

Committee: Economic and Social Council

Issue: International cooperation on the prevention, investigation, prosecution and punishment of economic fraud and identity related crime

Student Officer: Christine Savorgianaki

Position: Deputy President

PERSONAL INTRODUCTION

Dear Delegates,

My name is Christine Savorgianaki and it is an honour to have been chosen as the Deputy President of the esteemed Economic and Social Council in the first session of the American College of Greece Model United Nations conference. I am currently attending the 11th grade at Dionysos High School and this will be my first time serving as a Student Officer after having previously participated twice at MUN conferences as a delegate.

The ECOSOC serves as the central forum for discussing international economic and social issues and for formulating policy recommendations addressed to member states and the United Nations in general. Given that economy is one of the fundamental powers that run this world, it is easy to realise that a council such as the ECOSOC has great influence when it comes to global politics. It is important to remember that when it comes to economy nothing is ever quite certain. Stock markets crash, crises begin and end in years or decades all while none of us actually realises the significance of the situations playing out all around us. This is partly the allure of today's economy. It's so everchanging that things can alter drastically in the blink of an eye.

The aim of this study guide is to help you with your research but a secret part of me wants you to be more interested in economics and thus do more research than necessary, perhaps because you can never honestly learn too much. I sincerely hope that you'll find this guide to be a good starting point for your own country-centered research and please do not hesitate to contact me at my email (xrisavor@yahoo.gr) if you feel that something has not been adequately explained or if you need more information on the topic.

At this point I'd like to express my hope that you will all come well prepared at this year's conference and as a result, that we will have a fruitful debate and a diverse yet productive discussion.

Best regards,

Christine Savorgianaki

TOPIC INTRODUCTION

Identity related crime (or identity fraud) is punishable by law, and by definition, it includes all criminal acts related to “the fraudulent use of another person’s personal identification to gain advantage, obtain property, disadvantage another person, avoid arrest or defeat or obstruct the course of justice”(Cross Border Forum 2010.2). This type of criminal activity is particularly destructive of people’s social status and financial credibility, because in order for the victims to restore the aforementioned assets, it will be necessary for them to spend time and funds, resources that might not be at their immediate disposal after being targeted. Economic fraud has similar effects on its victims only more intensive on the damage of the victim’s financial credibility. To be more specific, economic crimes may range from the unlawful conversion of the ownership of property to financial fraud, such as cheque fraud, credit card fraud, mortgage fraud, securities fraud, bank fraud and insurance fraud, as well as theft, tax evasion, embezzlement and money laundering.

The criminals use various methods to intercept their targets’ data, be that bank PINs, telephone numbers or credit card numbers. A preferred way of doing this is via “shoulder-surfing” which essentially means that the criminals spy the victim as they put in their bank information or give credit card numbers over the phone to various companies. That is a way of interception of data in public places. Unfortunately, they don’t stop there as they might acquire your discarded pre-approved credit cards or just generally seize your mail if it is not delivered at your house and use the personal data found there. Another way of stealing information is via the Internet, which is the ideal place for criminals to obtain identifying data such as banking passwords. This can be done by responding to spam e-mail that aim to lure you into giving your credit card data under the false pretense of benefits and/or other promises. Occasionally, identity theft can fall under the category of cybercrime.

When it comes to economic fraud it might vary from small tax evasion to money laundering from major companies. Money laundering may occasionally be linked to terrorist funding and thus make the economic crime web even more complex. Financial fraud also affects global economy and is one of the main causes of today’s financial crisis. As UNODC Executive Director Antonio Maria Costa said, “Bankers have allowed the world’s criminal economy to become part of the global economy”. While this type of fraud concerns many nations and organizations, it is

difficult to tackle, as legislation is hard to apply to such crimes. The United Nations Office on Drugs and Crime (UNODC) is most applied to resolving the issue alongside the ECOSOC Committees and Working Groups.

