Abstract: Money laundering is a complex activity both in terms of law, but especially for the economy, being the main source of financing terrorist activity worldwide.

The economic condition prior to the phenomenon of money laundering is the existence of an underground economy that is difficult to measure and control since it takes place at the extent of the law, having the characteristic of covert activities, illegal, fraudulent and private that massively escape the national accounts contributions.

The phenomenon of money laundering as a process of concealing the origin of the revenues obtained from criminal economic activities involves using the legal institutions of a functioning market economy to conduct coating operations (transfers, transport, exchange, combined illegal goods with legitimate goods) to hide the illicit origin of dirty money, so the source of illicit income from illegal activities to be hidden. Thus revenues are given an apparent origin of legal activities.

In an effort to coordinate the global fight against money laundering, a series of supervisory and control bodies of the activities of legal institutions in market economies have been created. This process is integrated in all national bodies in each country.

Key-Words: illegal activity, money laundering, financial control, underground economy

1 Introduction
Short history of money laundering
Although expression of money laundering is a relatively recent one that was firstly used at the beginning of the Twentieth century in the U.S. during the Prohibition in the 1920’s when the notorious leaders of mafia groups in Chicago, Al Capone and Moran had opened to the public car wash to hide and legitimate their money coming from alcohol trade and other criminal activities.

There are also some reports that in antiquity some dishonest merchants had hidden their wealth through investments made in other provinces or states in order to avoid the disclosure of its origins. These practices were improved today by the proliferation of tax havens.

Later, during Middle Age, when usury was condemned by the Catholic Church, merchants and pawn shops masked their lending interest rates by different techniques, which were later re-invested returning this time as honest profits.

Piracy has long been a dirty money-generating activity, which was then laundered to the mainland with the help of the authorities' in charge at the time, ultimately leading to the emergence of honest fabulous wealth. It is known that in 1612, England gave the pirates who quit this activity an amnesty law for the committed crimes and the right to keep their wealth earned dishonestly. Dirty money laundering phenomenon was really taken into account after 1980, initially in the form of mobilization of the national banking systems in the fight against global terrorism.

Money laundering is an activity that creates and uses economic and financial circuits designed to conceal the actual source of origin of illicit income coming from criminal activity and gives an appearance of legitimacy of the income when it returns to the perpetrators, after going out this circuit.

The money laundering circuit is possible due to the existence of the underground economy which includes all economic activities that break the criminal law, social or fiscal law and that massively escape the national accounts contributions.

The world states concern over the money laundering phenomenon, led to the punishment in national laws of states and to the creation of oversight bodies to control and combat the phenomenon, by having national or regional strategies to fight against dirty money recycling, as
it is the main source of financing criminal activities and terrorism. We are recalling in this respect the Directive 2005/60/EC of the European Parliament on the prevention of the use of the financial system to the purpose of money laundering and terrorist financing.

Systematically the money laundering circuit can be presented as follows:

![Money Laundering Circuit Diagram]

2. The main types of money laundering used in Romania

An analysis based on official information, on money laundering in Romania can be made only after 1999, when the offense was enacted by Law 21/1999 on money laundering prevention and the National Office for Preventing and Combating Money Laundering was founded.

The present study reveals types of money laundering specific to Romanian market economy as follows:

- money made from tax evasion, fraud and smuggling through dummy companies;
- money obtained through the illegal trade of petroleum products;
- money obtained through the illegal production and trade of alcohol;
- money coming from tax evasion of companies acquiring and exploiting recoverable materials;
- money resulted from illegal VAT reimbursement;
- money obtained by violating the Romanian Companies law, by making use of commercial derogations;
company credit in bad faith, fraudulent bankruptcy, etc.
- money obtained after committing acts of corruption;
- money obtained by using a bank loan in bad faith;
- money obtained through off-shore companies and tax havens;
- illegal money coming from drug trafficking;
- money coming from illegal trade of cigarettes and tobacco;
- money coming from other illegal commercial and non-commercial activities

Normally any legal activity can be transformed at a time by an offender as mean that generates illegal income. As a result, the establishment of a series of elements to identify these operations is very difficult and these elements may have an absolute or exhaustive character. The suspicious nature of an operation arises the unusual way in which is being conducted as compared to a normal and perfectly legal similar operation of a company.

