

# The Economic Crime Activity, Terminological and Systematic Questions of Economic Crime in Hungary

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## Abstract

*The legal protection of the institutes of the economic life by criminal law is much more sophisticated, more fragmented than it would be possible to place them under only three specific subjects.*

*The conceptual sphere of the so-called black market is closely related to the economic crimes and offenses. The relatively-new concept in the Hungarian criminology terminology, however, has long been known in the developed countries, the so-called white-collar crime has long been present in the Anglo-Saxon countries. According to the foundation of this approach, the economy can be divided into black and white economy in terms of criminology, the latter term refers to the lawful, legal economy, where the economy actors fully comply with the legal requirements.*

**Keywords:** *economic crime, economic crime activities, changes, state-socialist regime, state property.*

## Definition of the concepts of the economic crime and of the economic crime activities

Several authors have dealt with the terminological and systematic problems of the criminal offenses related to the economy during the twenty-seven years following the change of political system in Hungary; even more, a lot of experts had examined these questions already during the so-called state-socialist regime, and experiments were also done to create definitions for 'economic crime' and for 'economic crime activities', and for the 'black economy' as another term closely related to the earlier two ones.

During the definitions of concepts, it is essential to make difference between the economic crime activity as social phenomena, which can be also approached from criminological, sociological and ecological point of view; the crime in connection with economy; and the economic crime. About these three concepts the actual Criminal Code provides exact definitions<sup>1</sup>.

The priority of state property, the exclusiveness of state activities and the centrally regulated socialist economy planning were the starting points for the definitions created during the state-socialist regime. According to this 'the economic crimes hurt or jeopardize the economic activities (the state budget or the control of the executive power) of the state'.<sup>2</sup> These concept definitions are outworn by the economic changes especially by introducing of the market economy, which were going hand-in-hand with the change of the political system, actually it was part of the changes

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<sup>1</sup> In. Gál István László: Régi és új kísérletek a gazdasági bűnözés fogalmának meghatározására. *Rendészeti Szemle*, 2009/7-8., 25. oldal

<sup>2</sup> Wiener A. Imre: A gazdasági bűncselekmények. Közgazdasági és Jogi Könyvkiadó, Budapest, 1986., 137. oldal

Following Mihály Tóth, whose generally accepted and regularly cited criminological concept definition of economic crime activity is: ‘economic crime activity is that form of crime, which is realized within the process of the economy itself or close to it, and which – either due to its *modus operandi* (often using the legal forms and frames of economy, or misusing them), or due to its results – is capable to hurt or jeopardize, beyond the possible crime committed to the injury of individual interests, first of all and typically the order of economy, the obligations of economy or the frames of fair and legal economy’<sup>3</sup>.

Crime in connection with economy, based on the legal definition of László PUSZTAI, included the so-called economic crimes listed in Section XVII of Act IV of 1978 on the Penal Code (‘The Old Penal Code’), further on the offenses against property, malfeasance in office, and those offenses against pureness of public life and offenses against public security which were committed within the economy or in connection with it.<sup>4</sup>

Concluded from the above given definition, those crimes were understood as crime in connection with economy, which were listed in the Section XVII on the Old Penal Code. The crimes in connection with economy were those ones listed in Sections XV (offenses against public administration, jurisdiction and pureness of public life), Section XVI (offenses against public security) and in Section XVIII (offenses against property) on the Old Penal Code.

As far as the systematic order is concerned, time has passed it. The legal protection of the institutes of the economic life by criminal law is much more sophisticated, more fragmented than it would be possible to place them under only three specific subjects. So there were certain types of criminal activities (like for example crimes involving computer sciences or money laundering), which were not covered by the crimes in connection with economy declared in Section XVII of the Old Penal Code.<sup>5</sup>

The Act C. of 2012 on the Penal Code – giving up the old system – having taken into account the legal subject of the single crime activities, regulates in separate Sections the offenses in relation to economic crime or to crime in connection with economy:

- Section XXIII of Penal Code – Criminal offenses against the environment and nature
- Section XXVII of Penal Code – Crimes of corruption
- Section XXVIII of Penal Code – Malfeasance in office
- Section XXXI of Penal Code – Criminal offenses against economic sanctions imposed under international commitment for reasons of public security
- Section XXXVI of Penal Code – Offenses against property
- Section XXXVII of Penal Code – Crimes against intellectual property rights
- Section XXXVIII of Penal Code – Criminal offenses relating to counterfeiting currencies and philatelic forgeries
- Section XXXIX of Penal Code – Criminal offenses against public finances
- Section XL of Penal Code – Money laundering
- Section XLI of Penal Code – Economic and business related offenses

