

## **Keynote address**

# **The European Serious and Organised Crime Conference 2013**

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**by**

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## Introduction

- Pleased to address this important annual conference
- Organised crime is still a high priority on the EU security agenda
- Confirmed by a survey of EU citizens (the Eurobarometer study on internal security, 2011)
  - Main challenges to European security are **economic and financial crisis** (34%), **terrorism** (33%), **organised crime** (21%) and poverty (18%)
  - Cybercrime is seen as the challenge most likely to increase in the next three years
- At Davos this year I also heard that cyber security was voted the no.1 future risk to business in a survey of CEOs commissioned by the World Economic Forum
  - we know how much of this is about the activities of OC online
- Intend to address the issue of organised crime focusing on three topics
  - Threat of organised crime
  - Context of financial crisis and impact of OC on economic recovery
  - Necessary response – Europol's role

## Threat of organised crime

- Organised Crime is a global phenomenon which manifests itself in various ways in different regions and sectors
- General trend of diversification: dynamic markets, polycriminal enterprises

- Latest intelligence – **at least 3000 organised crime groups active in Europe**
- Most of them active in many countries and many criminal markets – evolving phenomena towards international nature
- Real and present danger to global society
  - Between 150 and 300 million people (+/- 5% of the world's population) use illicit drugs each year. This creates a vast illicit market much of which involves transnational trafficking
    - 1.4 million problem heroin users in the EU, causing 7 000 deaths one year
    - 15.5 million (4.6 % of EU population) have used cocaine
  - Human trafficking
    - Real figure estimated to be more like 140 000 in Europe alone, generating illicit revenue of 3 billion USD
    - 27% of all trafficking victims detected globally are children
- **Organised Crime should be more widely recognised as a business risk:** explore new forms of impact of OC on business
  - OCGs quick to exploit economic opportunities – low risk, high-profit
  - Examples of OC-business intersection, and the economic impact thereof:
    - Counterfeit consumer goods, food, medicines, etc.
    - Illicit use of the financial sector – e.g. MTIC fraud
    - Use of transport sector in facilitated illegal immigration

- Cybercrime

### **Impact of financial crisis on crime trends**

- Worst economic crisis since the Great Depression
- Our strategic analysis tells us that economic crisis is bringing EU citizens in closer proximity to organised crime: call it "**deviant globalisation**"
  - **Increasing vulnerability** of individuals and businesses to collaborate with OCGs and to engage in illicit activities: e.g. fraud, trafficking illicit commodities, illegal labour
  - **Lower profit margins** for companies and weakened purchasing power for consumers = increasing social tolerance for criminal activities, e.g. illicit trade in counterfeit goods
  - **Unemployment** means lower resistance to black market employment and provision of illegal services: e.g. money laundering, cybercrime
    - Report this week from Financial Fraud Action that young people - at university or unemployed - at risk of being duped into acting as "money mules"- study identified estimated 380 000 possible victims in the UK alone
- Recession and unemployment leading to political trends of protectionism and renationalisation
- No such trends observed among highly flexible OCGs

### **Impact of organised crime on economic recovery**

- Undeniable impact of OC on economic recovery/growth:
  - Intimidation and corruption distort markets and deter business investment.

- Commodity counterfeiting and intellectual property rights infringements
  - damage consumer confidence
  - deny profits to legitimate business, and
  - create an unlevel playing field.
- MTIC and other tax frauds deny funds to national exchequers when they need them most.
  - **VAT fraud in the carbon credits market** has already caused a VAT loss of about 5 billion Euros in the EU. Europol's work has led to the introduction of a reverse-charge system in some Member States to prevent further losses.
  - To give you an example of VAT losses: one of the most recent international operations supported by Europol (January 2013) resulted in the arrest of 14 suspected VAT fraudsters in Hungary, trading scrap metal (using missing traders) in Hungary, Czech Republic and Slovakia. Law enforcement officers seized 4.8 million euros in cash and estimated VAT losses for Slovak and Czech authorities to be 20 million euros
  - In 2011, the annual **EU-wide tax loss due to cigarette smuggling** was 11.3 billion euros (source: KPMG). In the same year, illicit tobacco consumption in the EU increased to 65.3 billion (about 10.4% of total), a new record, and the fifth consecutive annual increase. Europol and OLAF both active in this field to track down worst offenders
  - The EU market for **counterfeit goods** is worth USD 8.2 billion per year

