

MONEY LAUNDERING: RING AROUND THE WHITE COLLAR*Jacob RUB**Moldova State University*

In mine study I will deal with money laundering as a leading factor in white-collar criminality. The purpose of the present study and the guiding line in this article is to legislative upgrade of white-collar criminality fighting that might be of great importance as we intend to plan the policy of reduction of money Laundering criminality in Israel and Moldova. In order to deal with mine research subject I will express the lookout which I have conducted over a period three years and have included public sector tenders, with the CFE (Collection for the Environment) Recycling Corporation in Israel. It has been found white-collar criminals are usually conventional people who deal with rises or opportunity that leads them to transgress the border temporarily and perpetrate a crime, and it is likely that they would be affected strongly by the punishment process. Therefore the outcome of the study is to produce the necessary steps to reduce the phenomenon of money Laundering crime in Israel and the Republic of Moldova. In order to obtain this purposes and the author has performed some new steps to upgrade and supplement the Law with subjects as: Punishment Origin offences Entities obligated to report, Expanding of the duties of Money Laundering Prohibition Authority as a regulator and with authority to assign fines, etc. Those practical frameworks are necessary steps to reduce the phenomenon of Money Laundering in Israel and the Republic of Moldova by constitutional - legal standpoints.

Keywords: *white-collar criminal, money laundering criminality, Underground global corruption, corruption deterrence, money laundering verdicts.*

SPĂLAREA BANILOR CA INFRAȚIUNE A GULERELOR ALBE

În studiul efectuat se demonstrează că spălarea de bani constituie factorul principal al criminalității gulerelor albe. Scopul propus în acest articol este de a realiza o analiză complexă a propunerilor legislative îndreptate spre lupta cu criminalitatea gulerelor albe și de a propune noi politici menite să reducă criminalitatea gulerelor albe atât în Republica Moldova, cât și în Israel.

Întru a demonstra importanța acestui studiu, autorul aduce rezultate ale propriilor investigații realizate în ultimii trei ani axate pe analiza infraționilor comise în sfera tenderului de către corporațiile de reciclare din Israel. S-a demonstrat că persoanele care comit infraționi de genul gulerelor albe sunt persoane foarte amabile, ceea ce în final le și permite comiterea infraționii; totodată, ele sunt foarte afectate de pedeapsa aplicată.

Rezultatele acestui studiu sunt direcționate spre reducerea fenomenului spălarea banilor în Israel și în Republica Moldova. Astfel, autorul propune: elaborarea suplimentului la lege care ar conține anumite precizări privind pedeapsa penală; instituirea unui organ care ar monitoriza procesul spălării de bani etc. În opinia autorului, acești pași sunt obligatorii pentru reducerea fenomenului spălare de bani în Moldova și în Israel.

Cuvinte-cheie: *persoană care a comis spălare de bani, criminalitatea gulerelor albe, corupție tenebră, prevenirea corupției, sentințe privind spălarea banilor.*

Many white-collar crimes are especially difficult to prosecute because the perpetrators use sophisticated means to conceal their activities through a series of complex transactions. The most common white-collar offenses include public corruption by money laundering.

Money laundering is an essential element of the "underground economy," which, worldwide, amounts to trillions of dollars. In money laundering the fraudster disguises the existence, nature, source, ownership, location and disposition of property derived from criminal activity. Currency is a popular commodity in criminal activity; it is fungible, one dollar looks just like another, and further loses its identity when entering the economic stream. The downside is that currency is bulky and vulnerable to discovery, especially with today's heightened security. Also, the launderer is hardly in a position to complain to the authorities if it is stolen. The trick for money launderers, from dishonest businessmen to the drug kingpins, is to deposit currency into financial institutions without drawing attention. If they succeed at this, they greatly reduce their chances of being discovered and can use the money for a variety of purposes. If the other hand will recognize the signs of criminal activity, their plans will be foiled. Businesses prone to succeed with money laundering acts are for example: Banks, Securities brokerages, Currency exchange houses, Insurance and loan companies, Travel agencies, Issuers of cashier's checks or money orders, Auto, boat and airplane dealers, Casinos, Real estate companies.

