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THE ROLE OF ACCOUNTING PRACTICES BOTH IN ABETTING AND PREVENTING MONEY LAUDERING

Abstract:

As a result of globalization, the financial relationships have increased between countries, markets have became integrated, investors have an opportunity to make profitable investments which will bring highest return wherever they want and also internet banking and electronic banking transactions have increased thanks to advanced technology and all these developments have accelerated money circulation, intrinsically these developments have been seen as positive but besides these developments, globalization has brought some costs like fraud, corruption, caused diffusion of crimes. In this respect money laundering is one these crimes and when it is described, dirty or black money which is derived from illegal activities after that this black money is tried to be appeared as legal money that is called as money laundering, so both the way of getting and legalizing this money constitutes a crime. Negative effect of money laundering can be examined within 4 topics; economic, moral, social and legal, and threats economic integrity, stability, reliability, and judicial order. Thus both developing and developed countries must seriously combat with this crime and find what the main reasons that facilitate realizing money laundering are and how it can be prevented.

In this paper it is evaluated that the role of accountants and accounting practices abetting to money laundering, and how people use accountants while realizing this victimless crime and also what can be done to prevent money laundering with the help of accounting practices and how accounting practices can prevent money laundering.

Keywords:

Money Laundering, Black Money, Dirty Money, Anti-Money Laundering, Proceeds of Crime

JEL Classification: M41, M42, M48

1. Introduction

As a result of globalization, the financial relationships have increased between countries, markets have became integrated, investors have an opportunity to make profitable investments which will bring highest return wherever they want and also internet banking and electronic banking transactions have increased thanks to advanced technology and all these developments have accelerated money circulation, intrinsically these developments have been seen as positive but besides these developments, globalization has brought some costs like fraud, corruption, caused diffusion of crimes. Free movements of goods and services and free movements of money, and trade facilitation in customs have paved way for narcotics traffic, arms smuggling and other goods smuggling and also these developments have paved the way for money laundering and the rate of this crime has increased day by day. The flow of money separates into three colors including white, gray and black. And these are varied from each other whether they are illegal or legal or whether they are unregistered or not. According to this, if money is derived from legal activities and declared to tax office, it is called as white money. If money is derived from legal activities but not declared to tax office, it is called as gray money. If money is derived from illegal activities and also not declared to tax office, this money is called as dirty or black money. When we examine the definitions we see that, since black money is derived from illegal activities and this black money is tried to be appeared as legal money ,which is called as money laundering, these two activities constitutes a crime. On the prevention of money laundering both nationally and internationally cooperation is required and also accountant, accounting departments and accounting practices in businesses have great responsibility to combat with this crime.

2. Literature Review

Clark, Ziemba and Dubowitz (2013) conducted a study related to how Iran exploited the loopholes in the U.S.A laws to fulfill its exchange reserves and they stated that unless the sanctions are implemented for gold, Iran approximately will get $ 20 million and this figure corresponds 30% of the countries all the energy export volume.

Miynat and Duramaz (2013) stated the relationship between cyber crimes that occurs in banks and other financial institutions which are seem as intermediary institutions in order to prevent money laundering.

In Young's paper (2013) it is aimed to explain the relationship between the banking applications in off-shore centers and money laundering and stated that which initiatives are implemented to control money laundering in off-shore centers by global regulatory institutions and investigated what kind of environment is there to realize money laundering.

Schlenther (2013) explained money laundering in terms of tax and stated that tax crimes are one of three crimes that is realized more than others. In his paper, it is expressed that evasion of taxes, black money and capital flight are important threats in terms of economic stability for developing countries and Schlenther gives place the example of South Africa in his work.

Aydin and Arikan (2013) in their study indicated that people have begun to give up seeing sport as an entertainment tool and it started to reach great masses. And sport sector has begun the leading sector in Turkey in terms of its economic size. Therefore this growth has attracted attentions of mafia. Since there is exemption from tax in this sector, they indicated increasing money laundering activities.

With the developments of information technology, the crimes in the nature of economic have increased significantly. Kasap (2013) expressed in his paper in order to prevent money laundering professional support is needed. And it is possible with people who have good knowledge in law also in accounting and finance. And Kasap indicated the important role of forensic accountants to decrease money laundering activities.

In their study, Borekci and Yurdakul (2011) mentioned the development process of Turkey and EU relations and exemplified this relationship with current developments. And they gave the place the workings of MASAK which is the financial intelligence unit combating to decrease crime incomes to create efficient economy and decent society.

