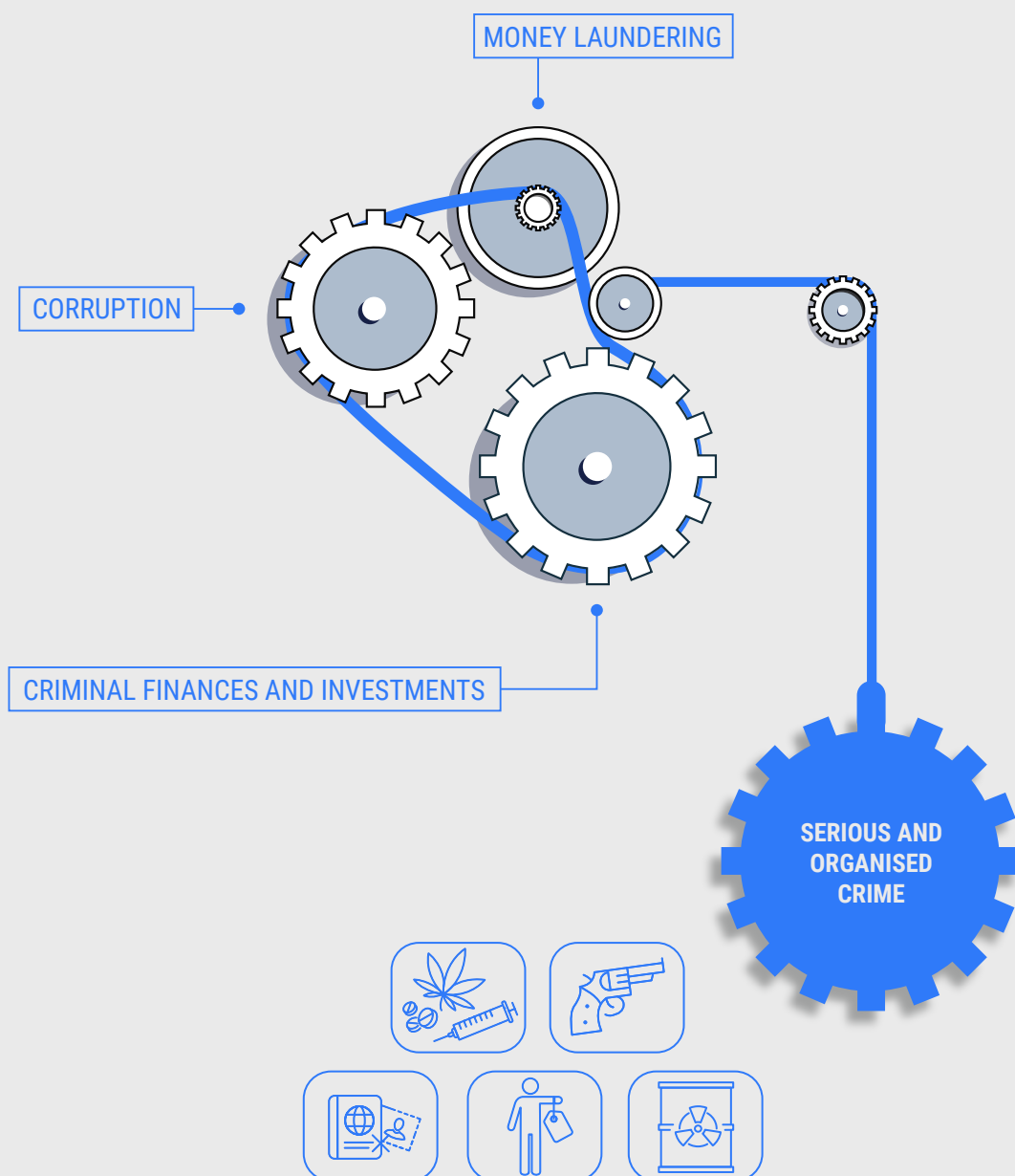
## EUROPOL'S RESPONSE

The European Financial and Economic Crime Centre (EFECC) was established at Europol in June 2020, as Europol's answer to the growing threats posed to the economy and integrity of financial systems. These threats include money laundering, corruption, counterfeiting, fraud and tax fraud schemes that target individuals, businesses and public institutions. EFECC enhances Europol's operational and strategic support by preventing and combating financial and economic crime in the European Union. EFECC promotes the consistent use of financial investigations and asset forfeiture, while forging alliances with public and private entities. Complex cyber-enabled frauds are also supported by the Europol's European Cybercrime Centre (EC3). EFECC's role is to support the financial investigations of all other centres.