Fraudsters use two methods to launder funds in a legitimate business. Overstatement of reported revenues means that illegal money is mixed with legitimate money, thereby boosting total revenues. The downside of this method is the perpetrator must pay taxes on the money. To avoid this, many launderers make extra payments to themselves in the form of disguised consulting fees, salaries and the like. Balance sheet laundering occurs when the thief parks the money in the company bank account. The problem with this method is that it is easily detected; the company bank accounts would be overstated by the same amount when compared with the financial statements. However, balance-sheet laundering provides one major benefit to the miscreant: The illegal loot is safely locked away in a bank.

We should be aware of the two subjects which makes troubles: **Small companies**, which typically have fewer employees and less stringent internal controls, are most likely to be used as vehicles for money laundering. Attempting to deposit ill-gotten gains to a large entity, although not impossible, usually requires too many conspirators inside the company. Certain types of businesses, especially those that deal in currency, have historically been favored for concealing dirty money. These include bars, restaurants and nightclubs. The most obvious clue to the use of a legitimate business to launder money is in the company's profit margin. Money launderers sometimes prefer to pay taxes on their ill-gotten gains, as it legitimizes the transaction. Every organization should be suspicious when profits are well beyond industry norms. Similarly, the owners of a small business used as a money-laundering front are likely to be extremely well-compensated. Ostentatious displays of wealth by the owners or employees are a red flag that something crooked may be afoot

B. Owners taking frequent trips out of the country. Currency Reporting- Requirements Act requires entities to maintain certain records, including currency transactions (deposits or withdrawals) of \$10,000 or more in ISRAEL for example. In those cases, the entity must file with the Treasury Department a currency transaction report.

White-collar professionals sometimes are used to help launder money. Through investments, trust accounts, funds transfers and tax avoidance schemes, these professionals can manipulate the financial, commercial and legal systems to conceal the origin and ownership of assets. The control should be especially alert to offshore transactions that appear to have little economic substance. Additionally, since money launderers gravitate toward a small cadre of lawyers and brokers to accomplish their illegal goals, be wary of professionals with questionable reputations. Money laundering in the U.S.A is so widespread and it is an essential element of the "underground economy" [1].

According to the Federal Bureau of Investigation, white-collar crime is estimated to cost the United States more than 300 billion \$ annually [2]. Lately, the authorities have been asked to investigate cash transfers linked to a 340 million \$ insider-trading deal involving a Russian telecommunications company and to the huge money laundering scandal involving the Bank of New York. Last year, the conviction of an Israeli crime boss in Miami for running a money laundering business for the cartel in Cali, Colombia, prompted renewed concern about the recycling of cocaine money here [3]. Money laundering in Israel and the Republic of Moldova is often more extensive than what is acknowledged: many crimes are not registered.

My research is dealing about reducing white-collar crimes in public organizations in the state of Israel and the Republic of Moldova. Money laundering is the generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source. Fraudsters use two methods to launder funds in a legitimate business: Overstatement of reported revenues means that illegal money is mixed with legitimate money, thereby boosting total revenues. The downside of this method is the perpetrator must pay taxes on the money. To avoid this, many launderers make extra payments to themselves in the form of disguised consulting fees, salaries and the like. Balance sheet laundering occurs when the thief parks the money in the company bank account. The problem with this method is that it is easily detected; the company bank accounts would be overstated by the same amount when compared with the financial statements [4]. [Moldova Money Laundering Report 2012 - by US State Department:](#)

The Government of Moldova (GOM) monitors money flows throughout the country; Criminal proceeds laundered in Moldova derive substantially from tax evasion, contraband smuggling, and corruption. Money laundering has occurred in the banking system and in exchange houses. Enforcement of the regulations is sporadic [5].

Using the former Soviet republics of Central Asia as a case study shows that anti-corruption efforts face a far more complex problem, that of systemic corruption. In response, an effective anti-corruption strategy must begin with an understanding of the political economy of the developing state, and so requires a more sophisticated approach for the sake of long-term development [6].