3. Black Money (Dirty Money)

While the concept of black money is defined as the earnings gained from drug sales at first, nowadays we encounter with this concept the earnings gained from many types of flagitiousness (Ergül, 2005, p.2). However, even though rapidly advancing technology and globalization has brought many positive results, since there are no geographical boundaries between countries and increasing integration thanks to computerization, it leads us to encounter more and more with the concept of black money. When we examined the definitions which are done for the concept of black money or dirty money, we see that every definition includes a crime and earnings gained from these mentioned crimes (Özince, 2003, p.1-2). In order to evaluate the process of black money the terms of “predicate offenses” and “proceeds of crime” should be understood, in this context, “predicate offenses” are expressed as the crimes that make possible to get proceeds of crime and “proceeds of crime” mean any economic benefit derived from criminal action expressed as a crime by laws (MASAK, 2011).

It is said in the other definition, income or asset gained from unlawful, illegal activities is called as black money (İpek, 2000, p.3).Another definition for the concept of black money is expressed as illegally obtained money that affects the economies, communities and the juridical system of countries, severely and gained from particularly drug trafficking and also terrorism, smuggling, fraud, migrant smuggling, human trafficking and arms smuggling (İpek, 2000, p.1; Pamukoğlu, 2014, p.6).

In the other definition any economic asset that is gained from illegal activities is called as dirty or black money, trying to make legal these economic assets money and quasimoney is called as laundering (Yetim, 2000, p.2). Because black money is mentioned as victimless crime and governments are interested in to solve this crime, public is generally has little knowledge about this topic (International Money Laundering Information Bureau, 2014).

Even though it is difficult to detect total amount of black Money in both Turkey and the world, according to Global Financial Integrity it was stated that, approximately 150 developing countries had lost $ 1 trillion (946.7 billion in 2011) because of bribery, corruption and black Money and this figure is more than 13.7 % than previous year and also it is the biggest amount of the last decade. It means even every 1$ economic development aid for developing countries, illicit outflows corresponds 10$ every year in these countries (Dawson, 2013). In the report published in February 2011 the illicit flow of arm, immigrant and natural resources are estimated approximately at 650 billion $ (Haken, 2011). Now the world has transformed as a single market, the relations between countries have increased, via advanced technology and easiness of computer transactions made the money flow easier so it decreased the control of capital flow between parties and this situation caused to recipe for crimes. In the report with the title of “Transnational Crime in the Developing World” Jeremy Haken examined the crimes within 12 title “drug trafficking, human and animal trafficking, counterfeit goods and money, organ trafficking, small arms, diamonds and other precious stones, oil, timber, fish, art and cultural assets and gold” (Haken, 2011).

4. Money Laundering

The process of granting legitimacy by changing the identity of money gained from illegal and fraudulent way is defined as money laundering (Ergül, 2005, p.3) and also according to definition done by International Money Laundering Intelligence Bureau money laundering is the process of legalizing the money derived from the illegal activities like drug trafficking, terrorism, historical artifacts smuggling and etc. Laundering and black money is defined in the directive of European Community in the March of 1990, concealment of illegal sources of the assets gained from serious crime and the action of money transfer or currency conversion in order to help misdemeanant (International Money Laundering Information Bureau, 2014).

When large amount funds gained by gangsters are want to be spent, this illicit money is brought in legal appearance and this process is called money laundering and this process makes difficult to assess and follow the source of crime (Danzanjamts, 2008, p.2). Since money laundering in a country threats the economic integrity and reliability and also it is an phenomena against the judicial order both developing and developed countries must combat with this crime (Küçükuysal and Köse, 2012, p.125).

G20 leaders tried to draw attention to black money and stated that in order to healing the economies after 2008-2009 recession strict measures must be taken to prohibit using institutional structure for tax evasion or concealing the proceeds of crime. According to Dawson, illicit outflow in the Middle East and South Africa has risen to 31, 5 % during the Arab spring and in Sub-Saharan Africa this figure was 20, 2 % in the end of 2011. Due to the nature of the illegal outflow, the amount of this illicit money cannot be measured exactly was indicated in GFI report. However, more than 79% of the illegal money was recorded because of incorrect billing to avoid paying for import and export (Dawson, 2013).

When we examine the definitions, the reverse sides of black money can be handled in 4 areas: economic, legal, moral and social. Economically, money laundering offenses economic reliability and shrinks economic indicators Legally, it is a crime against judicial order because it is gained from illegal activities, it has an negative impact in terms of socially and morally because it includes such crimes as drug trafficking, human trafficking, smuggling, historical artifacts smuggling, terrorism, migrant smuggling and because of other predicate offenses (Yılmaz, 2006, p.2).

