

To Launder or not to Launder: Are there Positive Effects for the Economies of Countries who Launder Money?

June Buchanan^{a*}, Yun Shen^b, Tom Smith^c

^a *Department of Marketing, Macquarie Business School, Macquarie University, Sydney, NSW, 2109, Australia*

^b *School of Commerce, UniSA Business School, University of South Australia, Adelaide, South Australia, 5001, Australia*

^c *Department of Applied Finance, Macquarie Business School Macquarie University, Sydney, NSW, 2109, Australia*

Abstract

This paper empirically examines corporate money laundering/gambling activities from a financial perspective – the impact of money laundering/gambling on firms' financial performance. We specifically address whether the firms associated with money laundering suffer any short or long-term effects on their financial performance following the public release of money laundering activities. Our findings suggest that the firms that engage in money laundering/gambling activities perform better after the relative news of their money laundering becomes public (all countries except Canada).

1. Introduction

This paper has been developed empirically as an extension to the publication by Buchanan (2018) on money laundering/gambling. Since that 2018 publication, government, citizenry and media attention has increased due to the mal practices that have, for example been recently exposed in Australia by a Royal Commission into the financial services industry. According to an Australian Government website: “The Commission was established on 14 December 2017 by the Governor-General of the Commonwealth of Australia, his Excellency General the Sir Peter Cosgrove AK MC (Retd).” (Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry 2019). The final report and the Government’s response are available on the Department of Treasury website (The Australian Government, The Treasury 2019). The High Court Judge, Justice Kenneth Hayne, was scathing in his appraisal of the findings. His 76 recommendations targeted key players in Australia’s banking, superannuation and financial industries (Chalmers and Worthington 2019; Wright 2019).

2. Context

Our empirical analysis highlights many instances of money laundering by gambling operators. In addition, major players in the Australian economy such as the Commonwealth Bank of Australia, have been embroiled in money laundering scandals. After Australia’s financial regulator AUSTRAC identified serious failures to report suspicious transactions, CBA was ordered to pay AUS\$700 million plus legal costs. CBA also admitted their failure to monitor for ‘red flags’. (Doran and Janda 2018; Evers 2018). Furthermore, “AUSTRAC suspects that there was significant further undetected money laundering through CBA accounts that ought to have been detected and reported,” noted the statement of facts agreed between the bank and AUSTRAC” (Doran and Janda 2018). Reuters (2019) recently reported that the Head of Australia’s financial intelligence agency stated that Australia’s big banks “will face potential penalties within the next six months for breaching money laundering laws”.

This paper is a work-in-progress. Currently the focus is on money laundering in the gambling industry. Tabcorp, one of Australia’s largest gambling companies, was fined

AUS\$45 million for failing to report suspicious behaviour over more than five years to regulators. Tabcorp acknowledged they had not reported information required by AUSTRAC, such as when a customer won AUS\$100,000, in addition to not reporting money laundering and credit card fraud (Ryan 2017). According to the Australian Institute of Criminology, money laundering in Australia costs “almost \$50 billion a year” (Yeates 2019a). A former AUSTRAC manager, Todd Harland, stated that money laundering in Australia was ‘big business’ and it went ‘hand in glove’ with organised crime (Yeates 2019a). A recent focus by AUSTRAC is on unregistered, suburban, small money transfer operators who may be exploited by syndicated criminal organisations. The AUSTRAC CEO recently stated: “It’s the dealers who are not registered with us that we’re concerned about, that they’ll be targeted for things like terrorism funding or laundering money” (Ryan 2019). In November 2019, AUSTRAC charged Westpac, Australia’s second-biggest bank, as failing to appropriately assess transactions and accused Westpac of 23 million breaches (Fargher, 2019). See also for example Corey 2019; Grieve 2019; Yeates 2019b.

A global approach has been adopted in our research, which will be further discussed in the Data, Methods and Analysis sections.

3. Research question and hypothesis

RQ: What effect, if any, does money laundering/terrorism financing have on gambling firms’ financial performance when reported in the international media?

H1: The first best world scenario would be no money laundry for legalism reasons. However, in reality, money is laundered through developed countries. We considered countries with lax money laundering laws (U.S. Department of State, 2014): Australia, United Kingdom, Canada, United States, rather than the Axis of Evil terrorism countries (basically Iran, Iraq, North Korea, Cuba, Libya, and Syria). Thus, we hypothesize that money laundered through Australia, Canada, United States, United Kingdom is the second best equilibrium and is better than those Axis of Evil countries where they use the money for terrorism.