Moldova has made some progress in instituting a legal framework for combating money laundering that is consistent with international standards. However, in November 2010, the Constitutional Court struck down some of the most relevant provisions of the anti-money laundering law. In addition, on April 7, 2011, Moldova's parliament enacted amendments to the anti-money laundering law, sets an equivalent \$10,000 threshold for reporting cash transactions, and regulates the ability to freeze accounts involved in suspicious transactions [7].

Moldova received advanced financial investigative techniques training by the IRS's Criminal Investigation Division. This, despite a move towards establishing an offshore Financial Center (OFC) in the face of US opposition. Despite the fact that out of 165,199 suspicious activity reports only 4 criminal cases bearing money laundering charges were initiated (up from 0 in 2006), and despite 0 arrests and 0 prosecutions involving terrorist financing [8].

In Israel the estimation of Money laundering is about 75 billion \$ every year. "Israel is a paradise for money laundering, because it is not against the law", said Cmdr. Yossi Sedbon, head of the investigative division of Israel's national police. "I don't know if it is really that a big business here. But millions come in and go out, and you can't do anything about it" [9]. For example: The CFE Recycling Corporation. crime families over bottle-recycling. That includes a \$15 million (at list) -a-year industry, according to estimates by the author of this article that had worked as a past holder of high position in the CFE Recycling Corporation, and a key factor in its founding while conducting tenders and holding connection with the corporation's customers, suppliers, etc. Police say criminals sell restaurants protection in exchange for empties, which leave no paper trail and offer crime families a relatively legitimate source of income. (Those families encompass about 70% of the total amount of annual beverage containers). It means: Money Laundering. To cooperation between the conductor tenders of CFE with those criminals is nonviolent crime that usually committed in commercial situations for financial gain. Many white-collar crimes are especially difficult to prosecute because the perpetrators use sophisticated means to conceal their activities through a series of complex transactions. This is „underground crime”. In this case their activities are known to the government and to the public because the „big money” is without tax obligation. In order to deal with mine research subject I shall deal in the research with public sector tenders, with the CFE (Collection for the Environment) Recycling Corporation that was established by force of Deposit Law on Beverage Containers 1999, as a test case of my study.

The corporation conducts tenders for installation of machines for reception of beverage containers, tenders for collection and transportation of the containers, establishment of processing centers, etc. In order to deal with the research subject we have to understand that the organization must prevent the participation and / or winning in tenders.

An interesting CASE STUDY is about Eddie Antar, one of the most shameless white-collar criminals in the last half of the 20th century, limped onto his latest of many flights from New York to Tel Aviv, Israel. Stiff and unable to bend, he could barely maneuver into his first-class seat for the 10-hour ride. Other passengers probably thought Antar was crippled. The flight attendants were particularly attentive to his needs. But no one on the plane realized why Antar really was having mobility problems: He had tens of thousands of dollars strapped to his body, cash that he and family members had skimmed from their thriving electronics chain. Even more cash was stuffed in his luggage. Eddie's original plan was to cheat the tax man. But after skimming millions of dollars, he and family members thought of a better use for the hidden loot: It would be funneled back to Crazy Eddie's disguised as revenue. This trick helped boost the stock price in their IPO, which eventually led to a financial statement fraud of more than \$100 million. When Antar arrived in Tel Aviv, he immediately went to his luxury hotel. A bellman deposited his heavy bags in the room. Of course, Antar never took his eyes off the man carrying the treasure. Once alone, he locked the door and divided the neatly wrapped bills into stacks small enough to fit inside his briefcase. Then, one briefcase at a time, he hauled the loot to an Israeli bank for deposit. In less than a day, Eddie traded the batches of bulky currency for a dozen deposit slips. When Antar returned the money as sales to Crazy Eddie's, the \$8 million of skimmed money boosted the stock price and created more than \$40 million in added equity for the Antar clan. Antar later cashed out his shares and left the United States with more than \$30 million. Authorities finally caught up with the international fugitive and returned him to the United States, where he served eight years in prison.

