

## Conference Paper

# The Practice of Applying the Articles of the Criminal Code within the Framework of Legalization (Laundering) of Money and Other Property in the Territory of Russia

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## Abstract

The article examines the issue of qualifying the crimes provided for in articles 174 and 174.1 of the Criminal Code of the Russian Federation, examines the judicial practice, types of crimes, the type of legalized property, the amount of legalized property, the amounts recognized as significant in the territories of the subjects of the Russian Federation, namely in the Moscow, Novosibirsk and Krasnodar regions.

**Keywords:** legalization (laundering) of funds and other property acquired by criminal means, the boundaries of the amounts of legalized money and property, criminal cases, the Criminal Code of the Russian Federation.

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## 1. Introduction

The relevance of this topic is related to the fact that the legalization (laundering) of money or other property acquired by criminal means is among the crimes for which it is necessary to prove the intent of legalization (laundering) of money or other property obtained by criminal means. Thus, the investigation of the circumstances of the act is connected with considerable difficulties. The main problem is to prove this illegal action.

When deciding a conviction under article 174 of the Criminal Code [1] or article 174.1 of the Criminal Code of the Russian Federation [2], the court must establish the fact that the person received money or other property knowingly obtained by criminal means or as a result of the commission of a crime.

The purpose of this article is to examine convictions under articles 174 and 174.1 of the Criminal Code of the Russian Federation [1, 2], issued by the courts of the Moscow,

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Novosibirsk and Krasnodar Regions, as well as identifying the type of transaction being made, the type of legalized property, the type of crime being committed and determining the significant amounts of the legalizable property.

To achieve this goal we need to solve the following tasks:

- explore sentences on the amounts of legalized property;
- to analyze the subjects of committed crimes;
- to analyze sentences for specific regions;
- to interpret the obtained results by region;
- to reveal from the general data the amount that the court recognizes as substantial.

## 2. Materials and methods

In the framework of this study, a statistical sampling method was used, based on cases of judicial proceedings that are publicly available. Within the framework of this method, a sample was created, randomly, from the total number of available cases on the Internet. Fifty cases collected from different territories of the Russian Federation fell into the sample. The cases selected for the control testing meet the criteria typical for cases under articles 174 and 174.1 [1, 2] of the Criminal Code of the Russian Federation. The result obtained within the sample is considered to be the result of the total number of cases available in free access under article 174 and 174.1 [1, 2] of the Criminal Code of the Russian Federation. The cases were taken from information portals, such as: "GAS RF Justice", "SudAkt", etc.

## 3. The results of the Moscow region study

In this region, fifteen convictions have been made in accordance with articles 174 and 174.1 of the Criminal Code of the Russian Federation [1, 2].

When considering the type of transaction within which money laundering takes place, the following transactions have been selected: purchase and sale, financial transactions, the synthesis of such transactions as purchase and sale and financial transactions. Within the framework of the study, seven cases (46.7%) have been



Figure 1: Types of transactions used for legalization in the Moscow region.

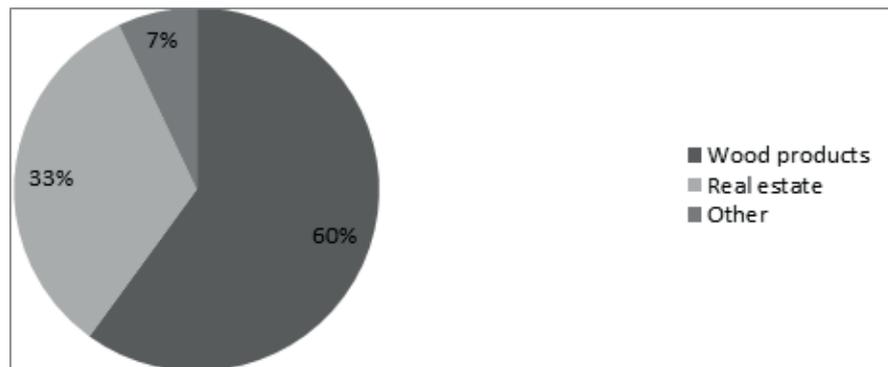


Figure 2: Types of legalized property.

found within the sale-purchase transaction, eight cases (53.3%) – in financial transactions. In Figure 1, the most frequently encountered types of transactions performed in the process of legalization (laundering) of funds are identified.

