

activities done to protect a benefit that has already been gained or facilitate in such an action. An example of this would be if the exploiter of counterfeit currencies laundered it by moving the money through ghost accounts and off shore account to prevent it from being labeled as dirty money.

Financial crimes are becoming a large problem in today's global society, and are committed by both individuals and organizations looking to earn large amounts of money. Success crimes can earn billions—for example, Bernie Madoff made around 65 billion dollars over the course of 2 decades. In today's globalized and interconnected world, these crimes become a huge problem. With the serious impacts that these crimes have, electronic crimes, international financial crimes need to be counteracted.

Key Terms

Ponzi schemes

Named after Charles Ponzi, a con artist that operated in the US and Canada. Although the scheme had existed before him, it now bears his namesake due to how identified with him it became. He claimed that by purchasing postal stamps in other countries and redeeming them in the US, he would make clients a 50% profit in 45 days and a 100% profit within 90 days. However, in reality, Ponzi was paying earlier investors with the investments from later investors, a practice known as “robbing Peter to pay Paul.” This scheme ran for over a year before it collapsed and cost investors over 20 million dollars.

Insider trading

Involves the trading of information or breaches in security for a benefit. Although it can be legal, most insider trading is done unlawfully. According to the US securities and exchange commission, “illegal insider trading refers generally to buying or selling a security, in breach of a fiduciary duty or other relationship of trust and confidence, while in possession of material, nonpublic information about the security. Insider trading violations may also include "tipping" (giving or telling information discreetly) such information, securities trading by the person "tipped," and securities trading by those who misappropriate such information.”

Money laundering

After crimes, money can be traced to discover who committed the crime. This is often used in the idea of counterfeit money. Money laundering is the act of concealing or disguising illegally gained profits to appear as if they had originated from legitimate sources. The most common method is transferring the

money around the globe through shell companies, intermediaries, and money transmitters. This ensures that these illegal funds appear legal and enter the legal economy.



Diagram showing the three stages of money laundering

Fraud

A broad term that refers to scams used by criminals to trick, deceive, and manipulate their victims into giving out confidential information and funds. Criminals exploit a person's trust in order to find out their banking details, passwords or other personal data. Scams are carried out online – for example, by email or through social networking sites – by telephone, or even in person.

Phishing

The fraudulent practice of sending emails purporting to be from reputable companies in order to induce individuals to reveal personal information, such as passwords and credit card numbers.

White Collar crimes

Crimes committed generally by people in office jobs, and often thought of as crimes committed by the rich and middle class.

General Overview

Problems raised

Funding of terrorists

Terrorist organizations require financing to operate. No organization, no matter the size or goal, can sustain itself without money, whether it be a charity, government, or terrorist organization. ISIS spends between 3 million and 10 million US? dollars on salaries a month, with some fighters earning as much as \$1000 a month, according to the King of Jordan. All of this requires funding. Arguably, none of this comes from donations by countries, and is mostly self-financed by the organization itself. Some estimates place ISIS's earnings per year to be over 2 billion dollars, all of this coming from illegal activities such as looting, selling blood antiquities on the black market, selling oil, extortion, taxation of what people?, and human trafficking. According to the International Compliance Association, ICA, terror groups control funds from places all around the world, and use increasingly sophisticated methods to transfer these funds between jurisdictions. To do such, they use the services provided by professional such as bankers, accountant, and lawyers.

Scams are becoming more dangerous

Phishing, or spear phishing, can be extremely dangerous to companies and to the average citizen. However, this is expected to get worse as AI systems become more ubiquitous. Two data scientists from ZeroFOX created a program called SNAP_R that sent out personalized phishing tweets at extremely fast rates. They ran tests on 90 people, sending them personalized links with no malicious threats attached to them, and got and estimated 30% click rate, though it may have been as high as 67%. The program even managed to phish out a security professional. As these become more common, scams will be far harder to trace and more convincing. Old attacks such as the Nigerian Prince and the Lottery Winner will be pushed out by something far more efficient, malicious, and far harder to counter.

Increase wealth disparity

Financial crimes are considered white collared crimes because they are most often committed by the already wealthy to increase their wealth. Tax evasion, bribery and corruption, and elaborate scams are all crimes commonly committed by the wealthy. Much of this undermines the effort to benefit those in need, by either directly taking somethings from them, or hindering a government's ability to help them. Take tax evasion for example. It reduces the amount of revenue that a government can get, and thus limits the amount of money that the government can spend on helping the people of the country. As such, many important parts of society, such as the welfare system, will have less funding, causing a detrimental effect on the bottom part of society. Scams such as Ponzi schemes trick money out of the hands of ordinary people into the pockets of the already wealthy. This can create a huge amount of wealth disparity and prevent efforts to shorten this gap.

Key players

Interpol

Interpol is an organization based in Paris that coordinates investigations made by the police forces of member countries into crimes with an international dimension. Perpetuators of large financial crimes are often large criminal organizations, attempting to turn a large profit through illegal activities. Swift and efficient reactions from the law enforcement must be made to prevent these organizations from committing such crimes, and escaping with the profits. However, this is not always as simple as it sounds. National jurisdiction, international conventions and the lack of expertise of the law enforcement often hinder the investigation. This can sometimes make it extremely difficult, if not impossible to, bring criminals into court and prosecute them. That is where Interpol comes in to help the police forces out. Interpol educates law enforcement officers all around the world about the best methods of prevention, helping specialized forces communicate with each other and support the operations currently happening in the field. Interpol has carried out many of these operations, such as Operation First Light in 2015, which involved 23 countries, and tracked multimillion dollar phone and emails scams across southeast Asia. A series of raids were made, more than 500 people arrested, and 15 call centers shut down. After this Chinese police reported a 40% decrease in telecom fraud.

ICA

ICA, or the international compliance association, provides courses on financial crime prevention, and supplies those who take their courses with certificates that help to increase their qualifications for jobs. ICA educates people on how to prevent financial crimes and provides them with certification for completing their course that makes them more desirable to employers. This provides incentives for people to participate in the course, and increases the security of the companies who hire these people as well. It's a win-win situation. Employees get hired and companies become more protected as their employees become more intelligent about the situation. ICA provides courses in financial crime prevention, anti-money laundering, and other courses that make the average citizen more aware of the issue and how to protect themselves against it.

FinCEN

The financial crimes enforcement network is a part of the US department of the treasury. Along with Britain's BBA and other counter financial crime networks in other countries, FinCEN works to ensure that all citizens of the country are protected from financial crimes, through methods such as the implementation of the Bank Secrecy Act. This act drafts up measures for attacks against those commit financial crimes, and ensures financial institutions will report such crimes to the government itself. FinCEN works in tandem with the FBI and local police, and increases partnerships with relevant organizations such as the Defense Criminal Investigative Service (DCIS), to help prevent financial crimes and criminal activities.



Comic showing how businesses can prevent financial crimes

UN involvement, Relevant Resolutions, Treaties and Events

The United Nations has placed the matter of money laundering and the use of financial crimes to fund terrorism as a matter of high importance. Multiple resolutions have been passed on these topics, most overseen by the UNODC, the United Nations Office on Drugs and Crime, which range from:

- The United Nations Convention against Transnational Organized Crime, created by the General Assembly in 15th of November, 2000. It called for stricter laws, increasing police forces, and the creation of a supreme body monitoring the finances and transaction of banks.
- The Political Declaration and Action Plan Against Money Laundering, which united the nations in condemning the use of drugs and money laundering, ensured that member states would take action against it, and outlined a plan to overcome it.
- UN General Assembly Resolution GA/49/159, adopted at the World Ministerial Conference on Organized Transnational Crime, held at Naples from 21 to 23 November 1994, which created the Naples Political Declaration and Global Action Plan Against Organized Transnational Crime. This helped provide ways to combat organized international crime and stop their use of financial crimes.

The UNODC also contains a Law Enforcement, Organized Crime and Anti-Money-Laundering Unit, which is responsible for carrying out the previously aforementioned actions.

