



# Underground banking in relation to organised crime in the Netherlands

New phenomenon or old system?

## Summary

*Cahier 2025-5*

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**Cahier**

De reeks Cahier omvat de rapporten van onderzoek dat door en in opdracht van het Wetenschappelijk Onderzoek- en Datacentrum is verricht. Opname in de reeks betekent niet dat de inhoud van de rapporten het standpunt van de Minister van Justitie en Veiligheid weergeeft.

## Summary<sup>1</sup>

### Underground banking in relation to organised crime in the Netherlands

#### New phenomenon or old system?

In 2021, Europol stated that the scale and complexity of money laundering activities in the EU had so far been invisible and a parallel underground system had been set up, through which vast amounts of criminal money are laundered by professional money launderers. In the Netherlands, underground banking is considered as a provision of an unlicensed banking service, which is prohibited.

The Dutch police and De Nederlandsche Bank reported an increase in the use of underground banking in the Netherlands too. This increase is a consequence that can be linked to, on the one hand, a decrease in the use of cash money, in which the Netherlands is leading the way. On the other hand there is a global increase in stricter controls on and sanctions for money laundering via the regular financial system. The assumption underlying the relationship between the decrease in cash and the increase in underground banking is that when more cashless transactions take place in the legal economy, cash transactions in the formal banking domain become more noticeable and therefore a switch is made to a system such as underground banking. In addition, money transactions with an illegal origin are becoming increasingly difficult to carry out unnoticed via the regular system. Underground banking is thus a major money laundering risk.

The Dutch government has therefore prioritised the approach to organised crime and the financial gains from it. Organised crime, such as drug trafficking, is largely financially driven and the approach should therefore focus on frustrating financial gain. To strengthen the combat of organised crime, the Kennisagenda Ondernijning ('Knowledge Agenda subversive crime') was established as part of the Broad Offensive against Organised Crime (BOTO), aiming to have more empirical research carried out on themes of which there is still insufficient knowledge. The focus of the knowledge agenda is placed on organised crime in relation to drug trafficking/production (and related phenomena), criminal money flows and the combat of these criminal activities.<sup>2</sup>

In this context, the Ministry of Justice and Security asked the WODC to conduct a study, because of the need for a more up-to-date picture of the phenomenon of underground banking in the Netherlands. This report provides an account of this research.

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<sup>1</sup> In the summary, references to literature have been removed for the sake of readability. These are included in the main report.

<sup>2</sup> [Kennisagenda Ondernijning | Onderzoek in uitvoering | WODC - Wetenschappelijk Onderzoek- en Datacentrum](#)

## Problem definition

This report aims to provide insights into the phenomenon of underground banking in the Netherlands in relation to organised crime. The main research question is:

*What is the nature of the phenomenon of underground banking in relation to organised crime in the Netherlands?*

This report focuses on three overarching themes: (1) the organisation of underground banking networks, (2) the various modi operandi of underground bankers in relation to organised crime and (3) criminal interference and organised (drug) crime.

The aim of this qualitative research was to gain in-depth insight into the mechanisms at play within underground banking networks based on case file analysis and interviews.

## Research methods

A combination of research methods was used to answer the research questions. In the first phase, a literature study was conducted to better understand the concept of underground banking in relation to organised crime and to work towards a clear terminology and operationalisation of the topic.

In the second phase, empirical material was collected through interviews and case file analysis. A total of 25 interviews were conducted, 16 of which with key informants who have a good view of the phenomenon based on their professional position, working for the police, the Public Prosecution Service (OM), and governmental organisations such as the Financial Intelligence Unit (FIU-Netherlands), the Ministry of Finance and the Anti-Money Laundering Centre (AMLC). For the case file analysis, 9 police files of investigative authorities into underground banking in relation to organised crime were analysed in depth. These cases related to acts that were committed between 2015 and 2022. The other 9 interviews were case interviews with the public prosecutor or police team leader involved. The aim of the interviews with key informants was to obtain a broad and up-to-date picture of the phenomenon. The case interviews served as a preparation for the case file analysis and specifically addressed the case files that were subsequently analysed.