4. Research method

4.1 CAR analysis

We begin with calculating the daily returns, expressed as the natural logarithmic of the return index, for all of the individual announcements in our data set. The return index shows a theoretical growth in value of a share holding that includes the dividend payment. To obtain the ex post abnormal returns, by following Brown and Warner (1985) daily returns are adjusted that approximated by the CAPM.

The daily return (DR_{it}) for each of $i = 1, 2, 3 \dots N$ securities across $t = 1, 2, 3 \dots T$ days is calculated as

$$DR_{it} = LN\left(\frac{RI_{it}}{RI_{it-1}}\right)$$

where RI_{it} is represented by the natural logarithmic of the return index of firm i at time t .

The AR_{it} for each of $i = 1, 2, 3 \dots N$ securities across $t = 1, 2, 3 \dots T$ days is calculated as

$$AR_{it} = DR_{it} - E(R_{it})$$

where $E(R_{it})$ is the expected return of firm i at time t , is estimated by the market model.

CAPM

$$E(R_{it}) = \beta_{it}^0 + \beta_{it}^1(MR_{it} - R_{ft})$$

where MR_{it} is the market return, R_{ft} is the risk-free rate, and β_{it}^0 and β_{it}^1 are the estimated parameters from a rolling CAPM over a time period of previous 260 days.

The ex-post AR is then grouped into debt and equity related announcements categories to obtain the average AR at time t . It is estimated as below:

$$AR_{it} = \frac{\sum_{i=1}^N AR_{it}}{N}$$

where N is the number of firms in each category.

The standard t statistic for a category's abnormal return is calculated to provide a result of whether it is statistically different from zero by using the following equation:

$$t = \frac{AR_{it}}{Std(AR_{it})}$$

where $Std(AR_{it})$ is the standard deviation of the abnormal returns of each category of financial announcements in a time spread of 244 days prior to the announcement day, the announcement day t and 15 days after the announcement day. The authors assume that the abnormal returns of financial announcements are normally distributed in the parametric t test.

Perspectives from efficient market hypothesis (EMH) framework, an instant reaction of the stock market occurs when new information is released and changes in stock prices reflect all available information. The event study methodology with abnormal return analysis provides opportunities to capture the reactions of the stock market on the first day of trading following the announcement. For people who do not believe EMH, investors may react efficiently on the first day and there may be some delayed responses from the stock market. Hence, market participants could either over-react or under-react when new information is arrived. To alleviate this concern, estimation of the cumulative abnormal return (CAR) over j trading days. It is estimated as below:

$$CAR180_i = \sum_{j=1}^{180} AR_{ij}$$

where $CAR180_i$ is the cumulative abnormal returns of firm i over 180 trading days and AR_{ij} is the abnormal return of firm i on day j .

4.2 Panel regression

To investigate the possible reputational damage suffered from money laundering/gambling news on firm performance, we conduct a multivariate regression to examine these effects on following companies.

$$CAR_{it} = \beta_0 + \beta_1 T + \mu$$

The above equation describes a firm's cumulative abnormal returns between 180 trading days prior and 180 trading days post (CAR_{it}) in each country as a function of

time dummy T . When CARs are calculated after the event date, T is equal to 1, otherwise equal to 0.

4.3 Interaction effect analysis

To investigate whether firms in different countries who commit money laundering/gambling multiple times suffer increased reputational damage, we conduct interaction effect estimations as below:

$$CAR_{it} = \beta_0 + \beta_1 T + \beta_2 D_i + \beta_3 T \times D_i + \mu$$

The above equation describes a firm's cumulative abnormal returns between 180 trading days prior and 180 trading days post (CAR_{it}) as a function of time dummy T which represents before and after the publication dates, one country dummy D , and $T \times D$ represents the interaction estimator.

