**Oasis International School Model United Nations**

**Economic and Social Council Sub Commission 2:** Crime Prevention and Criminal Justice

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**Guiding Package**

**Topic 1 :**Preventing corruption and financial crime

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### I. Abstract:

Most things in our modern societies, be it necessary for life or complementary, are now behind a paywall. Food, water, housing, electricity, clothing, education and healthcare are all accessed via payments of money. The need of these items make money a necessity, and ensure a constant need of money. Unfortunately, huge masses of people don’t have access to jobs that will bring enough income to live healthy lives. Consequently many resort to financial crime, where they abuse corrupt systems to gain money illegally. Financial crime isn’t only a type of crime, but also a huge grouping of crimes e.g theft, money laundering, tax evasions, counterfeiting, etc. Money laundering is the second most common type of economic crime, and it is estimated to have returned 1 to 2 trillion USD in 2016[[1]](#footnote-1). These crimes have a lot of consequences, like encouraging corruption and allowing criminals to use profits of crimes legally. Yet, the most dangerous consequence is that state money that would’ve been spent on improving socio-economic problems is given to criminals. These crimes are harmful to the state, the populace and future generations ; and as a result it is essential to prevent corruption and financial crime. In conclusion, the UN and member nations must collaborate and cooperate to fight economic crime and corruption to improve all societies.

### II. Introduction

Economic and financial crimes are defined as any non-violent crimes that result in a financial loss of any kind. They exist in many forms like money laundering, embezzlement, tax evasion, counterfeiting, etc. The crimes committed are always in order to gain and/or save money for profit by the criminals. The presence of financial crime is justified by how most services and goods require a transaction of money. The all-presence of money has forced people facing harsh economic situations to commit crimes. In some countries, these illicit actions are also a cause of corruption, where the populace aren’t receiving what they rightfully deserve as humans. To properly fight economic crime, it is required to eliminate the need for committing them ; but also by creating income sources and improving the economy. To assure that, it is needed to fight the corruption and the opportunities that allow the crimes in the first place.

### III. Definition of Key Terms:

**Fraud:**  wrongful or criminal deception intended to result in financial or personal gain.

**Bribery:** dishonestly persuade (someone) to act in one's favour by a gift of money or other inducement.

**Embezzlement:** theft or misappropriation of funds placed in one's trust or belonging to one's employer

**Offshore accounting:** The term "offshore" is used to describe foreign banks, corporations, investments and deposits. A company may legitimately move offshore for the purpose of tax avoidance or to enjoy relaxed regulations. Offshore financial institutions can also be used for illicit purposes such as money laundering and tax evasion.

### IV. Background Information

While financial crime has been rampant in the early eras of human life as theft and counterfeiting ; it has evolved to include many different types of crimes. One of the best examples that demonstrate that evolution is Alphonse Capone, better known as Al Capone. Born and raised in the slums of the US, he adopted crimes to find proper income. The Mobster bribed police departments, while also running gambling hubs and illegal liquor trades to get an empire worth 1.3 billion USD[[2]](#footnote-2). Another popular example is Bernie Madoff ; the man pulled off the largest financial crime in history. He was capable of gaining an estimated 65 billion USD because of banks and firms not doing their due diligence[[3]](#footnote-3). Not only are fraud and crime common in our new societies, but also corruption and tax evasions. Many companies like Google transfer their money to Irish banks due to their low tax rate ; the search company only paid 36 millions GBP in taxes on 1 billion GBP[[4]](#footnote-4). These are only mere example of known crimes; there are many more financial crimes committed on a daily basis.