2.1. The Stages of Money Laundering, Types and Methods

In 1900s, The gangster Al Capone displayed his income gained from especially drug and alcohol smuggling as if he gained from his own laundry service, from that day to this, the money gained from illegal ways and legitimizing this money is liken laundering the illegal money so the concept of money laundering has revealed and this crime occupy the governments agenda since that day (Miynat and Duramaz, 2013, p.316 ; Steel, 2012). Accordingly, Money laundering has been achieved in three stages (International Money Laundering Information Bureau, 2014):

- Placement → It is the first step of money laundering, not to attract the attentions guilty struggles to transform the cash derived from crimes into another form and transferring these assets into financial system (Ergul, 2005, p.8). Today the rate of using credit cards, check and other non-cash assets increased so smurfs have turned towards the countries where cash use is widespread and auditing and controls are weak not to draw attentions (Yıldırım, 2007, p.561).
- Layering → In order to avoid investigations related to crime and making impossible being detected, separating illegal money from its sources and dividing this assets into funds or transferring different accounts, it means regulating financial transactions in order to legitimize illegal money (Ipek, 2000, p.19).
- Integration →The illegal money whose source is substantially hidden is used in legal transactions like investing and then this money is completely incorporated into financial system (International Money Laundering Information Bureau, 2014). This stage is called as “homecoming” because in this step black money is included in the country’s financial system as being laundered (Yıldırım, 2007,p. 562).

2.2. The Methods of Money Laundering

The methods of money laundering are increasing day by day, because these methods depend on the imagination, it is difficult to indicate certain number about these methods (Danzanjamts, 2008, p.2).Also these methods is developed by professional people in their field, it is not so difficult to find a new way in everyday Ergül, 2005, p.18). The most well known money laundering methods are listed as follows:

- **Cash Smuggling:** It is one of the oldest technique, the funds are imported illegally and these imported cash is transported to countries where there is no or minimum auditing or weak control via international shipping companies, courier or post (Yetim, 2000, p.79). These assets are sent to off-shore centers where financial transactions are realized hidden and called as tax heaven and in these places banks are hospitalized this illegal Money and includes financial system then Money has an legal appearance (Ergül, 2005, p.19).
- **Establishment of Fake or Shell Company:** In this method, there is no production or any trade transaction and this methods makes difficult to find the source of illegal Money. Misdemeanants show up illegal Money as profit of these fictitious companies and they are only responsible for paying the taxes of these companies (Yetim, 2000, p. 82). In the same way, fictitious export has occupied for a long time in Turkey agenda and with this method, the goods which has 5 Turkish lira value is exported as 50 Turkish lira and the difference between real price and exported price is shown as export revenue (Ergül, 2005, p.29).
- **Smurfing Method:** In countries, Cash transactions realized over a certain amount must be reported. In order to avoid this obligation, the Money obtained from illegal action dissected small amounts and deposited to different banks or deposited to same bank by different people, this method is called as smurfing method (Masak, 2014). Each member of an organization is called as smurfs and in order not to draw attention they deposited not close to notification ceiling but small amounts of Money into banks at different times (Ergül, 2005, p. 22).
- **Tax Havens and Off-Shore Banking:** Tax havens is identified as jurisdictional adjustments that allows avoiding paying taxes to taxpayers and includes the countries that there is no obligation to pay tax like Cayman Islands, The Bahamas and Bermuda, and there is little tax for Money obtained outside but just there is an obligation to pay tax for Money gained in tax havens like Hong Kong, Panama and Liberia and the countries they provide some easiness about tax for companies having some features like Luxembourg, Monaco and Channel Islands ("Cyber", 2014). The countries mentioned as tax havens have some features like there is no certain auditing standards or no improved auditing activities and no information about the companies operated in both tax havens and also in other countries and even though there are many companies established in legal sense, these companies have no economic activity ("Cyber", 2014). Although the aim of tax havens is facilitating market transaction, these tax havens have continued their activities as financial shelter to store the Money obtained from drug trafficking (Ergül, 2005, p.23).

Except the most used these methods for Money laundering, opening account with wrong name, laundering Money by creating receivables and payables with imaginary debt documents, alternative banking methods in which transactions are conducted in undocumented environment, using false or inflated invoices, showing illegally obtained Money as gained from horse racing, casinos are another methods that are commonly used (Yetim, 2000, p.87).