Therefore, a basic condition for the recognition of suspicious transactions is as good knowledge of the client, of his business type and the normal volume of transactions.

Taking these aspects into account there have been identified a series of money laundering techniques and here are some clues for recognizing the suspicious transactions involving illegal money, among which are:
- cash transactions made to launder money;
- laundering money through bank accounts;
- money laundering through a capital market and other investment transactions;
- money laundering through electronic transfers, telegraphic and fast money transfer agencies;
- money laundering through credit operations;
- money laundering in real estate market;
- money laundering through insurance companies;
- money laundering by using the casinos;
- money laundering through a foreign exchange agencies;
- money laundering through alternative systems of cash remittance.

3 Financial control in preventing and combating money laundering

Financial control and accounting are designed to keep economic companies in an organized and programmed framework through an optimum control of their financial and economic activity. The control involves the detection of deviations and disturbing factors of the activity, their removal and also the removal of their consequences, ensuring a balance and functioning to the programmed parameters in order to achieve the established objectives.

The procedures and techniques used in financial accounting to detect the typologies of obtaining and laundering money are the following:
- firstly conducting a general study on the operations generating illegal income and potential financial flows to recycle the illegal income;
- a factual control of the operations generating illegal money and identifying the financial flows recycling the illegal money;
- a documentary control of the activity;
- an extensive control;
- a sampling control;
- a cross-check control;
- a control investigation;
- a financial analysis of the controlled economic activity.

The effects in conducting the financial control, in its various forms, on illegal operations that generate income subject to money laundering are quantified as follows:
- Self managed financial controls of economic organizations that may be: preventive financial control with the role of anticipating and detecting the fraud that could lead to illegal gain resulting in illegal money subject to the money laundering process;
- Internal controls of credit institutions which may be: technical control, operational control, financial control, preventive financial, simultaneous financial control, subsequent financial control. This control is intended primarily to provide shelter to credit institution, when dealing with customers who do not have warranties proving that they will repay the credit and secondly to detect potential criminals who aim to defraud the institution or use the loans obtained to conduct a criminal activity of money laundering;
- Controls conducted by the Court of Accounts on the formation, administration and utilization of financial resources of the state and of the public sector, so the temptation to defraud public funds can be kept within reasonable limits;
- Controls conducted by a governmental entity, such as: the Prime Minister's Control Department, the National Department to
Combat Fraud, control bodies of the Ministries. These entities perform complex controls on how the public funds available to ministries, as money coming from State Budget, are spent;

- Financial controls conducted by structures or authorities of the Ministry of Finance, which can be authorized preventive financial control, financial control of the State with the role of detection of cases of funds diversion from their legal destination to the use of criminals. In the actual economic context, the State’s current system of financial control must contribute to ensuring of sound systems of public management and private property management, thus leading to increased efficiency and effectiveness in using resources and to improved financial management without allowing criminals to have the opportunity to launder their money. An objective analysis of the control activity highlights the fact that an effective control over the operations in combating money laundering and will cause a temporary reduction in income following the adoption by the company’s management of permanent policies promoting sound business decisions and even rejecting some clients which are under the suspicion of being involved in money laundering activities. Taking measures to enhance the financial control activities by allocating additional resources, must become part of organizational policy aimed at prevent and combat money laundering, even if this act is not immediately effective. Thus, the company's stability follows some parameters imposed by management policy aligned to certain legal, social and moral requirements.

4 Conclusions
Financial control and the accounting as a tool for it are used both at the microeconomic level institutions or companies and also at the macroeconomic level of state institutions for the prevention or the detection of activities likely to use illegal money. The financial control can massively limit the economic effect of money laundering which is, in fact, an effect of over flooding the economic system with criminals and which evolves in losing contributors trust in the legal system.

Permanent financial control will prevent laundered money to become the motor of the national economy and to prevent criminals from imposing mafia rules that might degenerate in:
- Uncontrollably inflationary effects;
- Deterrence and removal of honest investors;
- The risk of de-capitalization of honest economic agents;
- Unjust and illegal wealth concentration;
- Increasing cost of living;
- Determination of social needs and generating corruption;
- Increasing violence;
- Degradation of the state's international image.

In an effort to coordinate the global fight against money laundering a series of supervisory and control bodies of the activities of legal institutions of market economies have been created. This process is integrated in all national bodies in each country.

References: