

# How convenient is deviance to circumvent and evasion sanctions against Russia? The case of alleged economic crime in a Norwegian seafood company

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## ABSTRACT

When Russia attacked Ukraine, national states as well as multinational bodies such as the European Union imposed economic sanctions against Russia. Companies in sanctioning countries were expected to terminate their business with companies in the sanctioned country. However, the threat of bankruptcy made some companies chose deviance to circumvent and evasion sanctions. The case study in this paper describes an insurance firm's attempt to terminate an insurance arrangement to avoid allegations of money laundering. The ownership of a seafood company in Norway had been transferred from Russians to a Norwegian. However, it seemed that the Russians were still the real owners since the Norwegian had paid nothing for the ownership. This paper presents the civil trial in the case and discusses convenience propositions for the Norwegian based on convenience theory in the dimensions of motive, opportunity, and willingness for deviance.

## Introduction

Criminological studies have shown how companies can circumvent and evasion sanctions against a country, for example in the form of state-corporate crime (Bernat and Whyte, 2020; Rothe, 2020; Rothe and Medley, 2020). Business enterprises both in the sanctioned country and in sanctioning countries doing business with the sanctioned country sometimes enter into cooperation with the sanctioned state or with organized criminals to avoid harm from sanctions by continuing regular business operations.

Many countries launched sanctions against Russia when they invaded Ukraine. However, sanctioning countries do not like to suffer from their own sanctions. Norway did not like to suffer from the sanctions in the fast-growing seafood industry. The industry is hardly subject to state control (Dugstad et al., 2023). Norway is excited about the seafood industry that is expected to replace the oil and gas industry in the long term. Having a direct border to Russia in the northern part, Norway prefers exceptions to sanctions within all kinds of maritime industries such as shipyards and fishing.

While the criminal justice system in Norway did not react to suspicion of money laundering linked to hidden Russian ownership in a Norwegian seafood company in line with previous studies of economic crime (Gottschalk, 2023a, 2023b), an insurance firm did react. The firm had insured the production facilities belonging to the company and was worried that the company paid the insurance premium with money

from illegal activity. In such a situation, the insurance firm could be accused of violating the obligation of anti-money laundering control as prescribed by the Norwegian state. This paper studies the insurance case by application of convenience theory for deviance by alleged money laundering in terms of motive, opportunity, and willingness at the seafood company.

This research is important as it illustrates how a business firm has to go to court against another business firm based on criminal charges that are not prosecuted by the state. The paper starts by presenting convenience theory, followed by a description of the case of fish hatchery production facilities in Norway owned by Russians. Then the civil court hearing is presented. Finally, convenience theory is applied to the case as there is no consequence for the production facilities so far.

## Convenience theory

Deviance is explained by convenience theory in this paper. Deviance is a term to describe behavior that contravenes accepted norms, values, and ethical standards (Smith and Raymen, 2018). Deviance is “the failure to obey group rules” (Becker, 1963: 8), where offenders may be lacking group identity that “occurs when individuals derive a sense of self from being a part of their group” (Shang et al., 2020: 375). Deviance is “a form of behavior that violates organizational norms and that consequently negatively impacts the well-being of the organization and its members” (Michalak and Ashkanasy, 2013: 20). Social norms

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are rules and standards that are understood by members of a group and that guide and constrain social behavior without the force of law (Gorecki and Letki, 2021). Deviance is voluntary behavior that violates norms and in so doing threatens the well-being of others. Deviant behavior is fundamentally counter-normative behavior (Piazza et al., 2023: 5):

That is, behavior that is at odds with societal expectations, informal norms, or written laws. However, norms are subjective, laws can be inconsistently applied, and different segments of society may have different ideas regarding whether behavior is in line with norms; right or wrong, ethical or unethical.

Deviance is detrimental to organizational performance in several ways, including damaged reputation, exposure to lawsuits, and financial loss (Dilchert et al., 2007). As argued by Piazza : 4) et al. (2023), “deviance is risky, both because of the negative externalities of non-conformity and because sanctioning – in its many forms – can do real damage to the profitability and survival prospects of organizations”. However, the offender may explain the act of wrongdoing as morally justifiable (Schnatterly et al., 2018).

Convenience theory suggests an explanation of deviance in terms of motive, opportunity, and willingness as illustrated in Fig. 1. The theory is based on perspectives from various fields such as criminology, management, and psychology (Gottschalk, 2022). The motive for deviance is either possibilities and threats for the individual or the company. An individual can have a motive of greed as a possibility or strain as a threat. A company can have a motive of goal as a possibility or bankruptcy as a threat.

The opportunity is to commit and conceal deviance. Convenient opportunity to commit deviance might be based on offender status and

the offender’s access to resources to violate accepted norms. Convenient opportunity to conceal deviance might be based on institutional deterioration by decay, lack of oversight and guardianship causing chaos, and criminal market forces causing collapse. The willingness for deviance might be based on choice or innocence.