DEFINITION OF KEY TERMS

Identity fraud

Identity fraud is the act of using a stolen identity to obtain goods or services by deception.¹

Economic fraud

Any attempt at having financial gain by deceiving another person and/or organization/state.²

Mortgage fraud

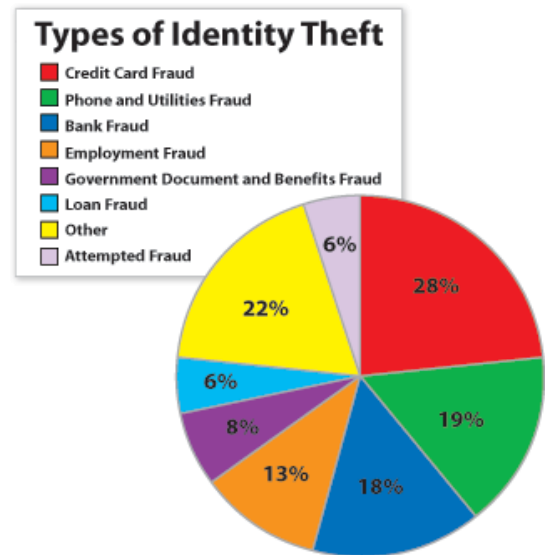
Material misstatement, misrepresentation or omission relating to the property or potential mortgage relied on by an underwriter or lender to fund, purchase or insure a loan.³

Cybercrime

Crime committed using a computer and the Internet to steal a person's identity or sell contraband or stalk victims or disrupt operations with malevolent programs.⁴

Terrorist Financing

Refers to activities that provide financing or financial support to individual terrorists or terrorist groups. A government that maintains a list of terrorist organizations normally will also pass laws to prevent money laundering being used to finance those organizations.⁵



1:Types of Identity Theft

¹ "Identity Theft." *Wikipedia*. Wikimedia Foundation, n.d. Web.

² "Financial Crimes." *Wikipedia*. Wikimedia Foundation, n.d. Web.

³ Finney, Denise. "Mortgage Fraud: Understanding and Avoiding It." *Investopedia*. N.p., 23 Nov. 2016. Web.

⁴ "Cybercrime." *The Free Dictionary*. Farlex, n.d. Web.

⁵ "Terrorism Financing." *Wikipedia*. Wikimedia Foundation, n.d.

Tax evasion

Tax evasion is the illegal evasion of taxes by individuals, corporations, and trusts. Tax evasion often entails taxpayers deliberately misrepresenting the true state of their affairs to the tax authorities to reduce their tax liability and includes dishonest tax reporting, such as declaring less income, profits or gains than the amounts actually earned, or overstating deductions.⁶

Bank fraud

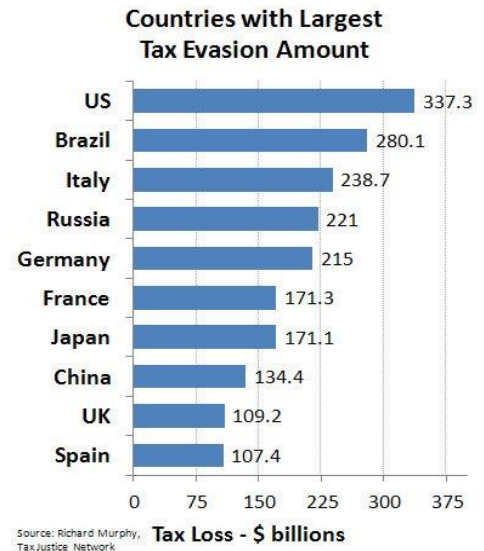
Bank fraud is the use of potentially illegal means to obtain money, assets, or other property owned or held by a financial institution, or to obtain money from depositors by fraudulently posing as a bank or other financial institution. Bank fraud is many times considered to be a white-collar crime.⁷

