

ECONOMIC CRIME

Operational and policy issues

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INTRODUCTION

Financial implications

Turnover OC 1.5 trillion \$ / y

Fin. markets 1 billion \$ / day



Central question

Does a
well-f
with regard to the
combatting
of
economic crime exist ?

FRAUD

- Continued vagueness of notion: social uncertainty
- Problem: legal protection
- Structural vs personalised approach
- Difficulty common standard

FRAUD

- Individual level:

motive + opportunity

- Criminogenic structures: fraud environment:

opportunity + risk

FRAUD

- Low visibility
- High degree of offence potential
- Diffusion of victimization
- “Surveillance and control”-offences

FRAUD

- Important lack of reliable statistics
 - **technical difficulties**
 - **social problem**
- Danger: statistical amplification spiral

STATISTICS 2002

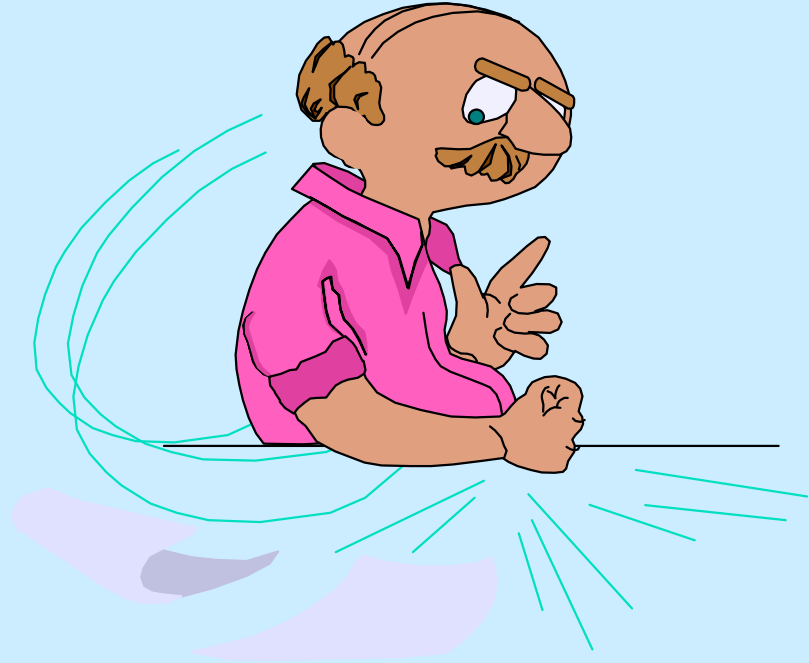
- 973.548 cases registered
 - **theft** **49,95 %**
 - **violent crimes against property** **10,61 %**
 - **fraud** **6,68 %**
 - **fiscal offences** **0,03 %**

STATISTICS 2002

- Fraud cases
 - bankruptcy (related) 0,52 %
 - abuse of trust 12,32 %
 - embezzlement 15,46 %
 - unlawful receiving 1,56 %

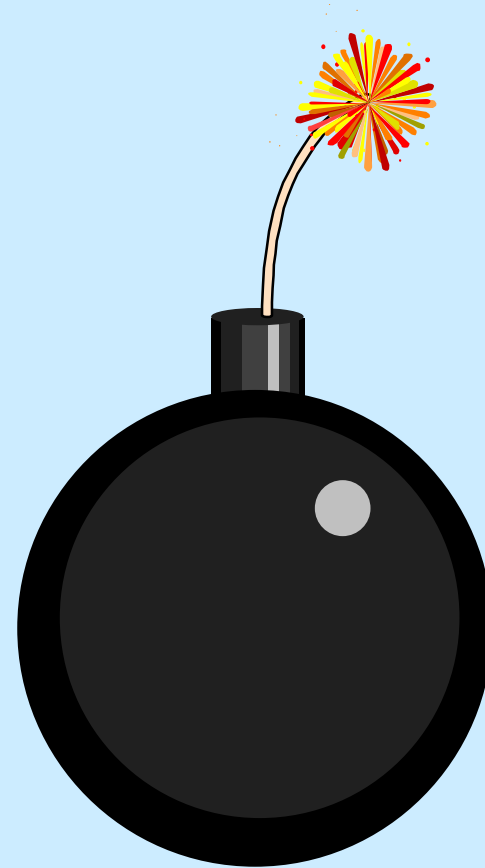
ORGANISED CRIME GROUPS

- **Russian groups**
- **Trafficking in diamonds**
- **Trafficking in cigarettes**
- **Money laundering**