The choice of deviance can derive from narcissistic identification with the company where no difference between self and company is perceived, it can be based on rationality where advantages are perceived as greater than the disadvantages, and it can be based on learning from others. Innocence can result from justification or neutralization, where justification implies that responsibility but not harm is admitted, while neutralization implies that not guilt is accepted.

Convenience is a concept that was theoretically mainly associated with efficiency in time savings. Today, convenience is associated with a number of other characteristics, such as reduced effort and reduced pain. Convenience is linked to terms such as fast, easy, and safe. Convenience says something about attractiveness and accessibility. A convenient individual is not necessarily neither bad nor lazy. On the contrary, the person can be seen as smart and rational (Sundström and Radon, 2015). Convenience is a relative concept where deviance occurs when it is perceived as relatively better to do, compared to alternative actions (Engdahl, 2015).

A traditional theory is worthwhile to compare to convenience theory. Fraud triangle theory with the fraud triangle suggests three conditions for fraud (Cressey, 1972; Wells, 1997): (1) incentives and pressures, (2) opportunities, and (3) attitudes and rationalization. Incentives and pressures belong in the economical dimension; opportunities belong in the organizational dimension, while attitudes and rationalization belong in the behavioral dimension. As such, the fraud

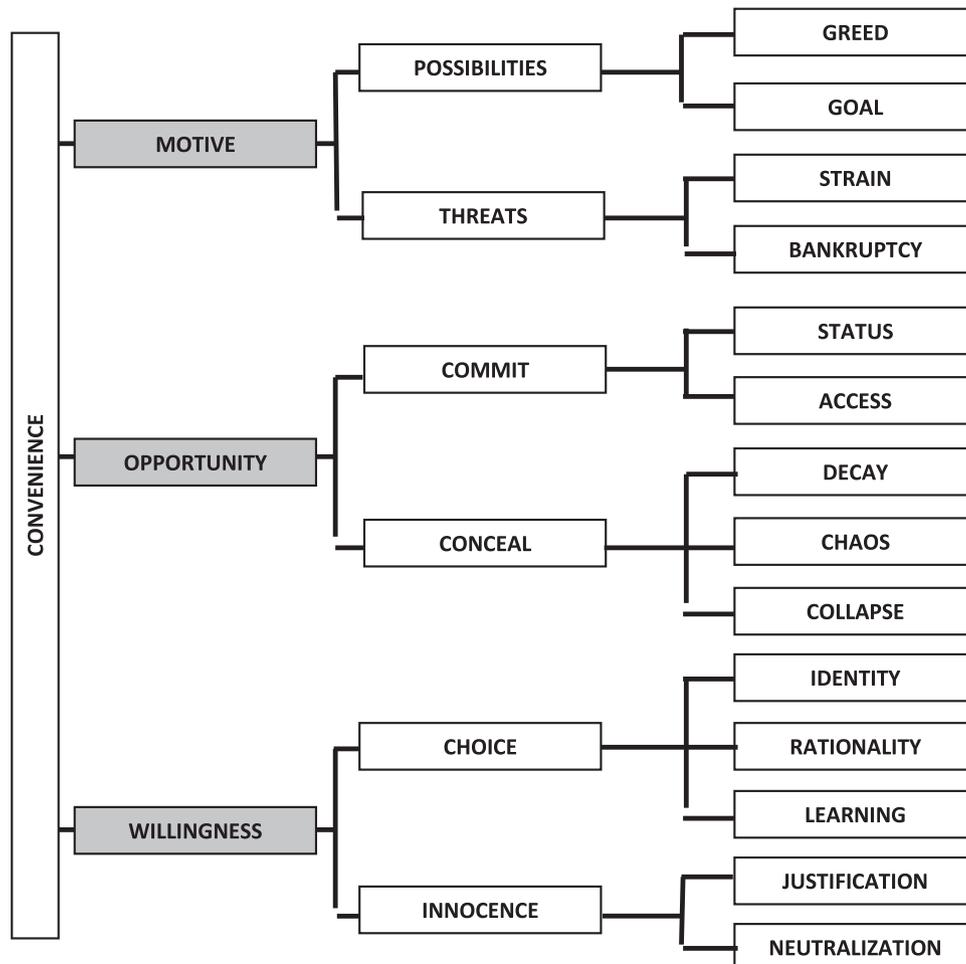


Fig. 1. Structural model of convenience theory.

triangle covers all dimensions of convenience theory. However, there are three distinct differences. First, convenience is a relative concept, indicating that offenders have the option of alternative actions to reach their goals that do not represent illegitimate behavior. While the fraud triangle suggests that opportunities will stimulate crime, the convenience triangle suggests that relative opportunities will stimulate crime. There is no reason to commit crime, even if there are many opportunities, as long as alternative convenient decisions may lead to the same result. It is the extent of relative convenience, and not the extent of opportunity, that determines whether an offense is attractive. A very conveniently oriented decision-maker may resort to illegal activities when legal activities are slightly more stressful. A less conveniently oriented decision-maker may try intensely to solve problems and explore opportunities without violating the law.

Second, it is in the organizational setting where offenders have access to resources so that opportunity arises to commit and conceal crime. While the fraud triangle emphasizes opportunity in general, the convenience triangle concentrates on the privileged position that offenders can abuse to commit and conceal crime. There is trust and lack of control, obedience and fear, which create convenient opportunities. The convenient opportunity derives from legitimate access to resources in a trusted position without guardians, where resources are enablers to carry out activities that are not available to others. Opportunity convenience emerges because of an organizational structure and an organizational culture where members of the elite may feel above the law.

Third, the offender can influence the organizational opportunity over time. Therefore, opportunity in convenience theory is a dynamic rather than a static condition. By collecting decision rights, by controlling information flows, and by authoritarian leadership styles a potential offender develops an opportunity space that grows over time. Authoritarian leadership is characterized by power and being "intolerant of dissent, govern with limited transparency, and place limits on individual freedoms" (Neuberger et al., 2023: 70). Whether intentional or not, the opportunity space changes over time as a reaction to the potential offender's behavior.

### Fish hatcheries case

National states as well as multinational bodies such as the European Union impose sanctions on countries for various reasons. In 2023, reasons included military coup (Myanmar), human rights violations (Iran), and aggressive war (Russia). New targets for sanctions are identified all the time (Meixler and Creery, 2022). Business enterprises need to notice, understand, and adhere to such international sanctions on a continuous basis. Sanctions against Russia because of the military attack on Ukraine implied that Western companies had to withdraw from Russia and not do any business with the country. Included in the sanctions was also Russian ownership of businesses in the West. However, organized criminals and sanctioned states can help circumvent sanctions in the tradition of state-corporate alignment (Bernat and Whyte, 2020; Rothe, 2020). As argued by Weber and Stepien (2020), adherence to sanctions might be an issue for both compliance and conformance, where compliance refers to obeying the formal laws, rules, and regulations, while conformance refers to behavior in line with norms, obligations, and values (Gottschalk, 2023).

The case to be presented in this paper relates to suspected hidden Russian ownership in Norway. The media reported that a company owned by Russians was suddenly sold for a large amount to a Norwegian who had no money (Berge, 2023a):

The sanctions against Russia make it virtually impossible to get bank loans for companies that do business with Russian companies or that are controlled by Russian interests. This raises questions about how it is possible to finance the purchase of five fish hatchery companies. Averøy island man Arne Geirulv owns Agaqua. He is also listed as chairman of all the companies. We have addressed an inquiry to Geirulv about how the transactions have been made.

-Agaqua has bought the hatchery companies Setran Settefisk, Villa Smolt, Øyralaks, the Olden companies, and Olden hatchery. Can you say how you financed the purchase?

-No. No comment replies Arne Geirulv to us.

-You don't want to say anything more about it?

-No, he repeats.

Fish hatcheries are places for artificial breeding and growing through the early life stages of fish. The fry is transported to the ocean for fish farming in closed waters. Two fish hatching facilities were insured at the insurance firm IF. The sanctions imposed on Russian ownership in Norway caused the insurance firm to approach termination of the insurance arrangement. However, the two companies did not accept to be terminated by the insurance company. They sued the insurance firm. The trial was scheduled in Oslo district court for two days, October 19 and 20, 2023. The plaintiffs were represented by lawyer Roger Sporsheim, while lawyer Kristin Eide Gotfredsen represented the insurance firm IF. The document presented by Sporsheim (2023) that initiated the trial was 24 pages long and titled "Petition for a temporary injunction to the Oslo district court" on behalf of the companies where Arne Geirulv was the chairperson:

The companies have a number of insurance arrangements related to operations at IF, including transport and marine insurance, vehicle insurance, personnel insurance (including occupational injury), liability insurance and property insurance. IF has justified its notified termination with the fact that they do not have access to carry out customer reviews as part of continuous follow-up according to money laundering regulations and emphasizes that this gives IF the right to avoid renew/cancelling the insurance policies. As a further justification for the claim that they cannot carry out customer reviews, IF has argued that the "real ownership" of the companies is "unclear". The companies dispute that IF has a duty to terminate the customer relationship according to the money laundering act and consequently that there is a legal basis for failing to renew/terminate the insurance policies. Firstly, the companies are of the opinion that IF has no obligation to clarify the ownership relationships of the companies as part of customer reviews under the money laundering act. Secondly, it is neither unclear nor lack of clarification who is the owner of the companies as IF has received complete information and documentation about this matter.

Sporsheim (2023) emphasized in the petition to the court that the consequences for the companies would be very serious in the case of the insurance arrangements actually being terminated. He argued that the companies were running businesses that involved significant values, and that the companies were completely dependent on having ongoing insurance coverage to be able to operate in a professional manner. For example, as employers, the companies were required by law to sign up for occupational injury insurance for their employees. Insurance coverage was also a requirement for the bank loans. Continued operation of the companies without insurance arrangements would simply not be possible. Stopping operations would lead to the death of large fish volumes, breach of contractual obligations towards customers and suppliers, loss of local jobs, and large financial losses for all involved. Bankruptcy was thus the most likely outcome for the companies, according to the petition.

Deloitte had been the external auditor for the companies. As this audit firm withdrew from auditing Russian interests globally because of the attack on Ukraine, Deloitte also withdrew from auditing the two companies insured by IF. Therefore, the companies had to find a local audit firm to continue the external audit. The companies argued that similar transfer for insurance arrangements was not possible, as they failed to achieve acceptance at competing insurance firms in Norway.

The reason for the sale of the companies from the Russians to the Norwegians was to be able to get a new audit firm after Deloitte's departure. No audit firm would take on the task as long as the Russian ownership existed. Therefore, the Russians granted a loan to the Norwegians so that they could buy the companies. Then a local audit firm took on the task of external audits. Sporsheim (2023) argued that there could be no doubt that ownership in reality had indeed occurred.

## Civil court hearing

The first day in court was interesting. Lawyer Sporsheim started the morning by telling how the companies had searched for a way out of the money laundering issues and sanctions. Export of fish from Norway to Russia was not sanctioned, while ownership and involvement of Russians was problematic in Norway. He told about advisers at Ernst & Young who had reviewed arrangements with the Russians that might be acceptable in Norway. They had reviewed temporal ownership of shares as long as the war in Ukraine went on. Ernst & Young had recommended permanent transfer of shares where Arne Geirulv would be the owner. He should then receive a loan from the Russians to buy all the shares. He would also get an annual compensation of NOK 3 million (USD 300,000). By return sale to the Russians at some later point in time, Geirulv would receive a compensation of NOK 10 million.

The arrangement was still problematic, but no reason for IF to terminate the insurance policy, argued Sporsheim in court. There would be currency problems with Russian currency, there would be transaction problems where banks in Norway did not make transactions to or from Russia, and there would be other challenges, he told. The issue of money laundering occurred since there was no way of telling where money from Russia did originate.

After Sporsheim came lawyer Kristin Gotfredsen from the insurance firm. She said that the insurance firm was obliged to clarify the real ownership in the fish companies. Since they were unable to do it, they had to terminate the insurance policy. Also, there was a danger of violating sanctions and a danger of money laundering. She referred to the Ernst & Young recommendations that warned the companies against business with Russia. She told that IF had detected the Russian connection when the fish hatcheries had asked for insurance of two vessels that were to transport the young fish from Norway to Russia. She said IF did not trust Geirulv and his companies.

Then Arne Geirulv was to testify in court. He labeled the deal with the Russians as a management buyout. He had borrowed NOK 53 million (USD 5.3 million) from the Russians to buy them out. He said he would like to leave IF, but found no alternative insurance firm that would take on his companies. Gotfredsen asked Geirulv again how he could claim to have bought the companies when (1) the money was an unconditional loan from the Russians, (2) the Russians had the right of first choice to buy back the company, and (3) the Russians paid him a salary yearly to be the formal owner. Geirulv replied that it was a feasible arrangement while admitting that it was indeed problematic in relation to external audit, bank transactions and accounting, in addition to insurance. Furthermore, the supplier of nutrition to fish had also stopped delivering to his companies. A veterinary refused to service the hatcheries since they had customers in Russia. Geirulv said he faced bankruptcy in the case of IF terminating the insurance arrangement.

The second and final day in court was even more interesting than the first one. It started with a testimony by state prosecutor Trude Stanghelle from the Norwegian national authority for the investigation and prosecution of economic and environmental crime (Økokrim). She told about the special unit they have for financial intelligence. Every year, the special unit registers twenty thousand suspicious transactions at financial institutions such as banks and insurance firms as well as at others such as real estate agencies. Økokrim follows up some of the cases by initiating investigations, in addition to statistical analysis of the collected data. She said that since Russia both was excluded from and had withdrawn from international cooperation, it was almost impossible to verify information regarding Russian business activities. While insurance companies such as IF in Norway have a duty to control and verify information regarding insurance holders, it is almost impossible for companies in the West to do so. Therefore, withdrawal from business with Russians was often the only feasible option as long as relevant Russian information sources were suspended.

To avoid negative consequences of sanctions, Russian businesses may cooperate with the mafia as organized criminals who are

supported by the Russian state. In criminology, this is labeled state-corporate crime where the mafia business is connected to the state in a manner that benefits both parties (Bernat and Whyte, 2020; Ken and León, 2022; Rothe, 2020; Rothe and Medley, 2020). It is a matter of sanctions evasion and its link to organized crime in Russia (Europol, 2023).

Stanghelle referred to the report by Europol : 8) (2023) titled “The Other Side of the Coin” about an analysis of financial and economic crime, including Russia:

Since March 2014, the EU and the wider international community have progressively imposed a broad range of measures on Russian organizations and individuals, including financial measures, trade sanctions, travel bans, and asset freezing. The objective of these measures is to weaken Russia’s economic base by depriving it of critical technologies and markets, and by limiting its capabilities for war (...).

The use of third countries to channel transactions from Russia is a common element. Information available has reflected links and similarities with money laundering modus operandi, including potential involvement of specialized money laundering networks that may act as service providers for sanctions individuals (...).

Stanghelle suggested a causal sequence starting with EU sanctions leading into Russian mechanisms to circumvent and evasion sanctions. Concealment of beneficial ownership then follows both in Russia and abroad. Concealment is achieved by white-collar, corporate, and state-corporate crime. The financial outcome is finally laundered in legal enterprises in the West. Russia has a long tradition of state-corporate crime for sanctions evasion by “a variety of illicit mechanisms to circumvent them” (Europol, 2023: 8).

Now attorney Sporsheim started his proceedings in court on behalf of the plaintiff Geirulv. Sporsheim was assisted by attorney Ingvild Slettebø at law firm Sporsheim. Sporsheim claimed that the insurance company did not understand the anti-money laundering law correctly. He said that IF should report suspicions to the police and let the police investigate the matter. Instead, IF had notified the suspect by attempting to terminate the insurance arrangement. He claimed that IF was not obliged to investigate and perhaps not even entitled to investigate. He claimed that IF could not apply the principle of more-likely-than-not regarding money laundering for insurance termination, but rather the principle of qualified probability, without saying what he meant by it.

Finally, attorney Gotfredsen from IF was to start her proceedings in court by arguing that the insurance company was required to know its customers and investigate potential deviations at the customer. She said that the insurance company was much closer to the customers compared to the police that typically lacked knowledge and resources to conduct initial reviews of a specific insurance customer. IF makes risk assessments and develops risk profiles for individual business enterprises as insurance customers. They classify customers according to risk factors. High-risk customers trigger closer assessments. IF is required by law to terminate insurance contracts when there is sufficient evidence of wrongdoing. The insurance firm’s assessment is that Arne Geirulv is not the real owner, and that the Russians still own the companies. There is a concealment of ownership and no way of telling whether money laundering takes place in the insurance relationship. Therefore, IF has to terminate it now.

The final words by the judge Tonje Platou were to ask the two sides about their fees. Depending on who wins and who loses, the judge decides who should carry the costs. Sporsheim claimed NOK 660,000 (USD 66,000). In case IF would lose the case, and then the insurance firm would have to pay. Opposite, it was not obvious that Geirulv’s companies would have to pay since the insurance law protects insurance customers in the criminal justice system generally. Judge Platou said that the verdict would be announced in about two weeks.

The media reported from the trial under the heading “Lawsuit on money laundering: IF will terminate customer relationship with supplier of young salmon smolt to Russia” (Berge, 2023b):

AgAqua and If Insurance met in the Oslo district court in a case about the Money Laundering Act. For a number of years, Russian Aquaculture has farmed salmon in the fjords of Kola, based on the purchase of Norwegian young salmon. The farming company has, not least after the import ban for Norwegian salmon to Russia was introduced in August 2014, grown strongly. In order to secure vital supplies of young salmon, the company bought a number of Norwegian hatcheries in 2017. But after Russia's attack on neighboring Ukraine in the winter of 2022, with subsequent sanctions measures from the West, it began to burn under the feet of Russian Aquaculture. The company first changed its name to Inarctica. At the end of November 2022, farming veteran and board member of Inarctica, Arne Geirulv, founded a limited company, AgAqua, with NOK 30,000 [USD 3000] in equity. Two months later, on January 31, it became known that AgAqua bought the four smolt companies from Inarctica, and put them into a group structure together with Setran Settefish. However, AgAqua did not have the funding to lift the acquisitions, so the trade was done via merchant credit. Later, AgAqua also bought two well boats to transport smolt from the mentioned hatcheries to Inarctica's breeding cages at Kola. Are AgAqua and Arne Geirulv a straw man in a rigged acquisition? And who is the real owner of the smolt plants and the two well boats? This was the backdrop for a legal dispute that took place in Oslo district court on Thursday and Friday last week. AgAqua's farming activities are insured at IF. The insurance firm is required to know who the real owner of the customer side is in the same way and banks and law firms, according to the Money Laundering Act. IF lacks confidence in AgAqua and will terminate the customer relationship. Can IF be prohibited by a temporary injunction to terminate the customer relationship? The plaintiff, AgAqua, wants IF to be banned by a temporary injunction, alternatively to impose an interim agreement until a given date – or for IF to be ordered to retain the customer. There is a higher threshold for terminating customer relationships than taking on insurance customers, but IF believes there is a basis in the Money Laundering Act for this.

Professor of criminology, Petter Gottschalk (73), followed the trial with great interest both days last week. Gottschalk is an internationally recognized researcher in financial crime and organized crime.

-Arne Geirulv has used Ernst & Young to assess what is possible to circumvent the sanctions regulations. He has proposed entering into an agreement where the Russians have real ownership, but Ernst & Young did not agree. He also received an offer of three million kroner a year from the Russians to stand as owner until the war is over. This was also not accepted by EY, says Gottschalk to iLaks. Geirulv was offered a fee of three million kroner a year and a final settlement of ten million kroner. He refused this, for tax reasons. Another solution, which was chosen instead, was for him to buy the companies and receive the fee through dividends.

-His whole presentation is about circumventing the entire sanctions regulations; he was not to be the owner of this at all. Now he is the owner, but has not paid anything for this. The way it takes place is to get paid in advance for smolt, and that money will be used to pay off the debt he has to the Russians. AgAqua has NOK 89 million in debt for the purchase of the companies.

-There was no due diligence or anything else. It was just thinking of a number, says Gottschalk. In addition to the NOK 89 million, NOK 110 is related to the purchase of two well boats.

-The Russians have paid far too much for smolt and future deliveries, and that money will also be used to pay for these two boats, he continues.

-As I understand it, as a professor of criminology, it is probably an incredibly creative solution that does not stand the light of day. The agreement itself is to circumvent the sanctions regulations, says Gottschalk,

-The subject of the case is hidden ownership. In my opinion, it is the Russians who still own the company. In that agreement, there is also a right of first refusal so that they can buy the facilities back. For me it

was pretty obvious that he is a straw man and there is hidden ownership, he says.

-All others have withdrawn due to the sanctions. Deloitte has withdrawn as auditor, the well boat company has withdrawn, therefore they had to buy the boats themselves, the bank, a savings bank in Møre, he claims has not withdrawn, and now it is the insurance firm that has withdrawn. Temporary injunction for insurance must remain in place until there is a proper court case that can assess whether IF can withdraw, the plaintiff claimed. Gottschalk thinks the trial is interesting, not least in terms of demarcation of business activities with actors in Russia.

A kind of conspiracy theory existed that Arne Geirulv was monitored and controlled by the Russians based on personal information that Geirulv did not want to have disclosed. The conspiracy thoughts were triggered by the charged Norwegian president of the biathlon union in Austria who had received favors in Russia to prevent him from criticizing doping of biathlon athletes in Russia. The favors included hunting trips, expensive watches, and services of sex workers according to Taylor (2021). Similarly, it was speculated that Geirulv had received favors from the Russians that helped the Russians threaten Geirulv to do what they wanted him to do for them.

In terms of Geirulv's motivation to circumvent sanctions, he said in court that the alternative would be bankruptcy. There seemed to be no state compensation available for those Norwegian businesses harmed by sanctions. The Norwegian state is in many respects very supportive financially in various negative situations for companies. For example, during the winter 2022/2023, electricity prices became extremely high in the country. The Norwegian government quickly introduced a financial package for suffering enterprises. Similarly, one might imagine that the government would compensate businesses harmed by the sanctions against Russia such as the companies managed by Geirulv. However, no such financial package existed. The only exception were businesses very close to the Russian border in the eastern part of the Finnmark county where a crisis package was offered to industries (Regjeringen, 2022):

Russia's warfare in Ukraine and accompanying sanctions create great uncertainty for business in Eastern Finnmark. On the same day that the sanctions come into force, the government therefore is proposing four measures to help the situation. In order to meet the demands from the business community in Eastern Finnmark, the government proposes to establish a loan guarantee scheme for companies with liquidity challenges, and that the framework for low-risk loans through Innovation Norway be increased.

In addition to loan guarantees and low-risk loans, the government also introduced two different kinds of subsidy arrangements to keep companies floating. Finnmark county is the most northern part of Norway. The hatcheries managed by Geirulv were further south in Trøndelag and Møre counties where no compensation arrangements existed. Therefore, it is plausible to imagine that Geirulv felt victim of decisions by the Norwegian government without having had any influence on it. He was victimized and simply tried to solve the problem created by others – the Norwegian government and the European Union – to survive in his industry of producing small fish in fresh water to grow up in salt water at customer locations such as at Kola in the northern part of Russia.

Judge Tonje Platou ruled against temporary injunction. Plaintiff Geirulv with attorney Sporsheim lost the case (Oslo, 2023). The question was now whether Geirulv would appeal the verdict to a court of appeal, or whether he would bring the real case of insurance termination into the district court with another judge presiding. Berge (2023c) reported that Geirulv would indeed appeal the verdict from Oslo district court:

Fish smolt breeder Arne Geirulv is appealing against a conviction for money laundering. AgAqua takes another round in court with the insurance firm IF. On Monday, we reported that IF received the court's approval to terminate customer relations with former Russian-owned smolt suppliers. The dispute in the Oslo district court concerned the transfer of several smolt facilities, owned by Russia's largest salmon

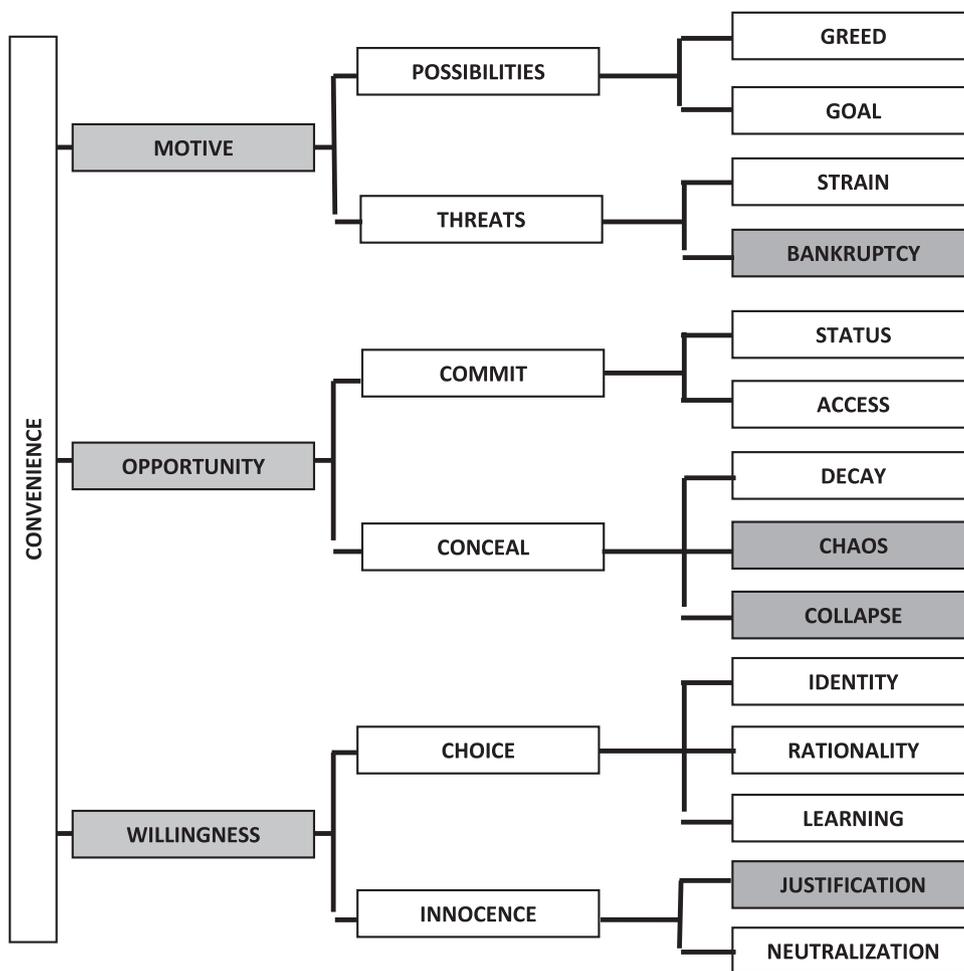


Fig. 2. Convenience propositions for Geirulv's fish hatcheries.

farmer, Inarctica, to the newly founded Agaqua, which then had a modest NOK 30,000 in equity. The transfer was made in the form of a sales credit, to Inarctica's long-standing board member Arne Geirulv, in autumn 2022. But Geirulv's company, Agaqua, is not considered the real owner in the money laundering case. The court believes that Geirulv is a straw man for Inarctica, which farms salmon in the fjords of Kola. Insurance companies, like banks and law firms, must know their customers and how they are financed. When money laundering or terrorist financing is suspected, IF has an obligation liquidate as a result of section 24 of the Money Laundering Act. BI professor Petter Gottschalk has followed the court proceedings, which took place last week, from a spectator seat.

-What is interesting now is the district court's conclusion that the main claim – i.e., remaining insured – has not been proven. The way I understand the situation is that Geirulv & Co can sue IF for the main claim to remain insured there. Then a new judge in the Oslo district court will make a judgment. In the meantime, I think IF must maintain the insurance, he says.

-In the case that Geirulv & Co does not take legal action against IF with a claim to remain insured, IF can terminate the insurance. So, the question is: Will Geirulv & Co sue IF now that they have already received a conviction against them? Perhaps Geirulv & Co will initially cling to straws by appealing this defeat for a temporary injunction to the court of appeal? Gottschalk asks.

In the case IF terminates the insurance arrangement, the smolt companies will be left without insurance. It was therefore expected that Agaqua would appeal the ruling from the Oslo district court.

-The case will be appealed, otherwise no comment, writes Arne Geirulv in the text message to us.

Geirulv did not want to comment to Berge (2023c). Another journalist was slightly more successful when asking how the idea emerged regarding three million a year and ten million at the end (Klevstrand, 2023: 14):

-I cannot remember where that idea came from. The companies were in danger of being forcibly dissolved because we lost our auditor. That's why we made an agreement that I bought the companies, says Geirulv. It is a one hundred percent reality that I am the owner of the companies. I look forward to having the district court's misjudgments in the appeal case clarified.

-It was not possible to pay one single krone. Whatever price we had agreed upon, I could not pay the money to Russia for those shares. So, it was the only sensible thing, says Geirulv about the seller's credit. I assume that I can generate some profit until the date that I can use for financing, in addition to bank loans. We adhere 100% to the Norwegian and international sanctions regulations. I cannot understand that it would be wrong to deliver food to Russia.

-Do the deliveries contribute to the Russian economy going round?

-I have no qualification to know anything about that. Norwegian fish feed factories still buy raw materials from Russia for fish feed, soy, and other things grown in Russia. I cannot understand that it is okay, while it should not be okay to sell food to Russia, says Geirulv.

**CONVENIENCE PROPOSITIONS**

Convenience theory as illustrated in Fig. 1 has fourteen convenience propositions where some seem more relevant than others in the case of Geirulv. While Geirulv had suffered defeat for a temporary injunction regarding insurance, the verdict in the fall of 2023 was appealed and

would probably reach a court of appeal in the spring of 2024. Then, independent of this appeal, the substance of insurance termination would be a matter of insurance firm IF to prove beyond any sensible and reasonable doubt that money laundering was actually taking place. In similar cases, such as insurance of outlaw biker gang club houses, IF had always lost in courts of appeal such as the appeal courts [Borgarting \(2023\)](#) and [Gulating \(2023\)](#). Assuming that IF will in the end lose the case against Geirulv, and assuming that the Norwegian state will not charge and prosecute Geirulv, the following convenience study is based on the assumption that Geirulv will be able to continue his financial arrangements with the Russians.

The threat of bankruptcy seems to be the main motive for Geirulv as illustrated in [Fig. 2](#). Generally, the threat of corporate collapse and bankruptcy might cause exploration and exploitation of illegal avenues to survive, where moral panic can occur ([Chattopadhyay et al., 2001](#); [Kang and Thosuwanchot, 2017](#)). The survival of the corporation can become so important that no means come across as unacceptable in the current situation. Sometimes, fraud and corruption are considered temporary measures to recover from a crisis ([Geest et al., 2017](#)), where the measures will be terminated when the crisis is over. A crisis is a fundamental threat to the organization, which is often characterized by ambiguity of cause, effect, and means of resolution ([König et al., 2020](#)).

The lack of control causing chaos and the collapse from criminal market forces seem to be the two main opportunities for Geirulv as illustrated in [Fig. 2](#). As argued by [Chan and Gibbs \(2022\)](#), the presence of guardians does not necessarily equate to capability in crime prevention, especially when studied in a dynamic perspective. For example, potential offenders may over time learn how guardians operate and thus how to avoid the attention of guardianship functions. Collapse represents a convenient situation for everybody ready to commit economic crime. Rule complexity can create a situation where nobody is able to tell whether an action represented a criminal offense. It is impossible to understand what is right and what is wrong. Some laws, rules and regulations are so complex that compliance becomes random, where compliance is the action of complying with laws, rules and regulations. The regulatory legal environment is supposed to define the boundaries of appropriate organizational conduct. However, legal complexity is often so extreme that even specialist compliance officers struggle to understand what to recommend to business executives in the organizations ([Lehman et al., 2020](#)).

Justification seems to be the main willingness proposition as illustrated in [Fig. 2](#). In a justification, the actor admits responsibility for the act in question but denies its pejorative and negative content ([Schoen et al., 2021](#): 730):

People use justification mechanisms to protect their sense of self. People who sincerely believe that they are a specific kind of person but routinely demonstrate behaviors that indicate otherwise may avoid cognitive dissonance and maintain their sense of self by using justification mechanisms that allow them to “explain away” their behavior.

## Conclusion

As discussed in previous studies ([Gottschalk, 2023a, 2023b](#)), Norwegian police is lacking both competence and capacity in prosecuting economic crime. Therefore, as illustrated in this case study, private companies may sometimes have to act on their own. The case study has illustrated that an insurance company facing the threat of being accused of money laundering, had to attempt denial of insurance to a Norwegian seafood company suspected of hidden Russian ownership. However, the accusation of money laundering has to be proven beyond any sensible and reasonable doubt that probably exceeds the ability of the insurance company to investigate and provide evidence. Therefore, the best the insurance company can hope for is acceptance of their excuse

that they did whatever they could in their anti-money laundering efforts in this case.

## Declaration of Competing Interest

There is no conflict of interest to declare.

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