Embezzlement

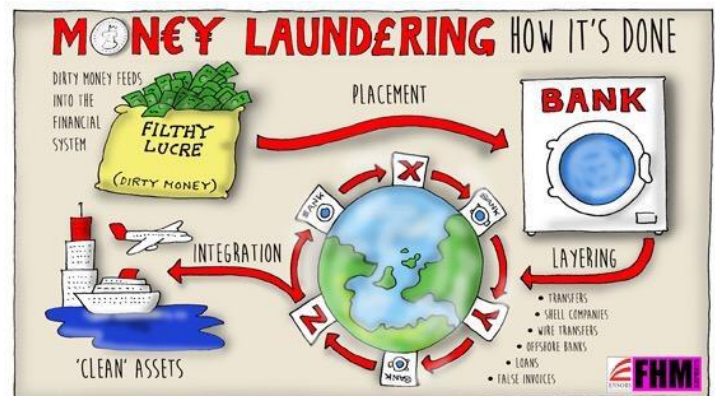
The crime of stealing the funds or property of an employer, company or government or misappropriating money or assets held in trust.⁸

Money laundering

Money laundering is the process of making illegally gained proceeds (i.e. "dirty money") appear legal (i.e. "clean"). Typically, it involves three steps: placement, layering and integration. First, the illegitimate funds are furtively introduced into the legitimate financial system. Then, the money is moved around to create confusion, sometimes by wiring or transferring through numerous accounts. Finally, it is integrated into the financial system through additional transactions until the "dirty money" appears "clean."⁹



2: Tax Evasion Statistics



3: Explaining Money Laundering

⁶ "Tax Evasion." *Wikipedia*. Wikimedia Foundation, n.d. Web.

⁷ "Bank Fraud." *Wikipedia*. Wikimedia Foundation, n.d. Web.

⁸ "Embezzlement." *Legal Explanations*. N.p., n.d. Web.

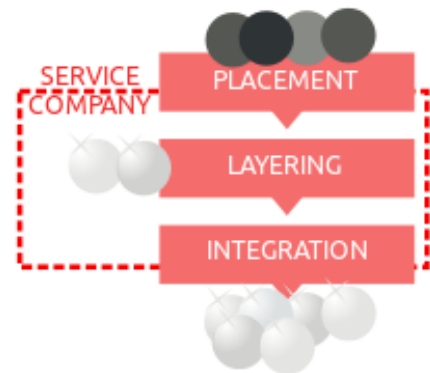
⁹ "Money Laundering." *Wikipedia*. Wikimedia Foundation, n.d. Web.

BACKGROUND INFORMATION

As mentioned above, identity theft and fraud are criminal activities, while the many forms of economic fraud have been around for much longer. That doesn't mean that due to the advancement of cybercrime other versions of economic fraud are emerging while others are thought to be obsolete. Countries lose billions annually, funds that could benefit other sectors of the state, all because there isn't a consistent regulation to effectively fight against criminal activities. Contrastingly, identity theft mostly affects individuals and while that might not seem as important at first, major state fund losses are considered more important, it is equally and maybe even more pressing to fight against ID fraud for the sake of each individual citizen currently under threat of having their personal data compromised.

