

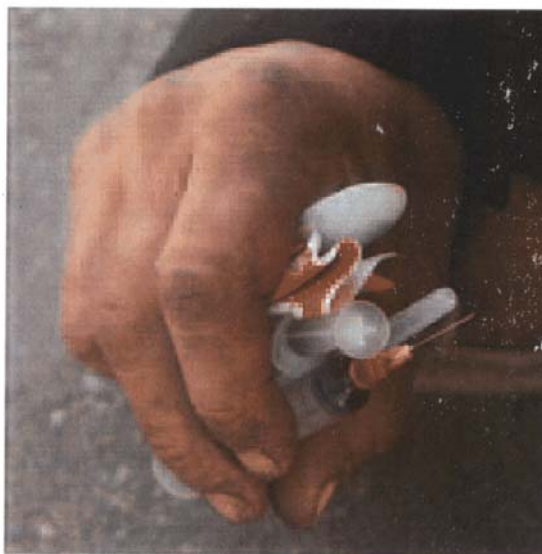
## CLANDESTINE LABORATORY

An illicit operation consisting of a sufficient combination of apparatus and chemicals that could be used for the manufacture or synthesis of controlled substances.

chemicals are traded worldwide in large quantities for legitimate purposes. Their production requires heavy infrastructure and as such they are rarely produced by the criminal networks that use them for the manufacture of synthetic drugs. Criminals tend to either smuggle main precursors into the European Union or divert essential chemicals from lawful EU trade.

The drugs phenomenon is a major concern to the citizens of Europe - it has an impact on collective and individual health and safety.

The operational support Europol offers is on the increase. This support includes the coordination and initiation of criminal investigations plus on-the-spot assistance to law enforcement agencies in Member States during the dismantling of illicit synthetic drug production facilities. Both the quality and quantity of information received and disseminated has improved, which is largely due to the direct contact

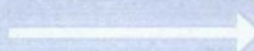


between Europol and operational law enforcement teams in the Member States.

Member States' investigations, some of which were initiated by Europol via its Illicit Laboratory Comparison System, indicate that there are a limited number of criminal facilitators playing a crucial role in supplying precursor chemicals, equipment and tableting powders for synthetic drug production, often to different producers at the same time.

Since 1999, Europol has provided regular training on combating illicit synthetic drug production to

## IF YOU FIND A CLANDESTINE LABORATORY



## GET OUT!

1. DO NOT touch or handle anything
2. DO NOT operate light or power switches
3. If you become contaminated, immediately flush with water for 20-30 minutes
4. Call for help as soon as possible
5. Secure the area and wait for help.

**Europol experts support EU and non-EU Member States in the secure dismantling of illicit drug production units and the collection of evidence.**

Europol experts also carry out technical investigations on custom-made and industrial equipment seized from production and storage units.

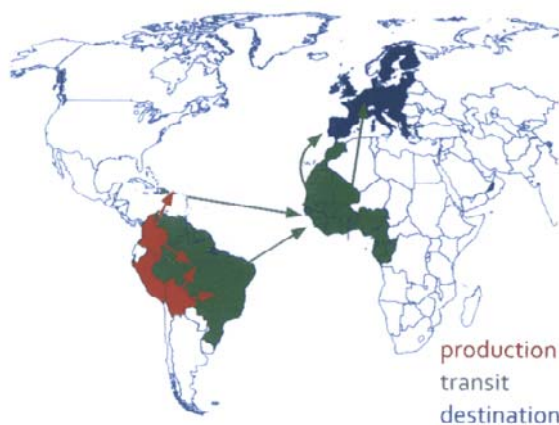


numerous EU and global partners. The training is very popular and requests for participation were received from countries in the European Union and beyond. Since 1999, more than 23 training courses were provided to over 600 participants from all Member States, plus third parties such as:

- Serbia
- US Drug Enforcement Agency
- Russian Federation
- Australian Federal Police
- Royal Canadian Mounted Police
- South American and Caribbean countries.

### 3.2.2 Cocaine

The Andean region remains the main area for coca bush cultivation in the world. Most coca paste, cocaine base and cocaine hydrochloride is processed in Colombia, Bolivia and Peru. According to UN figures, 2008 saw an estimated output of 845 tonnes of cocaine in 2008 - a decrease of some 15% on the previous year. This was a result of a significant reduction in output in Colombia, which was not matched



Production, routes of transit and final destination of cocaine

by increases in production in neighbouring Peru and Bolivia.