- Direct losses caused by **payment card fraud** in the EU reached 1.3 billion euros in 2011
- Risk of vicious circle whereby economic downturn presents opportunities for OCGs, while OC activity hampers economic recovery
- LEAs facing significant cuts in many MS

### **Necessary response and the role of Europol**

- Currently, the fight against organised crime requires, more than ever, increased cooperation and expertise that goes beyond
  - national boundaries
  - law enforcement
- Europol mandated to combat serious organised crime and terrorism with an international dimension
  - Unique information capabilities and expertise to identify and track the most dangerous criminal and terrorist networks in Europe
  - Infrastructure for EU police cooperation, in particular through SIENA secure communications and our network of 150 Europol Liaison Officers
  - Facilitates cooperation between agencies and adds value by cross-checking information in our databases and providing immediate support 24/7 via our Operational Centre
  - Provides more in-depth analysis, through our analytical capabilities to support complex operations, which helps Member States to target and prosecute the most dangerous criminal groups
  - Analysis of crime trends and threats across Europe – SOCTA

- Defining priorities in crime fighting
- Analysis of crime trends based on current investigations
- Scanning the environment for factors that will influence crime patterns in years to come
- Analysis of priorities supports operational actions
- Europol experts available to take part in operational activities “in the field” where they can provide technical or forensic expertise – useful for seizing and analysing hard drives, or dismantling drugs labs – and can also check data in Europol’s databases in real-time
- Public-private partnership – used in the fight against serious crime such as cybercrime

### **Cybercrime and European Cybercrime Centre**

- If malware production and distribution continues to grow at the current rate, there will be 230 million new unique threats in 2015 alone, and each device will need to be protected against 26 000 new threats per hour (Trend Micro)
- Cost of cybercrime 2011: 114 billion USD per year in financial losses, 388 billion USD when downtime is factored in (Symantec)
- 1 trillion USD spent globally on remediation of cyber attacks (McAfee)
- European Cybercrime Centre, or EC3, officially opened at Europol on 11 January 2013
- Major initiative of the EU to respond to this rapidly emerging threat

- EC3 serves as the European cybercrime information focal point
- Pools European cybercrime expertise to support national investigations
- Is the collective voice of European cybercrime investigators
- EC3 capabilities
  - Build on Europol's existing capabilities to combat
    - Cybercrime
    - Online child sexual exploitation
    - Payment card fraud
  - Recruit new expertise
    - Critical infrastructure protection – IT/ CERTs (Computer Emergency Response Teams)
    - Forensic / Research & Development – technical expertise plus EU procurement procedures
    - Technical and strategic threat research – technical ability plus advanced strategic analysis skills
    - Stakeholder management and crime prevention – legal expertise and cooperation with the private sector
  - Need to have a coordinated multi-faceted response
- Decision to place EC3 at Europol is a huge vote of confidence in Europol's work: not only our established reputation for trusted secure police work, but also of our capacity for innovation and agility

### **Role of business**

- Faced with these threats online and in other areas I touched on what can business do
  - Better awareness of the problem – learn more about threats – don't hide from the reality



- CEO British Telecom quote about cyber risk in business:  
“There are two types of CEOs: those that know their systems are being hacked , and those that haven’t realised yet”
- Make cyber and fraud risk a corporate issue – have a corporate strategy, invest in security, design risk management reporting lines
- Collaborate within and across your communities – including with law enforcement – sharing information and best practice

### **Closing remarks**

- Aware that just touched the topic of serious and organised crime
- However, exposed you to the most valid issues related to Europol’s role in combating serious and organised crime
- Some food for thought for the forthcoming sessions
- Interested in the conclusions of your discussions especially pertaining to recommendations for law enforcement cooperation – business cooperation