From the above, it can be concluded that in this region, a common type of transaction within which money laundering (laundering) occurs is financial transactions.

The next criterion for consideration was the distribution of cases by types of legalized property. Within the framework of this research, the following types were proposed: cash, real estate and other legalized property. Figure 2 shows that the study has found that in nine cases (60%) money was legalized, in five cases (33.3%) - real estate, in one case (6.6%) other property was legalized, namely personal livestock of elite breeds.

Thus, we can conclude that in the territory of the Moscow region money is most often legalized.

When considering the question of which crimes preceded the legalization (laundering) of funds, the following types of crimes were identified: embezzlement, fraud, illegal business, sale of narcotic and psychotropic substances, other economic crime, a combination of crimes. Two cases (13.3%) related to theft, six cases (40%) - fraud, two cases (13.3%) with illegal business, two cases (13.3%) connected with the sale of narcotic and psychotropic substances have been identified on the territory of the



**Figure 3:** Types of transactions used for legalization in the Novosibirsk region.

Moscow region. No other economic crimes have been identified. In three cases (20%), a combination of the above crimes is noted. Thus, one can make an conclusion that fraud is a widespread crime in the Moscow Region.

When considering the legalized amounts, the following criteria were chosen: up to 10 thousand rubles, from 10 thousand rubles to 50 thousand rubles, from 50 thousand rubles to 100 thousand rubles, over 100 thousand rubles. The statistics obtained during the examination of cases showed in two cases (13.3%) the amount did not exceed 10 thousand rubles, in two cases (13.3%) the amount of legalized property amounted from 10 thousand rubles to 50 thousand rubles, cases falling under the criterion from 50 thousand rubles up to 100 thousand rubles were not found, 11 cases (73.3%) involved over 100 thousand rubles. Thus, we can conclude that property in a massive amount is legalized in the territory of the Moscow Region.

Considering the substantial sums of fifteen cases in this territory, the minimum amount was taken to be 1200 rubles, and the maximum size in the sample was the case, within which the sum was 462,108,768 rubles.

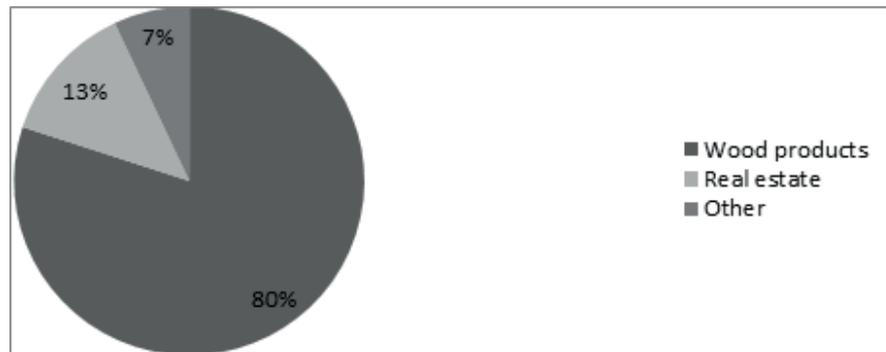
#### 4. The results of the Novosibirsk region study

Fifteen cases have been selected and examined in the Novosibirsk region according to similar criteria.

Figure 3 shows the types of transactions criminals used to legalize on the territory of the Novosibirsk region. The main ones are financial operations – 11 cases (73.4%). Also, the cases have been found that include purchase and sale (4 cases, 26.6%).

Based on the results of the study of judicial practice, it can be concluded that in the Novosibirsk region, financial operations are preferred for legalization (laundering) of funds.

The Novosibirsk region practically did not differ from the Moscow region. Within the framework of the study funds were identified as the main type of legalized property,



**Figure 4:** Types of legalized property in the Novosibirsk region.

this type of property appears in 12 cases (80%). Also, 2 cases (13.3%) with real estate were found, and one case was found within which other property was legalized. In Figure 4, there is an apparent superiority of funds over other legalized property.

Considering the types of crimes that precede the legalization (laundering) of funds, it can be concluded that in the territory of the Novosibirsk region, the distribution of narcotic and psychotropic substances is widespread (6 cases, 42.8%), as well as embezzlement (5 cases, 33.3%), fraud (2 cases, 13.3%), illegal business (1 case, 6.7%) and one case in which two types of crimes were committed simultaneously, namely theft and fraud.

Considering the value of legalized property, it can be noted that the most common amount of legalized property was over 100 thousand rubles (9 cases, 60%), as well as the following amounts were recorded: up to 10 thousand rubles - 4 cases (26.6%), from 10 thousand rubles to 50 thousand rubles - 2 cases (13.4%), cases with the amount from 50 thousand rubles to 100 thousand rubles were not found.

The cases with the sold property have a lower threshold of 1,100 rubles and the upper threshold is 16,654,013.9 rubles.

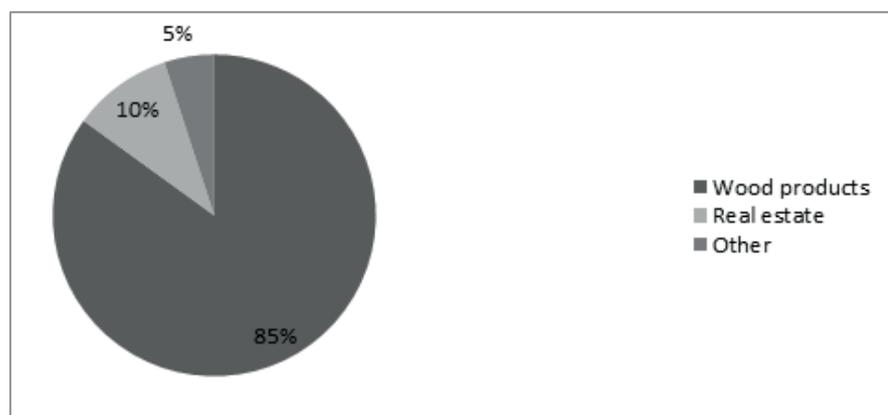
## 5. The results of the Krasnodar region study

In the framework of the study, data were collected in the Krasnodar region. The consideration of cases within the territory will take place according to the previously established algorithm.

In Figure 5, the main types of transactions are identified, they are financial transactions – 17 cases were found (85%), which makes it possible to conclude that this type of transaction is easy to implement and, as a result, widespread. Also, cases with



**Figure 5:** Types of transactions used for legalization in the Krasnodar region.



**Figure 6:** Types of legalized property in the Krasnodar region.

purchase and sale were found (2 cases, 10%), as well as cases in which both types of transactions (5%) were performed.

Thus, the Krasnodar region does not differ from the Novosibirsk and Moscow regions in the leading type of transactions, they are financial operations.

Considering the types of legalized property, 17 cases (85%) were found with funds, which may indicate the prevalence of legalisation of funds through financial operations. Also, real estate cases were found (2 cases, 10%) and a case involving funds and real estate. All data is shown in Figure 6.

The main type of crime in which legalized property was obtained in the Krasnodar region was the sale of narcotic and psychotropic drugs (11 cases, 55%), which may be a consequence of the tourist orientation of the region. Also 4 cases of fraud were found on this territory (20%) - 3 cases (15%) of illegal business, 1 case (5%) of theft, 1 case (5%) of other economic crimes.

Considering legalized amounts, 11 cases (55%) up to 10 thousand rubles were found, this may be a consequence of the fact that the main type of crime is the sale of narcotic drugs, and, consequently, sums are not so large. Also, 1 case (5%) from 10 thousand

rubles to 50 thousand rubles was identified, no cases from 50 thousand rubles to 100 thousand rubles, 8 cases (40 %) within more than 100 thousand rubles.

Considering the limits of the minimum and maximum sums, it can be noted that in this territory the minimum sum recognized as significant is above the others (it is 5000 rubles), and the maximum amount is 8 512 149 rubles.

## 6. Conclusion

We can make the conclusion that the most common type of transaction is financial operations (72%). It is confirmed by the fact that money is usually legalized (76%) by the above type of transaction. These funds are most often received from the sale of narcotic and psychotropic substances (38%), in which the sums of money that are later legalized reach more than 100 thousand rubles (56%).

Thus, in order to prove the intent, it is necessary to establish a relationship with other wrongful acts, such as theft, fraud, illegal entrepreneurship, the sale of narcotic and psychotropic substances. As the court practice shows after committing the listed crimes, citizens have the intent to legalize money and other property in order to "destroy" the traces of the committed crime.

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