5. Data and empirical results

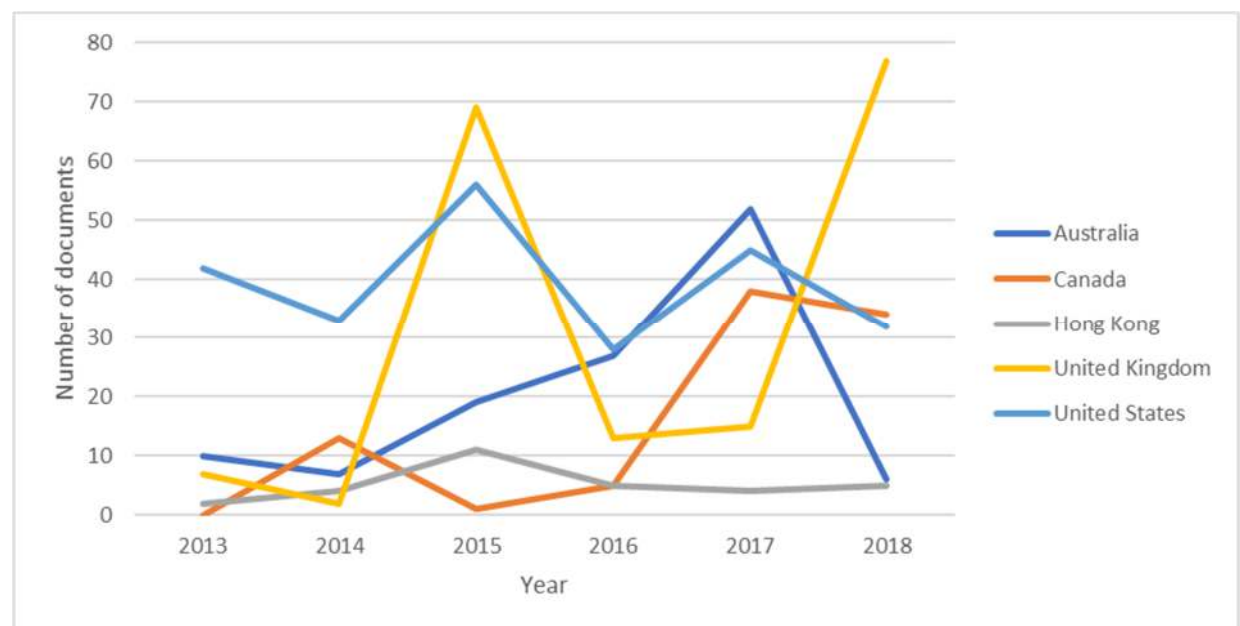
5.1 Data description

In constructing our sample of firms with money laundering/gambling reported by newspapers or other sources of social media, we first start with searching articles from major news and business resources with keywords "money laundering" AND (gambling OR gaming) AND (online OR casinos OR wagering OR "betting shop*") in Factiva database for the last five years. Our initial data set consists of 2965 documents from 1st of January 2013 to 31st of December 2018. We start with the top 100 firms which have the highest number of articles related to money laundering/gambling published on social media. We manually removed related companies in Factiva due to these entities not being gambling operators (e.g. Philippines Anti-Money Laundering Council and Federal Reserve Bank of New York) and removed articles in these top 100 firms which were duplicated or not relevant — e.g., when an article appeared under the Factiva Crown Resorts filter but the content was related to TabCorp. Firms with unavailable data were removed.

We carefully construct a unique hand-collected dataset for the analysis which captures

the money laundering/gambling news for each firm. The final sample consists of 35 firms with 662 documents — Figure 1 shows the number of documents in each country of our sample from 2003 to 2018. Generally, the United States has the highest number of realised news, followed by the United Kingdom and Australia. The graph shows that in 2015 and 2018, the United Kingdom is the top country that recorded money laundering news with 69 documents and 77 documents, respectively. On average, there are approximately 22 documents related to money laundering in each year. The number of documents in our sample experienced a sharp increase in 2014 and 2015 from 59 to 156 articles. Following a drop in 2016 with 78 documents reported in the social media, the number of articles related to money laundering climbs to 154 in 2017 and 2018. Generally, the number of documents fluctuated in all these five countries during these years. Details of these documents are available on request.

Figure 1. Number of documents in each country between 2013 and 2018



Daily data as reported by Datastream and Worldscope on each return index, the market share price index for each country (as the proxy for the market), and the interbank 3-month (as a proxy for the risk-free rate) over the period 1st of January 2013 to 31st of December 2018 have been collected.

Table 1 below reports these firms with the market indices we used for calculating abnormal returns and cumulative abnormal returns. It shows that Australia (121 documents), United Kingdom (183 documents), and United States (236 documents) are

the main countries which have the highest number of money laundering/gambling activities. This is consistent with the U.S. Department of State (2014) which identifies the major money laundering countries via assessing approximately 200 jurisdictions.