Europol's Financial Intelligence Public Private Partnership (EFIPPP) provides an environment for cross-border cooperation and information exchange between Europol, competent authorities (including financial intelligence units and law enforcement agencies) and regulated financial service entities. In the fight against financial and economic crimes in the EU, Europol closely cooperates with the European Anti-Fraud Office (OLAF), the European Public Prosecutor's Office (EPPO) and the European Union Intellectual Property Office (EUIPO).

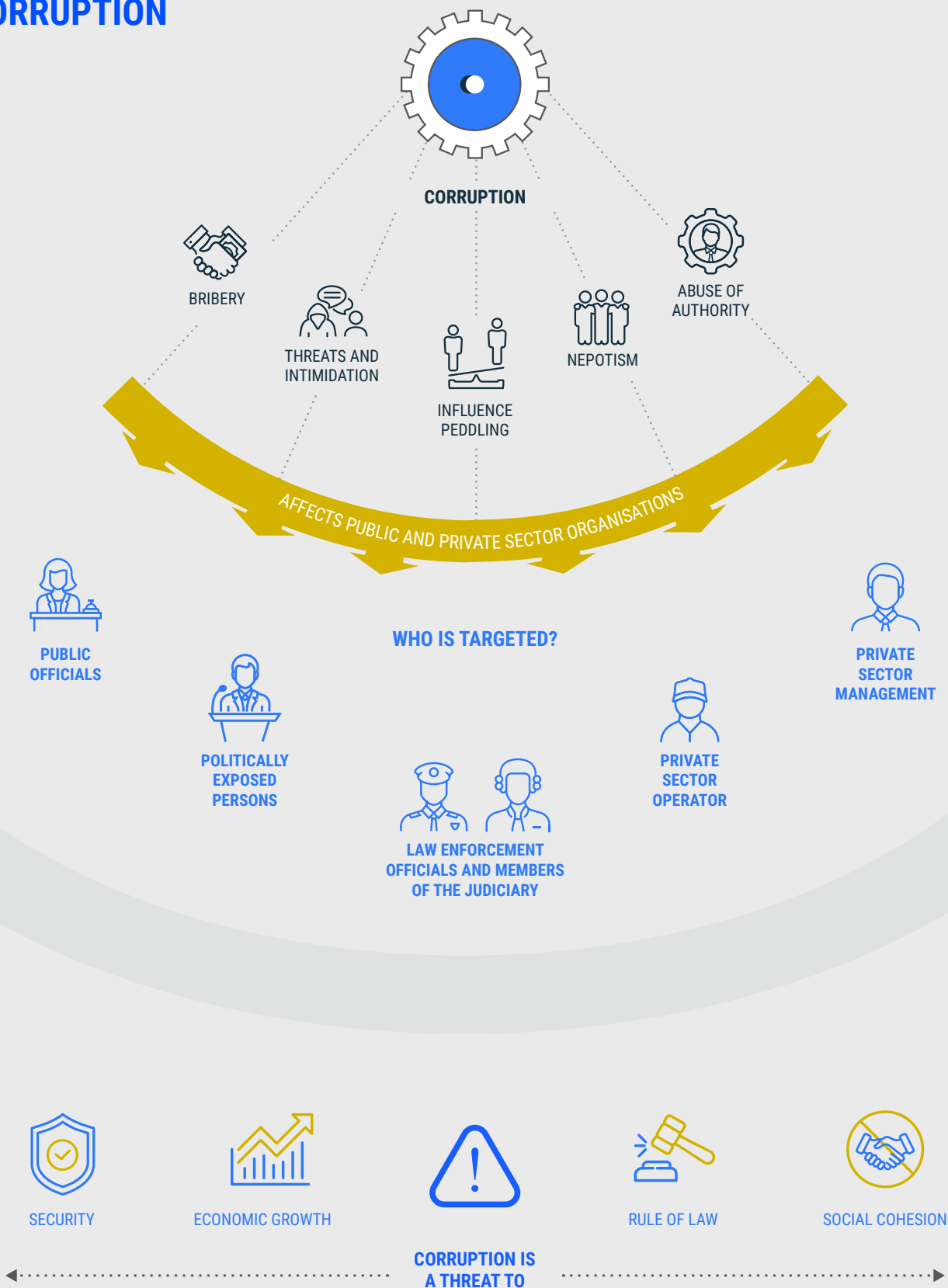
Infographic 1

# THE ENGINES OF CRIME



Infographic 2

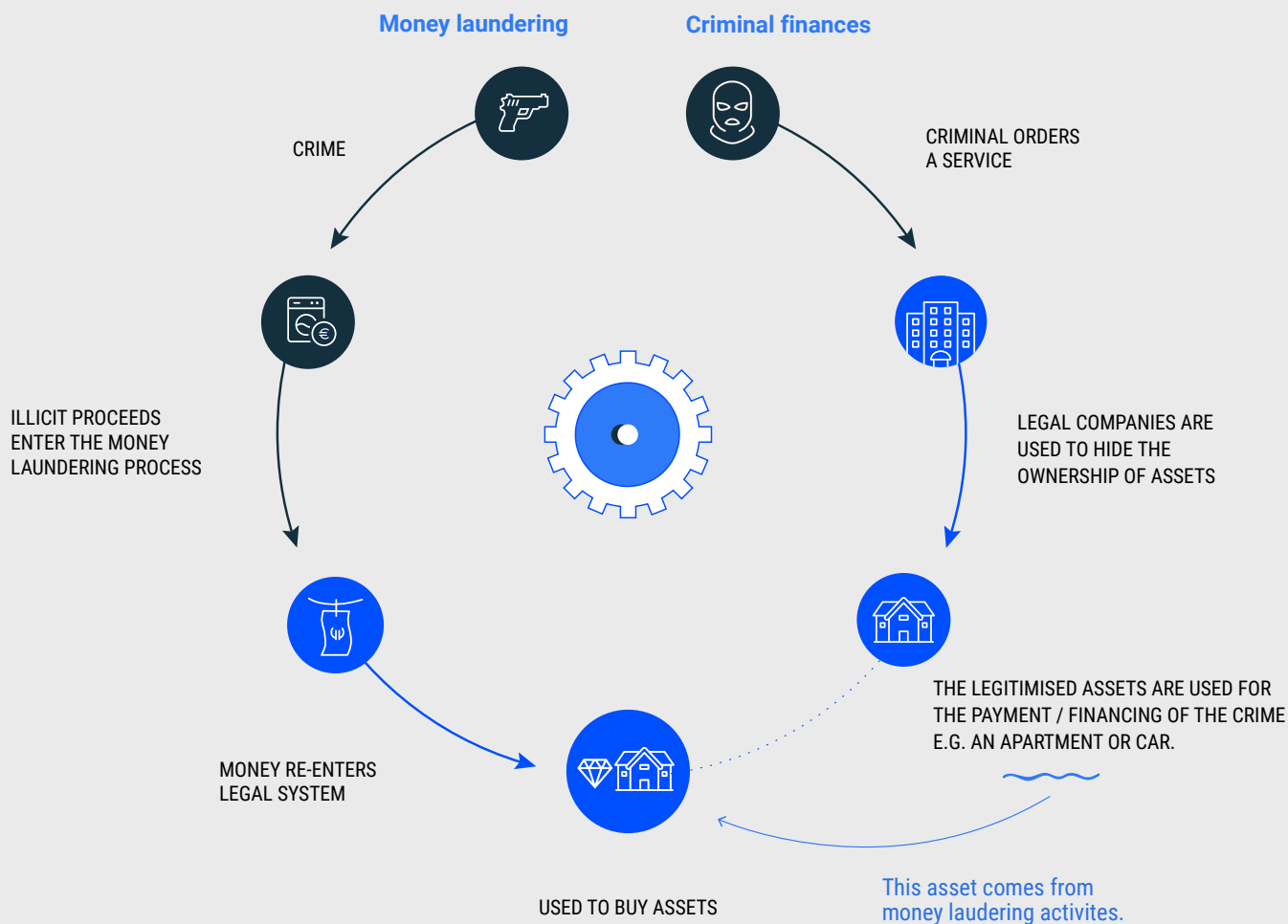
# THE TOOLS AND TARGETS OF CORRUPTION





Infographic 3

# CRIMINAL FINANCES AND INVESTMENTS



- ILLEGAL SYSTEM
- ABUSE OF LEGAL SYSTEM



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