

НАУКОВІ ДОПОВІДІ

СЕКЦІЯ 1

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FIGHTING MONEY LAUNDERING: INTERNATIONAL EXPERIENCE

In my study I will show which the most concerning types of money laundering there are and how it is used today including the real examples.

The term «money laundering» was first used in the 80's in the United States with respect to the proceeds of drug trafficking and is the process of transformation of illegally obtained money into legal money. Considering that different definitions were suggested for this term the U.S. Presidential Commission on Organized Crime in 1984 used the following wording: «Money laundering is the process by which one conceals the existence, illegal source, or illegal application of income, and disguises that income to make it appear legitimate».

Money laundering is a complex process involving many different operations performed by various methods, which are constantly being improved.

Money laundering differs among countries, due to difference in legal systems and mentality. In my study I decided to compare two large economic bodies, their susceptibility to money laundering and their ways of dealing with it.

Diagram - Crime trends in the EU. Due to an immense rise in technology in the past two decades, the legal systems of economic entities needed to adapt to new types of criminal activity that the technology enabled. Banks also needed to make their computer systems and process management more secure to be able to prevent money laundering or any other type of crime to be done through their banks.

In addition to that, in the past a few years, many Croatian ministers and public officials have been accused of and arrested for being involved in money laundering. Due to the fact that at the time

when they performed such actions, tracing the origin of money was something that was not done on a daily basis and with certain defined protocol, only years later these crimes were discovered. Being a Croatian national and seeing Croatia on the verge of entering the EU, it worries me that so many people that the public voted for had been stealing from their vote-givers and laundering money. Therefore I chose this topic to see how they were able to do that, and will such and similar actions be prevented in the future.

Another part of my motivation is the situation in Russia. Nowadays, many experts argue that at least 70 percent of the revenues of business entities in Russia are still in no way declared and covered up by criminal and illegal processes. Much of these funds are spent to purchase real estate, moved abroad or not recorded as revenue at all. For the EU or the US, this way of doing business would be unacceptable, but mostly due to the fact because these economic entities have become more efficient at fighting money laundering.

Therefore the practice of money laundering, which means the legalization of proceeds derived from crime or any other illegally action receives a lot of attention Russia as well as in the Western world.

In the fight against money laundering, as a rule, the mechanisms are followed:

- financial and tax records of businesses and individuals;
- field audits of companies and banks by regulators;
- external audits;
- internal audit, including the allocation of specific individuals responsible for overseeing operations for money laundering;
- control within professional associations and self-regulatory organizations;
- operational operation of local and foreign (international) law enforcement;
- voluntary (for a fee) to provide information to individuals.

An effective anti-money laundering/counter financing of terrorism framework must therefore address both risk issues: it must prevent, detect and punish illegal funds entering the financial system and the funding of terrorist individuals, organizations and/or activities.

Law enforcement officers receive information from a wide range of sources when conducting criminal investigations. Traditionally, the focus has been on the original crimes, and money

laundering has become visible only in the course of subsequent investigation. Analysis of RCMP investigations conducted before the new *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* was introduced, for example, indicates that most proceeds-of-crime cases originated in other law enforcement units, notably drug enforcement.

Being able to identify a client or «know your customer» is a basic part of a system to fight money laundering. At the local level, front-line employees-who deal with customers on a day-to-day basis-are believed to be in the best position to identify what might be an unusual or suspicious transaction or pattern of transactions. These employees have become the first line of defence in the federal government's efforts to combat money laundering. They are in a position to detect the criminal or another person injecting the proceeds of crime into the financial system.

The transaction or series of transactions moves from the unusual to the suspicious when there are reasonable grounds to suspect that the transactions are linked to a criminal offence. This is a more difficult test, and the larger financial institutions use specially trained security staff to help make the determination.

The Financial Transactions and Reports Analysis Centre of Canada have published indicators to assist in identifying suspicious transactions. These indicators were compiled in consultation with reporting entities, law enforcement agencies, and organizations that specialize in international financial intelligence. The indicators are based on characteristics that have been linked to money laundering or terrorist activities in the past, and they will evolve over time.