Timeline:

| Year | Reason | Legal response |
|------|--|---|
| 1970 | Large amounts of illegal currency deposits | Bank Secrecy Act (BSA) enacted |
| 1986 | Money laundering covers the tracks of drug dealers | Enact Money Laundering Control Act |
| 1990 | Insufficient resources to support financial investigations | Create Financial Crimes Enforcement Network (FinCEN) |
| 1992 | Law enforcement needs information on suspicious transactions to support financial investigations | Enacting of the Annunzio-Wylie Money Laundering Suppression Act |
| 2001 | Terrorists attack the World Trade Center & Pentagon | President announces Financial War on Terror at FinCEN and enacts the PATRIOT act. |
| 2002 | Institutions commit or are used to commit financial crimes | Most financial institutions receive a new or amended AML Program requirement |

| | | |
|------|--|--|
| 2005 | Certain account services need greater scrutiny | Due diligence requirements for private banking |
| 2005 | A need to improve collaboration and information sharing between federal and state agencies | FinCEN, and 29 states sign Memoranda of Understanding (MOU) which established information sharing agreements |
| 2005 | Need for increased international effort to combat money laundering, terrorist financing | Egmont Group of financial intelligence units exceeds 100 member mark |
| 2007 | Greater attention is needed on accounts | Enhanced due diligence is required |
| 2016 | Need to ensure that customers of banks are doing legal things | New customer due diligence and new requirements to identify and verify customers, |

Possible Solutions:

Creation of an international committee regarding this issue

One of the many problems that come with cracking down on international financial crimes is that they are international. Crimes that track over multiple different countries and borders, or over a large geological scale, are often harder to track and even when they are caught, let the criminal escape due to the massive amount of bureaucracy and problems caused by jurisdiction issues and such. This is why many techniques for money laundering involve the transfer of funds to overseas accounts. To circumvent this, increased co-operations between government is needed, as well as increased communication. The creation of an international committee would accomplish this. Aside from decreasing the amount of bureaucracy caused by differences in jurisdiction and international conventions, it also helps to increase communication between governments and financial transparency. This means that countries can better organize and coordinate strikes against criminals and makes it harder for money laundering to occur. By coordinating strikes and allowing specialized forces to communicate with each other, it will make all efforts more powerful and effective. This communication also helps to allow countries to share techniques, best practices, and expert knowledge on the subject with each other, ensuring that all countries are more secure and protected from financial crimes. This committee could be part of the UN or a part of Interpol, and would help to unite all nations in this battle against financial crimes.

Educating the populace about the problem

A chain is only as strong as its weakest link. Educating the general population about financial crimes either as a child in a school or classes elsewhere would serve to decrease the effectiveness of phishing and other scams, and thus prevent the practice from gaining even more popularity. It will also increase the

security of corporations who will have more educated workers who understand how to protect themselves from scams that may cause them to give away private or sensitive information about the company. This links directly into raising awareness of the problem. Financial crimes are crimes that affect us all and have huge damage to the economy of a country. By raising awareness of the severity, it limits the range and the scope of those wishing to commit such illegal activities.

“Financial crime.” *Financial crime / Financial crime / Crime areas / Internet / Home - INTERPOL*, Interpol, www.interpol.int/Crime-areas/Financial-crime/Financial-crime.

“Hackers Explain Why AI Works Great for Spear Phishing on Twitter.” *Hackers Explain Why AI Works Great for Spear Phishing on Twitter | Wombat Security*, Wombat Securities, www.wombatsecurity.com/about/news/hackers-explain-why-ai-works-great-spear-phishing-twitter.

“Insider Trading.” *What is insider trading?*, U.S Securities and Exchange Commision, 15 Jan. 2013, www.sec.gov/fast-answers/answersinsiderhtm.html.

Johnston, Matthew. “Who Funds ISIS?” *Investopedia*, 16 Nov. 2015, www.investopedia.com/articles/investing/111015/how-does-isis-fund-its-operations.asp.

“Money laundering.” *Money laundering / Financial crime / Crime areas / Internet / Home - INTERPOL*, Interpol, www.interpol.int/Crime-areas/Financial-crime/Money-laundering.

“What is Financial Crime?” *International Compliance Association*, ICA, www.int-comp.org/careers/a-career-in-financial-crime-prevention/what-is-financial-crime/.

“United Nations Office on Drugs and Crime.” *UNODC and Money-Laundering/Countering the Financing of Terrorism*, www.unodc.org/unodc/en/money-laundering/index.html.