

AML Review

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Special Issue: Illicit Tobacco

About this Issue

This Special Topics Bulletin focuses on illicit tobacco and its links to organized crime and money laundering.

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INTRODUCTION

Welcome to *AML Review*, your resource for staying up to date with developments in anti-money laundering (AML) efforts, including scholarly outputs, government reports, and case law.

This issue of *AML Review* focuses on illicit tobacco, which has emerged as a significant money laundering threat. Smuggled or untaxed tobacco products generate large volumes of money, which criminal groups can channel through front businesses, shell companies, and cross-border trade to disguise their origins. Because the illicit tobacco market is often less scrutinized than drugs or gambling, it provides criminals with a relatively low risk means of accumulating wealth. Recent seizures and investigations, both in Canada and abroad, have shown that contraband tobacco networks often overlap with drug trafficking and other illicit activities. This has led to authorities flagging illicit tobacco as a growing threat, prompting enhancing financial intelligence sharing and targeted enforcement.

This special issue features key academic work on illicit tobacco and its links to organized crime and money laundering. Kennedy (2022) explores how criminal organizations profit from diverting legitimate tobacco products into illicit markets. Meciar, Gartner, McLay, and Puljević (2024) provide a scoping review of international evidence on how tobacco control policies, such as tax increases or bans, influence illicit tobacco trade, finding mixed results and calling for better methods of assessment. Meciar, Puljević, and Gartner (2022) analyze Australian media reports of illicit tobacco-related crimes, revealing rising trends in smuggling and possession cases as well as connections to financial crimes like money laundering. Munksgaard and colleagues (2021) investigate the distribution of illicit tobacco on cryptomarkets, showing that although the market is relatively small, new shipping routes are emerging within Europe. Finally, Remeikienė and colleagues (2022) examine the link between cigarette smuggling and money laundering in European and non-European contexts, emphasizing the role of public authorities and societal attitudes in combating these crimes.

We hope that *AML Review* will continue to be a valuable resource for you to develop your expertise in AML. If you have an idea for a future bulletin or have materials you would like to share, please contact CIFA-BC@rcmp-grc.gc.ca.

Sincerely,

Dr. Catherine Shaffer-McCuish
Editor, *AML Review*
Counter Illicit Finance Alliance of British Columbia Intelligence Hub

INCLUDED DISSEMINATIONS

Academic Articles and Book Chapters

Kennedy, J. P. (2022). [Organized crime links to tobacco companies](#). In Y. Zabyelina & K. L. Thachuk (Eds.), *The Private Sector and Organized Crime* (pp. 242-256). Routledge.

Meciar, I., Gartner, C., McLay, A., & Puljević, C. (2024). [The impact of tobacco control policies on illicit tobacco trade: A scoping review](#). *medRxiv*, 2024-09.

Meciar, I., Puljevic, C., & Gartner, C. (2022). [A content analysis of illicit tobacco-related crimes reported in Australian media](#). *Drug and Alcohol Review*, 41, S95-S96.4

Munksgaard, R., Décar-Hétu, D., Malm, A., & Nouvian, A. (2021). [Distributing tobacco in the dark: Assessing the regional structure and shipping patterns of illicit tobacco in cryptomarkets](#). *Global Crime*, 22, 1-21.

Remeikienė, R., Gasparėnienė, L., Yorulmaz, Ö., Gagytė, G., & Menet, G. (2022). [Is money laundering the main funding source for cigarette smuggling in \(non\) European countries?](#) *Business: Theory and Practice*, 23, 198-207.

ACADEMIC ARTICLES

Project and Scholarly Work

Kennedy, J. P. (2022). Organized crime links to tobacco companies. In Y. Zabyelina & K. L. Thachuk (Eds.), *The Private Sector and Organized Crime* (pp. 242-256). Routledge.

Abstract

Criminal organizations gather substantial profits through the diversion of legitimate cigarettes into illicit markets to benefit from differential tax structures and the production and sale of counterfeit tobacco products. Tobacco smuggling and the illicit production of tobacco products is made more enticing by the fact that penalties for tobacco violations remain relatively light. Legitimate manufacturers of tobacco products can also be complicit in tobacco smuggling. They profit when they sell to the distributor regardless of whether their product ultimately ends in illicit retail channels or not. This chapter describes some general patterns of illicit tobacco trade related to the diversion of legitimate tobacco products, smuggling, and the production of counterfeits. The vulnerability to these crimes as well as a certain level of connivance in criminal schemes by legitimate cigarette companies is also considered. This chapter finishes with a discussion of the tobacco industry's attempts to address these risks.

Project and Scholarly Work

Meciar, I., Gartner, C., McLay, A., & Puljević, C. (2024). The impact of tobacco control policies on illicit tobacco trade: A scoping review. *medRxiv*, 2024-09.