Table 1. Top 35 firms with highest number of documents

	Company Name	No. of Articles	Country	Listing Status	Market Index
1	Great Canadian Gaming Corporation	71	Canada	TSE	S&P/TSX Composite Component
2	Crown Resorts Limited	64	Australia	ASX	ASX200
3	Playtech PLC	37	United Kingdom	LSE	FTSE250
4	TABCORP Holdings Ltd	36	Australia	ASX	ASX200
5	Las Vegas Sands Corporation	33	United States	NYSE	S&P500
6	Melco Resorts & Entertainment Ltd.	31	United States	NASDAQ	S&P500
7	William Hill PLC	27	United Kingdom	LSE	FTSE250
8	Flutter Entertainment PLC	24	United Kingdom	LSE	FTSE250
9	Wynn Resorts Ltd	23	United States	NASDAQ	S&P500
10	Caesars Entertainment Corp.	22	United States	NASDAQ	S&P500
11	JPMorgan Chase & Co.	21	United States	NYSE	S&P500
12	MGM Resorts International Inc.	21	United States	NYSE	S&P500
13	Stars Group Inc	20	Canada	TSE	S&P/TSX Composite Component
14	Churchill Downs Inc	18	United States	NASDAQ	S&P500
15	Everi Holdings Inc.	17	United States	NYSE	S&P500
16	Alphabet Inc.	16	United States	NASDAQ	S&P500
17	Commonwealth Bank of Australia	16	Australia	ASX	ASX200
18	Plus500 Ltd.	16	United Kingdom	LSE	FTSE250
19	888 Holdings PLC	15	United Kingdom	LSE	FTSE250
20	Stride Gaming PLC	14	United Kingdom	LSE	FTSE250
21	Betfair Group plc	13	United Kingdom	LSE	FTSE250
22	SJM Holdings Limited	13	Hong Kong	HKG	HSI

23	Walmart Inc	11	United States	NYSE	S&P500
24	Alibaba Group Holding Ltd	10	United States	NYSE	S&P500
25	GVC Holdings PLC	9	United Kingdom	LSE	FTSE250
26	HSBC Holdings PLC	9	United Kingdom	LSE	FTSE250
27	Ladbroke's Coral Group PLC	9	United Kingdom	LSE	FTSE250
28	Landing International Development Ltd	8	Hong Kong	HKG	HSI
29	Apple Inc.	7	United States	NASDAQ	S&P500
30	Amazon.com, Inc.	6	United States	NASDAQ	S&P500
31	Sands China Limited	6	Hong Kong	HKG	HSI
32	Barclays PLC	5	United Kingdom	LSE	FTSE250
33	GlaxoSmithKline PLC	5	United Kingdom	LSE	FTSE250
34	Star Entertainment Group Ltd.	5	Australia	ASX	ASX200
35	Rich Goldman Holdings Limited	4	Hong Kong	HKG	HSI

5.2 Empirical results – Time effects

Results from regressions with time dummy only for each country are reported in Table 2. Row 1 in Table 2 shows that the time dummy has significantly negative effects on returns in Canada and has significantly positive effects on returns in Hong Kong. There is -27.78% difference after the relative news of their money laundering becomes public for Canadian firms whereas there is 8.80% difference after the news becomes public for firms located in Hong Kong. We did not find any significance on firms in Australia, the United Kingdom, and the United States.

Table 2. Linear regression of time effects on each country

	Australia	Canada	Hong Kong	United Kingdom	United States
Time dummy (T)	0.0018 (0.8165)	-0.2778*** (0.0000)	0.0880 * (0.0533)	-0.0103 (0.1571)	-0.0024 (0.8076)
Constant	-0.0165*** (0.0029)	0.1429*** (0.0000)	-0.0537* (0.0939)	-0.0256*** (0.0000)	-0.0182*** (0.0083)
Observations	242	182	62	366	472

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

We also conduct panel regressions with time dummy and country dummy on CARs in all countries, and results are showed in Table 3. First Row of Table 3 shows that there is -3.74 % difference after the news becomes public worldwide. But the effect differs by country with 2.57% for Canada and -1.74% for the United Kingdom.

Table 3. Linear regression of time and country effects

	Australia	Canada	Hong Kong	United Kingdom	United States
Time dummy (T)	-0.0374*** (0.0000)	-0.0374*** (0.0000)	-0.0374*** (0.0000)	-0.0374*** (0.0000)	-0.0374*** (0.0000)
Country dummy (D)	0.0031 (0.7200)	0.0257*** (0.0080)	0.0089 (0.5760)	-0.0174** (0.0200)	-0.0019 (0.7880)
Constant	-0.00004 (0.9940)	-0.0030 (0.5410)	0.0001 (0.9810)	0.0053 (0.3020)	0.0012 (0.8230)
Observations	1324	1324	1324	1324	1324

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

5.3 Empirical results – Interaction effect estimation

This section details the results of the interaction effect regressions testing whether money laundering/terrorism financing has effects on gambling firms' financial performance when reported in the international media. Using an interaction effect empirical framework on a hand collected data set of companies, we identify several key differences among countries. Table 4 reports the results of interaction effect regressions with 1324 observations. Table 4 shows that firms that engage in money laundering/gambling activities perform better after the relative news of their money laundering becomes public (for all countries except Canada). The results are statistically and economically significant.