<sup>3</sup> Tóth Mihály: Gazdasági bűnözés és bűncselekmények. KJK Kerszöv Kiadó, Budapest, 2002., 22. oldal

<sup>4</sup> Pusztai László: A gazdasági bűnözés megelőzésének koncepcionális kérdései. Ügyészek Lapja, 1996/3., 28. oldal

<sup>5</sup> Molnár Gábor: Gazdasági bűncselekmények. HVG-ORAC Lap- és Könyvkiadó, Budapest, 2009., 31. oldal

- Section XLII of Penal Code – Crime against consumer rights and any violation of competition laws
- Section XLIII of Penal Code – Illicit access to data and crimes against information systems

Thus, it can be seen from the list that the management-related crime is a broader, criminological category. Should be noted that also in terms of statistical data collection those crimes from the group of crimes against property also fall within the scope of economic crimes besides the offenses violating the order of economy, management nominated by the Penal Code, which are committed within or in connection with the management, furthermore, based on the systematization carried out by the science of criminology and considering law enforcement aspects including the crimes against the environment and the nature, the corruption, office or intellectual property right, and those damaging the budget.

The conceptual sphere of the so-called black market is closely related to the economic crimes and offenses. The relatively-new concept in the Hungarian criminology terminology, however, has long been known in the developed countries, the so-called white-collar crime has long been present in the Anglo-Saxon countries. According to the foundation of this approach, the economy can be divided into black and white economy in terms of criminology, the latter term refers to the lawful, legal economy, where the economy actors fully comply with the legal requirements.

According to some theories, the so-called grey economy can be found between the two, which include those businesses, which mainly carry out lawful activities, but have tax avoidance behaviour in emergency situations.<sup>6</sup>

Some authors also attempts the further grouping of the off-white economy behaviours, therefore, the informal economy (the sum of the activities that are done to a lesser extent, do not appear in the statements of national income, but increase the welfare of the society), the second economy (the secondary activity carried out for the purpose of income supplement), the grey economy (those manifestations, which in themselves are not prohibited, but suitable for – and usually also serve to – that the people exempt themselves from the obligation of personal income tax payment), and the black economy (does not increase the welfare, operated specifically to gain criminal profit) can be distinguished.<sup>7</sup>

In the absence of exact, generally accepted definition, the above definitions may, of course, overlap each other in several cases, and – as shown below – opposing views have also been developed.

For the definition of the concept black economy, mainly the following definition is suitable: “the black economy is the illegal activity in the field of distribution and sales of the goods and services, as well as labour employment, which provides undue advantages in the market competition for the companies, persons and organizations carrying out that, by the violation and non-compliance of the tax, social security, customs, excise and other regulations in force, against the entrepreneurs and business organization acting lawfully. The essential feature of a criminal organization is that they

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<sup>6</sup> Gál István László: Régi és új kísérletek a gazdasági bűnözés fogalmának meghatározására. *Rendészeti Szemle*, 2009/7-8., 25. oldal

<sup>7</sup> Barabás Andrea Tünde – Irk Ferenc: *Gazdaság, bűnözés, gazdasági bűnözés, szervezett bűnözés, szervezett gazdasági bűnözés*. In: Irk Ferenc (szerk.): *Kriminológiai Tanulmányok*, XXXVIII., OKRI, Budapest, 2001., 12. oldal

aim to achieve the highest profit very quickly, and its members, as well as its managers wish to acquire the financial means necessary to the luxury lifestyle only by crime. During their activity they build up an illegal second economy, and to maintain this, an illegal second power structure”<sup>8</sup>.

The criminology distinguishes two broad areas of the black economy: on the one hand the illegal activity of the legal economy sector players (e.g. tax fraud), on the other hand the prohibited activities of illegal businesses (e.g. money laundering by establishing fictitious companies). Tax evasion is often stipulated as the central element of the black or grey economy, which is not accurate, because they often just try to legalize the actions carried out in circumvention of the law by taxation. In case of money launderings, for example, a common mean of disguise of guilty origin is the tax payment after income, and thus making the gain to appear lawful. (I note that economically the tax evasion is not a criminal category. The three stages distinguished by the tax teachings forming part of this: tax planning – tax evasion – tax fraud.)

