

## **ABSTRACT**

*"The effects of money laundering on the economies of countries of origin and countries of destination "*

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## KEY WORDS

- Offshore Company - limited liability company, a tool used by corporations or individuals lawfully in order to target the profits from countries with high taxes in areas with zero or low taxation
- Business Crime - an act of a person who violates a legal rule on business related activities
- The shadow economy - economic activity organized for the purpose of obtaining revenue which the state can not be controlled
- Organized criminal groups - a structured group of three or more persons formed to commit crimes (Article 7 Lg.39/2003)
- Economic Crime - offenses under criminal law or special laws affecting economic and financial sector
- National Office for Preventing and Combating Money Laundering - the Romanian Financial Intelligence Unit (FIU) administrative, the leadership role in developing, coordinating and implementing the national system to combat money laundering and terrorist financing
- National and international regulations - legislative provision in a State or several Member
- Tax havens - areas where there are no fees or tax fees are very low
- Computer crimes - crimes committed by or with data storage media
- Money laundering - the process or complex of actions by which criminals attempt to conceal the origin and actual possession of the income from their illegal activities.

## SYNTHESIS OF MAIN PARTS OF THE PAPER

In the introduction to the emergence and evolution is the phenomenon of money laundering, and operating mechanisms of global, regional and state, this phenomenon

The new millennium has brought not only an increased globalization of world markets, but also an unprecedented deepening interdependence between national economies. Obviously, these processes have encouraged the development of world economy and transnational organized crime and terrorism. Continual increase in the volume of capital resulting from specific activities of organized crime increased the need for recycling of these funds, so it was alarming situation underworld leaders and operators involved in money laundering can control and influence in some of the world , important sectors of the economy, finance, politics and administration. Money laundering and illegal activities directly affect freedom of access to investment, labor market affects the legal, marketing, consumption and production itself.

Global economic system, integrated and globalized, swallows billions of dollars annually derived from crime and fraud. Money is dirty business as financial product drugs, weapons and contraband, plus an endless list of crimes (corruption, counterfeit products industry, tax evasion, human trafficking, pornography industry, prostitution, etc.), Are injected into banks and investment institutions, after traveling through global circuits of finance to be purified by methods seemingly undetectable.

In the era of computers, the money becomes immaterial. Although the coins and paper money continues to flow, more and more of the world monetary transactions involving electronic transfers directly between computers.

After being placed in financial institutions investment banking and honor, considered the most efficient washing machines, dirt and heat of dirty money leasing their genesis and fits naturally into madness and noise exchanges, investment funds and businesses.

Computerization and globalization of the world's financial markets merged into a global system in which a person may be aware of all the major market price fluctuations and can be performed with computer all operations and transactions.

The signal was given by the major financial powers the states have realized that their economies moving, out of control, huge funds from crime industry.

Each of us is the desire to earn more money honestly to achieve the objectives that we propose. But this depends on several factors, such as training, ability, experience and, sometimes, luck. Part of the money earned by the state are taken in the form of taxes and fees without providing a direct consideration for this, which makes the wealth of the individual or entity to fall and thus can no longer perform objectives and comply fully or partially. What is very difficult to separate from one part of the revenues due to him, seek to evade payment of taxes and charges due, either by using the imperfections of the law or breach of it, and when this is done, it is necessary and demonstrate methods of preventing the illicit origin of the money thus obtained.

Sophisticated mechanism for washing dirty money did work, in most cases, with the support, advice and expertise of specialists in banking, investment and exchange. Money laundering takes place on the line between licit and illicit activities.

In recent years there has been any recognition of the increasingly large that it is essential to combat organized crime, that criminals should be stopped whenever possible, to legitimize the results of their criminal activities, resulting in the conversion of funds "dirty" money "clean."

The ability to launder criminal activity results in the banking system is vital to the success of criminal operations. Those involved in such activities need to exploit the facilities offered by the global financial sector, where the outcome will benefit their business. Use, for money laundering, financial and banking systems lead to the collapse of individual financial institutions and, ultimately, the entire banking system. At the same time, increased integration of world financial systems and removing barriers to free movement of capital to the increased ease with which black money can be washed and complicates the tracking process.

Long-term success and stability of any financial institutions depends on attracting and retaining funds earned legitimately.

Illegally earned money have a transitory nature. They ruin the reputation and discourages honest investor. Financial institution involved in money laundering scandal will risk prosecution in court and the loss of good repute in the market, given that one of the most important values of a financial institution is the reputation for integrity.

In such conditions, on such support, money laundering can not be countered only by law, intelligence and, above all, by the sincere desire to make order in this disorderly world order wanted.

