

# Research Report

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## The Economic and Social Council International cooperation to combat economic fraud and identity-related crime



# MUNISH



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<b>Forum</b>	ECOSOC
<b>Issue:</b>	International cooperation to combat economic fraud and identity-related crime.
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## Introduction

The rate at which criminal misuses of personal identity on a national and transnational level has been growing rapidly in the last few years, being important threats for More Economically Developed Countries (MEDCs) and development in Less Economically Developed Countries (LEDCs). Modern technologies and communication systems and the internationalization of criminal networks have provided increasing opportunities for falsification of identity and theft to occur. Additionally, identification on personal and corporate levels has grown over the years, making us increasingly vulnerable to the threats linked to identity-related crime.

Economic fraud and identity-related crimes are inevitably strongly linked. Criminals can obtain vast amounts of information through cybercrime, hacking computers and accessing confidential documents. The exponential increase of such crimes, with over a billion Internet users, hinders states' capability of achieving the Millennium Development Goals. The great majority of identity-related crimes reported in North America and the UK were committed for financial gain, costing as much as 1.3 billion British pounds per year (2002 Cabinet Office Study) and from estimates of losses in Australia fluctuate between one billion to over 3 billion US dollars annually. Furthermore, identity frauds made up two-thirds of the total 248,325 incidents recorded by Cifas, the fraud prevention service. To remain consistent with the UN ODC terminology, financial identity-related crimes will be referred to as economic frauds in this report.



## Definition of Key Terms

### Economic Fraud

Identity-related crime conducted for financial gain. There are two main categories of economic fraud:

1. Access to existing accounts
2. Creation of new accounts.

### Identity-Fraud/Theft

A fraud committed or attempted using the identifying information of another person without lawful authority.

### Identity information

Any name or number that may be used, alone or in conjunction with any other information, to identify a specific individual.

## General Overview

### Impact of the internet

With the digitalization and globalization of our services, the exchange of identity-related information on such networks has dramatically increased. Large sectors of businesses and governments depend on data processing by computers and automated systems. But the information is not simply processed, it is also stored in databases, which can be potentially vulnerable to offenders. Due to the digitalization, the information at which offenders generally aim at has changed over the years. Focus used to lie in passport numbers, birth certificates, identity cards and such. The most common categories of identity-related information used by offenders are:

- SSN (Social Security Numbers) — (USA)
- Passport Information — In a lot of developing countries, this is the main identification tool used by governments, as well as private businesses.
- Driving Licenses — The terrorists involved in the September 11 attack obtained driving licenses, using fraudulent material, through a loophole in the state of VA's legislation.



- Credit Card Numbers and Financial account information — This information is a major source for crimes related to economic fraud
- Birth Certificated

New categories of information targeted:

- Account information (usernames and passwords) — Network services such as banking, selling, and email require passwords. Therefore, they have become easy targets for cyber-offenders. Finding this identity-related information can not only grant the offenders access to a wide array of information, allow them to make transactions, send out emails, but also give them access to further information.
- IP Address — Offenders can use such addresses to take over the victim's identity.

### Methods of obtaining identity-information

One method of extraction of information about victims is an insider attack. There are reports of employees using a business' service to obtain credit reports and such. There attacks are often highly successful due to the lot of security measured directed at outside attacks. Offenders may also find information about victims through publicly available informaton, such has handbooks or publications. The digitalization has extended the range of methods used, bringing a number of advantages to offenders and making the job of authorities much more difficult. ID offenders use various techniques to obtain identity information about their victim. The most commonly used scams today associated with digital data are skimming (manipulation of ATMs to get credit information), phishing (building fake sites, called "spoofing sites", that sell attractive products, and then using the identity-related information to make transactions and such), malware (the use of malicious software installed on the victim's computer that extracts confidential information), and finally the broader term of hacking, which describes the illegal access to a computer.

### Relationship between identity-related crime and economic fraud

There are significant areas of in which identity-related activities are economic fraud overlap. The most common identity offenses are either economic frauds or related to travel and identity documents. In order to understand the relationship between the two, it is helpful to examine a case study.



### United Kingdom (UK) Case Study

In July 2007, Abdulqudri Hazzan was charged with 7 counts of fraud. Hazzan was sentenced to two and half years imprisonment, for his role in a 1 million British pounds fraud against the taxation system. He was part of an entire gang composed of 9 individuals. The gang has used over 125 stolen identities to produce false tax claims. Furthermore, the gang opened over 50 new bank accounts to store the money stolen. When Hazzan was arrested, a vast amount of property was given back, as well as identity information.

