

Research evaluates how financial criminals evade laws

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Pamela Wong BS'16 (left) and Brenda Limon BS'16 published a paper in the International Journal of Arts and Sciences, which they wrote in their International Business class with Dr. Shawn Carraher. Credit: UT Dallas

Despite preventative measures against bankruptcy fraud and money laundering, criminals are finding ways to exploit differing regulations in

the United States and Europe.

In a recent study published online in the *International Journal of Arts and Sciences*, two UT Dallas alumnae examine the frequency and implications of bankruptcy fraud and money laundering. They also assess the degree of cultural and ethical differences between these acts in the United States and Europe, where the crimes are more prevalent.

Brenda Limon BS'16 and Pamela Wong BS'16 are the authors of the paper, which they wrote in their International Business class with Dr. Shawn Carraher during their undergraduate studies.

"The lack of uniformity between the financial systems and their regulations makes a lot of room for criminals to participate in these illegal activities. If somehow the nations of the world were able to create uniformity within their financial systems and the way regulations work, it would eliminate a lot of the crime that is happening right now," said Limon, a corporate finance graduate. She is working toward a master's degree in environmental geology.

The pair was among a group of students Carraher took to Harvard University last summer for the *International Journal of Arts and Sciences'* conference, where Limon and Wong presented their work to a panel.

Carraher, clinical professor of organizations, strategy and international management and undergraduate research director in the Naveen Jindal School of Management, said presenting research benefits students by differentiating them in the marketplace.

"In 2014, a group of international business students in the Jindal School of Management studied the present value of an annuity of presenting papers at Harvard, Oxford, and Cambridge, and the present value of an annuity of presenting a paper at Harvard is \$280,000," he said.

Limon and Wong's study found that while auditors and financial analysts are in the process of reducing bankruptcy fraud and money laundering, completely nullifying these issues may never be possible without a uniform structure of financial regulations.

The researchers analyzed Hofstede's cultural model and how it pertains to financial regulations between the U.S. and Europe.

"It was interesting to see the cultural differences across different nations and how they manifest in the policies and financial regulations," said Wong, who graduated from the accounting program and is pursuing a master's degree in the Jindal School. "Specifically for the U.S., one of the dimensions is low power distance, which means Americans prefer an equal distribution of power amongst individuals. This is exactly why the U.S. has strong whistleblower protection against retaliation for people who speak out against corporations that commit these types of fraud."

According to the study, Americans also measure performance on a short-term basis, meaning they prefer quick results.

"We found this tendency to look for short-term results sometimes pushes people in influential positions to commit crimes, either [money laundering](#), bankruptcy fraud or the manipulation of financial statements," Limon said. "Because they find themselves under pressure to show stockholders that the company is growing, or has closed a deal, that pressure instigates them to make the mistake of doing whatever it takes to get quick results."

"On the other side of the coin, the United States has been one of the most active in trying to create uniformity in the rules. They're one of the countries trying to come up with regulations that fit not only their standards, but standards of other countries that are strongly tied to them financially."

More information: [www.universitypublications.net ...
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