3. The Chronology of World Studies for the Prevention of Money Laundering

United Nations Office on Drug and Crime (UNODC) expressed in the report in 2011 that total proceedings of crime was 2%- 5% of global production rate in 1998, in 2009 it was the 3,6% of the world's total production and it was approximately about 2.1 billion $, at the same year the amount of laundered money corresponds the 2,7% of world's production rate and it was about 1,6 billion $ (UNODC, 2011:7-9). The first studies to combat with money laundering in the international arena were done because the huge amount of earnings from drug trafficking catch government's attention (Insam, 2007, p.33; Steel, 2012). It was presented that money laundering is a serious crime that economically under developed countries were more prone to this crime, both socially and economically destabilizing those countries (Muller, 2007, p.135) because it is a cross-border crime, international measures must be taken (Saatçi, 1996, p.1) in the recommendation of Committee of Ministers of the Council of Europe published first at 27 June 1980, it was expressed that banking sector had an important role to prevent the money laundering so that to defend this crime cooperating with banks are very important (Saatçi, 1996, p.2), in the council recommendation it was requested that banks must follow the customers and the ID of customers must be clearly identified, abuses of services provided by banks must be prevented and also additional security measures must be taken (Insam, 2007, p. 33). In the recommendation of the council it was recommended that there should be some regulations in the banking system of the member countries and these were: (Saatçi, 1996, p.2):

- The obligation of obtaining the ID of the customers based on the official documents.
- Hiring safe-deposit banks to only reliable and known people.
- Giving trainee to employees about the identification of suspicious behaviors and criminal behaviors
- Cooperating with police and the governments to prohibiting the use of banks as an intermediary in the money laundering and following the serial number of dirty money

In the same year- 12 December 1988- Basel Principles were published in order to prevent money laundering via the financial system so according to principles it was required that banks must not fulfill the transactions seen as suspicious and in the principles it was set out the measures that must be taken related to prevention of money laundering (Insam et al., 2007, p.34; Saatçi, 1996, p.2). According to principles prepared by Basel Committee's with the "Customer Recognition" motto, although it was stated that banks must provide financial stability rather than checking the legality of transactions, it was also declared that banks can not be the partners of crime and not to be used for these reasons because it it is the reliability towards bank and the financial stability could be distrusted (Saatçi, 1996, p.2-3).

In the same year, Vienna Convention (UN Convention Against Illicit Traffic of Drugs and Psychotropic Substances) was published (Kaçar, 1999, p.85) and this convention emphasized that the revenue obtained from drug trafficking should not be reflected as trade transaction, it must be perceived as a crime and government must seize the money obtained from this transaction (Insam et al, 2007: 33). Due to existing in secrecy in the banks it was requested that authorities can be seen as authorized when it is necessary to take financial and commercial report and information about drug-related research from the banks (Saatci, 1996, p.4).

G7 countries having the highest GDP in the world and established for eliminating the differences between western industrialized countries' policies and in order to ensure international economic order (later Russia is added and G8 is constituted) in 1989 in July, this group established Financial Action Task Force (Kaçar, 1999, p.85). FATF mentioned as financial working group to decrease the volume of money laundering and established within the body of OECD and arranges meeting in every year regularly with its members as 34 countries and 2 regional organizations (Pamukoğlu, 2014, p.4) and determines international standards and in 1990 FATF prepared a report which includes 40 recommendation to combat with black money, proceedings of crime and money laundering so from this time today the working group plays important and great role in the international arena (Insam et al., 2007, p.35). Turkey became the member of FATF in 1991 (Pamukoğlu, 2014, p.4).

FATF classifies the countries as 2 groups as "black" and "gray" in the anti- money laundering and combating financing of terrorism so according to data in the black list of FATF Iran and North Korea took place, in the gray list of FATF there are the countries who have strategic inadequacy and not press the issue and these countries are Yemen, Turkey, Syria, Pakistan (Pamukoğlu, 2014, p.4). In 1990, the first report of FATF was published called as "action steps" for an effective fight against money laundering with 40 recommendations, according to recommendations in order to use banks or financial institutions for money laundering 3 main topics have been identified (Ergül, 2004):

- National juridical system should be developed
- The role of financial system should be strengthened
- International cooperation should be strengthened

After these efforts, with Strasbourg Convention published in 1990, the content of Vienna Convention published in 1988 was expanded. According to Strasbourg Convention, there was a consensus by European Council about all earnings obtained from organized crime must be seen as a proceeds of crime (Insam et al., 2007, p.34). 10 June 1991, European Council formed the first Anti- Money Laundering directive that required regular report for financial transactions over a certain amount and restricted the obliged avoiding suspicious transactions for banks in accordance with the work of FATF (Insam et al., 2007, p.37).