While this is an isolated case, it illustrates the phenomenon of identity theft as a means for economic gain. The Center for Identity Management and Information Protection provided a large study of 517 cases, and analyzes the motives of offenders in conducting identity fraud.

Motive	Percentage
Obtain or use credit	45.3
Procure cash	33
Conceal actual identity	22.7
Apply for loans to buy vehicles	20.9
Manufacture and sell fraudulent IDs	7.7
Obtain cell phones and services	4.6
Gain governmental benefits	3.8
Procure drugs	2.2

All of these motives, except the 3<sup>rd</sup>, involve economic gain.

### Economic Fraud

The UK Fraud Prevention Service has reported a 207% increase between 2007 and 2008 in account takeover, and a 69% increase in account misuse, over the same period of time. The most common economic fraud associated with identity-related crimes in the US is the unlawful use of someone else's credit card. These frauds were related to existing

accounts. Criminals may also open new accounts using other people's identities, running up bills without paying.

### ***Benefits Fraud***

"Identity criminals" may obtain personal information in order to gain governmental benefits, health services or tax refunds. When the crime relates to government-issued documents, it isn't uncommon that criminals impersonate individuals that have already deceased, so that they don't get caught.

### ***Taxation fraud***

Tax fraud, another kind of identity-related economic fraud, has dramatically increased in the US in the last few years. Criminals can obtain identity information from lawful taxpayers, claiming to be in their situation, to maximize tax refunds. Illegal immigrants may use identities that were obtained illegally to be employed without paying taxes. This leaves victims with, at times, large amounts of taxes to pay. For instance, a stay-at-home mother in the US was faxed with one million dollars of taxes because 218 illegal immigrants were using her SSN.

### ***Medical identity fraud***

In countries where universal healthcare insurance is not secured by the state, such as the United States, healthcare fraud is common. Using medical documents from their victims, the offenders can buy drugs, treatments. These leave victims with false medical records, further obstacles to getting new insurances and often expensive medical bills.

### ***Other kinds of fraud***

In the category of other frauds lies driver's license fraud (when a criminals leave victims with bad driving records and fines), real estate fraud (when criminals use stole documents or forged ones to buy real estate properties), or employment fraud, as discussed earlier.



## Major Parties Involved and Their Views

### Joint-UNODC/World Bank Stolen Asset Recovery Initiative

In a larger goal of fighting fraud, financial crimes and corruption, the UNODC and the World Bank have launched the stolen asset recovery initiative to repatriate money stolen and eradicated safe havens for money acquired through unlawful ways. This initiative will help foster cooperation between LEDCs and MEDCs as well as the private sector and the public sector.

### International Consumer Protection Enforcement Network

The ICPEN is network through which governments of 36 states cooperate and share important information on fraud, through national reports and monthly conferences in the field of consumer protection.

### Organization of Economic Cooperation and Development

The OECD has various guidelines and recommendations for member states to use in the field of security of information systems, networks, translational transfers of personal data, international fraud networks, digital commerce, and protection of privacy.

## UN involvement, Relevant Resolutions, Treaties and Events

ECOSOC Resolutions:

- International cooperation in the prevention, investigation, prosecution and punishment of fraud, the criminal misuse and falsification of identity and related crimes [ECOSOC Resolution 2004/26](#)
- International cooperation on the prevention, investigation and prosecution and punishment of economic fraud and identity-related crimes [ECOSOC resolution 2007/20](#)
- International cooperation on the prevention, investigation and prosecution and punishment of economic fraud and identity-related crimes [ECOSOC resolution 2009/22](#)
- Handbook published in 2011 by the UNODC intended for use of policy-makers and legislators. [Handbook on Identity-related Crime](#)



## Possible Solutions

Some possible solutions to combat economic fraud and identity-related crime include ensuring the efficient work of law enforcement authorities, protecting online services, ensuring that every nation's regulations regarding the matter are harmonized with global laws and standards and promoting such global standards. It is highly important that online services, such as email or banking systems cooperate with authorities. Above all, cooperation between member states of the ECOSOC is crucial. Both judicial and law enforcement of the various countries should cooperate in the identification of transnational fraudulent networks. Non-functioning extradition mechanisms should not be barriers to combatting this issue. Cooperation with the private sector is also crucial both in terms of raising awareness and identifying criminals. Furthermore, institutions to help victims of identity-related crime and economic fraud should be established so that assets can be restored and future incidents prevented.

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