


Finance Crime: Definition, Comparisons & Examples

Cite this lesson 

In this lesson we will learn about what finance crime is, including examples of different types of finance crimes and the differences between finance crime and other white collar crimes that involve financial matters.

What is Finance Crime?

Who do you picture when you imagine a criminal or a victim of a crime? Do you imagine someone mugging you on the street? Or breaking into your house at night? What if the criminal isn't some unknown stranger taking something from you, but someone that you know and think of as "respectable." While this person doesn't take your money by force or through violence, they still steal from you. Who is this person? It could be your co-worker stealing money from the company you work for, or your financial advisor stealing your savings. These types of crimes are known as finance crimes.

Finance crimes are property crimes that involve taking money or other property that belongs to someone else, and using it for your own benefit.

Examples of Finance Crime

The following are all examples of finance crimes: **fraud** (false representation), **electronic crime** (crime involving computers, like stealing funds from an online bank account), **money laundering** (transferring money from a crime into legitimate assets), **terrorist financing** (using money either from criminal sources or legitimate sources to fund terrorism), **bribery and corruption** (such as government officials requiring illegal payments to do their jobs), and **market abuse and insider dealing** (such as trading your company stocks based on secret information unavailable to the public).



Jeffrey Skilling, CEO of Enron, was convicted of numerous crimes including fraud and sentenced to 14 years in prison

Some recent high-profile financial crimes include the Enron scandal, where the energy company committed widespread fraud and corruption, and the Bernie Madoff investment scandal, where Madoff pretended to have a successful investment firm, but he was really just stealing money from new clients and giving it to older clients (This is what is called a Ponzi scheme, and Madoff ran the largest one in history). Madoff was convicted of numerous crimes including money laundering and many different types of fraud.

However, businessmen and financiers are not the only people who commit finance crimes. Finance crimes can be committed by anyone, from ordinary people hacking into someone's bank account to world leaders, who steal from their own people. For example, the disclosure of financial information in what has been called the "Panama Papers", revealed that a close friend of Russian president Vladimir Putin was likely involved in laundering money for Putin. Experts believe that Putin has used his position of power to steal billions of dollars. However, because of their positions of control, businessmen and corrupt politicians are able to commit financial crimes on a much wider scale than an ordinary person. These crimes can destroy people's lives by stealing their life savings and can destabilize the economies of entire countries.

Relationship to White Collar Crime

Finance crimes are often considered a type of **white collar crime**, which is a nonviolent crime committed by a business or government professional in the context of their occupation. In other words, a government official accepting bribes, or an employee laundering money. So what is the difference, if any, between finance crime and white collar crime? There is a lot of overlap because many finance crimes are white collar crimes, and most white collar crimes are finance crimes. The terms are not interchangeable, however. The difference is usually in who commits the crime and who benefits from it. For example, a financial crime may not be a white collar crime, such as identity theft not committed in the context of one's occupation. While identity theft is often a financial crime, it is not a white collar crime.

Lesson Summary

Finance crimes are property crimes that involve taking money or other property that belongs to someone else, and using it for your own benefit. Finance crimes are often a type of **white collar crime**, which is a nonviolent crime committed by a business or government professional in the context of their occupation. Some types of crimes include **fraud** (false representation), **electronic crime** (crime involving computers, like stealing funds from an online bank account), **money laundering** (transferring money from a crime into legitimate assets), **terrorist financing** (using money either from criminal sources or legitimate sources to fund terrorism), **bribery and corruption** (such as government officials requiring illegal payments to do their jobs), and **market abuse and insider dealing** (such as trading your company stocks based on secret information).

Worksheet: Finance Crime: Definition, Comparisons & Examples

<https://study.com/academy/lesson/finance-crime-definition-comparisons-examples.html>

1. Which of the following is an example of a finance crime, but is NOT a white collar crime?

- stealing your neighbor's credit card information by hacking their accounts, and using it to make unauthorized purchases
- mugging someone on the street and taking their wallet
- an accountant embezzling money from the company he works for
- a company president selling his stocks before news of a regulation negatively affecting the company, of which he had prior knowledge

2. Which of the following is NOT an example of a financial crime?

- battery
- insider trading
- terrorist financing
- fraud

3. The largest finance crimes are often committed by _____

- businessmen, financiers, and corrupt politicians
- ordinary people like teachers and bank tellers
- politicians
- gang members and terrorists

4. Finance crimes are _____

- crimes committed only by financial professionals
- nonviolent crimes
- nonviolent property crimes committed for financial gain
- crimes committed only by business or government professionals in the context of their occupation

5. White collar crimes are crimes are:

- nonviolent property crimes committed for any reason
- nonviolent property crimes committed for financial gain
- committed by government and business professionals in the context of their occupations
- committed by government officials