Although banks and other financial institutions responsible for providing information about suspicious transaction in order to fight Money laundering, countries have formed “Financial Intelligence Units” (FIU) in order to make them collect financial information, analyze them and notify suspicious transactions (Masak, 2014).

In 1995 after these developments, the Egmont Group was established in cooperation with 24 member countries and 8 international organizations in Brussel. The aim of the group was improving the current system of countries to fight money laundering. Egmont Group conducts its activities in accordance with Vienna Convention, Basel Principles and FATF and it also aims that creating systemically international information changes (Masak, 2014). To improve the studies, to exchange information and to share experiences and trainings FIU’s come together and they are known as financial intelligence units of Egmont Groups (Egmont Group, 2014). Egmont Group determined a common definition for FIU in order to conduct their studies in parallel in 1996, and the definition is published in 2004 in a comprehensive way as follow: *“The central national unit which is responsible for collecting notifications related to financial information required by national legislations and regulations and analyzing and delivering to related groups in order to combat Money laundering and terrorist financing”* (Masak, 2014).

On 9 December 1999, United Nations Convention is published about financing of terrorism which is another organized crime mentioned in money laundering subject (Masak, 2014). In October 2001, terrorism financing was added to mission of FATF and about this issue FATF published 8 recommendations (Masak, 2014). In the same year, (December, 2011) Council of Europe published its second directive (first one is had been published 1991). With September 11 events in New York, it was revised that not just bank for financial service institutions but also funding institutions, insurance companies, exchange offices must be audited more effectively and an obligation, these organizations must also provide notifications about suspicious transactions (Insam et al., 2007: 39).

In 2003 the 40 recommendations of FATF is revised (Insam et al., 2007, p.40). In 2005 the third Council of Europe directive was published which aimed realizing the revised 40 recommendations of FATF and the directive was about whether terrorism financing should be added to money laundering or not (Insam et al., 2007, p.39).

Table 1: The Chronology of World Studies for the Prevention of Money Laundering

27 June 1980	The Council of Europe Committee of Ministers Recommendation
12 December 1988	Basel Principles
20 December	Vienna Convention

1988	
July, 1989	FATF
July, 1990	The 40 Recommendations of FATF
8 November 1990	Strasbourg Convention
10 June 1991	1st Money Laundering Directive of The Council of Europe
9 June 1995	Egmont Group
9 December 1999	United Nations Agreements
28 December 2001	2nd Directive of The Council of Europe
18-20 June 2003	Revising the 40 Recommendations of FATF
25 May 2005	3rd Directive of The Council of Europe

Mali Suclar Arastirma Kurulu

4. The Chronology of the Prevention of Money Laundering and Fighting Against Crime in Turkey

Turkey became a member of FATF in 1991 and took its first step about fighting against money laundering and after 3 years, FATF conducted examination in Turkey (Kaçar, 1999, p.85). With the law no 4208, the efforts for money laundering gained legitimacy in Turkish Legal System in 1996 (Toraman, 2009, p.30). In accordance with this law, Financial Intelligence Units that takes place almost every country was established with the name of "The Financial Crimes Investigation Board" (MASAK) and Turkey became the member of Egmont Group in 1998 (Masak). In 1998, FATF delegation came to Turkey for second evaluation and in 2002 Turkey accepted the agreement which is signed in 1999 about prevention of terrorism financing (Masak). In 2004, Turkey became a member of a GRECO group which is known as the group of states against corruption. The GRECO emphasizes that the importance of international cooperation against corruption (Masak). In the same year Strasbourg Convention was confirmed by Turkey and after 3 years (April, 2007) FATF published its 3rd report about Turkey (Masak).

Table 2: The Chronology of the Studies Against to Money Laundering in Turkey

25 September 1991	Being a Member of FATF
2-4 November 1994	The First Evaluation of FATF in Turkey
19 November 1996	The Law with the no: 4208 Entered into Force
17 February 1997	MASAK was Established

June, 1998	Being a Member of Egmont
3-5 November 1998	The 2nd Evaluation of FATF in Turkey
10 January 2002	Turkey Signed the Agreements about Terrorism Financing Effectuated by UN
1 January 2004	Being a Member of GRECO
16 June 2004	Turkey Signed Strasbourg Convention
2 April 2007	The 3rd Evaluation of FATF in Turkey

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In the Mutual Evaluation report of FATF in 2007, conducted studies on money laundering and terrorism financing were evaluated and it was stated that money laundering conviction number was relatively low, new legislation about this issue was not so efficient, although confiscation and expropriation measures are adequate but these measures could not give expected results, even though MASAK was responsible for reporting suspicious transactions, the number of reported suspicious transactions were low, even though Turkish law and regulations contain necessary requirements about customers credentials' and identity information in terms of financial institutions, the more efforts was required in order to meet FATF standards also to meet standards of FATF, there should have been some obligations for non-profit organizations to fight money laundering and terrorism financing and also in the report it was expressed that Turkey has some technical constraints for international cooperation against money laundering and terrorism financing, in this field it has sufficient infrastructure (FATF, 2012).

In the report of FATF published on 18 October 2013, it was evaluated the judicial system of countries who have strategic deficiencies in terms of protecting international financial system from money laundering and terrorism financing and in this report Turkey took place in the same group with Ethiopia, Indonesia, Kenya, Syria and Pakistan. Although there were some steps taken against terrorism financing, some concerns still remained so in this issue the offenders must be trialed in a court exactly (FATF, 2013).

According to studies on Money laundering between 2009 and 2013 in Turkey, the changes related to number of denunciated person are summed up in the following table:

Table 3: The Number of Indicted Person for Predicate Offenses in Turkey (2009-2013)

Predicate Offenses	2009	2010	2011	2012	2013	Total
Drug Trafficking	53	26	34	1	16	130
Smuggling	-	69	-	-	15	84
Fraud	10	56	77	140	7	290
Illegal betting and gambling	-	165	5	37	41	248
Forgery of official documents	34	15	8	4	-	61
Fuel smuggling	-	30	8	26	29	93
Embezzlement	1	10	30	-	-	41
Usuriousness	3	4	31	41	29	108
Cigarette smuggling	-	-	3	9	-	12
Other	14	11	26	17	101	169
Total	115	386	222	275	238	1236

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Table 4: The Number of Suspicious Transaction Reports (2009-2013)

	2009	**2010**	**2011**	**2012**	**2013**
Total Number of Suspicious Transaction Reports	9.823	10.251	8.729	15.318	25.592
Reports by Banks	9.480	9.968	8.141	13.504	22.086
Reports by other institutions, organization and person	458	433	369	430	401
Number of demand for prosecution and courts assessment	69	107	71	89	97

MASAK Faaliyet Raporu 2013: 48

Table 5:The Number of Suspicious Transaction Reporting by Financial Institutions (2009-2013)

Financial Institutions	2009	2010	2011	2012	2013
Banks	31	26	29	30	31
Intermediaries	15	10	17	23	25
Insurance and Pension Companies	24	18	27	36	34
Factoring Companies	6	14	26	28	43
Leasing Companies	4		14	15	14
Financing Company	2	2	5	4	4
Authorized Institutions / Precious Metals Intermediary Institutions	2	1	2	2	4
Total	84	75	120	138	155

MASAK Faaliyet Raporu 2013: 27

Table 6: Denunciations in 2013 with Distribution by Predicate Offenses

Tax Evasion	108
Fraud	66
Laundering Proceeds of Crime	52
Usuriousness	51
Corruption	35
Unaccredited Earnings	33
Unlawful Profit	24
Smuggling	19
Suspicious Money Transaction	15
Forgery of documents	13
Bid Rigging	13
Robbery	12
Establish Criminal Organization	7

Disparity of Social Security Legislation	6
Financing of Terrorism	6
Cash and cash equivalents captured in the border	6
Drug Trafficking	6
Human Trafficking	5
Gambling	4
Other	17
Total	498

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Table 7: Analysis & Evaluation /The Number of Denunciation from Laundering Crime (2009-2013)

Year	Number of Denunciation
2009	115
2010	386
2011	222
2012	275
2013	238
Total	1236

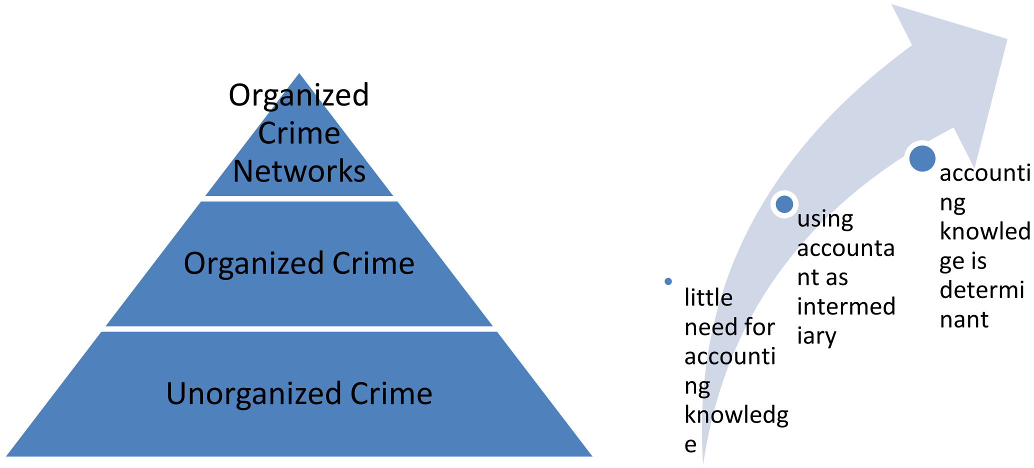
MASAK Faaliyet Raporu 2013: 47

5. The Role of Accounting Practices in Abetting Money Laundering Crime

Socially, money gained from any kind of activities that may harm society, morally, money gained from nonethical activities no matter whether it is suitable to law or not, economically; money obtained from violating the rules that driver of economic life and legally money gained from the actions defined as predicate crime is called as black or dirty money. Although it seems as huge amount of profit in the short term, it affect the countries severely in terms of these 4 aspects in the long term (Yıldırım, 2007, p.557; Şahin, 2010, p.155-156).

In businesses due to the nature of the complexity of the transactions some accounting mistakes can be done by accountants because of ignorance, obliviousness and carelessness besides some accounting mistakes can be done deliberately to gain huge amount of money in a short time from illegal ways. Revealing intentional inaccuracies is so difficult within normal accounting process and in the auditing process and it requires professional knowledge and expreience (Bezirci, 2011, p.10). In his study Compin (2008) stated that the knowledge of accounting can be helpful in financial crimes without the level of accounting knowledge (Compin, 2008, p.592). According to Compin who examined financial crimes within 3 title, for unorganized crimes like stealing goods whose profits are frequently for immediate consumption need of accounting knowledge is very very weak, for second level organized crimes especially managing the revenues of night club or casinos accountants can be as intermediary, but for organized crime networks like drug trafficking, arm smuggling managing the huge amount of revenues in the offshore banks accounting knowledge is determinant (Compin, 2008, p.593).

Figure 1: The Importance of Accounting Knowledge According to Types of Crimes



Drug trafficking, smuggling, counterfeiting and bribery transactions do not require accounting knowledge but managing the revenue from these crimes and for fictitious companies, employing migrant workers, counterfeiting bills accounting knowledge is needed. Bribery in public contracts, misuse of public funds, earnings derived from gambling, financial fraud, false invoice networks and legalizing and laundering all these crimes require accounting knowledge. Therefore, accountants are seen as intermediary for obtaining illegal profit, minimizing risk of financial operations in the off-shore centers by blurring the borders between legal and illegal activities by using their social status, "white-collar" qualities and accounting techniques. All these crimes are not associated with the life of accountants by society, these "white-collars" are not seen as danger (Compin, 2008, p.592-600).

Today, money transfer transactions are started to make without an intermediary thanks to internet banking, cash-based economic system in which large amount of cash transactions do not attract attentions, easiness of establishing shell companies, loopholes in the laws regulating black money, and the presence of grey economy are among the factors that facilitate money laundering crime (Yıldırım, 2007, p.563). Also Ergul (2001) was stated that because bonds and guaranteed bills are liquid, these instruments are used more in money laundering (Yazıcı, 2008, p.157). In 1990 liberalizing the hot money inflow in our country created an suitable environment for money laundering (Yazıcı, 2008, p.157). Recently, the increasing rate of capital mobility and communication among countries thanks to globalization, and advanced technology that enables user privacy and permits realizing transactions with no need an intermediary and developing new payment technologies on cyber world have paved way to internet and smart card for money laundering rather than using traditional methods (Yazıcı, 2008, p.153-159). Easiness of making transaction via internet and the opportunity of hiding the identity of users in the internet environment are the reasons why money laundering become popular on the internet (Yazıcı, 2008, p. 161).

About e-money, smart cards, interactive banking and internet banking that facilitate money laundering, in the article 15 of the 40 recommendations of FATF is noted as: "*Countries and financial institutions should identify and assess the money laundering or terrorist financing risks that may arise in relation to (a) the development of new products and new business practices, including new delivery mechanisms, and (b) the use of new or developing technologies for both new and pre-existing products. In the case of financial institutions, such a risk assessment should take place prior to the launch of the new products, business practices or the use of new or developing technologies. They should take appropriate measures to manage and mitigate those risks*."(FATF Recommendations, 20013: 17).