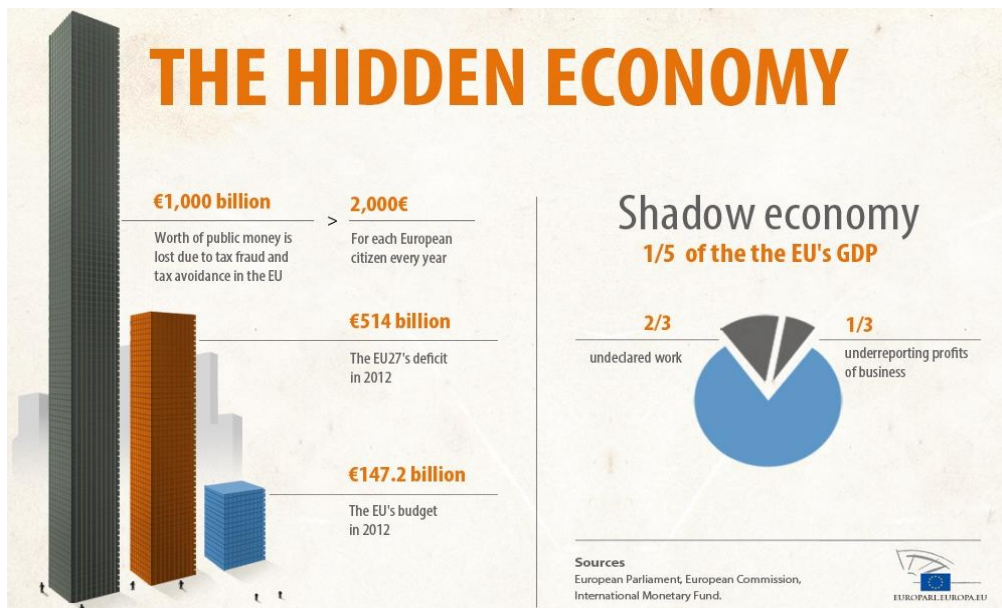
Economic Fraud

A term containing dozens of different offences, economic crime is omnipresent and a constant threat to global economy. Starting with one of the most serious crimes, money laundering is the means to safely enter funds into the markets after acquiring it via illegal activities. Basically, money acquired by (human or drug) trafficking, black market deals, illegal gambling and other serious offences are "cleaned" through placing it amongst legitimate funds



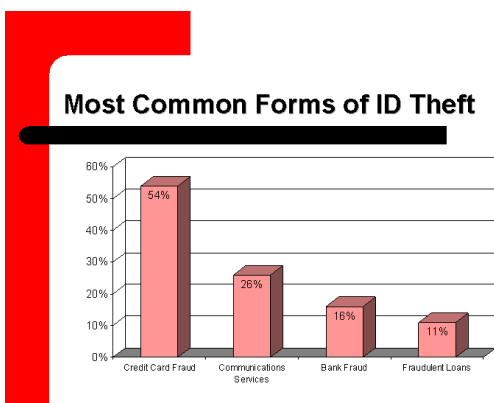
4: Service Company

already existing in bank accounts followed by the integration of the funds so that they seem coherent with the money flow. Money laundering is also done in order to finance terrorist groups without the state noticing. Tax evasion is also an immense issue concerning every state, be that small-scale evasion by citizens or large-scale by enterprises and corporations. As can be seen in graph 1.1, the USA suffers the most from tax evasion losing 337.3\$ billion in 2006. Most commonly, enterprises will use tax havens in order to both legally and illegally evade heavy taxation from the state.



5: The hidden economy

Identity Theft/Fraud



6: Most common forms of identity theft

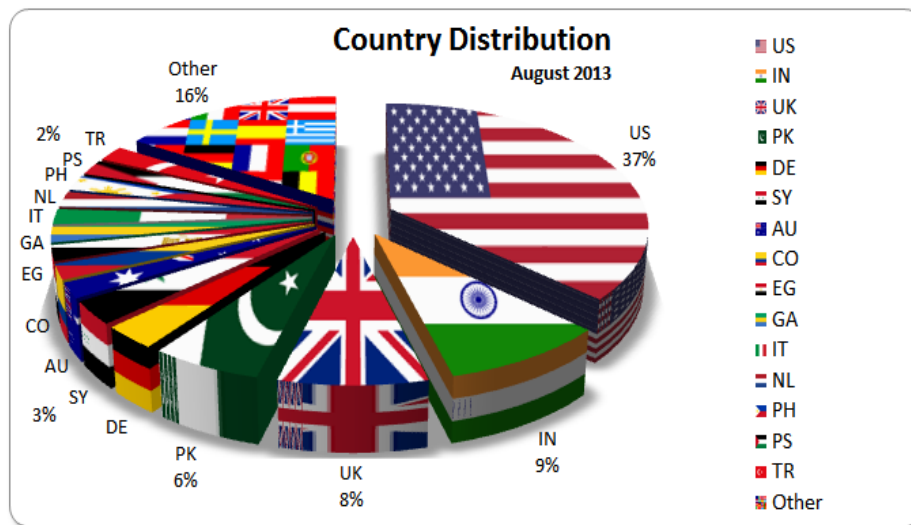
A criminal action with increasing popularity, ID theft is a scary concept to think about. Someone, somewhere decides that they are going to take over your bank accounts and steal money, use your address and name for their purposes and in extreme cases take over your life altogether. When did it become so easy to gain access to some of the most well-guarded aspects of our lives? Even something as trivial as your birth date might be used in order to gain access. The criminals will use anything and everything they can find for their own

personal gain whether that is money, real estate or other amenities. Victims of these attacks have an especially difficult way to bounce back into society given that they will need to rebuild the trust the banks might have lost in them and maybe even face ostracism by their local communities.