Europe's share in global cocaine seizures remain relatively stable having decreased from 14% in 2005, down to 11% by 2008. This reflects the rapidly growing trafficking flows and spread of cocaine use in Europe. Next to the United States, the European

## OPERATION ANDROMEDA

In December 2008 Eurojust provided Europol with information about an investigation in the early stages of development. This was originally an Italian inquiry carried out by the *Guardia di Finanza* of Pisa under the direction of the Anti-Mafia District Directorate (DDA) of Florence. It concerned suspected organised criminals of Albanian origin, located in Antwerp (Belgium), and involved in the trafficking of drugs (cocaine) into EU countries (Italy and the UK). Three different coordination meetings were held at Eurojust during 2009, which paved the way to a joint initiative.

Police activities carried out in several European countries corroborated elements stemming from technical investigations. The investigation and action produced the following results: 48 877 kg of cocaine, 10 kg of heroin, 6000 ecstasy pills, two guns, five false ID documents, €43 000 in cash, 15 people arrested red-handed.

The execution of European Arrest Warrants and official requests for Mutual Legal Assistance in Criminal Matters against 42 suspects led to the arrest of 30 individuals and the seizure of: 2 kg of hashish; 100 g of cocaine and €127 000 in cash. The operation was finalised in December 2009.

Europol produced seven reports on acknowledged cross-matches and a comprehensive analytical report depicting the identified criminal network. The work carried out by Europol on huge quantities of data required one analyst dedicated to the case and, at times, a second analyst to help with data processing. Support was also provided with real time cross-checking of entities, coordination and assistance via the mobile office deployed at the place of operations and an operations room running at Europol.

Union remains the second largest consumer of cocaine in the world. An estimated 250 tonnes of cocaine enter the EU annually via maritime shipments, air freight and couriers.

In recent years, there has been an increase in the number of conversion laboratories discovered in the European Union. Law enforcement authorities in France, Greece, the Netherlands and Spain have all carried out actions resulting in the dismantling of illicit laboratories. In order to minimise the risk and to maximise their profits, criminal organisations are increasingly importing cocaine in a variety of different forms instead of the traditional manner (e.g. cocaine brick). Outside of the Iberian Peninsula, in recent years



laboratories have been discovered in France, Greece and the UK. The Netherlands, known for many years as being significant in terms of synthetic drug manufacture, has also seen a rise in the number of cocaine laboratories seized. Recent reports to Europol from Member States have revealed that in excess of 38 cocaine conversion laboratories of all sizes were seized in the European Union during 2008. It also seems that non-EU Member States are not immune to this phenomenon with countries such as Albania and Moldova being utilised by criminal organisations to set-up cocaine conversion laboratories.

At Europol, cocaine-related organised crime networks are the responsibility of a dedicated project incorporating an Analysis Work File (AWF). Analysts and experts within the AWF collect intelligence associated with the activities of suspected criminal organisations and networks involved in the production, processing or trafficking of cocaine, including intelligence about precursor chemicals and cutting agents. The project provides operational support to

live investigations in participating Member States. It also seeks to enhance the strategic intelligence picture by providing insights into criminal groups of all nationalities whose activities impact upon the trafficking of cocaine as well as providing expertise and knowledge in this area.

### 3.2.3 Heroin

The European Union is a significant global consumer market for many types of illicit drugs including opiates. Although demand and supply of opiates, namely heroin, is relatively small in comparison to synthetic drugs and cannabis, the social, economic and health problems associated with its use are significant and heroin remains a major threat to the security and health of European society. Even though heroin consumption is stable, or slightly decreasing in some Member States, it is increasing in others, and particularly in some of the newer Member States and parts of Eastern Europe. According to the United Nations Office on Drugs and Crime, an estimated 100 tonnes of heroin are needed annually to supply the EU heroin market, while

#### OPERATION MELISSA

Since 2007, a number of uncoordinated investigations in various countries had been conducted against an international drug trafficking network. This network was active in the production of synthetic drugs in the Netherlands, the import of cocaine from South America and large scale poly-drug trafficking within the European Union and beyond (e.g. to the Russian Federation, Iceland and Australia). In January 2009, Europol's Project Synergy took the initiative for cooperation and coordinated analysis, launching Operation Melissa.

Twelve suspects were arrested in Ecuador, Germany, Latvia and the Netherlands; 61.2 kg of amphetamine, 10 000 ecstasy tabs, 50 kg cannabis and 2.5 tonnes of cocaine plus a large quantity of money were seized in Ecuador, Germany, Iceland and Latvia.