It should be noted that the chosen methods, like any research method, have limitations. In this study, case files were systematically studied to paint a social-scientific picture of the phenomenon. However, these case files were constructed to serve as evidence in criminal cases and the perspective of the investigative authorities determines which elements of underground banking are more or less investigated. Also, the focus of investigative authorities, as previously stated, has been on combatting organised drug crime for a number of years. This may explain why this type of crime appeared to be overrepresented in the case files.

## Terminology and different views

The concept underground banking refers to a system for transferring value outside of formal (licensed) financial service providers. However, the term underground banking

is not used uniformly in both science and practice. In addition to the term underground banking, the following terms are also used: hawala, hundi, fei qian [fei ch'ien], alternative/informal remittance systems, informal value transfer systems (IVTS) and hawala and other similar service providers (HOSSPs). These terms refer roughly to the same phenomenon but do not completely overlap.

A second point of discussion is the question of which activities exactly are part of underground banking. A third point that has no (international) consensus is the role of criminal money within underground banking.

### **Definition of underground banking in this study**

In both the scientific literature and among key informants, there is no consensus on the terminology and meaning of underground banking. Because this study required a clear definition and demarcation, the description 'underground banking with criminally obtained money' has been used in this report. This essentially concerns a system in which money/value with a criminal origin is traded, moved and settled (physically or virtually) outside (the view of) regular financial service providers/institutions. It is a broad definition that fits various methods and practices.

### **The organisation of underground banking networks**

In short, underground banking can take place between two underground bankers, with or without the help of a 'broker'. The system is based on mutual trust between underground bankers and/or brokers and between underground bankers and their clients. Close social ties – often via family and ethnic lines – are in previous academic literature seen as an important aspect of underground banking.

Another characteristic of underground banking networks is that they operate worldwide. Underground banking networks are branched out all over the world, with a degree of clustering in certain locations. The police files showed that the brokers and underground bankers whose whereabouts were known, were located in Dubai (both roles), Pakistan (brokers) and the Netherlands (underground bankers). Key informants mentioned Dubai in particular as a place of residence for brokers and underground bankers, but also Hong Kong, Singapore, Morocco and Turkey. Stash coordinators and cash couriers were located in the countries where the cash is physically transported and stored, including the Netherlands.

### **Division of roles**

Based on the empirical data seven roles can be distinguished within underground banking networks: brokers, underground bankers, intermediaries, cash couriers, stash coordinators, other roles (such as accountants or cash counter) and external facilitators (see Figure S1). The networks differ in size and composition and not all roles are present in every network. In larger networks, the roles are fulfilled by several people and in smaller networks, one person often fulfils multiple roles. In practice, the different roles within a network are not static; there is a certain degree of role fluidity. This means that network members can take on multiple roles, which can also change over time.

## Figuur S1 Roles and tasks within the studied networks of underground bankers



**Brokers** are (usually) at the top of the organisation of an underground banking network. They have many international contacts with other brokers and underground bankers and they fulfill a connecting role within the network. They possess large amounts of cash and arrange (almost) parallel transactions without money physically moving across borders.



**Bankers** play a central role within underground banking networks. They have their own clientele for whom they transfer money. They have contact with both international brokers and local intermediaries and they manage several stash coordinators and money couriers in order to carry out cash money transfers.



**Intermediaries** refer customers to underground bankers and initiate cash money transfers between customers and underground bankers. To receive their commission they often remain a link between the persons they refer to each other. There can be several intermediaries involved in one money transfer.



**Money couriers** get orders from underground bankers, brokers, intermediaries or stash coordinators to pick up or deliver cash money at other persons within the network or at the customer.



**Stash coordinators** are in charge of one or more stashes of cash money and arrange practical issues regarding money transactions. Not every underground banker has a stash coordinator in the employ.



**Customers** are persons who use the services of underground bankers, in particular having (cash) money transferred. It often concerns money with a criminal origin, for example drug trade. Other services of underground bankers that customers use include acquiring crypto currencies, or purchasing luxury goods.



**Other roles** that were less present in the case files were **money counters** who count the money that comes in and goes out, **stash keepers** who only keep a stash, and **underground accountants** who keep track of the financial administration of all transactions. **External facilitators** are also used for specific services.

Source: WODC

### Demographic characteristics and bonding mechanisms

By far the majority of the underground bankers in the 9 studied files are men, but sporadically women also appear in the networks. Particularly in Chinese networks women have a bigger role. The age of the network members varies, with the underground bankers and brokers often falling into the age categories of 30-40 years and 40-45 years respectively. The cash couriers are often younger.

The empirical data shows that – with a few exceptions – ethnic, family and sometimes friendship ties play a role in underground banking networks. For example, Indian, Turkish, Pakistani and Chinese networks were present. Family ties also appeared, for example fathers and sons or married couples who work together. These ties do not apply to all network members and are therefore not a prerequisite for mutual cooperation, yet can contribute to it.

Trust and reputation are the core values on which underground banking networks are based. The importance of trust is expressed in various ways, for example through familial and ethnic relationships, but also by having and maintaining a good reputation. Trust is particularly evident between brokers and bankers and between customers and bankers. Trust is less evident in relation to lower roles within the network. For example, cash couriers and cash counters have to prove themselves regularly. Hierarchy within a network is not so much a core value, but an aspect that contributes to the functioning of the network. Hierarchical relationships are not equally evident in every network. The lower functions in the network, such as stash coordinators and cash couriers, are usually managed by higher functions, but this is not necessarily done in a coercive manner. Underground bankers sometimes need to be accountable to other underground bankers or to brokers. There is also a connection between the hierarchical position of members in the underground banking network, the trust and reputation they possess and the market share they own. However, a hierarchical position within a network can change over time.

### **Criminal records**

The literature on underground banking is not very conclusive about the presence of people with criminal records within underground banking networks. Our research shows that underground bankers were sometimes previously convicted of acts related to underground banking; they continued their activities despite a conviction. The cash couriers in the police files studied generally had no criminal records, and this appeared to be a deliberate choice to avoid attracting the attention of investigative authorities.

### **Customers**

Regarding the relationships bankers have with customers solid collaborations are common, with a continuous flow of money transactions. However, occasional collaborations also occur. Customers have accounts at underground bankers. Unlike members within an underground banking network, customers and bankers usually do not appear to be ethnically connected. A certain loyalty and sometimes even friendship did appear in the data.

## **The various modi operandi of underground bankers**

### **Money trade**

Firstly the process of 'classic' money trade is studied and described from the moment of making an appointment for a physical money transfer to the final settlement of balances if the debt position of one underground banker became too large relative to another.

The establishment of an appointment for a transaction usually occurs on the basis of personal introductions. Underground bankers and clients frequently use various (encrypted) services and smartphone applications for appointments or parts of an appointment.

When the appointment is made, the use of tokens is a standard procedure and serves multiple goals. A token -usually a 5 euro note- is a means of identification to confirm that the money has been transferred to the right person. It also serves as a kind of cash receipt that the money has actually been paid out. Thirdly, issuing a token is a way to initiate and confirm the agreement for a cash money transfer.

When the date, time and location have been agreed and the token is sent, the physical money transfer can take place, usually at public places such as a parking lot. The

transfer is kept as short as possible. All agreements about the money are made in advance by phone and at the spot the money is passed on uncounted and unseen, often in sealed bundles in big shoppers or sports bags. Both parties then drive away swiftly. The money is kept at so-called 'stash locations', sometimes guarded by stash coordinators. Specific money keepers or money counters can also be present. Both brokers and bankers as well as stash coordinators track the administration, in some cases a network member is involved as an accountant.

Underground bankers earn from the commission they receive from the transactions made. The studies police files show that earnings of underground banking networks are diverse and depending on the role, with brokers and bankers earning more than stash coordinators and cash couriers. The percentages that are charged per transaction depend on amongst others the amount of money that needs to be transferred, the valuta, the urgency of the transaction, the number of intermediaries and the route of the money. The more unusual the money, the higher the commission percentage.

Besides commission for the transaction separate costs can be charged for valuta exchange. The case files show that the frequency of the transactions is high: money transfers regularly take place daily or several times a day. The sums of money that are transferred through underground banking consist of various valuta, of which the main part consists of euros. The in the case files amounts moved were usually at least a hundred thousand euro, however they varied from five thousand to more than one million per transaction. The literature describes that when money flows too much in one direction, underground bankers settle debts, to rebalance the accounts. There are several ways to settle the balances, for example physical movement of cash money, giro deposits and transactions by means of companies. In the data no concrete leads for these mutual settlements were seen.

In this study we found aspects that point to a great professionalism of some networks. What is noticeable in this system is the velocity of circulation of money, in which there is a continuous flow of transactions and transactions are no longer offset against each other. The velocity of the system is accelerated by encrypted communication services that offer the possibility to easily maintain direct contact 24/7 and worldwide.

### **The use of business structures and money laundering schemes**

In addition to the classic money trade that was seen in most empirical data, this study describes other underground banking methods that in previous literature not have been addressed. Other modi operandi that in this study were visible were for example the use of business structures and money laundering schemes such as Trade-Based Money Laundering (TBML), the cash compensation model where cash money is delivered to entrepreneurs to pay out their employees under the table, and the use of crypto currencies to move money around. It must be noted that in practice the different variations of underground banking are not always easy to distinguish and various modi operandi can be combined.

Companies can be used as a cover to disguise underground banking services. The benefits of the use of business structures is the possibility to transfer cash to bank accounts or to launder money. Sometimes these companies generate a legitimate income next to the illegal one, sometimes they are purely founded as a cover-up. The use of business structures emerged to a greater or lesser extent in all studied case files.

Trade Based Money Laundering (TMBL) is another way to launder criminally obtained money through international trade flows. Activities related to TBML were observed in several case files, for example companies with an illogical business operation and remarkable invoices of international trade flows.

In some countries or locations including Dubai (VAE) it is possible to deposit cash money into an account at a bank or money transfer office, contrary to the Netherlands. In the case files some underground bankers appear to have an account at a money transfer office in another country and deposit and withdraw money. By redirecting cash money flows via money transfer offices in these countries, the money can easily (in large amounts) be transferred to bank accounts.

### **Cryptocurrencies and other illegal services**

The trade in cryptocurrencies is a relatively new aspect within underground banking and was present in several case files and interviews. The method is largely comparable to 'classic' underground banking, however one of the parties receives cryptocurrencies instead of cash money, or an underground banker acts as an intermediary for two customers who pay with cryptocurrencies. Just like with money trade, commissions are paid. If the client offers cryptocurrencies, the underground banker pays a commission percentage to the client. Not always does an underground banker have crypto in stock, and cryptocurrencies must first be purchased from other clients. The goals of the use of cryptocurrencies within underground banking are not fully clear, yet cryptocurrencies seem to play a role at value transfers between customers and underground banking networks, at mutual settlement between bankers and as an investment for both customers and bankers. Sometimes underground banking networks offer other illegal services in addition to banking underground banking, such as gold trade, trade in luxury items and setting up financial constructions.

### **Entanglement with organised (drug) crime and (other) new developments**

During the research it became clear that the relationship between underground banking and organised crime in the empirical data largely related to drug crime. A side note that must be made specifically with regard to the findings in this paragraph is that the focus of investigative authorities has been on combatting organised drug crime for a number of years. The overall attention to this also translates into the Broad Offensive against Organized Subversive Crime (BOTO) and the knowledge agenda subversive crime (of which this research is part). Combatting organised drug crime is one of the pillars within this agenda. This may have influenced that, despite the fact that in interviews and with the selection of files we broadly asked for various forms of organised crime, drug crime is overrepresented within the case files and can therefore distort the findings. Several key informants indicated that underground banking is used to a large extent for money obtained through drug trafficking, but that it is also used for other forms of crime.