Cybercrime

While seemingly cybercrime has nothing to do with ID theft and economic fraud at first glance, it is of utmost importance to understand how this key factor makes the criminals' work that much easier. It is common knowledge that (almost) everyone in the MEDCs uses the Internet. We actively participate on social media, follow the news and even store important files, information and passwords on the "cloud". Given the rapid evolution of hacking, we come face to face every day with

security breaches usually on email servers. Through emails the criminals can find a great deal of personal information later to be potentially used to commit credit card fraud or identity theft.



#7: 2013 Cyber attacks statistics

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

United States of America (U.S.A.)

The USA has a strong battle frontier against identity theft, dividing it to various different categories such as medical ID theft or child ID theft. The Department of Justice is actively prosecuting cases of identity theft as well as implementing the 1998 Identity Theft and Assumption Deterrence Act. There are many examples of cases on their website should you wish to find out more. Furthermore the Federal Trade Commission has a specific website dedicated to helping identity theft victims via general or personalized recovery plans. On the issue of money laundering, the USA has both preventive and criminal measures. An example of a regulatory (preventive) measure is the Bank Secrecy Act, a series of laws passing in Congress from 1970 in order to eliminate the amount of “dirty” money entering the country. It is apparent that the USA is putting in a huge amount of effort in order to get rid of this type of crime and help the victims at the same time.

United Kingdom

In 2015, identity crimes saw a rapid rise in numbers in the UK. Most of the frauds happened online, which once again proves the danger the Internet poses to our personal data if not handled carefully. CIFAS, the leading UK organisation in fraud prevention has launched a campaign called “Take Five to Stop Fraud” in

cooperation with UK banks and the City of London Police in order to inform the people and diminish identity fraud. All in all, the UK is clearly very invested in protecting the personal data of its citizens.

Australia

Crime Stoppers, a national program operating throughout Australia, facilitates reporting of crime, including identity theft, by members of the community. Stakeholders include police forces from each State and Territory in Australia; State and Territory Governments; the Australian Federal Police; the Australian Government – Department of Home Affairs; the media; and the public. Members of the public call Crime Stoppers when they have information that may help cease, resolve or prevent criminal activity in the community. Members of the community who call Crime Stoppers receive a code number that allows them to claim a reward, if desired, once an arrest has been made.

Brazil

While Brazil may not seem to be greatly affected at first glance, it is actually a country that has seen a great rise in the numbers of identity theft cases in the past decade. In May 2014, a research conducted by one its main credit scoring entities showed that there was an average of one attempted fraud every 15.6 seconds. In just three months (April-June 2014) attempted ID fraud had gone up by 9.4%. Most commonly, these thefts were related to the telecommunications industry, followed by the service sector and the banking sector.

United Nations Office on Drugs and Crime (UNODC)

Since 2007, the UNODC has established a core group of experts made of Member States representatives as well as experts from the private sector and the academic field. Through researches and published papers, the UNODC helps the states combat corruption and economic crime. Moreover, the office draws upon its specialized expertise on criminal justice systems response to provide technical assistance in international cooperation, data collection, research and analysis on cybercrime.

European Commission

The European Commission, when it comes to ID fraud has very clear goals. Firstly, they plan to significantly reduce identity and all related crime, improve the capacity to prevent and tackle identity theft in both the public and private sectors, to improve the knowledge base regarding such crimes. The commission has four different policy options:

- Status Quo
- Non-Legislative Action to help combat identity theft
- Legislative Action to combat identity theft
- Combined Action

The European Commission is also very concerned with the severe issue of cybercrime which is strongly tied with both identity theft and economic fraud.