According to some authors, yet there is no single definition for economic crime, the reason for which is that the approaches of economics and criminology have not met, and there are substantial content and understanding differences in the criminal law, and in the criminology approach.<sup>9</sup>

The determining of the scope of economic crimes is also possible from the approach of the completeness of the economy’s protection – as a system –, which covers:

- the state’s revenue eligibility,
- the use of public funds,
- the lawful order of the economy’s operation, and the fair management rules,
- the copyright and related rights, the operation of virtual spaces,
- the relations between economic agents, especially the relations of the economic race, as well as the employers and the employees,
- occurring in the economic relations of the economic agents and the consumers,
- the legal and institutional system of combating illegal behaviour violating or threatening the built and natural environment.

The state’s economy protection responsibility itself constitute a system in the jurisdiction of the government and the individual sectoral or functional ministries, acting between administrative forms.<sup>10</sup>

Summarizing the above, based on these approaches and theories the economic crimes can be categorized as follows:

- Economic crimes in the narrow sense (offenses violating the order of management listed in Section XLI of Penal Code),
- Economic crimes in the broader sense (crimes described above, in particular certain crimes committed against property in relation to management listed in Section XXXVI of Penal Code, such as economic fraud, the management-related fraud,

<sup>8</sup> Vidus Tibor: A Nemzetbiztonsági Hivatal feladatai a feketegazdaság elleni fellépésben. *Ügyészek Lapja*, 1995/5. szám

<sup>9</sup> Barabás Andrea Tünde – Irk Ferenc: Gazdaság, bűnözés, gazdasági bűnözés, szervezett bűnözés, szervezett gazdasági bűnözés. In: Irk Ferenc (szerk.): *Kriminológiai Tanulmányok*, XXXVIII., OKRI, Budapest, 2001., 66. oldal

<sup>10</sup> A Magyar Köztársaság Rendszertani Stratégiája, Budapest, 2009. (munkaanyag), 91. oldal, In: *Rendszertani Szemle Különszáma*, 2010.

embezzlement, misappropriation, mismanagement and receiving stolen goods, the offenses damaging the budget listed in Section XXXIX of Penal Code and the money laundering regulated in Section XL of Penal Code),

- In the broadest sense, the offenses violating the management as a protected legal object, listed in other sections of the Penal Code, committed in the context of certain illegal activities (e.g. prostitution, drug trafficking) are also included here.

## The criminal legislation

In respect of the broader period covered by the study, basically four different stages of the criminal legislation can be distinguished.

Act V of 1961 (Penal Code of 1961) on the Penal Code of the Hungarian People's Republic came into force on 1 July 1962, which was in force until the old Penal Code's entry into force on 1 July 1979. In the Penal Code of 1961 – in addition to the political nature of crimes against the state – appeared with significant emphasis the crimes against the national economy and the social property, to which the law defined severe penalties. According to the socialist conception of ownership the crimes damaging the personal property and the social property was also distinguished in this act, assigning more severe sanctions to the latter.

From 1978 in the structure of the old Penal Code, the economic crimes in the system of the Specific part moved backwards compared to those specified in the previous Penal Code, the crimes “violating management duties” separate out from the group of crimes violating the order of management, and form a separate title, while other criminal activities previously regulated here moved to the chapter more appropriate to the protected legal interest.

After the end of communism the criminal legislation accompanying the transition to the market economy was always constant, in the 1990s almost there was no such Penal Code amendment that would not have affected economic crime. Based on the codification needs generated by the changes in the economic life in 1992 a special codification committee was established to the re-regulation of economic crimes. From then the material of economic crimes has been under constant revision and development, but in the just completed legislative term no changes have been made basically.

From 1990 to 2013 the groups of crimes violating management duties and the order of management were merged again. The itemized legal material of the economic criminal law was virtually replaced. An economic criminal law with new approach and content has been created, but which is still teething, from which the most important are: codification “seeking overinsurance” embodied in the multitude of facts, frequent amendments of certain facts threatening legal certainty, and the lack of consistency between criminal law facts and the background standards<sup>11</sup>.

