THE ROLE OF COMMERCIAL EMBASSIES AND CONSULATES IN REDUCING MONEY LAUNDERING -CASE STUDY IN IRAQ-

ESSAM AL HUSSEINI

PhD on Business Ad. KENT University UK
Email: 321heq@gmail.com

Abstract - The study aims to Identify the activities of commercial Embassies and Consulates, and the level of efficiency of Iraqi commercial Embassies and Consulates and its role in control and limit money-laundering operations. This study based on quantitative method adopted a deductive approach primary data that are collected using self-completion questionnaires distributed on 85 Iraqi employees at administrative positions in Ministry of Foreign Affairs and diplomatic employees in commercial Embassies and Consulates The study concludes that there is a significant role of Iraqi commercial Embassies and Consulates in Reducing Money Laundering. The study concludes that there is a significant difference in role of Iraqi commercial Embassies and Consulates in Reducing Money Laundering according to responders Demographic characteristics (Gender, Experience). According to results, the study recommends to improve commercial Embassies and Consulates in Reducing Money Laundering throw practical steps.

I. INTRODUCTION

The crime of money laundering has become a serious phenomenon that threatens global economic stability and is associated with illegal activities and suspicious operations that adversely affect the global domestic economy. Money laundering involves a range of activities carried out away from state agencies and not recorded in national income accounts. These activities represent a source of money that the owners attempt to launder, by carrying out a series of transactions and remittances in kind and on money to change their illegitimate status in the legal system, and legitimize them (Schneider, 2010).

Money laundering also consider as one of the most criminal activities that contribute to the slowdown of the business process, the suspension of international commercial activity, and the rise of a certain class of persons, particularly those with large investments in various types of economy (Tsingou, 2010).

Recently, there has been increasing interest in many countries in the world, especially in Iraq, in countering illegal money laundering operations. This phenomenon has spread globally in light of globalization, the information revolution, the communications technology, the lack of transparency in trade transactions and the weakness of laws and regulations set by the state to limit them (Hamoudi, 2006).

Research Problem
The Embassies seek excellence and development to provide a distinctive image of the country they represent. Embassies follow their country and considered part of their national territory. Embassies execute many activities as the service of the citizens of their country, including everything related to them and their personal transactions, commercial diplomacy and others.

Embassies consider as an effective tool in determining individuals and their problems, and therefore it could obtain information about individuals and their business and whether they have operations outside the law.

The problem of the study is the increasing money laundering crimes in the Middle East and in Iraq in particular due to the political and security problems that suffered for long periods. Therefore, the problem of the current study is determined by answering the following question:

What is The Role of Commercial Embassies and Consulates in Reducing Money Laundering?

Research Importance:
The current study has practical and academic importance as follows:

The practical importance: The practical importance of study is that it benefits Iraqi governments, embassies and governments in increasing their ability to control and limit money-laundering operations, thus contributing in improvement of the Iraqi economy.
The academic importance: The academic importance of study is due that it is one of the few studies that focuses on the role of commercial Embassies and Consulates in Reducing Money Laundering.
Therefore, the present study seeks to enrich the scientific library with an important material in the field of control and limit money laundering operations and the role of commercial Embassies and Consulates.

Research objectives:
The study seeks to achieve the following aims:
Identify the activities of commercial Embassies and Consulates.

Determination the methods of money laundering that can be detected by the commercial Embassies and Consulates.

Identify the level of efficiency of Iraqi commercial Embassies and Consulates and its role in control and limit money-laundering operations.

Research Hypotheses:
H1: There is a significant role ofIraqi commercial Embassies and Consulates in Reducing Money Laundering.

H2: There is a significant difference in role of Iraqi commercial Embassies and Consulates in Reducing Money Laundering according to responders Demographic characteristics (age, Gender, Education level, Experience).

II. LITERATURE REVIEW

The phenomenon of money laundering was old, where it was been associated with maritime piracy in ancient times. In the Middle Ages and in Europe, it was associated with loans in a very large way, which the Catholic Church forbade and considered as crimes, and resorted to those who deal with them to hide and show them in different ways. Recently, with the increase in drugs and various crimes, money laundering has spread to conceal the sources of these illegalfunds (Hülsse, 2007).