### V. Major countries and organizations involved

**ORGANIZATIONS:**

* **FINRA:** Financial industry regulatory authority

The Financial Industry Regulatory Authority, Inc. (FINRA) is a not-for-profit private organization authorised by the U.S congress to regulate and protect the United States’ investors from by making sure the economic industry operates fairly and honestly. It was formed on the 30th of July 2007 FINRA is the successor of the National Association of Securities Dealers, Inc.(NASD) and the member regulation, enforcement and arbitration operations of the [New York Stock Exchange](https://en.wikipedia.org/wiki/New_York_Stock_Exchange). It is a non-governmental organization that [regulates](https://en.wikipedia.org/wiki/Financial_regulation) member [brokerage firms](https://en.wikipedia.org/wiki/Brokerage_firm) and [exchange markets](https://en.wikipedia.org/wiki/Exchange_(organized_market)). The government agency which acts as the ultimate regulator of the securities industry, including FINRA, is the [Securities and Exchange Commission](https://en.wikipedia.org/wiki/U.S._Securities_and_Exchange_Commission). The organization works hard to fight against financial crime by creating Anti-Money Laundering (AML) rules approved by the United States’ congress that all companies must apply. The purpose of these rules is to help detect and report suspicious activity including the predicate offenses to money laundering and terrorist financing, such as securities fraud and market manipulation. This is an initiative shown by the United States to fight against corruption and financial crime[[5]](#footnote-5)

* **FATF:** The Financial Action Task Force

The Financial Action Task Force (on Money Laundering) (FATF) is an [intergovernmental organization](https://en.wikipedia.org/wiki/Intergovernmental_organization) founded in 1989 on the initiative of the [G7](https://en.wikipedia.org/wiki/G7) to develop policies to combat [money laundering](https://en.wikipedia.org/wiki/Money_laundering). In 2001 the purpose expanded to act on [terrorism financing](https://en.wikipedia.org/wiki/Terrorism_financing). It monitors all 37 member countries' progress in implementing the FATF Recommendations by ‘peer reviews’ (‘mutual evaluations’) of member countries. The FATF Secretariat is housed at the headquarters of the [OECD](https://en.wikipedia.org/wiki/Organisation_for_Economic_Co-operation_and_Development) in [Paris](https://en.wikipedia.org/wiki/Paris).[[6]](#footnote-6)

* **GPML:** The Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism

The United Nations Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism (GPML), part of the United Nations Office on Drugs and Crime (UNODC), was established in 1997 to assist member states to comply with the UN conventions and other instruments that deal with money laundering and terrorism financing. These now include the UN Convention against Traffic in Narcotic Drugs and Psychotropic Substances (the 1988 Vienna Convention), the UN International Convention for the Suppression of the Financing of Terrorism (the 1999 Convention), the UN Convention against Transnational Organized Crime (the 2000 Palermo Convention), and the UN Convention against Corruption (the 2003 Merida Convention). In 2008, GPML’s scope and objectives were widened to meet the growing needs and demands for tailor-made assistance in the effective implementation of these UN instruments and other international AML/CFT standards.[[7]](#footnote-7)

### VI. Major Countries Involved

* **The Islamic Republic of Afghanistan:**

The Islamic Republic of Afghanistan is not a regional or offshore financial center. Yet, there is still Terrorist and subversive financing, money laundering, cash smuggling, and other illegal activities designed to finance organized criminal activity continue to pose serious threats to the security and development of Afghanistan. In addition, Afghanistan remains a major narcotics trafficking and producing country, and is the world’s largest opium producer and exporter. The narcotics trade, corruption, and contract fraud are major sources of illegal revenue and laundered funds. Corruption has spread through all levels of the Afghan government and society.[[8]](#footnote-8)

* **Argentine Republic**

The widespread use of cash in the economy and Argentina’s strong links to U.S. currency increase the country’s vulnerability to money laundering. Many Argentines prefer to hold their savings in U.S. dollars to avoid high inflation and potential devaluations of their currency. Therefore, the government’s restrictions on access to foreign exchange have created a black market for U.S. currency. During the first nine months of 2014, the unofficial exchange valued the dollar between 50 and 90 percent higher than the official government rate. This unofficial peso-dollar exchange market generates significant illegal revenue and creates significant opportunities for trading.[[9]](#footnote-9)

* **Commonwealth of Australia:**

According to the Australian Crime Commission (ACC), financial crimes continue to increase in diversity, scale, and the level of overall harm they cause Australia. The ACC conservatively estimates that serious and organized crime costs Australia near to A$15 billion each year ($12.9 billion). Money laundering remains a key enabler of serious and organized crime.  
 The Australian Transaction and Reports Analysis Center (AUSTRAC) – the country’s financial intelligence unit (FIU) - identifies four key features of money laundering in the country: intermingling legitimate and illicit financial activity through cash intensive businesses or front companies; engaging professional expertise, such as lawyers and accountants; the use of money laundering syndicates to provide specific money laundering services to domestic and international crime groups; and the “internationalization” of the Australian crime environment, a reflection of the pervasive international money laundering ties of Australia-based organized criminal groups. The report also notes that major money laundering channels are prevalent in banking, money transfer and alternative remittance services, gaming, and luxury goods. Less visible conduits include legal persons and arrangements, cash intensive businesses, electronic payment systems, cross-border movement of cash and bearer negotiable instruments, international trade, and investment vehicles.[[10]](#footnote-10)

* **Austria:**

Austria is a major regional financial center, and Austrian banking groups control significant shares of the banking markets in Central, Eastern, and Southeastern Europe. Money laundering occurs to some extent within the Austrian banking system as well as in non-bank financial institutions and businesses. Money laundered by organized crime groups derives primarily from fraud, smuggling, corruption, narcotics trafficking, and trafficking in persons. Theft, drug trafficking, and fraud are the main predicate crimes in Austria according to conviction and investigation statistics. Austria is not an offshore jurisdiction and has no free trade zones**[[11]](#footnote-11)**

* **Belize**

Belize is not a major regional financial center; however, it has a substantial offshore financial sector. The Government of Belize continues to encourage the growth of offshore financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies. The Belizean dollar is pegged to the U.S. dollar, and Belizean banks continue to offer financial and corporate services to nonresidents in the offshore financial sector. Belizean officials suspect there is money laundering activity in their two free trade zones, known as commercial free zones (CFZs). The larger of the two, the Corozal Commercial Free Zone, is located on the border with Mexico. The smaller CFZ, the Benque Viejo Free Zone, is located on the western border with Guatemala. The Corozal CFZ was designed to attract Mexican citizens for duty free shopping; Belizean authorities believe it is heavily involved in trade-based money laundering and the illicit importation of duty free products.[[12]](#footnote-12)

### VII. UN involvement

The United Nations and its organs have taken prominent action against financial crimes in many forms. To begin with, the UN has aided the creation of a “one-stop anti-money-laundering/countering the financing of terrorism research resource” in 1998. The previous provides information about national financial crime laws while presenting areas for improvement in nations anti-money-laundering laws. In addition, the United Nations Office on Drugs and Crime is responsible for the Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism. The aforementioned programme aims to assist member states to act in accordance of previous conventions while adding the abetting the fight against financial crime. The General Assembly and The Economic and Social Committee have also taken measures against money laundering and economic corruption via multiple conventions and resolutions. First, the GA has aided the adoption of two major conventions; the UN Convention against Transnational Organized Crime with the GA Resolution 55/25 of 8 January 2001, and the UN Convention Against Corruption with the GA Resolution 58/4 of 31 October 2003. While the Economic and Social Council has aided the Establishment of national networks to counter money-laundering in the framework of national and international drug control plans with ECOSOC Resolution 2003/36, and Strengthening international cooperation in combating the harmful effects of illicit financial flows resulting from criminal activities with ECOSOC Resolution 2011/32.

### VIII. Possible solutions

* Implement modern algorithms and machine learning technology to adapt and improve detection of financial crimes. These technological innovations require funding, monitoring and servicing, For that is why you should cooperate with other countries to be able to define all logistics.
* Another possible solution, is the encouragement of the implementation of the Trafficking Victims Protection Act. The encouragement is possible by giving rewards that make the implementation attractive to governments. These rewards require funding and initiatives ; so think carefully of your presented solutions.
* A recommended solution is that some police forces are dedicated and properly trained to cooperate with international economic crime bureaus and create proper inter-party protocol to aid joint operations.

### IX. Guiding Questions

1. How are economic crime opportunities the byproduct of corruption ?
2. What type of socio-economic crises and problems encourage economic crime ?
3. is eliminating opportunities to commit financial crimes enough ?
4. How does the media aid neutralising the severity and encourage the usage of economic crime opportunities ?
5. Why is a focus on reconnaissance important in the field of crime halting ?
6. Are all economic crimes detectable ? If no, how do we combat them then ?
7. Is your country suffering from corruption ?
8. Has your country established any anti-financial crime programs/initiatives ?

### X. Useful links

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* United States Department of State Bureau for International Narcotics and Law Enforcement Affairs, “*Money Laundering and Financial Crimes”* Available on: <https://www.state.gov/documents/organization/239561.pdf> Consulted on the 7th of October 2017

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