Conclusions and recommendations

The state of Moldova and the state of Israel are seen as Paradise for Money Laundering as we can see in the 2012 International Narcotics Control Strategy Report (INCSR) about Primary Jurisdictions of Concern category [10].

The Czech Republic is a good example of an EU member state incorporating anti-money laundering laws in accordance to the regional wide directives. The government has taken great strides to curb fraudulent activity by passing legislation in 2008 related to the second directive. Through measures adopted by the Parliament of the Czech Republic (2008) the country now has a legal framework on the rights, responsibilities, and public disclosures preventing banks from being targets of money laundering. Great emphasis is placed on the definitions of money laundering, violations, determinants of suspicious transactions for which entities should be aware of, appropriate conduct of companies, recordkeeping requirements for STRs and SARs, the need to suspend transactions when necessary, strong internal procedures, and key contact persons responsible for reporting fraud. It's also important to note that transactions greater than € 15,000 must be reported to the country's banking regulatory authorities and penalties for failure to adhere to local laws may range from € 300,000 for not performing due diligence to € 1,500,000 for failing to file an SAR [11].

In order to cope with this phenomenon of Money Laundering, the following measures are required for both countries for the fighting with money laundering: Punishment like maximal punishment of 10 years for the offence of money laundering; Origin offences would be unlimited and would include all the criminal offences including tax and VAT offences; Knowledge of offences can be shown by proving willful blindness and deliberate ignorance; Determination that the sums of money obligated by a report upon entering the country are of about 10 time's Average salary; Entities obligated to report; Concentrating entity of data pool; Expanding of the duties of Money Laundering Prohibition Authority as a regulator and with authority to assign fines.

Countries/Jurisdictions of Primary Concern	Countries/Jurisdictions of Concern	Other Countries/Jurisdictions Monitored
Afghanistan Israel United States	Marshall Islands Moldova	Anguilla Andorra

Financial and nonfinancial institutions, governments, law enforcement, regulatory agencies, and forensic examination professionals all play a role in combating money laundering. Governments have been proactive over the last 20 years to identify money laundering, understand its causes, and share the information in order to prevent and detect the perpetrators of this crime. Now more than ever governments and law enforcement bodies across borders see the increasing trend of terrorism financing funded through money laundering and are taking steps to protect their own societies, financial systems, and build moral integrity. The EU commission has a robust committee aimed to fight money laundering through the FATF and member countries are taking steps to incorporate legal measures into their own economies as a way to educate and combat fraud. Banks are most vulnerable to fraud as they need to be aware of and continue to educate employees on suspected clients engaging in money laundering. The FIU is a proactive body aimed to provide a general framework to guide banks on how to further develop their processes and internal controls. In addition law enforcement officials and financial regulatory bodies are encouraged to share information with FIUs on the developing trends and criminal methods committed by fraudsters. The authoress-founder and president of the Association of Certified Fraud Examiners (ACFE) Czech Republic Chapter. The ACFE is the world's largest provider of anti-fraud training and education in the world. Mr. Rosen conducts Business Development for Mazars, an international organization offering audit, fraud investigation, accounting, tax and advisory services. Zachary has more than 15 years of experience working on a wide range of accounting, audit, and business start-up engagements worldwide.

Thus, this paper, having a theoretical as well as a qualitative and practical framework, allows for dealing with the approach of money laundering.

This paper's subject stems from the desire and need to deal with the wide-spread and grave phenomenon of Money Laundering in Israel and the Republic of Moldova. This article focuses on how to understand the

phenomenon of Money Laundering by criminal elements in Israel and the Republic of Moldova. Then we shall produce the necessary steps to reduce the phenomenon of Money Laundering in Israel and the Republic of Moldova by constitutional – legal standpoints. Money can be laundered in any country Money laundering is a serious and growing problem, despite government efforts to control it. Preventing and detecting crime therefore requires efforts of both the public and private sectors. CPAs can be a major deterrent to the serious and growing problem of money laundering by recognizing its earmarks

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