Europol's contribution included operational analysis; facilitation and coordination of operational meetings; financial investigative support provided by coordinating asset tracing requests from several AWF members' jurisdictions; and offender financial profiling.

approximately 8 to 15 tonnes are seized annually by EU law enforcement authorities.

The Europol project on heroin seeks to disrupt criminal organisations engaged in heroin production and trafficking, and supports Member States in their investigations to do so. A number of successful sub-projects have helped Member States achieve their objectives to counter this phenomenon and more are planned during 2010.

### 3.3 TRAFFICKING IN HUMAN BEINGS

Trafficking in human beings (THB) for sexual and labour exploitation is a crime affecting all EU Member States. Men, women and children are exploited by both individual criminals and organised crime



groups on a daily basis throughout the EU. Globally it is estimated that trafficking generates criminal profits in excess of US \$31 billion every year.

#### PUSH FACTORS:

- High unemployment
- Labour market not open to women and gender discrimination
- Lack of opportunity to improve quality of life
- Sexual or ethnic discrimination
- Poverty
- Escaping persecution, violence or abuse
- Escaping human rights violations
- Collapse of social infrastructure
- Other environmental conditions including conflict and war.

#### PULL FACTORS:

- Improved standard and quality of life
- Better access to higher education
- Less discrimination or abuse
- Enforcement of minimum standards and individual rights
- Better employment opportunities
- Demand for cheap labour
- Higher salaries and better working conditions
- Demand for workers within the sex industry, with higher earning potential
- Established migrant communities/diasporas.

In 2009, according to data recorded in the Europol system, identified trafficked victims came mainly from:

- the South East criminal hub
- West Africa
- Asia.

Trafficking in human beings remains a growing crime due to a combination of elements, referred to as 'push' and 'pull' factors. 'Push' factors refer to conditions in source countries which encourage victims to leave. 'Pull' factors refer to relatively attractive conditions in destination countries.

The main forms of exploitation in the EU remain sexual exploitation through forced prostitution and labour exploitation in the construction, manufacturing, agriculture and service sectors. Domestic servitude is also likely to be an area where many vulnerable people are exploited but the levels are not known due to its very 'hidden' nature. Whilst many victims continue to be

trafficked across borders, either legitimately or otherwise, the levels of internal or domestic trafficking have increased and this includes EU nationals being trafficked within the European Union.

Operational support for Member States' people-trafficking investigations is provided by a project team who work closely with 22 EU Member States and three other supporting countries. During 2009 the team focused on Romanian and Nigerian trafficking networks, child trafficking and labour exploitation.

The use of children by traffickers is now seen, **not only** as a means to earn money, but also to ensure that police investigations are hampered by the involvement of child suspects and witnesses. Additional measures need to be taken in order to deal with these particularly vulnerable people. In many instances the children have been 'trained' not to cooperate with the authorities.

#### OPERATION LONGSHIP

In August 2009, in the framework of a Joint Investigation Team (JIT) between the United Kingdom Metropolitan Police Service and Romanian authorities, Europol supported an operation carried out mainly in London, to identify and rescue young victims of trafficking who were being exploited by an organised crime group to beg and commit street crime offences. In the course of the operation based around a series of house searches, as well as achieving the primary objective, a significant amount of evidence was uncovered regarding large-scale organised benefit fraud. The operation brought the following results:

- 24 addresses visited
- 214 individuals encountered and checked
- 27 nominals identified and interviewed
- 5 primary victims identified
- 12 'hearings' conducted by the Romanian authorities
- £1500 of cash seized
- 4 children placed in police protection as possible victims of THB.

On-the-spot assistance was provided by the Europol mobile office, allowing real-time access to Europol databases and the development of tactical intelligence for investigators dealing with suspects, witnesses and victims alike.

## OPERATION BLACK LEAVES

Since 2008 Europol has supported Operation Black Leaves - a large-scale investigation into a Nigerian organised crime group responsible for the trafficking of young Nigerian women for the purpose of sexual exploitation in eight European countries. Following a request from the Italian *Carabinieri*, in June 2009, Europol set up a coordination platform for the arrest phase of the operation.

On 24 June 2009, the Black Leaves investigation was concluded with the arrest of 34 main suspects in Italy. Additional arrests were made in France, Germany, Greece, the Netherlands, Republic of San Marino and Spain. Europol provided a secure venue to meet and discuss operational issues and on the day of action, a Europol officer was in place at Europol HQ to provide real-time support throughout the duration of the operation.

Europol's operational support for Member States' investigations is most obviously delivered by the deployment of the mobile office.

The law enforcement response to people trafficking across the EU is becoming more effective and is apparent in the increased number of cases being identified and referred to Europol for support and assistance. Areas where a more effective response would be productive are victim identification, the



**In 2009 Europol worked closely with several key organisations, such as:**

- International Organization for Migration (IOM)
- International Centre for Migration Policy Development (ICMPD)
- United Nations Office on Drugs and Crime (UNODC)
- Organization for Security and Co-operation in Europe (OSCE)

**Common projects delivered in 2009 for police officers and prosecutors from:**

- Belarus
- Georgia
- Moldova
- Russia
- Turkey
- Turkmenistan
- Ukraine
- Western Balkans.

development of transnational trafficking investigations, financial investigations and the tackling of domestic trafficking. Europol supports many external partners with training and awareness raising for law enforcement officers and the judiciary.

### 3.4 FACILITATED ILLEGAL IMMIGRATION

In general, organised crime groups involved in the facilitation of illegal immigrants tend to be structured in loose networks of smaller groups, and most of them have ethnic or other cultural connections to the illegal immigrants they are facilitating. The organised crime groups involved in illegal immigration generally display a high degree of adaptability and a strength for collaborating well across borders, regardless of ethnic differences - also in regions where there is a tradition of ethnic conflict. The facilitators are quick to detect and make use of various changes in society, such as law enforcement responses and changes in legislation or regulations, as well as the opening of new or cheaper transport routes or new border crossing points.

The involvement of legitimate business structures in relation to facilitated illegal immigration has grown in importance. For example, organised crime groups use travel agencies to arrange travel packages including the procurement of visas. Employment agencies, shipping agencies and marriages of convenience are other frequently abused routes.

The term 'facilitated illegal immigration' covers a number of different serious crimes, all aimed at assisting, for financial gain, the entry into or residence in a country, in violation of the country's laws. Facilitated illegal immigration thus covers the production and procurement of falsified travel documents or permits obtained under false pretences, and the provision of clandestine transportation or other assistance, in order to obtain illegal entry or stay - often connected to a number of other criminal activities.

Since 2007 Europol has received a steady increase of reports and requests relating to the facilitated illegal immigration of Iraqi and Vietnamese nationals. During common action days within the EU, Europol

#### OPERATION SEBEKE

Operation Sebeke focused on a group of mainly Iraqi suspects smuggling Iraqi and Afghan nationals from Iraq / Afghanistan via Turkey into Europe. The criminal group had been active at least one year.

On 19 November 2009 a total of 22 arrests were made and several house searches were carried out in the countries mentioned. Seven illegal immigrants were found in one house in the United Kingdom.

The arrests and house searches were supported by the Europol team and intelligence was shared with other Member States.

The main suspects and new criminal links were discovered in close cooperation with national experts after indepth analysis. Four operational meetings were held at Europol and several other meetings within the Member States. Various intelligence reports were produced and disseminated to the participating countries. During the action day, a coordination centre was set up at Europol.

## OPERATION GARNET

Operation Garnet, a joint law enforcement operation between the UK Borders Agency, Serious Organised Crime Agency and the Italian State Police, supported by Europol, started in November 2008, and has resulted in the dismantling of an international organised criminal gang facilitating the arrival of Chinese illegal migrants by air to the UK. Since the start of the operation, the number of Chinese nationals arriving in the UK illegally without valid travel documents has been cut by 75% and continues to fall. In the first two months of the operation, 53 people involved in criminal facilitation were arrested by the Italian State Police with a further 49 arrested in 2009. Six further arrests were made in the first few weeks of 2010.

This joint law enforcement operation has resulted in the dismantling of a significant criminal gang operating in Italy and other EU Member States, who were also linked to wider criminal operations in China, and were facilitating the travel of Chinese illegal migrants from China to the UK on counterfeit identity documents for a fee of €17 000 per migrant.

The UK Borders Agency stated that Operation Garnet represents a significant success for the Italian State Police (Florence), Europol and the UK, in tackling a well-organised criminal gang engaged in the exploitation of Chinese migrants for financial gain.

Europol's contribution to this complex investigation has been instrumental in creating the right synergy among the various law enforcement agencies in Europe (especially France, Ireland, Italy and the United Kingdom), in particular by means of analytical support. Europol analysed all collected data, helping to identify links between the different EU investigations, and issuing seven analytical reports.

supported three main operations which led to the arrest of 76 suspects in Belgium, France, Germany, Greece, Hungary, Italy, the Netherlands, Switzerland and the United Kingdom. Europol delivered on-the-spot support at the operational centres by sending analysts and experts, and deploying a mobile office. That way, our experts and analysts are able to use all available online analytical resources as if they were based at Europol HQ. Europol's Analysis Work File team supported the investigation teams with analytical and expert knowledge.



Organised crime groups gain a lot of money from facilitated illegal immigration. For instance, immigrants pay between €700 and €2000 for a trip from

Paris to the UK or Sweden. Transport in a truck costs between €700 and €1000 and in a car with driver, around €2000. Organised crime groups charge

between USD \$4000–\$8000 to smuggle people to Italy. The money is usually paid via wire transfer. The journeys of the illegal immigrants are conducted in very difficult conditions, sometimes lasting as long as 10 months and may result in the deaths of people en route to their destinations.

Besides the dangers to the individual immigrant, the facilitating of illegal immigration also has a negative effect on the regular democratic system of migration. Money transfer systems are abused for transferring financial gains from the crimes, visa application systems are abused and travel documents falsified. The whole regular and legal migrant movement is undermined.

By dismantling this international criminal network of illegal immigration facilitators, Europol has proved its effectiveness in assisting European law enforcement agencies. New operations or investigations of these international criminal networks are foreseen, working in cooperation with EU Member States, Interpol and Eurojust.

### 3.5 CHILD SEXUAL ABUSE

The production and distribution of illegal content depicting the sexual exploitation of defenceless children is mainly facilitated by the improper use of the internet. The apparent anonymity offered by this means of communication makes it very difficult to successfully locate and identify offenders and save the child victims from further exploitation. It must be emphasised that the discovery of illegal material is only part, and possibly the beginning, of an investigation into the actual sexual exploitation of a child (e.g. rape, sexual assault).

The internet as a mass medium is used extensively for the distribution of sexual material. Not only for the sale and purchase of adult pornographic material, sexual devices and advertising contacts for explicit sexual purposes, but also for distributing child sex abuse content and providing a platform for online grooming of innocent children, unaware of the dangers facing them. Once the abusive material reaches the internet, it constitutes a permanent re-victimisation of the depicted child.

#### CURRENT TRENDS

- There is an increasing involvement of criminal networks who offer pay-per-view websites from which huge profits are made. The obvious interest of paedophiles and child sex offenders in receiving new material has possibly led - and will lead to - the production of new material, which implies that there is ongoing exploitation of victims and also new victims
- Child sex offenders and their networks make more and more use of sophisticated software in order to try to protect their anonymity, to make use of online storage and to use advanced encryption techniques to counteract digital forensic examination executed by police
- Child sex offenders travel to specific countries where children are offered by their families, or other facilitators, and where they are sexually exploited and used to produce illegal material that is distributed for commercial or non-commercial purposes
- Sometimes the illegal material is self-produced by teenagers or children who underestimate the risks of distributing their images or movie files. In some cases they are convinced or coerced into producing the material by child sex predators through a grooming process on the internet.

Online grooming is the proposal by an adult to meet a child who has not reached the age of sexual consent under national law, with the purpose of engaging in sexual activities with the child.

## OPERATION TYPHON

One of the cases supported by the AWF - Operation Typhon - was concluded on 10 December 2009 in 19 countries. The investigation was led by the Austrian Criminal Intelligence Service (.BK) who detected an internet service provider that was being misused by child sex offender groups to distribute illegal content on the internet. Log files collected by the .BK were sent to Europol together with the abusive images of children. After structuring and analysing the content, Europol provided intelligence packages and analytical reports to EU Member States and those countries with a Europol cooperation agreement. The analysis performed by the AWF team was concluded at the beginning of 2009 but national enquiries had been ongoing for around 1.5 years. The Operation Typhon case led to the identification of 221 suspects, 115 arrests and five child victims were identified and rescued in four different countries.

### 3.5.1 Analytical and operational support

An Analysis Work File (AWF) was created in 2001 to support the participating Member States in preventing and combating the activities of criminal networks involved in the production, sale or distribution of child sexual exploitation material, and the associated forms of crime within Europol's mandate. This activity has had great success and will continue. In 2009, the AWF supported several international investigations.

Overall, this analysis work file has so far supported 23 international operations and contributed to the identification of around 1600 suspects belonging to different criminal networks – but all involved in offences related to the online distribution of child sexual exploitation material.

### 3.5.2 Internet Related Child Abuse Material Project

Europol supports the COSPOL Internet Related Child Abuse Material Project (CIRCAMP) which promotes the use of a filtering technology in EU Member States that blocks users' access to commercial child abuse websites. The filter is currently in place in Denmark, Finland, Italy, Norway, Sweden and the UK. The data originating from the blocking activ-



ity of the Member States' filters is sent to the AWF team for analysis purposes.

### 3.5.3 Funnel Web

A project called Funnel Web has recently been finalised to deal with requests coming from the registrants of websites that are wrongly blacklisted by the CIRCAMP filter in the Member States mentioned above. Europol, in partnership with CIRCAMP, has set up a reporting mechanism for owners of blocked domains. This system aims to centralise the complaints and requests for revision of domain statuses in order to guarantee that the requests can be processed in all countries where the domain is blacklisted.

Europol facilitates contact between the owners of domains and competent law enforcement agencies. However, it is at the discretion of the Member States to decide upon possible judicial consequences induced by revision requests.

### 3.5.4 European Financial Coalition

Europol is a member of the steering, legal and law enforcement working groups of the European Financial Coalition, formed by EU law enforcement agencies, banks, credit card companies, other financial intermediaries, Microsoft, NGOs (such as Missing Children Europe), Eurojust, and others. The aim of this coalition is to fight the proliferation of commercial child abuse websites on the internet.

### 3.5.5 Training

The annual Europol training course, 'Combating the sexual exploitation of children on the internet' - which is aimed at law enforcement officers and the judiciary - develops and increases the participants' knowledge, expertise and ability to combat and dismantle child sex offender networks, and also increases the potential to help save the children involved. So far Europol has provided 10 training courses. Around 400 law enforcement officers and 30 members of the judiciary from EU and non-EU countries have attended and benefited from these courses.

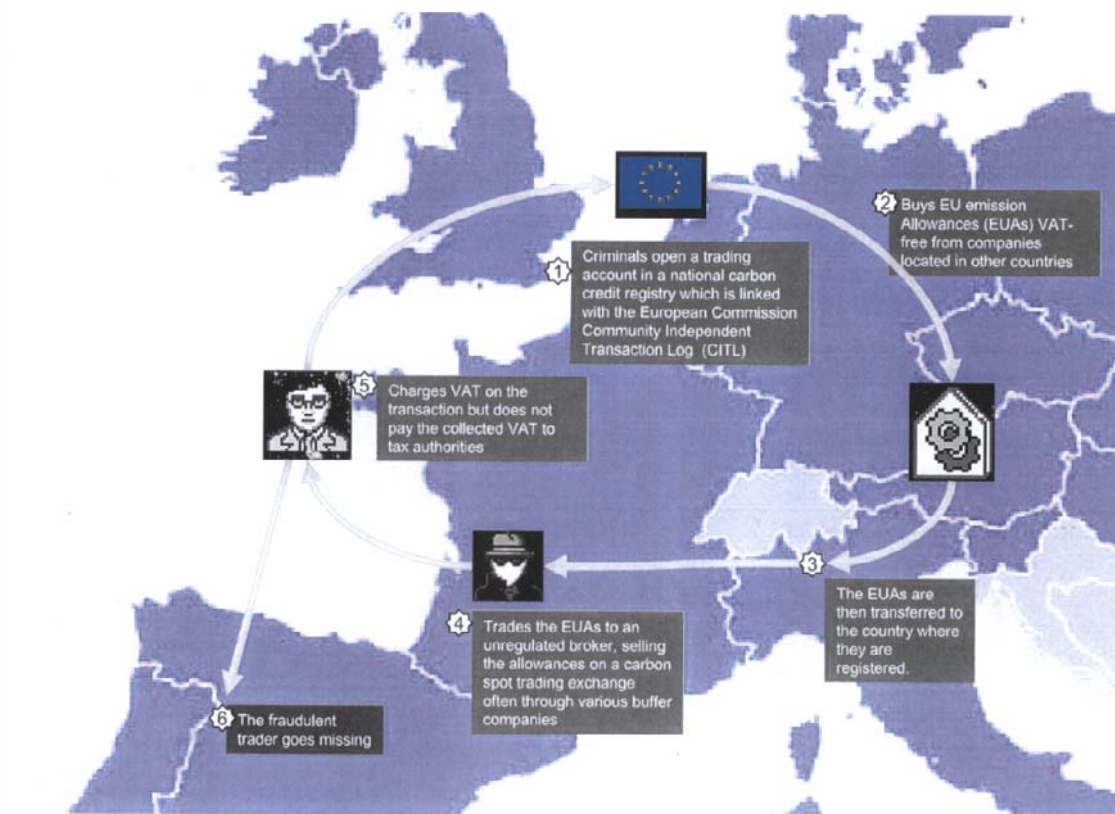


Fig. 106 - VAT fraud in the Carbon Market (Source: Europol)

**OPERATION BEIJING**

Members of the Europol Missing Trader Intra-Community Fraud (MTIC) project team deployed their mobile office at the headquarters of the Hungarian Customs and Finance Guard (VPOP) in Budapest, to provide support during a large-scale operation targeting Asian organised criminals in Hungary.

The Hungarian Customs and Finance Guard launched a coordinated operation against several criminal networks involved in the fraudulent import of goods to the European Union which were causing substantial losses in customs duties and VAT. More than 200 officers, including special arrest teams of Hungarian customs and police, searched 64 premises in Budapest and several locations across the country.

Ten people of Chinese, Vietnamese and Hungarian nationalities were arrested and, based on the evidence found during the searches, further national and international (European) arrest warrants were issued against four Chinese and one Hungarian national. Cash equivalent to around €250 000 was seized by the authorities.

**3.6 EU VAT FRAUD**

Missing Trader Intra-Community Fraud (MTIC) is a form of organised, sophisticated tax fraud carried out by criminals who attack the Value Added Tax (VAT) regimes of EU Member States. The basic model of transnational intra-community VAT fraud involves at least two Member States.

The fraud schemes make use of structures spreading their activities over several Member States at

the same time, in order to exploit the different particularities and weaknesses of the national tax systems and to disguise the real links between participants.

In practice, Missing Trader Intra-Community Fraud is carried out by organised criminals who put in place a structure of linked companies and individuals. Those involved in VAT fraud schemes, who are initially responsible for the tax damage - the

**Europol provides high quality and dynamic investigation support to EU law enforcement, and also worldwide on behalf of EU law enforcement, in the field of VAT carousel fraud and related spheres such as combating money laundering and tracing the proceeds of crime.**

**The Europol Analysis Work File on Missing Trader Intra-Community Fraud (MTIC) is the only EU-level database for storing MTIC-related criminal information. This is why it has become the principal source of reference for law enforcement operations. The knowledge and data stored within Europol enables the development of a solid picture of this area of crime and identifies the most prominent criminal targets.**

Europol has become a centre of excellence for fighting cross-border MTIC fraud and related offences.

**OPERATION TULIPBOX**

On 19 August 2009, UK HM Revenue and Customs (HMRC) officers conducted 27 premises searches - 24 in the UK and a further three were carried out in New Zealand. Nine people were arrested and approximately €3 million was restrained in a New Zealand bank. Those arrested are believed to be members of a criminal network heavily involved in MTIC VAT fraud related to emission allowance trading (also known as carbon credit fraud).

During the operation, Europol provided analytical support and deployed its mobile office at the premises of the investigators.

so-called missing traders - only operate for a short time, sometimes only weeks, before disappearing. have extended their criminal activities into the environmental or energy markets.

The schemes are based on either virtual or real 'carousel' transactions where the same 'goods' are sold and resold several times. This is commonly referred to as VAT carousel fraud. 2009 was a milestone in this respect as major fraud scandals surfaced which showed the possibility for large-scale VAT fraud in the trading of emission allowances or European Union Allowances (EUAs).

However, traditional goods-based Missing Trader Intra-Community Fraud is no longer the sole concern. Recently, a clear mutation into service-based MTIC fraud has been experienced, as fraudsters Cross border, or transnational, VAT fraud does not only affect the financial interests of the European Community but also has an impact on lawful businesses which find themselves unable to compete on

**OPERATION BEEHIVE**

An organised crime group involved in tobacco smuggling organised containers of cigarettes to be manufactured in China and transported to the EU via a deep sea vessel. A 40-foot container with cigarettes inside was identified, bound for the European Union after departing from China on 16 October 2009. Intelligence indicated that, if successful, the organised crime group would attempt numerous further imports on a weekly basis. If left unchallenged, this would have caused the destination Member State an annual revenue loss that ran into millions of euros.

On 14 January 2010 French authorities seized 8.5 million Marlboro cigarettes from the Chinese container in the port of Le Havre. The intervention has prevented at least €592 000 in tax losses. Five members of the organised crime group have been identified.

Europol enhanced the initial intelligence contribution by identifying the vessel transporting the container. Once the ship was located, we were able to identify the destination port and provide an accurate date and time of arrival to the interested parties. This crucial support facilitated further operational work.

a level playing field in those sectors affected by significant VAT fraud. Non-competitive businesses risk going bankrupt, which in turn may have a negative impact on employment levels.