TIMELINE OF EVENTS

Date	Description of events
1997	Establishment of the UNODC (originally Office for Drug Control and Crime Prevention)
1998	USA: Identity Theft and Assumption Deterrence Act UK: Data Protection Act
2001	USA: FTC releases first annual statistical report on identity theft complaints
2003	United Kingdom: The Combined Code on Corporate Governance & The Money Laundering Regulations European Union: European Council on Economic Fraud United Nations: The adoption of UNCAC (United Nations Convention Against Corruption).
2004	Australia: The Corporate Law Economic Reform Program (Audit Reform & Corporate Disclosure): legislation that focuses on antifraud efforts.
2007	Establishment of Core Group of Experts by the UNODC
2008	USA: Identity Theft Enforcement and Restitution Act: Bill designed to provide recourse for victims of cyber crimes including identity theft and to help in the investigation and prosecution of the crimes.

RELEVANT RESOLUTIONS AND PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

ECOSOC Resolutions

ECOSOC resolution 2004/26 on 'International cooperation in the prevention, investigation, prosecution and punishment of fraud, the criminal misuse and falsification of identity and related crime',

ECOSOC resolution 2007/20 on 'International cooperation on the prevention, investigation and prosecution and punishment of economic fraud and identity-related crime',

ECOSOC resolution 2009/22 on 'international cooperation on the prevention, investigation and prosecution and punishment of economic fraud and identity-related crime',

ECOSOC resolution 2011/35 on 'international cooperation on the prevention, investigation and prosecution and punishment of economic fraud and identity-related crime',

ECOSOC resolution 2013/39 on 'international cooperation on the prevention, investigation and prosecution and punishment of economic fraud and identity-related crime'.

Meeting reports of the core group of experts on identity-related crime

Report of the first meeting of the core group of experts on identity-related crime (Courmayeur, Italy, 29-30 November 2007)

Report of the second meeting of the core group of experts on identity-related crime (Vienna, Austria, 2-3 June 2008)

Report of the third meeting of the core group of experts on identity-related crime (Vienna, Austria, 20-22 January 2009)

Report of the fourth meeting of the core group of experts on identity-related crime (Vienna, Austria, 18-22 January 2010)

Report of the fifth meeting of the core group of experts on identity-related crime (Vienna, Austria, 6-8 December 2010)

Report of the sixth meeting of the core group of experts on identity-related crime (Vienna, Austria, 16-18 January 2013)

POSSIBLE SOLUTIONS

Firstly, all Member States should try to achieve efficient international cooperation in order to diminish economic fraud and ID crimes. Such cooperation could be achieved by implementing various measures. By applying these measures, there could be a significant drop in such criminal activities. These measures could include but are not limited to:

- Stricter legislation both regionally and internationally, composed by delegates from countries' Justice Departments with help from the UNODC's Core Group of Experts,
- International organisation of police forces in order to make it impossible for criminals to evade capture by entering another country,

Secondly, there should also be more enhanced consultations with the private sector, elaboration of research papers, compilation of examples of relevant legislation and development of materials on best ways and means to promote international cooperation to combat identity-related crime.

Thirdly, each Member State, aside from contributing on an international level, should study and eliminate economic crime inside their country as a measure to better understand how criminals work and thus combat the international threat more effectively.

Another possible solution would be to put in place tighter regulations such as international and transnational treaties like the United Nations Convention against Corruption. Implementing the treaties and working with organizations such as the World Bank and the UNODC would have as a result the promotion of cooperation between countries, both more and less economically advanced, as well as increasing the cooperation between the public and private sector.

Also, increased transparency between nations is highly advised as well as sharing technology and knowledge between MEDCs and LEDCs in order to fight international economic crime more efficiently.

ADDITIONAL READING

It is recommended that you search to find studies published by organizations such as the UN or the EU. You could try:

- Study for an Impact Assessment on a Proposal on a New Legal Framework on Identity Theft by the European Commission

- Action Against Corruption, Economic Fraud and Identity Related Crime by the UNODC
- Handbook on Identity-Related Crime by the UNODC

Also helpful might prove to be the ECOSOC resolutions and Core Group of Experts Meetings reports under the section "Relevant Resolutions and Previous Attempts to Solve the Issue"

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