Since Money laundering moved to cyber world from real world, restricting the transactions n over certain amount on the internet or in this case developing new software programs that will know the customer and their credibility rate can be mentioned as measures to handle with this victimless crime (Yazıcı, 2008, p.168).

6. The Role of Accounting Practices in the Prevention of Money Laundering

Since illegally obtained money is shown as legal within the stages, money laundering is expressed as a crime which is difficult to detect and it is also difficult to predict precisely how this crime causes economic loss. According to FATF world GDP includes a figure between 2% and 5% black money (UNODC, 2011, p.5). However, Turkey ranks in the gray list group of FATF which means Turkey has not made sufficient progress to fight against money laundering and has strategic shortcomings or did not take necessary measures in order to complete existing shortcomings in their action or plan in cooperation with FATF. In order to reduce volume of money laundering which is serious threat for Turkish economy, accounting departments referred as the heart of businesses have important duties.

In turkey in 2013, since swindling has the biggest share as 30 % among the other predicate offences (Masak, 2014) an effective internal control system and accounting information system are the measures that can be taken in order to prevent swindling and other offences. Because firstly published in 1980 as it is stated in the Council of Europe Committees of Ministers recommendation, customer's identification data and the obligation of monitoring these data is possible accounting information system in businesses. And since accounting information system will provide information about which customers, what kind of transactions, what amount of transaction are done in the enterprises, it will ensure transparent information both inside and outside the enterprises.

In business, prevention of fraud and embezzlement and such crimes is possible by internal control system (Bekçioglu, 2013, p.2). Therefore, with the effective internal control system, the security of information in businesses will be ensured, compliance with laws and regulations will be provided, and also compliance with international auditing standards, and various national and international regulations will be realized (İbiş and Catikkaş, 2012, p.95).

Except mentioned measures, in the first report published by International Federation of Accountants (IFAC) in the context of " Eliminating Black Money" in June, 2002; it was aimed that raising the awareness in terms of money laundering and what kind of liabilities have accounting professionals (IFAC, 2004). In the second report published in 2004, other criterias took place like security and legal measures in order to fight, identify and strengthening the controls against the money laundering (IFAC, 2004).

In an enterprise, although it is difficult to see black money signals by internal auditors and financial statements reviewers, at this point the accountants in the management position and CEO, CFO, CIO who reports and recognize the transactions have very important duties to detect black money the laundering this money efforts. However forensic accountants and internal auditors have larger duties to detect black money when compared with external auditors (IFAC, 2004, p.16).

In addition to support provided by police, forensic accountants who has litigation support consultant, as forensic accountants and as experts have an important role related to money laundering (Kasap, 2013, p.121). Because forensic accountants have some features like being a good interrogator, being an expert in interview techniques, having the ability to analyze the information obtained from third parties and determining financial transactions with this information also they have sufficient knowledge in both hardware and software. They can modify possible cheating scenarios and they have the ability to detect fake documents and they are the professionals who have the necessary competencies in fraud and money laundering (Toraman, 2009, p.31).

Also trainings and ethical values are always jogged to all staffs' mind and the understanding of no matter the source of money as long as businesses obtain it must be destroyed and for accountants their respectability and social status should not be financial criminal.

7. Conclusion

At first, although the history of money laundering has started with drug trade, its predicate offences are increasing day by day and in order to provide economic stability and not to shake the confidence over law, Turkey is fighting against money laundering both in national and international level. At the beginning of 1990 Turkey was included the developments that starts at the beginning of 1980s in the world. As well as its financial intelligence unit MASAK, Turkey has taken steps by attending the international groups in order to prevent black money and money laundering. Even though the current status of Turkey in the fight against this crime were not shown as effective, the measures will be taken in economic, legal, social aspect will take even better with each passing day. One of these measures is accounting implementations, with an effective accounting information system and with the principle of transparency, the companies' operations will be examined regularly and the obligation of providing true, fair and accurate information to interest groups will help reducing the illegal activities. Also the function of internal control will be seen as a guarantee in order to ensure compliance with laws and regulations, at the same time, thanks to internal control faults, frauds and deficiencies will be prevented. Thus, the effectiveness of activities as well as compliance with laws and regulations will be provided. Also forensic accountants who are professional both in law and accounting will help detecting of money laundering. Since trade transactions have become complicated with the advanced technology and computerization, not only crime science investigation units but also these mentioned forensic accountants have great role against money laundering. With the help of trainings about detecting the fraud or obeying the ethical values are important in terms of gaining respect for staffs, new software systems so it will be aimed that the knowledge of accounting will not be used for facilitating the money laundering but it will be used to prevent this crime.

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