

AML LENS ON BITCOIN



THE SCIENCE BEHIND THE RISE AND RISE OF FINANCIAL CRIME

Dr Bob Murray looks for a scientific explanation for why people commit financial crime

DNFBPs: LEVELLING THE AML/CTF PLAYING FIELD

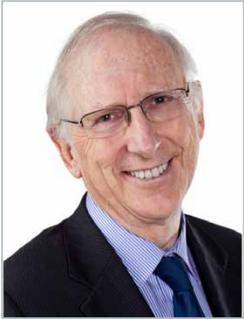
Neil Jeans looks at the impact of the AML/CTF on DNFBPs

AN APPRAISAL OF THE FMA'S AML MONITORING PROGRAM

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Fortinberry Murray Principal
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THE SCIENCE BEHIND THE RISE AND RISE OF FINANCIAL CRIME

By Dr Bob Murray

As he was being lead to jail to begin his 24-year sentence (later reduced to 14 years) Jeffrey Skilling the former CEO of Enron was reported to have plaintively muttered “But I didn’t hurt anyone!” And studies of other highly placed financial and corporate criminals show he may well have believed it.



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MUCH RECENT RESEARCH HAS SHOWN that financial and other corporate crime originates, and is mostly perpetuated by, those at or near the top of the corporate tree. Their accomplices are often in the middle management of their businesses. Interestingly the psychic motivation—the behavioral neurogenetics if you will—of the two layers are quite different.

As both a psychologist and a scientist in this area I find this fascinating. What makes otherwise “sane” men and women set out to rob and defraud their shareholders, their staff, and their customers?

The iron law of genetics is simple—if something is occurring frequently and has occurred frequently throughout recorded history it probably has a genetic base to it. Something in our DNA causes us act in an antisocial manner in certain contexts and under the influence of certain circumstances. It’s a subject I have researched deeply and continue to. Since this is a short piece I’ll concentrate on only three factors,

my excuse is that they are the main ones and my *mea culpa* is I am leaving out many, many qualifications and other issues behind this kind of crime.

Factor One: the Executive Bubble

Let’s start at the top with the Skilling’s of this world. CEOs and others in the corporate “C” suite tend to inhabit what is called an “executive bubble.” Those inside the bubble receive very little information from the outside—people feed them what they want to hear and anyway they aren’t listening to anything that contradicts their own opinions. Anything that they do is justified by excuses stored in or framed by assumptions about themselves or their position within the brain’s orbitofrontal cortex. The medieval kings of Europe had this down to a fine art, they called it “the divine right of kings.” You might rename it for modern times as “The CEO infallibility complex.” →



Skilling believed that his position gave him the right to behave as he did and convinced himself that he was a perfectly moral being who “didn’t hurt anyone.” And anyway, if he did, it was their fault for being so stupid. In my interviewing of corporate criminals I have heard this line so often. Sometimes followed by “Anyway someone should’ve stopped me!”

The DNA link here, I suspect, is in the genes that control the reward neurochemical dopamine. Once you have reached a certain point and you are earning millions a year there is nothing left to really excite or “reward” you. This lack of dopamenic stimulation makes you feel that you are being undervalued, especially when you compare yourself to those CEOs

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who are making more than you are. This justifies you in your own mind in making up for the lack by the modern equivalent of medieval “rape and plunder.”

In all cases the propensity to get caught in a bubble can be seen in the perp’s prior history but often boards (who are often in their own executive bubble) ignore evidence such as this when making their selection.

Factor Two: The Testosterone effect

Since a seminal [study](#) published in 2011 we have known that financial crime, like gambling and risk-taking is closely linked to an elevated level of testosterone in the perp’s blood. From →





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the same study we also know that this is true of both men and women. It is linked to the inherited way that the genes controlling this neurochemical express themselves in an individual.

If a person has elevated levels of testosterone and finds themselves in a certain context—for example in a culture which favors risk-taking or financial crime (as in the banks and brokerages pre-2008) then they will probably be unable to resist the temptation to join in. Most of those who were involved in the massive fraud that took place at that time, and who were tested for one reason or another, were found to have greater than normal levels of testosterone in their system.

Recently, researchers have discovered close links between testosterone and psychopathology—a known marker for criminal and antisocial behavior—and this has been **definitively associated** with financial and other corporate crime.

Factor Three: Workplace stress

Recent studies have shown that, particularly at the middle management levels, increasing stress and job insecurity have led to a great deal of financial crime.

If a person is afraid of losing their job they will “take it out” on the boss, their fellow workers or their clients. Most often this takes the form of financial

crime according to the 2014 [Report to the Nations on Occupational Fraud](#).

As workplace stress becomes more acute and as job loss and the threat of job loss becomes more pervasive, this factor will become more and more important.

Often financial crime by any individual can be a result of more than one of the above, but almost always one of them is in play.

There are solutions to all of these factors but often they require actions that businesses are reluctant to take because of a wide variety of, usually irrelevant, factors.

It often amazes me the lengths that firms and corporations will go to cover up the wrongdoings of their employees at all levels. But that is another story. •••

Biography

Dr Bob Murray is a co-founder of the international consultancy Fortinberry Murray. He is the author of 10 books. The latest, “Leading the Future” (Ark Publications), co-authored with Dr Alicia Fortinberry. He works with Global 500 companies, Governments and major professional service firms in Asia, the US, Europe as well as Australia.

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