Abstract

Introduction: There are concerns that progressively stringent tobacco control policies will result in increased illicit tobacco trade (ITT). We reviewed the international evidence base to identify studies

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examining the impact of tobacco control policies on ITT. **Methods:** Guided by JBI scoping review methodology, we searched six databases (PubMed, CINAHL, EMBASE, PsycINFO, Scopus, and Web of Science) in 2022 and 2024 for original research published in English since 2000. One reviewer screened titles and abstracts, and two reviewers screened full-text articles against inclusion criteria. We report the results according to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses extension for Scoping Reviews Checklist. **Results:** We identified 60 articles examining the impact of eight tobacco control policies or combination of policies on the ITT, including tobacco tax increases or decreases (n=43); menthol bans (n=5); decreasing allowable cigarette filter ventilation levels (n=1); standardised packaging (n=5); tobacco sales bans (n=1); a substantial reduction in the number of tobacco retailers (n=1); a very low nicotine content mandate (VLNC; n=2); and multicomponent policy interventions (n=4). **Conclusions:** The available evidence is predominantly focused on the impact of tobacco tax increases on the ITT, with equal numbers of studies describing an increase in the ITT or no impact on the ITT, countering claims that tobacco tax increases are the primary driver of increased ITT. Evidence on the impact of other tobacco control policies on the ITT is limited. Collaborative efforts to develop accurate and consistent methods to assess the ITT are needed.

Project and Scholarly Work

Meciar, I., Puljevic, C., & Gartner, C. (2022). A content analysis of illicit tobacco-related crimes reported in Australian media. *Drug and Alcohol Review*, 41, S95-S96.4

Abstract

Introduction: Australian survey and seizure data suggest a growing illicit tobacco market. As an illicit product, accurately tracking trends in illicit tobacco growing, manufacture, and sales is challenging. The

authors examined trends in Australian illicit tobacco-related crimes using a content analysis of news articles. Method: The authors analyzed Australian news articles identified in the Factiva database and government press releases describing Australian illicit tobacco-related crimes reported between January 2000 and December 2023. Sources were coded for crime type, location, product type, dollar value of seized products, methods of distribution or storage, agencies involved, and other crimes involved. Results: The authors identified 447 crimes reported in 389 sources. The number of illicit tobacco-related crimes reported increased between 2000 and 2023. The most common crimes were possession of illicit tobacco ($n = 196/43.7\%$) and smuggling ($n = 187/41.8\%$), and the most common product type was "illicit cigarettes" ($n = 197/44.1\%$). The most common distribution/storage method reported was via residential premises ($n = 98/21.9\%$). One-hundred and twenty incidents involved other crimes such as financial crimes involving money laundering ($n = 59/13.2\%$). Across all included news articles, the quantity of seized products totaled 827 529 307 cigarette sticks, 76 185 cartons, 668 687 packs, 239 hectares (of land growing tobacco plants), and 2 149 000 plants of illicit tobacco between 2000 and 2023. The median value (worth; AUD) of each seizure was \$1 500 000 (range \$43 to \$67 000 000). Conclusions: Australian media reporting on illicit tobacco-related crimes increased over the past two decades, particularly since 2018. These findings highlight a need for improved border detection measures, investment in enforcement, and other deterrent activities.

Project and Scholarly Work

Munksgaard, R., Décaray-Hétu, D., Malm, A., & Nouvian, A. (2021). Distributing tobacco in the dark: Assessing the regional structure and shipping patterns of illicit tobacco in cryptomarkets. *Global Crime*, 22, 1-21.

Abstract

The size of the global market for illicit tobacco products is estimated to be between USD\$8.6 and USD\$11.6 billion yearly. In addition to an estimated cost of USD\$40.5 billion in lost tax revenue the illicit tobacco market further increases the accessibility of a harmful substance for minors and provides a revenue stream for both organised crime and violent political groups. In this paper, the authors examine how tobacco products are distributed globally through illicit online platform economies known as cryptomarkets. Using data from the cryptomarket empire, the authors find tobacco products remain a small niche market exclusively shipping from the EU and that shipping patterns suggest the emergence of new supply routes for end-consumers within Western Europe originating from the UK. The authors find that the market for tobacco on cryptomarkets remains minimal, as in previous research, compared to the market for drugs.

Project and Scholarly Work

Remeikienė, R., Gasparėnienė, L., Yorulmaz, Ö., Gagytė, G., & Menet, G. (2022). Is money laundering the main funding source for cigarette smuggling in (non) European countries? *Business: Theory and Practice*, 23, 198-207.

Abstract

Money laundering is the process of hiding or disguising the unlawful origin of property and hiding or disguising the true nature, origin, source, location, disposal, ownership or title of property. In other words, money laundering means "laundering" dirty money until it becomes clean. Corrupt officials and other criminals use money laundering techniques to hide the true nature of their income. Research shows that cigarette smuggling is linked to money laundering. The purpose of the article is to determine how money laundering is related to cigarette smuggling and

which public authorities have a key role in combating these phenomena in Georgia and Serbia. Methods used in the study: literature analysis and focus group methodology. In addition, the EU member states were clustered into three categories by their HDI, CPI, GDP per capita and transaction reports indicators. Clustering indicated that the states attributed to the third cluster are most vulnerable to money laundering. An effective factor in the fight against smuggling is to increase the population's intolerance to illicit goods and services, therefore, it will seek to extend the empirical study to the population's perspective on money laundering and cigarette smuggling.