The previous Penal Code regulated the behaviours considered to be economic crimes in three titles. The crimes violating the management duties and the order of management were included in the first, this was followed by a traditional cash and stamp forgery, while the financial crimes were included in the third. The section also

<sup>11</sup> Tóth Mihály: Adalékok a magyar „gazdasági büntetőjog” fejlődéstörténetéhez. Belügyi Szemle 2000/6. szám, 31. oldal

included a fourth title, which, however, included only interpretative provisions after the amendments.

In recent years, due to the change of the scope of economic crimes and the powers of the competent investigating authorities and the constantly changing legal environment the economy protection tasks of the police have been significantly changed, partly expanded. New crime types and behaviours have appeared, the prevention and detection of which requires new methods and knowledge of the members of the investigating authorities.

The changes in the scope of economic crimes has been continuous after the end of communism, however the Penal Code entered into force on 1 July 2013 basically regulates the economic crimes along a new structure (it has filed new criminal offenses, it orders to punish independently under the specific facts the offense behaviours previously treated in one factual situation). In case of the main crime types treated among the broader economic crimes (corruption, environmental, computer and against property crimes) a significant change has also been made, however, this was justified by the more simple applicability and easier viewing.

Over the past twenty-six years, as a result of economic and social changes, the legal facts of crimes of economic nature have been characterized by significant changes and – with greater or lesser intensity – constant modifications.

Consequently, the number of crimes related to economy and management does not show significant differences in whole in each year, however, the scope of crimes constituting the scope of these violations does so.

Also in respect of the economy and management crimes the Police is the general investigative authority, however as a result of the repeated amendment of Act XIX of 1998 on Criminal Procedure (CP.) the range of offenses has increasingly broadened in the recent years, in which not the Police but the National Tax and Customs Administration carries out the investigation.

The crimes under the jurisdiction of different authorities are defined by Section 36 of CP. Based on Section 37 of CP, however, the prosecutor may appoint the authority to the investigation of the crime being not within its competence, or the leaders of each body may agree on the establishment of a joint investigation team with the approval of the prosecutor.

The tasks related to the prevention, detection, investigation and interruption of offenses set out above, the ensuring of the recovery of damages caused and the recovery of asset, the prevention of input and legalizing of illegally acquired wealth into the economy, and the initiation of crime prevention measures are meant under the economy protection activities within the remit of the police.

### Brief history of economic crime

Before the comprehensive analysis of the characteristics of economic crime, a broader examination of the social, political and economic system immediately prior to the end of communism, during the period of the appearance of private management, and in the period elapsed since the end of communism is essential. The period under review involves two different types of social, political and economic systems, arrangements.

## The period of socialist arrangement

In the decades prior to the end of communism, there was the so-called state socialist arrangement in Hungary.

The characteristics of the socialist system basically determined the social, political and economic life, and thus, of course, the legal system and the penal policy as well. Its main characteristics can be summarized as follows:

- the priority of state property (so-called social property), the suppression and making secondary of the private property
- the priority of planned economy, the so-called centrally planned system
- the principle of exclusivity of state activity, the “socialist economic management” based on the central regulation
- the centralized nature of the economic management and control (so-called people’s control)

Based on the above characteristics it is clear that the legislation in force were designed to protect the economic system characterized above, defined the concept of crimes against the economy under these guidelines, which focused on the management’s plan nature, and put the criminal protection of the planned economy to the forefront. Accordingly “the crimes against the economy are such guilty violations of the social system of the economy and the social relations defining the essence and the function of this system, which threatens the development of the national economy. Since the management’s plan nature is the precondition of this inevitable development, the hazardous nature of the crimes against the economy to the society usually manifests in the interfering of the plan nature.”<sup>12</sup>

As a result of the socialist industrialization several large producing company was created. Some of these companies produced good quality, “current” products (a definition of that time) even in the early 1970s, most of which were exported to the Western countries and to the United States. Trading with these commodities meant temptation to commit theft, embezzlement crimes not only among the workers, but also made available for the company managers to “reward” other company managers, public bodies and the decision makers working in the public administration by the usage of these goods (or the financial gain from them), and to perform almost expected allocations to them. The fraud, embezzlement, misappropriation committed by corporate executives were also typical.

Another major area of crimes against social property are the acts committed against the agricultural cooperatives. A significant part of the agricultural production plans belonged to the less favoured plants, therefore they received substantial state aid, which created the opportunity of abuses related to these. Furthermore, a significant number of cases of theft and vandalism crimes committed by employees became known.

From the early 1980s the build-up of entrepreneurial activity has started in Hungary, which, due to the development and continuous spreading of small businesses, mainly played a significant role in the expansion of the private economic sector and the private property, and later in the transformation of the economic system. The definitions created in the mid-1980s focused on the exclusivity of state activities and the centrally controlled socialist economy management. Accordingly “the economic crimes

<sup>12</sup> Magyar Büntetőjog Különös Része. BM Könyvkiadó, 1981., 417. oldal

violate or threaten the state's economic activity (the budget and the economic management of public authority)".<sup>13</sup>

From the late 1980s – as the imitation of market economy was more and more replaced by the need for real market economy, and later its attempts – due to the expansion of economic agents, and the becoming independent and activization of companies and private entrepreneurs – and at the same time, of course, due to the appearance of new forms of crimes – it became clear that the economic crimes moved to a much broader and more heterogeneous sphere.<sup>14</sup>

From 1 January 1989 – when the new economic law came into force – the companies has appeared as a more significant economy transformation step – such as the limited liability company (ltd.) and the public limited company (plc.), and later due to the legislation created almost simultaneously with the end of communism and promoting the economy's transformation, it continued with the transformation resulting from the privatization of state-owned companies, the investments of foreigners in Hungary, and the powerful creation of market economy.

Thereby the economic criminal law's role, focusing on the protection of planned economy and central economic management, simultaneously with the end of communism, has been replaced by its function focusing on the protection of modern market economy.

### From the end of communism until today

The system change meant the break with the socialist social, political and economic system and the transition to the democratic constitutional arrangement. However, the transformation of the arrangement inevitably brought the immaturity, the confusion arouse due to the operational problems of the existing system and the obstacles to the transition, which allowed the emergence of new forms of economic crimes and criminals. With the system change the private property has become priority, the banking system has been transformed, a multitude of financial institutions have been established, registering a new company has become available, and the freedom of enterprises has been put on general principle level.

In the prior and subsequent years of the system change the number of crimes against property – including management-related crimes –, and the economic crimes, as well as the number of persons who have committed these crimes showed a strong, dynamic growth. The crimes and committing behaviours typical in the period of the end of communist appeared, to which the investigating authorities were unprepared, and also the legal background necessary for the detection of these crimes were missing – not to mention here that legislative anomaly that the criminal operating with new committing methods could continue their activities between unregulated conditions, the legislation responded only with delay to the new criminal methods in the early 1990s by creating appropriate facts. The detection of crimes was made more difficult due to the lack of information systems and databases, and their independent functioning.

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<sup>13</sup> Wiener A. Imre: A gazdasági bűncselekmények. Közgazdasági és Jogi Könyvkiadó, Budapest, 1986., 137. oldal

<sup>14</sup> Tóth Mihály: Gazdasági bűnözés és bűncselekmények. KJK Kerszöv Kiadó, Budapest, 2002., 18. oldal



The Economic Coordination Committee made an attempt in 1995 to explore the causes of economic crime, according to the resolution made on this bases the factors supporting economic crime after the creation of the institutions of the system change were the following:

- the economic recession and crisis,
- the insecurity, the decline in living standards, the unfair social distribution of incomes,
- the state's intervention in the economy, the high income deprivation, the high tariffs and the strict requirements of the currency market on the one hand,
- the lack of state control on the other hand,
- the weaknesses in internal control,
- the legal form of certain companies,
- the underdevelopment of the economic system,
- the weakness of informal social control.

After the end of communism, a new ownership layer was created by exploiting the opportunities of corruption arising from the unsuccessful privatization as clearly defined by a number of economists today, the so-called E-credit invented in connection to it, and the contemporary contact systems. After the period of the previous, centrally controlled state economic management system, the liberal development of the market economy accelerated by the state started, which inevitably brought with it the economic crimes with new nature, previously not known types of committing, a new form of economic crime has been developed. The transformation and the changed circumstances made the transformation of the former legal environment necessary, thus the transformation of the criminal law, which, however, only followed the appearance of new crime forms with significant "phase delays", until the mid-1990s, mostly just "ran after the events".