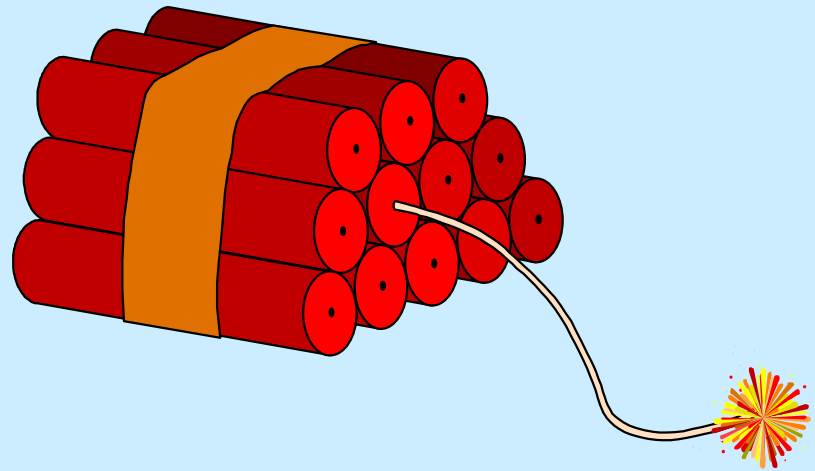
ORGANISED CRIME GROUPS

- **Albanian groups**
- **Family structure**
- **Generally present**
- **Prostitution**
- **Violence**



ORGANISED CRIME GROUPS

- **Turkish groups**
- **Ethnic**
- **Nationalist**
- **Fundamentalist**
- **Political**
- **Extortion**



ORGANISED CRIME GROUPS

- **Black Africa**
- **Angola**
- **DRC**
- **Sierra Leone**
- **Lebanese
connections**



STATISTICS

NATIONAL LEVEL

- **306 investigations**
- **2.373 identified suspects**
- **average age high (30-39)**
- **41.5 % Belgian nationality**
- **Other nationalities: Italian (8,5 %), Dutch (5,6 %), Moroccan (4,9 %), Albanian (4,7 %), Turkish (4,0 %), Yugoslav and Rumanian (1,8 % each)**

STATISTICS

NATIONAL LEVEL

- **Estimated profit 961 Million Eur**
- **46,8 % vert. / 23,2 % horiz. structure**
- **42 “families” - 24 “mafia” - 10 cartels - 4 triades- 1 motor gang**
- **contact / cooperation with foreign organisations**

STATISTICS

NATIONAL LEVEL

- **Crimes against persons** 6,2 %
- **Crimes against property** 31,4 %
- **Trafficking human beings** 13,4 %
- **Drugs** 12,7 %
- **Environmental crimes** 6 %
- **Money laundering** 10,6 %
- **Economic / financial crimes** 21,4 %
- **ICT** 0,8 %
- **Terrorism** 0,4 %

STATISTICS

NATIONAL LEVEL

- **Economic / financial activities rising**
- **Use of commercial structures in 69,6 %**
 - **use of existing legal entities (37,0 %)**
 - **abuse of legal entities for criminal activities (79,3 %)**
 - **use of fictitious companies (20,7 %)**
- **Violence used in 169 cases (55,2 %)**
- **First or second degree murder in 24 cases**

STATISTICS

NATIONAL LEVEL

- **Offensive / defensive counterstrategies (C-Obs / Tr-Eqpt / ...)**
- **In 73 % special investigative techniques used (informers / obs / interception Mob Phone / pseudo-buy / short-term infiltration / operational environment recon...)**

FRAUD

- Direction of attack
 - **internal fraud**
 - **external fraud**
 - **organisational fraud**
 - **rational goal vs social environment model**

FRAUD

- Internal fraud
 - entry control
 - management systems / compliance monitoring
 - looking for the unusual
 - sense of fraud awareness

FRAUD

- External fraud
 - boiler-room fraud
 - advance fee frauds
 - long-firm fraud
 - banking fraud

FRAUD

- External fraud
 - **counterfeiting / smuggling**
 - **fraudulent bankruptcy**
 - **false invoicing, asset stripping, transfer pricing, fictitious loans, ...)**
 - **insurance / subsidy fraud**

FRAUD

- External fraud
 - **financial terrorism**
 - **paper terrorism**
 - **cryptoviral extortion**

OPERATIONAL REACTION

Enforcement

- lack of system-immanent control mechanisms**
- “time-space distancing”**
- desired combatting at optimal investment level**
- interaction costs/risks/fear extremely complex**
- gradual and variable enforcement policy**

OPERATIONAL REACTION

- Human aspect**
- Risk management / analysis**
 - identification**
 - analysis & evaluation**
 - control**
 - financing**

OPERATIONAL REACTION

– Fraud deterrence programs

- prevention**
- education**
- control implementation**
- incident reporting / investigation**
- resolution / analysis / testing**

OPERATIONAL REACTION

- Compliance monitoring**
- Fraud crisis management plans**
- Fraud alertness**
- Financial investigative techniques**

OPERATIONAL REACTION

- **Strategic level: “Financial landscape surveillance”**
 - **criminality analysis**
 - **general crime profile analysis**
 - **method analysis**

OPERATIONAL REACTION

– Tactical level:

- crime analysis**
- author analysis**
- operational analysis**

OPERATIONAL REACTION

- Transaction profiling**
- Financial crime-profile**
- Increased risk perception for offenders**
- Target-oriented policies**
- Post-trial intelligence**

OPERATIONAL REACTION

– Belgian National Security Plan 2004-2007

- Intelligence led approach**
- Properly functioning information cycle**
- Imaging / risk and environment analysis**

OPERATIONAL REACTION

- **Belgian National Security Plan: organised crime:**
 - **strategical threat analysis**
 - **environment and vulnerability analyses of economic sectors**
 - **risk assessment-approach**
 - **indicators: offender groups, counterstrategies, illegal markets, legal economic sectors**

ECONOMIC SECTORS

– Vulnerable sectors:

- petroleum / meat / diamond/ oil / gas / real estate / pharmaceutical / electronics / restaurant / construction / transport / import- and exportcompanies
- impact:
 - fiscal fraud: 14 - 17,5 billion Eur / year
1,25 - 2,5 billion Eur criminal money
 - vehicle trafficking: 140,8 million Eur / year

NOTION OF SANCTION

Factors contributing to confusion

- Unclear vision connection rule / sanction
- Unsystematic account effectively imposed / legally allowed sanctions
- Insufficient account of relative seriousness
- Insufficient account of ultimate effect

SANCTIONS

Supreme Court

Excessive punishment

1

punishment...



SANCTIONING STRUCTURE

- **Profit-based vs damage-based approach**
- **Deterrence trap / marginal deterrence**
- **Overspill / flow-through-effects**
- **Overdeterrence / underdeterrence**
- **Non-financial motives**
- **Cost / feasibility**
- **Shifting of impact**

POLICY ISSUES

Main factors

- **Knowledge crime phenomenon / social context**
- **Overview legislation / ranking of seriousness**
- **Explanation norm objective**
- **Definition of sanction goal / reason / consequence**
- **Sanction types: workability and suitability**
- **Assessment of sanctioning result**
- **Information / education**
- **Available means**

POLICY ISSUES

Main factors

- **Implementation of norms: system-oriented vision**
- **Measurement of impact - performance indicators**
- **Re-evaluation / adaptation**

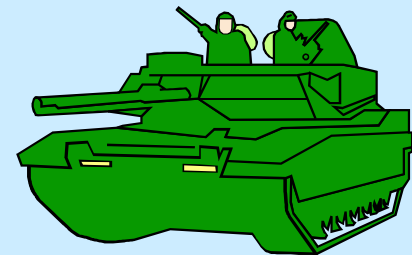
GENERAL CONSIDERATIONS

- Realistic approach: limiting opportunities
- Expression of **POWER**
- Economic inopportunity \neq economic illegality
- Structural border $>$ no zero-option

GENERAL CONSIDERATIONS

Economic security

- **Economic activity vital**
- **Integrated security concept**
- **Faceless transactional environment**
- **Globalisation**
- **International interspace**



CONCLUSION

Central question

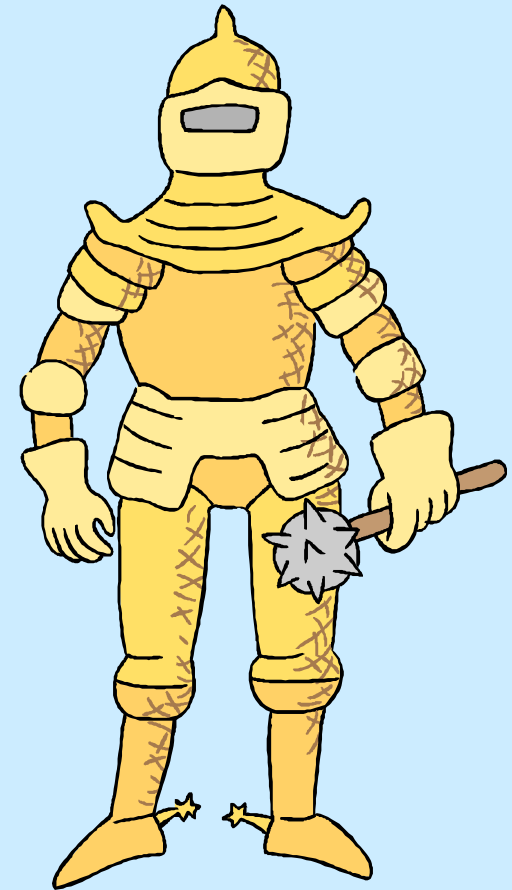
Vision in reaction to economic crime?

ANSWER

No

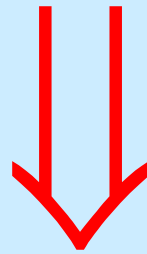
CONCLUSION

COMBATING
FRAUD
REMAINS
A NECESSITY



COMBATTING FRAUD

Innovative vision



Integrated security approach

CONCLUSION

“Economic crime can be defined simply.

It is lying, cheating and stealing.

It is really nothing more

and it is rarely anything less.”

**THANK YOU FOR YOUR
ATTENTION**