Organised drug crime generally involves international transactions, large amounts of money are involved, the circulation speed is high, cash plays a major role, and the transactions must remain out of sight of the regular financial system. The needs of drug dealers therefore fit in well with underground banking. Because underground banking meets many of these characteristics and requirements, moving money earned from drug trafficking via this route can therefore be an attractive option.

Three quarters of the case files indicated a direct intertwinement between underground bankers and drug crime. Additionally, in almost half of the case files underground banking networks held an active position in trafficking of mainly cocaine, but also cannabis and synthetic drugs. In two of the nine files a part of the network members were structurally involved in drug trafficking, because they not only transmitted money for customers active in cocaine trade, but also regularly bought and resold cocaine, and organised export of drugs to another country. Moreover, underground bankers or brokers are sometimes not involved in an executive role but through investments in drug crime. They then invest sporadically or more structurally in drug transports.

This study shows that these new trade routes are mainly taken up by the younger generation underground bankers. They generally follow up their fathers and are searching for new trade routes to expand their market share, profits and clientele.

In addition to this scale enlargement that stems from amongst others the entanglement of drug crime and the development of new technologies, there are indications that there is a shift in the market where a greater role is reserved for Chinese underground banking networks, that can offer very low (below market price) commission percentages to their customers with illegally obtained money compared to other networks because they profit from both the demand and supply side. The money flows of their customers in China who want to transfer money to Europe is connected to the money flow that customers in Europe want to move to China. The underground bankers already profit from the first money flow so they can transfer the second money flow below regular market price.

## To conclude

The central research question of this report focused on the nature of the phenomenon underground banking related to organised crime in the Netherlands. Through qualitative research methods insights into the mechanisms at play within underground banking networks and their methods was gained via the studied case files and conducted interviews.

This study shows that that networks exist in different sizes, with different ethnic backgrounds and with varying degrees of professionalism. Also a diversity of modi operandi is deployed.

More than previous research this study shows that underground banking involves a variety of methods and encompasses much more than the 'classic' trade in cash. Particularly the insight into the various use of business structures and the possibility to also via crypto currencies transfer money worldwide broadens the current picture of the phenomenon of underground banking with criminally obtained money and adds new knowledge to the existing literature. Moreover, it makes clear that the different modi operandi of underground banking are being linked together worldwide in order to circulate the enormous flows of money. Oftentimes, these networks act opportunistically, and drug crime seems to offer an attractive market for especially the younger generations: drug trade requires international transactions, cash money plays a big role, and these transactions should remain out of sight of the regular financial system. Due to the high velocity of circulation facilitated by new technologies, the money flows can become detached from the drug flows.

This report shows the multiformity of the phenomenon and the sometimes complex structures and financial constructions it has. For the investigative authorities this is a complicating factor, since it hampers the ability to see the entire image and combat it accordingly. This leads to the importance of using a clear definition by all parties, in order to better achieve a joint approach. In doing so, it is also important to look beyond borders if one wants to get a picture of and understand the entire network.

Although the system of underground banking remained unchanged in essence, ethnic and familial structures remain present and in this sense the system is robust, networks have become more open and international to increase sales and profits. This study shows that the phenomenon has further developed itself by a combination of factors, including new technologies and globalisation. It has also pointed out that a new generation with a different perspective seems to be looking for ways and opportunities to earn money, for example in drug crime. In this way the old system has been able to develop into a renewed, larger and faster phenomenon.

Het Wetenschappelijk Onderzoek- en Datacentrum (WODC), Kennisinstituut voor de rechtsstaat, is een onafhankelijk kennisinstituut dat valt onder het ministerie van Justitie en Veiligheid. Het WODC draagt bij aan behoud en verbetering van de rechtsstaat via het (laten) uitvoeren van kwalitatief hoog wetenschappelijk onderzoek. En door het aanbieden van gevraagde en ongevraagde kennis, verbeterpunten en (waar mogelijk) denkrichtingen.

Voor meer informatie, bezoek [www.wodc.nl](http://www.wodc.nl)