The main features of management-related offenses in the mid-1990s:

- management-related offenses, in addition to economic crimes, appear as crimes against property, their committing and unveiling is sometimes justified by position gained by bribery,
- breaches mainly occur in the field of cash and commercial crediting, insurance, trade, foreign exchange management and customs administration, tax and social security, privatization, state aid, accounting discipline, environmental and nature protection,
- some of the economic crimes has international nature and increasingly characterized by crime forms and committing methods known in the European market economies,
- the management-related committing value, damage caused, financial loss, loss of revenue related to crimes is extremely high, which is borne by the nation's economy,
- a significant portion of businesses in the wide range of management-related offenses has an illegal nature,
- at the establishment of joint-owned enterprises, privatization, financial operations conducted in commercial banks, unexplained capital from specifically guilty sources is also present,
- some of the offenders attempt to gain positions in the state administrative bodies making economic decisions, monitoring and exercising powers, their offenses are characterized by plan nature and organization. Their businesses are created for the

purpose of illegal profit-making or illegal income “laundering”, and form a “closed” circle.<sup>15</sup>

The practical forms of appearance of the black economy are mainly the carrying out of illicit activities, and the legalization of income derived therefrom, the activities carried out without assuming public burden, the creation of incomes excluded from public burdens, the continuation of black market not registered goods and services (smuggling), black labour, money laundering, claiming fictitious subsidies, and the unauthorized tax refunds, which forms are still present in the area of economic crime.

Mihály Tóth has grouped the most typical forms, areas of economic crime after the end of communism as follows:<sup>16</sup>

- the so-called “oil business”
- the abuses of the privatization’s “first wave”
- the guilty exploitation of subsidies, public benefits, aids, benefits
- the behaviours embodying typically in counterfeiting violating consumer and competitor interests, but even public interest as well
- the so-called “corporate” crime forms affecting the money and the capital market, including environmental crime

In the mid-1990s, the economic crime, the black economy have assumed such proportions due to the above reasons, that the review of the previous government measures or the absence of these measures, as well as the development of a new strategy to ensure more effective action have become justified. For this purpose, the Economy Protection Coordination Secretariat established in the organization of the Prime Minister’s Office justified the measures imposed as follows: “By recognising that the incomes produced in the black economy and re-distributed there, the spread of economic crime and the increasing damage value of crimes seriously endanger the stability of the domestic economy, and threatens with that the citizen’s confidence will be shaken in the state and its bodies, and in the idea of the rule of law, the Government has continuously introduced a number of legislative, organizational and other measures since 1994.”<sup>17</sup>

Due to this, the legislative background has constantly changed and better adapted to the occurring new challenges, and the economy protection organization has been strengthened, which enabled fasted and more decisive response by the investigating authorities to the new methods of crimes. Due to the measures introduced, the police and the relevant state departments has given priority to the combating economic crime and the black economy from the mid-1990s.

But the progress has been broken by the end of the 1990s, and in the absence of the solid legal background and the large number economy protection experts, who left the body, the new economy protection structure was not capable of providing adequate performance to the state of the economy and the actual social demands. To all this contributed that the state’s economic, financial supervisory bodies operated in the state

<sup>15</sup> Dr. Kacziba Antal: A gazdaság, a fekete gazdaság, a gazdasági szervezett bűnözés és korrupció. *Kriminológiai Közlemények* 54. Kiadta: Magyar Kriminológiai Társaság, Budapest, 1996., 59. oldal

<sup>16</sup> Tóth Mihály: Húsz év mérlege. *Rendészeti Szemle*, 2009/7-8. szám, 6. oldal

<sup>17</sup> Bencze József: Összehangolt kormányzati intézkedésekkel a feketegazdaság ellen. *Gazdaságvédelem* ’94-’96. Kiadta: Miniszterelnöki Hivatal, Budapest, 6. oldal

of being collapsed and uncertain for a long time, whereupon the detection and evidence of economic crimes encountered serious difficulties.<sup>18</sup>

Furthermore, after the end of communism, such a new criminal layer has been formed, who tries to gain extra profits with illegal means and offenses in the still-evolving economic sphere by exploiting the opportunities provided by the frequently changing legislations and the legal “loopholes” left open. These activities have been often supported by well-educated professionals, lawyers, tax experts. The legislative changes initiated for the elimination of “loopholes” unfortunately often react with a considerable delay to these new criminal methods.