Row 1 in Table 4 shows that the time dummy has significantly negative effects on returns in all countries except for Canada. This indicates that the reported news in the international media leads to a statistically significant approximately 5% decrease in returns for firm performance (4.62% for Australia, 4.36% for Hong Kong, 4.78% for United Kingdom, and 5.68% for United States, respectively). This suggests that gambling firms participating in money laundering activities, could lead to market

failure and damage the firm's reputation as a result of these pieces of news being delivered to investors.

Moreover, firms in all these five countries show that money laundering/gambling articles have statistically significant impacts on their organizational outcomes, negative impacts on firms in Australia (-2.09%), Hong Kong (-5.69%), United Kingdom (-3.61%), and United States (-2.91%) whereas positive impacts on firms in Canada (16.51%). This positive and significant coefficient of Canada in Table 1 indicates that money laundering/gambling news brings more likelihood for creating positive values with approximately 16.51% on Canadian firms' performance. This result could be explained by Naylor (2003) who states that market-based crimes and commercial crimes are major types of profit-driven crime and in turn, crimes provide the most effective means of achieving desired benefits — money (Gilmour, 2016).

Table 4. Interaction effect estimation on countries

	Australia	Canada	Hong Kong	United Kingdom	United States
Time dummy (T)	-0.0462*** (0.0000)	0.0009 (0.8940)	-0.0436*** (0.0000)	-0.0478*** (0.0000)	-0.0568*** (0.0000)
Country dummy (D)	-0.0209* (0.0880)	0.1651*** (0.0000)	-0.0569** (0.0110)	-0.0361*** (0.0010)	-0.0291*** (0.0030)
DID (T × D)	0.0480*** (0.0060)	-0.2787*** (0.0000)	0.1316*** (0.0000)	0.0375** (0.0120)	0.0545*** (0.0000)
Constant	0.0043 (0.4070)	-0.0222*** (0.0000)	0.0032 (0.5080)	0.0105* (0.0580)	0.0109* (0.0640)
Observations	1324	1324	1324	1324	1324

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

The fourth row in Table 4, reveals that not only firms in these five countries with reported money laundering/gambling related news have significant effects on their returns but also these effects are significant and enormous on global economic growth. The positive and significant coefficients on T × Australia, T × Hong Kong, T × United Kingdom, and T × United States indicate that the significantly different effects of firms in these countries are enormous, 4.80%, 13.16%, 3.75%, and 5.45% respectively. These findings confirm our hypothesis that we have the second best equilibrium — money is laundered through developed countries. This might be due to these countries (Australia,

Hong Kong, United Kingdom, and United States) having lax money laundering/gambling laws. On the contrary, the interaction coefficient of Canada shows statistically significant and positive effects on firm performance and the changes are significant and negative with -27.87%. This implies that gambling firms in Canada who engage in money laundering/gambling activities perform worse after the relative news of their money laundering becomes public.

The mixed results for different countries show that money laundering/gambling could be a double-edged sword. On the one hand, it helps firms to finance for their innovation or merger and acquisition purposes, and in turn, contributes to economic growth. On the other hand, money laundering is widely used for drug activities and supporting terrorism (Boran, 2013; Buchanan, 2018).

5.4 CAR results - robustness

The base of this investigation uses the AR and CARs of financing announcements as firm performance, occurring from 2013 to 2018 to identify if money laundering/gambling events do have effects on the stock prices of the top 35 listed firms. Table 5 demonstrates the average AR and CARs of all related announcements in our sample and statistically significant results are highlighted in bold. The announcement date in Table 5 is defined as day 0.

It presents evidence that news or announcements on all countries in our sample have continuous significant CARs that are generated within the event window. The positive and significant reactions on Canadian firms' announcements returns show that no matter how these firms engaged in money laundering/gambling activities, the market brings benefits for these countries. On the other hand, the negative and significant reactions on firms in other countries show that participation in money laundering/gambling activities leads to reputational damage and in turn, decrease in firm value.

To summarize, we have the same findings with panel regressions when we use CAR analysis.

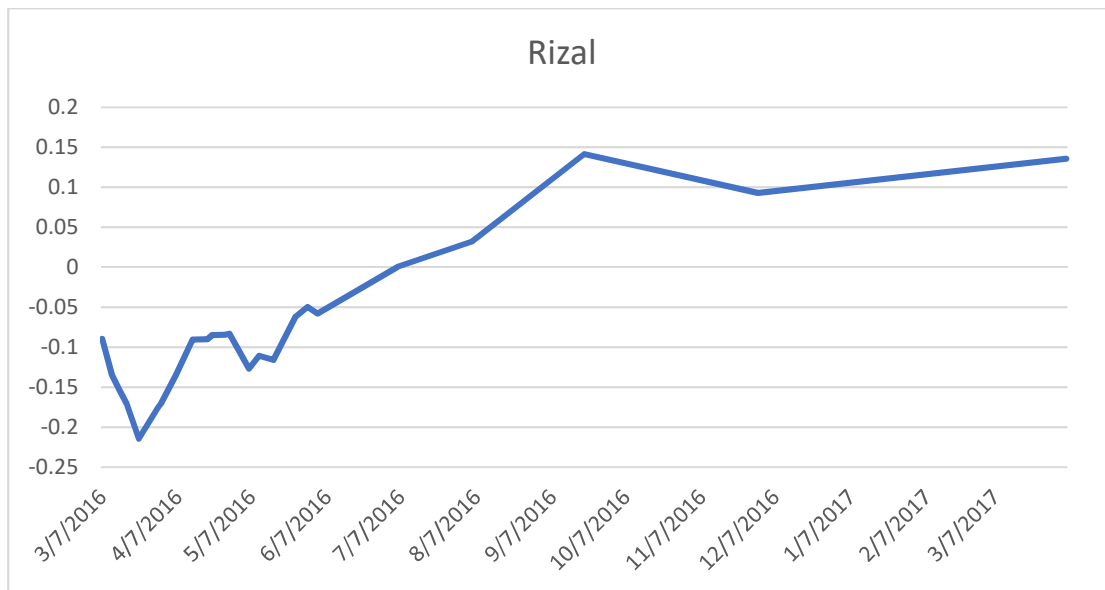
Table 5. AR and CARs of related announcements

Figure	Australia		Canada		Hong Kong		United Kingdom		United States	
	%	t-stat	%	t-stat	%	t-stat	%	t-stat	%	t-stat
-180	-0.0165	-3.0339	0.1429	9.4735	-0.0537	-1.4396	-0.0256	-4.5529	-0.0182	-2.6029
-120	-0.0095	-1.9363	0.1187	7.2638	-0.0131	-0.5329	-0.0247	-4.7382	-0.0095	-1.8820
-90	0.0021	0.4517	0.1119	7.0178	-0.0231	-0.9904	-0.0217	-5.0874	-0.0106	-2.2985
-60	0.0002	0.0521	0.0870	5.4366	-0.0180	-1.0738	-0.0136	-4.8529	-0.0107	-2.5428
-30	-0.0037	-0.9524	0.0331	2.1021	-0.0085	-0.6157	-0.0021	-1.1112	-0.0025	-0.7941
-15	-0.0004	-0.1697	0.0099	0.8865	-0.0052	-0.5414	0.0014	1.0143	-0.0062	-2.6631
-10	0.0033	1.2876	0.0022	0.2412	0.0028	0.2994	0.0029	1.7972	0.0008	0.3484
-5	-0.0013	-0.5540	0.0088	1.2469	-0.0034	-0.5849	0.0071	4.4060	-0.0076	-3.9386
0	-0.0009	-0.8304	0.0059	1.3437	-0.0072	-1.8554	0.0025	3.3727	-0.0001	-0.1264
+5	0.0004	0.1554	0.0119	1.6738	-0.0212	-2.5790	0.0019	1.1890	0.0002	0.0803
+10	-0.0092	-3.3180	0.0195	2.0973	-0.0219	-2.6669	-0.0016	-1.0517	0.0025	1.0753
+15	-0.0074	-2.2984	0.0198	2.2419	-0.0046	-0.4573	-0.0026	-1.3316	0.0006	0.2372
+30	-0.0015	-0.4062	-0.0061	-0.5621	-0.0248	-1.9484	-0.0028	-1.1384	0.0063	2.1856
+60	-0.0041	-0.8674	-0.0295	-1.4494	-0.0261	-1.7391	-0.0120	-4.8795	0.0060	1.6047
+90	-0.0113	-2.1588	-0.0813	-3.7307	0.0110	0.5540	-0.0213	-8.0109	0.0045	1.0777
+120	0.0044	0.8875	-0.0316	-1.1405	-0.0088	-0.3566	-0.0319	-8.8053	-0.0088	-1.6977
+180	-0.0147	-2.6837	-0.1349	-5.6208	0.0343	1.4820	-0.0359	-7.9035	-0.0206	-3.0681

5.5 Case study - Rizal

Figure 2 shows the ARs for Rizal Commercial Banking Corp between 2016 and 2018 — Rizal was included in the top 10 of the Factiva results. In 2016, US\$81 million was stolen from a New York branch of the Bangladesh Central Bank and the money laundered through the Rizal Bank in the Philippines. As it was the only money laundering entity in the Philippines, it could not be included in our panel regressions. In Figure 2, it shows that after 7th of July 2016, Rizal starts positive returns through money laundering/gambling activities.

Figure 2. ARs for Rizal Commercial Banking Corporation on each event date



6. Limitations and future research

Analysis was limited to the top ten results. Results from YTD 2019 have not been included due to the incomplete data set at this stage.

Further investigation and empirical research and analysis will be conducted to include the banking industry. According to Transparency International, many countries that might otherwise be highly ranked in terms of economic stability and low corruption indices, have examples of their financial services being involved in money laundering. For example, Denmark's largest lender, Danske Bank has been involved in significant money laundering activities. Approximately "US\$230 billion of suspicious transactions are thought to have passed through Danske Bank's Estonian branch, which has been linked to the Russian Laundromat and Azerbaijani Laundromat schemes uncovered by the Organised Crime and Corruption Reporting Project (OCCRP)" (Transparency International 2019). The Swiss financial industry ranks number one in the world for secrecy which allows not only tax avoidance but also money laundering as demonstrated with the disclosure of the Paradise Papers (Transparency International 2019). To further illustrate, "Swiss banks, and other financial intermediaries and enablers, regularly play a significant role in large-scale money-laundering and corruption schemes around the world, such as those related to 1MBD in Malaysia,

Odebrecht and Petrobras in Brazil, or Mozambique's 'tuna bond' scandal (Transparency International 2019). Future research will also include the total year for 2019.

Moreover, China will also be included in our future analysis due to the significant amount of laundered from China to countries such as Australia.

7. Conclusion

This paper presents the methods and empirical results to investigate whether money laundering/terrorism financing has a positive or negative effect on gambling firms' financial performance when reported in the international media. We conduct interaction effect estimations and CAR analysis as robustness tests that use CARs of firms over 180 trading days prior and post as our dependent variable, and individual firm and country as independent dummy variables. Generally, money laundering/gambling news brings more attention for creating positive values on firm performance and global economic growth. Further, we find that firms in Australia, Hong Kong, United Kingdom and United States have enormous changes on global economic growth which indicates that these firms do obtain financial benefits from money laundering/gambling related activities. Moreover, these findings confirm our hypothesis that what we have is the second-best equilibrium — money is laundered through developed countries.

Our analysis has demonstrated that there are significant benefits to certain countries' economies by firms that engage in money laundering through gambling activities. This poses a conundrum for regulatory authorities, particularly for those countries who are part of the FATF group who are concertedly working together on eliminating money laundering. On the one hand, the optimal scenario would be a world where money laundering did not occur. On the other hand — and, it could be argued by some proponents — it is better for money laundering to occur through developed countries rather than rogue states in less developed countries who are likely to use money-laundering funds for terrorism.

Reference

- Boran, C., 2003. Money laundering. *Am. Crim. L. Rev.*, 40, p.847.
- Brown, S.J. and Warner, J.B., 1985. Using daily stock returns: The case of event studies. *Journal of financial economics*, 14(1), pp.3-31.
- Buchanan, June (2018), Money Laundering through Electronic Devices, *Society and Business Review*, Vol. 13 Issue: 2, pp.217-237, <https://doi.org/10.1108/SBR-08-2017-0057>
- Chalmers, Stephanie and Brett Worthington (2019), “Banking Royal Commission Calls for Compensation, Crackdowns and an Overhaul of Financial Regulators”, *ABC News*, 4 February <https://www.abc.net.au/news/2019-02-04/banking-royal-commission-report-at-a-glance/10777188> accessed 28.08.2019
- Corey, Alexis (2019), “While still reeling from the child exploitation scandal that engulfed it last month, banking giant Westpac has a new setback” December 17 <https://www.news.com.au/finance/business/banking/regulator-orders-westpac-to-set-aside-extra-500-million-in-capital/news-story/f780777ccc5ab0d6e7e11164cfb65a69> accessed 18.12.2019
- Doran, Matthew and Michael Janda (2018), “Commonwealth Bank to Pay \$700 Fine for Anti-Money Laundering, Terror Financing Law Breaches” *ABC News*, 4 June [https://www.abc.net.au/news/2018-06-04/commonwealth-bank-pay-\\$700-million-fine-money-laundering-breach/9831064](https://www.abc.net.au/news/2018-06-04/commonwealth-bank-pay-$700-million-fine-money-laundering-breach/9831064) accessed 28.08.2019
- Eyers, James (2018), “Money Laundering Scandal: What CBA Admitted to, and Why it Happened”, *Australian Financial Review*, June 4 <https://www.afr.com/companies/financial-services/money-laundering-scandal-what-cba-admitted-to-and-why-it-happened-20180604-h10xm3> accessed 28.08.2019
- Fargher, I. (2019), “How Westpac is alleged to have broken anti-money laundering laws 23 million times”, *The Conversation*, Retrieved from <http://theconversation.com/how-westpac-is-alleged-to-have-broken-anti-money-laundering-laws-23-million-times-127518> accessed 19.12.2019
- Gilmour, N., 2016. Understanding the practices behind money laundering—A rational choice interpretation. *International Journal of Law, Crime and Justice*, 44,

pp.1-13.

Grieve, Charlotte (2019), “The Westpac Scandal: How did it Happen? December 9 <https://www.smh.com.au/business/banking-and-finance/the-westpac-scandal-how-did-it-happen-20191206-p53ho2.html> accessed 18.12.2019

Naylor, R.T., 2003. Towards a general theory of profit-driven crimes. *British Journal of Criminology*, 43(1), pp.81-101.

Reuters (2019), “Australia Plans More Action Against Big Banks on Money Laundering”, *Reuters Business News*, 27 August <https://www.reuters.com/article/us-australia-moneylaundering/australia-plans-more-action-against-big-banks-on-money-laundering-idUSKCN1VG2GT> accessed 28.08.2019

Royal Commission into Misconduct in the Banking, Superannuation and Financial Service Industry (2019) <https://financialservices.royalcommission.gov.au/Pages/default.aspx> accessed 28.08.2019

Ryan, Peter (2017), “Tabcorp Fined \$45 Million for Breaching Money Laundering, Terrorism Financing Laws” *ABC News*, 16 March [https://www.abc.net.au/news/2017-03-16/tabcorp-fined-\\$45-million-for-breaching-money-laundering-laws/8360164](https://www.abc.net.au/news/2017-03-16/tabcorp-fined-$45-million-for-breaching-money-laundering-laws/8360164) accessed 28.08.19

Ryan, Peter (2019), “Suburban Money Dealers Targeted by AUSTRAC for Funding Criminals and Human Traffickers”, *ABC News*, 28 August <https://www.abc.net.au/news/2019-08-27/austrac-cracks-down-on-home-based-money-transfers-aiding-crime/11452080> accessed 28.08.2019

The Australian Government, *The Treasury* (2019), “Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry”, 4 February <https://treasury.gov.au/publication/p2019-fsrc-final-report> accessed 28.08.2019

Transparency International (2019), “Trouble at the Top: Why High-Scoring Countries aren’t Corruption-Free” https://www.transparency.org/news/feature/trouble_at_the_top_why_high_scoring_countries_arent_corruption_free accessed 28.08.2019

U.S. Department of State. 2014. Major Money Laundering Countries. [ONLINE]
Available at: <https://2009-2017.state.gov/j/inl/rls/nrcrpt/2014/vol2/222471.htm>.

Wright, Shane (2019), “The Banking Royal Commission Final Report at a Glance”,
Sydney Morning Herald, February 4
<https://www.smh.com.au/business/banking-and-finance/the-banking-royal-commission-final-report-at-a-glance-20190203-p50vg2.html> accessed
28.08.2019

Yeates, Clancy (2019a), “AUSTRAC Flags Tough Action after being ‘Flooded’ with
Money Laundering Breaches”, *Sydney Morning Herald*, August 19
<https://www.smh.com.au/business/banking-and-finance/austrac-flags-tough-action-after-being-flooded-with-money-laundering-breaches-20190816-p52hsi.html> accessed 28.08.2019

Yeates, Clancy (2019b). “Westpac hit with \$500m capital charge over AUSTRAC
scandal” 17 December <https://www.smh.com.au/business/banking-and-finance/westpac-hit-with-500m-capital-charge-over-austrac-scandal-20191217-p53kme.html> accessed 18.12.2019