The scale of the revenue losses attributable to Missing Trader Intra-Community Fraud since EU borders were opened to free trade in 1992 may never be precisely quantified. According to different sources the level of harm caused by MTIC fraud varies. For example, the European Commission estimates that VAT fraud costs the Member States around €60 billion annually. However, according to an estimate from Eurocanet (the European Carousel Network - a project of the European Commission in Brussels), between June 2005 and June 2006, the combined MTIC losses from the five biggest Member States – France, Germany, Italy, Spain and the United Kingdom - totalled almost €21 billion.

Europol estimates that the loss to carbon credit fraud between June 2008 and December 2009 was approximately €5 billion.

Moreover, the profits from VAT fraud may finance other types of criminal activity, for example cigarette smuggling or drugs trafficking, which has a further negative impact on the EC and national budgets, as

well as on the operation of the internal market and on honest businesses.

Europol renders support to the Technical Assistance and Information Exchange Instrument (TAIEX) managed by the European Commission by organising seminars with the aim of enhancing experience and good practice between law enforcement officers and prosecutors from EU Member States and neighbouring countries. Cooperation with third countries is essential in fighting VAT fraud as the fraudsters often launder their ill-gained profits outside the EU. By promoting the exchange of information and best practice, the participating law enforcement agencies in these TAIEX workshops hope to become better in eradicating MTIC fraud and related money laundering.

### 3.7 MONEY LAUNDERING

Europol supports Member States in preventing and combating criminal money-laundering activity, particularly that relating to the analysis of suspicious transactions and any other financial intelligence.

The Europol Criminal Assets Bureau (ECAB) assists Member States' financial investigators to trace the proceeds of crime, when assets have been concealed outside the investigators' jurisdictional boundaries, within the European Union.

#### THE CAMDEN ASSETS RECOVERY INTER-AGENCY NETWORK (CARIN)

Europol hosts the permanent secretariat for CARIN. CARIN is an informal network of judicial and law enforcement asset recovery experts. CARIN currently has 55 registered member jurisdictions, including all 27 EU Member States and nine international organisations. One law enforcement and one judicial contact have been nominated from each jurisdiction, to assist in cross-border cooperation in relation to tracing, freezing, seizing and confiscation of criminals' assets. These contacts assist with general questions about asset recovery in their own jurisdictions, but also provide operational support via available legal channels.

The term 'boiler room' refers to an offshore entity which is not authorised or exempt from the Financial Services and Markets Act 2000 (FSMA). Boiler rooms typically target private individuals ('investors') to encourage them to buy shares. The types of shares promoted tend to be those of unlisted companies at a pre-Initial Public Offering (pre-IPO) stage, high-risk shares or shares in newly-listed companies. When sold to investors, the shares are, at best, significantly overpriced and, at worst, worthless or untradeable.

A boiler room transaction typically begins with an unsolicited or 'cold call' from a salesman to an investor. The salesman seeks to persuade the investor

#### MOBILE OFFICE

At the request of Member States, a live connection to Europol's centralised databases and expertise platforms can be provided on-the-spot by way of a Europol mobile office. Manned by designated Europol officers, the mobile office is a valuable support tool for ongoing investigations or events.

to buy shares in a company and typically promises a substantial increase in the share price within a relatively short period of time, thereby claiming to offer a rapid return on the money invested. The illegally

#### 'BOILER ROOM' INVESTIGATION

Since April 2009, Europol has been providing support to the investigation of an international 'boiler room' fraud scheme and related money-laundering activities. The case, which was led by the UK Financial Service Authority, also involved Austria, Cyprus, Ireland, Malta, Slovakia, Spain and Switzerland.

The boiler room case that Europol coordinated targeted a UK-based criminal group operating internationally who have been charged with conspiracy to breach the general prohibition, defraud and launder criminal proceeds. The organised crime group was the beneficiary of £28 million of provable criminal assets, stolen from thousands of victims (7500 just in the UK), plus many other victims in New Zealand and the Nordic countries. The operation was supported by the Europol team, who also established investigative leads, and it was coordinated by Eurojust.

On 8 April 2009 an operational meeting took place at Eurojust with representatives from Europol and all involved jurisdictions. Priorities and operational loopholes were identified with a view to arresting the main targets. The Europol network was mainly used to exchange intelligence and conclude the first phase of the operation.

On 6 May 2009 UK authorities arrested seven members of the organised crime group. Assets worth £8 million were identified and restrained. Based on the evidence collected, further measures will take place in the coming months. These activities will be coordinated by Europol's specialised unit, working with Eurojust. The implementation of a reliable international network able to quickly exchange information and expertise was crucial for the positive outcome of this complex boiler room fraud and money laundering enterprise.