By the millennium, in parallel with the development of technology and information technology, new opportunities and committing methods have appeared in the economic crimes. The intellectual nature economic crimes have appeared and showed a steady increase in the number and ratio, such as computer frauds (including countless, constantly expanding and becoming ever more sophisticated criminal forms, which require continuous, high-quality work, further development appropriate to the new requirements from the legislators and those performing the detection), credit card forgeries (credit card “cloning”), credit card frauds, crimes committed with the transformation of automated teller machines (ATM), counterfeiting, and money laundering committed in order to the legalization of incomes earned with these crimes. The increasing role of international, cross-border and organized crimes can be observed among these crimes. In Hungary, the appearance of Romanian, Ukrainian, Russian and Serbian offenders has been mainly typical in the recent years.

After the end of communism, money laundering, as a crime form, has appeared in Hungary, which was almost completely unknown until that. According to the criminological definition generally accepted by the expert on the subject, money laundering is the process in which the offenders wish to appear their assets arising from illegal sources – from the so-called predicate offense – as being from legal sources, that is they confer such properties on them – place of origin, title –, which are suitable to conceal, disguise their origin from the authorities, thus from the investigating authority and the tax authority. The predicate offense behind money laundering is economic crime or crime against property usually committed by organized crime.

Money laundering as a crime – as well as a phenomenon – was completely unknown before the end of communism, which was due to the lack of convertibility of the domestic currency and the underdevelopment of the banking system. As a result of the economic transition, the two-tier banking system<sup>19</sup> was created, which was defenceless against financial transactions with illegal background and the black economy until the development of the legal system adapted to the new economic system.

On 8 November 1990 the member states of the Council of Europe have signed the International Convention for the Prevention of Money Laundering and Seizure and Confiscation of products derived from criminal activities, which made mandatory the criminalization of money laundering, that is making it punishable, for the member states. Based on this, money laundering, as a crime, has been involved in the Penal Code

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<sup>18</sup> A Magyar Köztársaság Rendészeti Stratégiája, Budapest, 2009. (munkaanyag), 94. oldal, In. Rendészeti Szemle Különszáma, 2010.

<sup>19</sup> A kétszintű bankrendszer első szintjén a központi bank (az ún. jegybank, Magyarországon a Magyar Nemzeti Bank), második szintjén a kereskedelmi bankok állnak. A kereskedelmi bankok (és valamennyi pénzintézet) felügyeletét Magyarországon hatóságként a Magyar Nemzeti Bank látja el.

in 1994, the clarification of which lasts until today. In recent years, international action was necessary in order to detect the crimes, on the basis of which the cooperating countries have created the conditions for cooperation and information flows. The fight against money laundering has been regulated by law.

Nowadays, criminals also take advantage of the opportunities offered by the global computer network, the economic crimes committed on and by using the internet, so the tax-related abuses enabled by these, as well as by the single economic area of the European Union, by the removal of the internal borders, and the illegal employment means a gradual challenge for the law enforcement.

Besides the above – and in connection with it – it has appeared as a common method that most of the businesses took goods or money loans to get started, however, in many cases the sole purpose of starting a business was to take out the loan without the commencement of actual operation and the intention of debt repayment.

A special form of credit fraud has also appeared, the method of which is that the financial institution's head of department engaged in lending allows large amount of loans to the entrepreneurs, who are mostly unable to credit, for "adequate" portion. The loan application is accompanied by false valuations, balance sheet accounts and fictitious business contracts, and disburse the loans approved on the basis of this.

In the past decade, the environment-related crimes, traditionally included in the scope of economic crimes by scientist, has also appeared and show an increase in their number, such as environmental damage, nature damage and the offenses related to waste management. These offenses are often linked to other crimes, mainly to crimes against property or economic crimes. During the detection of these crimes, it can be concluded that organized criminal circles can be found in the background.

Necessarily resulting from the *modus operandi*, mostly private document abuses, and in a lower proportion forged document crimes are linked to the most economic crimes.

New areas of the economic crimes are the public procurement, the state and municipal companies, the state and municipal investments, and the related tenders, the tenders related to the grants provided by the European Union, the concessions, the founding of fictitious firms, company pantomiming, business chain contracts creating opportunities for gridlock, the forgery of food, rugs, lifestyle improvers, real estate fraud, credit frauds, and crimes committed by using the internet or in the cyberspace.

Among the economic crime offenders, in the recent years, have appeared both the domestic and the international organized crime circles. The detection and proof of the crimes impose a significant task to the investigation authorities, to the successful detection of which the secret information gathering and the use of secret interception forces and assets are essential.