This section will talk about many topics that will smooth the way for more understanding of money laundering, such as defining, history, the main methods and phase, and characteristics of money laundering.

What is Money Laundering?
There are many definitions of money laundering crime according to many studies, where the term money laundering is derived from the gangster Al Capone, who funneled his ill-gotten gains through launderettes to make it appearlegal (Ferwerda, 2008).
Money laundering was defined as “the activities and financial transactions that are undertaken with the specific aim of hiding the true source of income” (Crime and Misconduct Commission, 2005: 1). The funds involved are usually derived from an illegal project and the aim is to give that money a look coming from a legitimate source. However, sometimes, money that is legitimately obtained can also become a money-laundering theme.

Money laundering is also “the processing of these criminal proceeds to disguise their illegal origin” (Mei et al, 2014: 111). This process is of crucial importance, as it enables the offender to enjoy such profits without prejudice to its source.

According to Ala’gez (2008) money laundering is known as the process of concealing the real source of money deposited with the banking system resulting from illegal operations in order to legitimize it, give false information about this source by any means, and transfer or replace the funds for the purpose of concealing or disguising their source. This term extends to the acquisition, possession, use or employment of illicit funds by any means to purchase movable or immovable assets and assets or to carry out various financial transactions

It is also the transfer or transfer of national currency, foreign currencies, securities, commercial papers, any valuable property or material or moral movable property and all rights related to any of them resulting from illegal sources in order to conceal illegal financial transactions or to assist any person who commits suchacts (Tarbayeh, 2006).

The development of the legal and financial aspects of the concept of money laundering has not been arbitrary. Therefore, with the development of money laundering practices and ways of disposing of its illegal mechanisms, which proceed along a parallel line with increasing scientific and technological progress, which has made it impossible to formulate a uniform and unified definition for this concept (Schroeder, 2009).

In general money laundering is the creation of a range of methods and ways in which funds collected illegally are combined with funds from physical activity (commercial, industrial or otherwise) to conceal their original sources and to be spent and invested for legitimate purposes. This process is carried out in the presence of a financial or commercial intermediary He exercises his work legally (Abid& Ali, 2014).

Related Literature
There are many studies by many researchers that related to money laundering, while we did not find any study that focuses on The Role of Commercial Embassies and Consulates in Reducing Money Laundering.

wherestudy ofCindori (2007)aimed to present the money laundering and terrorist financing prevention system in Croatia. The basic concepts were defined, the principles and fundamentals of international regulations analyzed, and the regulatory system in Croatia covered by statute and money laundering prevention Regulations is presented, in conjunction with a description of the organization, remit and international actions of the Money laundering prevention office. Croatia has adopted statutory measures aimed to the effective detection and prevention of suspicious financial transactions, in other words the prevention of money laundering. The

Croatian Office is an administrative type of Financial Intelligence Unit; it consists of a Prevention Department and an Analysis Department, which differ in their structures, but which are linked by their interconnected operations. The study showed that good prevention would ensure education of employees, resulting in turn in the better quality of reported transactions. It also showed that quality of gathered data and quality of reports made by reporting entities based on risk assessment and related to money laundering and terrorist financing will result in better analytical work and in making better suspicious transaction reports, which the Office delivers, to competent authorities for further action.

Study done by Alhassan (2011) aimed to examine and investigate the compliance of the principle Financial Intelligence Unit (FIU) within the Kingdom of Saudi Arabia (known as the Saudi Arabian Financial Unit) to the International Standards of combating money laundering and terrorism financing. The study used a survey-based research in the form of questionnaires completed by 74 civilian and uniformed Saudi Arabian Financial Intelligence Unit (SAFIU) staff members. The study showed that SAFIU was largely perceived as highly effective in receiving, analyzing and disseminating suspicious transaction reports. It was also perceived to be effective in administering and coordinating activities with government and nongovernment institutions. Internationally, SAFIU was also perceived as being effective in cooperating with foreign FIUs through its Egmont Group membership.

While study of Nketsiah (2013) aimed to ascertain whether the level of financial control measures existing in the banks are deterrent enough to discourage money launderers and financiers of terrorism. A qualitative method of study was adopted in this study. Information was gathered from both primary (interviews) and secondary sources of data and analyzed the role banks in Ghana could play to achieve the aims of the AML/CFT regime. After a scheduled interview with a number of them, majority of them refused to grant the interview because, they did not want to reveal much about their AML/CFT activities. Out of the ten scheduled interviews, only six compliance officers actually granted the interviews. The study showed that lack of cooperation among the relevant partners such as the banks, law enforcement agencies and the regulators would inure rather to the benefit of criminals than to the banks. The study recommended comprehensive internal control measures, adherence to FATF and BOG/FIC Recommendations and Guidelines respectively, cooperation among relevant partners, harmonization of laws and use of modern technology to detect and combat money laundering and terrorist financing

Another studydone by Utama (2016) examinedproblem of money laundering in Indonesia, and identified role of gatekeepers in using their expertise to conceal the proceeds of crime. The study showed that, by examined the money laundering activities in their entirety, the gatekeepers play significant and varied roles, including the obstruction of investigators. As such, it is critical for the relevant anti-money laundering authorities to understand the methods and motivations of gatekeepers in order to identify and to trace money laundering effectively. The success of a preliminary investigation in any money laundering cases is dependent on locating the proceeds of crime successfully, and thinking like the perpetrators of these financial crimes is often essential in this effort.

Study done by Sittlington& Harvey (2018), titled as "Prevention of money laundering and the role of asset recovery", aimed to examine the increasing emphasis of the UK anti-money laundering (AML) legislative framework, on the financial arrangements of criminals. The qualitative study engaged key stakeholders from the AML environment through a series of focus groups. This included law enforcement; accountants; prosecutors; bankers and, importantly, ex-offenders. The study showed that he focus on asset recovery has been successful. However, in particular between police and the courts. For example, whether it was better to prosecute the predicate offence separately or in addition to the offence of money laundering; or whether to pursue criminal or civil recovery. It also showed that criminals have been able to use their knowledge to circumvent the system, suggested that greater effort is needed to promote cooperation, rather than competition, in successfully detecting and prosecuting offenders.

Research Method:

This study based on quantitative method. The study adopted a deductive approach to test a theory from data that are collected. To determine this, the study will use descriptive and analytical approach to describe "The Role of Commercial Embassies and Consulates in Reducing Money Laundering".

In this research, the researcher will use both secondary and primary sources of data, and this kind of data was derived from the self-completion questionnaire.

Measure:

The study will depend on (LikertScale) questionnaire in order to answer the items based on these values: Strongly Agree: (5) points, Agree: (4) points, Neutral: (3) points, Disagree: (2) points. Strongly Disagree: (1) point. The variables will be measured by developing a questionnaire that includes statementsfocuses on The Role of Commercial Embassies and Consulates in Reducing Money Laundering.

To ensure the reliability of the study tool Cronbach's Alpha wasrun to ensure Reliability of the study questionnaire; table no. 1 shows the results:

Reliability Statistics

Cronbach's Alpha	N of Items
.951	19

Table (1) Reliability Statistics

Table No. (1) Indicates that Cronbach's Alpha values were more that %95.1 which indicates that the questionnaire has suitable Reliability, to analysis its data.

Research population and Sample:

Research population consists of all Iraqi employees at administrative positions in Ministry of Foreign Affairs and diplomatic employees in commercial Embassies and Consulates.The sample of the study includes of 95 individual from the study population.

A total of 95 questionnaires were distributed 88 were collected 3 questionnaires have been neglected due to uncompleted answers, 85 questionnaires data were suitable to be tested.

AGE	Frequency	Percent
Less Than 30years	27	%31.8
30-40 Years	32	%37.6
41-50 Years	22	%25.9
More Than 50 Years	4	%4.7
Total	85	100.0
Gender	**Frequency**	**Percent**
Male	45	%52.9
Female	40	%47.1
Total	85	%100.0
Educational	**Frequency**	**Percent**
Diploma	7	%8.2
Bachelors	61	%71.8
Higher Education	17	%20.0
Total	85	%100.0
Experience	**Frequency**	**Percent**
Less Than 5 Years	47	%55.3
5-10 Years	20	%23.5
11-15 Years	10	%11.8
More Than 15 Years	8	%9.4
Total	85	%100.0

Table (2)
Demographic characteristics

Table No. (2) Shows that %31.8 of the samples were Less Than 30years old, %37.6 were 30-40 Years, %25.9 were 41-50 Years old, %4.7 were More Than 50 Years old. The table shows that %52.9 of the samples were males, and %71.8 holds bachelor's degree, %20.0 hold higher education degree.

The table shows that %55.3 have less than 5 years of experience, %23.5 have 5-10 years, %11.8 have 11-15 years, %9.4 have more than 15 years of experience.

III. DATA ANALYSIS METHODS

Methods of data processing depended on number of statistical analysis techniques that are found in the SPSS program. Descriptive: Frequency, means, standard deviations. Reliability and validity: Cronbach's alpha and correlations.

Analytical: chi-square to test the Hypotheses of the study.

Criterion:

To explain the arithmetical averages of the estimates of the individuals of the study sample on each paragraph of the questionnaire and on each of its fields. The following criterion was used: (the upper limit (5) - the minimum (1)) / the number of categories (3) the length of the class is (1.333) (http://www.uobabylon.edu.iq). Based on this, the following criterion was adopted: Low Level mean = 1-2.333, Moderate Level mean= 2.344- 3.677, and Mean= 3.68-5 considers high Level of estimation.

The following tables present the arithmetic mean, standard deviation for the study dependent and independent variable:

Mean	Estimation level
1-2.333	Low
2.344- 3.677	Moderate
3.68-5	High

Table (3)
Statistical standard for the interpretation of the arithmetical averages of the resolution paragraphs

IV. RESULTS

Table (4) present the arithmeticmean, standard deviation for the study dependent and independent variable:
Table (4)
Means and Std. Deviation

No.	Statement	Mean	Std. Deviation
	Design effective implementation of policies and procedures to identified money laundering risks	3.471	0.894
	Identifying money laundering.	3.482	0.881
	Understanding of the inherent money laundering risks present in its citizen's database.	3.553	0.906
	Identifying suspicious activity, eliminate false positives and report promptly genuine suspicious through ongoing monitoring.	3.635	0.705
	Have systems in place to detect unusual or suspicious transactions or patterns of activity	3.647	0.735
	Trains employees on the mechanisms and methods of investigation of money laundering	3.659	0.894
	The exist of comprehensive and accurate Resident citizens profiles and records.	3.682	0.658
	Screening Resident citizens database(s) whenever there money laundering suspicion.	3.694	0.673
	Identification and verification process to build an understanding of the Resident citizens profile and behavior.	3.706	0.721
	Once suspicion has been raised in relation to money laundering, the embassy take the appropriate action is taken to explore it.	3.706	0.737
	Establish a systematic procedure for identifying and verifying its resident citizens.	3.718	0.781
	Reporting suspicious transactions.	3.729	0.762
	Identification of anonymity or fictitious name	3.765	0.684
	Identity Resident citizens, verified by using reliable, independent source documents, data or information	3.776	0.762
	Monitoring of the fulfilment of all money laundering risks duties.	3.812	0.794
	Ensuring that information obtained includes recording the documents that verifying the identity of the Resident citizens.	3.812	0.627
	Developing and implement clear rules on the records that must be kept to document due diligence conducted on Resident citizens transactions.	3.824	0.640
	The embassy have systems in place to detect prohibited transactions concerning money laundering.	3.847	0.681
	Periodic evaluations of the effectiveness of compliance with money laundering policies and procedures	4.082	0.743
Average		3.716	0.752

Table No. 4 indicates the attitudes of the sample towards questionnaire statements of The Role of Commercial Embassies and Consulates in Reducing Money Laundering; Average mean (3.716), S.t (0.752) Suggesting that Commercial Embassies and Consulates play an important role in Reducing Money Laundering.

Research Hypotheses:

H1: There is a significant role of Iraqi commercial Embassies and Consulates in Reducing Money Laundering.

T-Test was used to explain and test the above hypothesis at confidence level of 95%. The following results were achieved:

	Test Value = 3.5				
	mean	T tabled	df	T	sig
H1	3.7158	1.984	84	3.612	0.001

Table (5): H1 T-Test

The above table indicates that the calculated T-value was (3.7158) higher that t-tabled (1.984), mean reaches (3.7158) at significant level was (0.001) which is higher than limited level (0.05) and that indicates that there is significant positive directions to the hypothesis that concludes that (There is a significant role of Iraqi commercial Embassies and Consulates in Reducing Money Laundering).

H2: There is a significant difference in role of Iraqi commercial Embassies and Consulates in Reducing Money Laundering according to responders Demographic characteristics (age, Gender, Education level, Experience).

To test this hypothesis, ONE WAY ANOVA was used to find out if there is there is a significant deference at significant level ($\alpha \leq 0.05$) in sharing the way to work by car with one of colleagues according to (Gender).

		Sum of Squares	df	Mean Square	F	Sig.
age	Between Groups	17.327	30	.578	.656	.893
	Within Groups	47.567	54	.881		
	Total	64.894	84			
Gender	Between Groups	11.043	30	.368	1.962	.015
	Within Groups	10.133	54	.188		
	Total	21.176	84			
Educational	Between Groups	5.357	30	.179	.552	.959
	Within Groups	17.467	54	.323		
	Total	22.824	84			
experience	Between Groups	41.812	30	1.394	1.792	.031
	Within Groups	42.000	54	.778		
	Total	83.812	84			

Table (6) ONE WAY ANOVA

Table (6) indicates that: There is a no significant difference in role of Iraqi commercial Embassies and Consulates in Reducing Money Laundering according to responders Demographic characteristics (age, Education level).
Table (6) indicates that: There is a significant difference in role of Iraqi commercial Embassies and Consulates in Reducing Money Laundering according to responders Demographic characteristics (Gender, Experience).
To clear-out the differences directions arithmetic mean, standard deviation were run table No. 7 shows the results:

		Minimum	Maximum	Mean	Std. Deviation
MALE	Less than 5 years	3.00	5.00	3.9696	.48516
	5-10 years	3.00	4.11	3.5550	.40793
	11-15 years	3.37	4.11	3.8316	.31884
	more than 15 years	3.37	3.79	3.6316	.22942
FEMALE	Less than 5 years	3.11	5.00	3.6842	.61062
	5-10 years	2.63	4.00	3.2398	.53617
	11-15 years	2.79	3.84	3.6105	.45974
	more than 15 years	2.74	5.00	3.7789	.81230

The table indicates that the differences were in favor of males with less than 5 years of experience, followed by experienced males 11-15 years, The researcher justified these findings that the males usually have higher Job positions than females and they are most familiar with financial crimes.

V. DISCUSSION & RECOMMENDATIONS

The study concludes that there is a significant role of Iraqi commercial Embassies and Consulates in Reducing Money Laundering. The study noted that Iraqi commercial Embassies and Consulates Periodic evaluations of the effectiveness of compliance with money laundering policies and procedures, Developing and implement clear rules on the records that must be kept to document due diligence conducted on Resident citizens transactions. Ensuring that information obtained includes recording the documents that verifying the identity of the Resident citizens.

The study noted that The embassy have systems in place to detect prohibited transactions concerning money laundering. Monitoring of the fulfilment of all money laundering risks duties. Identity Resident citizens, verified by using reliable, independent source documents, data or information and anonymity or fictitious name, and they Reporting suspicious transactions.According to Cindori (2007) quality of gathered data and quality of reports made by reporting entities based on risk assessment and related to money laundering and terrorist financing will result in better analytical work and in making better suspicious transaction reports, which the Office delivers, to competent authorities for further action.
The study concludes that there is a significant difference in role of Iraqi commercial Embassies and Consulates in Reducing Money Laundering according to responders Demographic characteristics (Gender, Experience).

According to results, the study recommends to improve commercial Embassies and Consulates in Reducing Money Laundering throw Design effective implementation of policies and procedures to identified money laundering risks. Identifying money laundering. Understanding of the inherent money laundering risks present in its citizen's database. Identifying suspicious activity, eliminate false positives and report promptly genuine suspicious through ongoing monitoring. Have systems in place to detect unusual or suspicious transactions or patterns of activity. And according to Utama (2016) The success of a preliminary investigation in any money laundering cases is dependent on locating the proceeds of crime successfully, and thinking like the perpetrators of these financial crimes is often essential in this effort.

REFERENCES

[1] Abid, Q. & Ali, A. (2014). The role of external auditor in light of contemporary challenges in reducing the phenomenon of money laundering: an applied and exploratory study in a sample of Iraqi banks listed in the Iraqi market for securities. Al Ghiri Journal of Economic and Administrative Sciences 7(30): 343-368. .

[2] Ala'gez, R. (2008). The role of banks in controlling money-laundering operations: An applied study on Palestinian banks in the Gaza Strip. Unpublished MA Thesis, Islamic University, Gaza.

[3] Alexander, R. (2016). Insider dealing and money laundering in the EU: law and regulation. Routledge.

[4] Al-Hassan, A. (2011). Money laundering and terrorism financing: does the Saudi Arabian Financial Intelligence Unit comply with international standards?, Unpublished MA Thesis, Victoria University, Melbourne.

[5] Calura&Hosted (2015). Stages of money laundering, from the website http://calert.info/details.php?id=1239/ (Retrived in 7/1/2018).

[6] Cindori, S. (2007). The Money laundering prevention system. Financial Theory and Practice 31(1): 59-76.

[7] Crime and Misconduct Commission (2005). Background intelligence brief Money laundering. Queensland.

[8] FBA (2002). Money Laundering Legislation National Measures. European Banking Federation.

[9] Hamoudi, H. (2006). Money Laundering Amidst Mortars: Legislative Process and State Authority in Post-Invasion Iraq. Transnat'l L. & Contemp. Probs. 16: 523-548.

[10] Hülsse, R. (2007). Creating demand for global governance: The making of a global money-laundering problem. Global society 21(2): 155-178.

[11] Mei, D., Ye, Y. &Gao, Z. (2014). Literature Review of International Anti-Money Laundering Research: A Scientometrical Perspective. Open Journal of Social Sciences 2(12): 111-120.

[12] Middle East and North Africa Financial Action Task Force (FATF) (2012). Mutual Evaluation Report Anti-Money Laundering and Combating the Financing of Terrorism.

[13] Nketsiah, T. (2013). Combating Money Laundering and Financing of Terrorism: The Role of Banks in Ghana. Unpublished MA Thesis, University of Ghana.

[14] Qureshi, W. (2017). An Overview of Money Laundering in Pakistan and Worldwide: Causes, Methods, and Socioeconomic Effects. U. Bologna L. Rev 2: 300-345.

[15] Rose, S., &Palifka, B. (2018). Corruption, Organized Crime, and Money Laundering. Institutions, Governance and the Control of Corruption, Palgrave Macmillan, Cham.

[16] Schneider, F. (2010). Turnover of organized crime and money laundering: some preliminary empirical findings. Public choice 144(4): 473-486.

[17] Schroeder, R. (2009). Money Laundering: A Global Threat and the International Community. Response FBI Law Enforcement Bulletin

[18] Serhan, C., Mikhael, S., & El Warrak, S. (2016). Anti-Money Laundering Rules and the Future of Banking Secrecy Laws: Evidence from Lebanon. International Finance and Banking 3(2): 148-161.

[19] Singh, K. (2015). The New Wild West: Preventing Money Laundering int he Bitcoin Network. Nw. J. Tech. &Intell. Prop. 13(1): 36-64.
[20] Sittlington, S. & Harvey, J. (2018). Prevention of money laundering and the role of asset recovery. Crime, Law and Social Change: 1-21.
[21] Sullivan, K. (2015). Methods of Money Laundering. Anti–Money Laundering in a Nutshell, Apress, Berkeley, CA.
[22] Tarbayeh, J. (2006). Arab banks are battlegrounds for laundering money and financing terrorism. Union of Arab Banks 304: 135-162.
[23] Tsingou, E. (2010). Global financial governance and the developing anti-money laundering regime: what lessons for international political economy?. International Politics 47(6): 617-637.
[24] Utama, P. (2016). Gatekeepers' Roles as a Fundamental Key in Money Laundering. Indon. L. Rev. 2: 180-206.
[25] Wang, J. (2015). Yes, That is Money Laundering. Oh Wait, It's Not: The Impact of Cuellar on Concealment Money Laundering Case Law. U. Pa. J. Bus. L. 18: 255-264.

★★★