This paper takes the form of a study and is devoted to the theoretical, legislative and judicial practice on the economic impacts caused by the offense of money laundering on the economies of countries where organized crime networks get black money from committing crimes (country of origin) and effects on the economies of countries where money is placed on the market apparently legal business (countries of destination).

In its content the work is structured in ten chapters that include: *production and money laundering worldwide, regional and state, recommendations, international regulations and legal provisions for the criminalization of laundering dirty money, contents of the dirty money laundering, money laundering: crime economic and financial crime and terrorist financing means, investigate, research and cooperation in crime prevention and combating money laundering, the National Office for Preventing and Combating Money Laundering, an institution with an active role in combating terrorist financing, Romania's commitments in the fight against money laundering and financing terrorism, undertaken as a member of the EU, combating the shadow economy, the effects of money laundering and case study.*

The first chapter, ten of the work, entitled ***'The production and money laundering worldwide, regional and state'***, contains four sections and is intended as the starting point, providing the theoretical basis needed to address the phenomenon of production and washing dirty

money. First, starting from the historical phenomenon of money laundering in this chapter we describe the adaptation and development stages of the contemporary phenomenon and the timid attempts of the authorities weather, the fighting, they have failed to stem the 'modernization of operating modes " This has led to the development of mechanisms that are obtained, washed and then reinvested the money resulting from illicit activities. We continued with the phenomenon of crime offenses falling business, cause and favorable terms of money laundering, and modes of organization and establishment phases organized criminal groups in our country.

The second chapter „**Recommendations, international regulations and legal provisions for the criminalization of laundering dirty money** "is an analysis of how issues at global, regional and European Union, but also at state level, the authorities these tasks have always tried to adapt their strategies to fight this scourge, preoccupied with to develop new methods to counter illegal activities for money laundering.

So I made a presentation to international regulations, but also those originating from European institutions, European Parliament and Council that aimed to prevent and effectively combat the phenomenon of production and money laundering, making it part of modern methods of destabilization economic and financial world, corruption and political power grab. The aim is to counterbalance the power poles that can be used as leverage in hand mafia groups, regardless of the territorial area in which they live, the language they speak, the only phrase favored in these circles as "first money, then power control.

In this chapter we have included the European perspective on the stages of money laundering and legislative requirements concerning the criminalization of this phenomenon.

Chapter three, "**Contents of laundering dirty**" appearance and the basic laws of the process and steps and techniques to conceal the illicit origin of income, including systems used for money laundering. Next, we present the modern face of this phenomenon and some of the tax havens "black angels" put their money in order to wipe away dirt, then being exposed as immaculate white. Also in this section we treated the issue of offshore companies and current methods of money laundering in the global economy, the difference between dirty money and hot money, but also a well-defined targets of the criminal groups, corruption of power and interest factors.

Analyzing the "**Money laundering: crime, economic crime and financial means to finance terrorism**" in the body of the fourth chapter, I outlined the essence of typologies, methods and techniques of money laundering, money laundering presentation and constituents and methods for laundering proceeds of crime where there is organized crime. In the context of economic and political events that took place over the past two decades, Romania had to rethink the entire strategy to combat, but especially to prevent the phenomenon of obtaining money from illicit activities and reinvestment of economic and financial market, especially much as at present belong to the great European family, is imperative for full alignment with legislative standards and respect for commitments on the scourge of organized crime, which is a phalanx of modern war. Also in this chapter, I made a presentation of the indissoluble links between money laundering and terrorism, with divergences and convergences of these two phenomena of the modern world, each being vital source of existence of the other, to support and produce devastating effects, regardless plan in which they operate.

In chapter five, "**Investigation, research and cooperation in crime prevention and combating money laundering**" was analyzed in a cross-border elements are included in its proper conduct of this phenomenon, that money funds from committing crimes in another , exemplifying how the money here from committing computer crimes are "purified" and placed in investments apparently legal. Relevant aspects in this section it is inter-institutional cooperation in preventing and combating money laundering and terrorist financing.

In light of our scientific approach, in chapter six "**National Office for Preventing and Combating Money Laundering, an institution with an active role in combating terrorist financing**" have made an approach to this body with powers to combat money laundering and financing terrorism, pointing out how this institution is organized, the role that plays in the above-

mentioned phenomena, and development work done in the past decade, indicators pointing erected registered at the end of the first decade of XXI century, indicators that contribute to the formation of a panel on development and trends of money laundering and terrorist financing, both in our country and the European Union area, with connections worldwide.

Chapter seven, *"Romania's commitments in the fight against money laundering and financing terrorism, undertaken as a member of the European Union"*, presents the EU and national legislation in this area and the importance of preventing and combating terrorism financing. Thus, after 2007, when Romania joined the European Union, has continued to monitor the implementation of commitments assumed by our country in all areas of the *acquis U.E.*, including justice, security and freedom, reason to imposed by the Romanian authorities need to adopt legislative and institutional measures specific to the efficient operation of the system to combat money laundering and terrorist financing.

In Chapter eight, *"Combating the underground economy"* we emphasized the importance of combating this kind of parallel economy based on the principles of a viable program, starting from the concrete manifestations of the underground economy, to identify specific causes and ensure effective control policy economy, the reorientation of fiscal policy measures, but also factors that influence the means and methods to combat the phenomenon. Also in this chapter we presented the control, tax forms and methods of a strategy to identify valence levels of the economy and where it exists and is growing and we also discussed ways to combat and reduce the economy.

Our scientific approach in the ninth chapter, *"The effects of money laundering"* was to deepen the essential theme of the paper, making a socio-economic analysis of this phenomenon in terms of macroeconomic, microeconomic, and social, the countries which are obtained money from illegal activities, namely the countries of origin, including countries where money is invested in business apparently legal, but of course they have been subjected to the process of "cleansing" of the 'unclean flavor "that the money which it exudes and have acquired the shares held by organized crime.

Recycling money resulting from illegal activities adversely affecting the economy as a whole, determine the financial loss, weakens social stability, threaten democratic structures, causes loss of confidence in the economic system, corrupt and undermine economic and social institutions of the state. It also results in a deterioration of the levers of national economic development, financial market penetration and national and international imbalances affecting the economic stability of all systems, including commercial, ultimately leading to reduced economic growth at the state level, regionally and even the globe.

All these effects have been presented with reference to the specifics of each complex, respectively belonging to countries of origin or destination, referring to analyze the economic, social and political.

Chapter ten presents *a case study*, specifically, in our day, which is underlined by the ingenuity of individuals operating in discovering new ways to obtain illegal revenues, methods and techniques of money laundering thus obtained to accumulate some impressive and illicit wealth.

In the last chapter of this work, *"Conclusions and proposals"*, we synthesized a series of meaningful and relevant comments to improve the legal system to prevent and combat money laundering methods and strategies, which implemented the nodal points may be true theoretical and practical, involves not only their nomination, but dissecting their components by specialists in the field, whose attention is focused on the contribution of each to reduce the effects of money laundering on national economies, thus contributing to sustainable economic development and do not become fragile to shocks caused (accidentally or intentionally) high financial powers in order to grab a sneaky growing area of economic and financial area.

Also, through this paper, I proposed to introduce mechanisms and current contextual factors involved and often favors the evolution of the phenomenon of money laundering, to find new mechanisms to circumvent the law and how to deal with them and, not least all, to contribute to the development of relevant and useful conclusions, in turn, to present as exact dimensions and effects

of this phenomenon and the special implications in the short term can produce, especially long-term national economies regional and even global.

Money laundering and tax evasion is the result of logical flaws and inconsistencies of a flawed and erroneous similar laws, poor methods of application and legislature gaps, whose excessive taxation is as guilty as those that are provoked by these methods Financial. Money laundering and tax evasion, have become social hazards that affect the economy of states, with social unrest.

Through their illegal procedures, criminals can invest in sectors of the economy where assets can be used as money-laundering machine. In addition, in an economy where advanced technology and globalization enable fast transfer of funds, uncontrolled laundering of large amounts may undermine financial stability. Furthermore, in a country with poor financial health, out of millions and even billions of dollars annually from the normal growth process is fraught with danger.

Therefore, money laundering is a major factor of contamination of the overall economy by eroding the integrity of financial institutions of countries and generating inflation.

Speaking in general about money laundering and tax havens or offshore financial centers, we assure that they coexist in the global financial system. It can be said that the need to fight against money laundering has both a social motivation, and one economic. Effects of social motivation targeting organized crime that tends to internationalize and to affect normal relations between members of national communities and beyond, damaging them and creating instability and immoral rule. Economic motivation stems from the attack that it commits the money laundering market economy principles and the integrity of financial markets, by undermining the financial institutions and, ultimately, the entire financial system. Money laundering means: tax evasion, bank fraud, corruption, privatization fraud, smuggling, various financial scams.

The harmful effects of money laundering are not always obvious and therefore was under investigation and so late in the jurisdictions of all countries. As a result, the severity with which this crime is punished may seem exaggerated to many citizens, can not be directly observed its negative effects. The need to combat this crime derives from the fact that money laundering is a phenomenon that leads to the deterioration of economic and financial system as a whole due to the generation of inflationary effects, discouraging investors and honest removal, de-capitalization risk of economic agents, generating corruption, enhance the violence, illegal concentration wealth, increased cost of living, disregarding international of this state.