



Economic crime, economic criminal law

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Abstract

Aim: The aim of this paper is to provide a brief overview of the most fundamental characteristics of economic crime and the efforts to combat it. The occasion is a jubilee event, as in 2016, together with attorneys Bence Újhelyi and Balázs Fodor, we launched a conference series on this topic under the auspices of the Institute of Criminal Sciences at the Faculty of Law of Károli Gáspár University of the Reformed Church in Hungary. This volume contains the lectures delivered at the 10th conference. Jubilee celebrations always provide an opportunity for reflection; in this case, I have compiled what I consider to be the most important definitions related to economic crime and the changes in economic criminal law.

Methodology: I reviewed the definitions of economic crime and the development trends of economic criminal law at both international and national levels, with particular emphasis on European and Hungarian developments.

Findings: Economic crimes pose an increasingly significant threat to the economy and the integrity of financial systems. The criminological concept of economic crime is complex and wide-ranging, and it cannot be equated one-to-one with the totality of economic offenses defined and punishable under The Criminal Code.

Value: This paper traces the evolution of the concept from its sociological roots in 1930s North America to the current definitions of economic and financial crime used within the European Union. In terms of the purpose of economic criminal law, it highlights the EU's current focus: effectively combating

English-language republication. The Hungarian version of this article was published in *Belügyi Szemle* 2025, issue 11. DOI link: <https://doi.org/10.38146/BSZ-AJIA.2025.v73.i11.pp2223-2245>



organized crime, thereby also restricting the infiltration of the economy through the investment of illegal profits.

Keywords: economic crime, white collar crime, economic criminal law, asset recovery

Introduction

As head of the Institute of Criminal Sciences at the Faculty of Law and Political Sciences of Károli Gáspár University of the Reformed Church in Hungary, I have always considered economic crimes to be a priority area of research. This is why my fellow lawyers, and I decided to launch a series of conferences on the detection and prosecution of economic crimes and the analysis of economic conditions that pose a dilemma for both legislators and law enforcement officials. In my article, I also quote from the follow-up publications of our previous conferences.

Conceptual definitions of economic crime

Concepts in the US: white-collar crime, corporate crime

From the outset, the US has approached the issue from a sociological rather than a criminal law perspective. In his theory of differential association, Sutherland pointed out, among other things, that learning criminal behavior is in fact comparable to learning conventional patterns of behavior. In his sociological approach to crime theory, he emphasized that learning and an individual's life experiences play an important role in ultimately choosing rule-breaking behavior (Sutherland, 1939). His work on white-collar crime collected examples of 'misconduct' by middle- and upper-class corporate executives and officials in the United States at the time. White-collar crime is defined as a crime committed by a person of high social status in the course of their professional activities (Brooks, 1949). However, the publisher of the book did not dare to take on these economically powerful leaders, so he asked Sutherland to remove the names and other identifying information of those involved in illegal activities. Later, an 'uncut version' was also published (Sutherland, 1983). In 'white-collar crime,' perpetrators exploit their social and workplace power. This gives them the opportunity to provide false information about the financial situation

of companies, manipulate stock markets, and establish corrupt relationships. Deceptive advertising, falsification of product characteristics, and tax fraud are also characteristics of these perpetrators. Ferenc Irk further analyzed the phenomenon of ‘white-collar crime,’ addressing ‘elite deviance’ and ‘manager crime’ (Irk, 2014). White-collar criminals are key players in the economic and political institutions at the highest levels of society. The activities of some politicians and businesspeople are illegal, and this form of deviance also causes harm to others. The most diverse forms of elite deviance occur in large numbers, whether in the form of political or organizational crimes, or combinations thereof. According to László Korinek, there may be criminogenic occupations. He quotes Gary Green, who says that these include activities made possible by opportunities provided by legal work. Korinek cites as an example the practice of on-the-spot fines by police officers, which, with relatively large and, for those concerned, less transparent decision-making freedom, proved to have a criminogenic effect due to the possibility of cash payment (Korinek, 2023). Korinek also mentions ‘corporate crime,’ i.e., organized crime. He cites the work of Adler, Mueller, and Laufer and draws attention to the institutional and organizational embeddedness of perpetrators. ‘Corporate crime’ refers to crimes committed by companies. This type of crime is intricately linked to ‘white-collar crime.’ Managers commit these crimes. The technique used blends criminal activity with the normal operation of the business, which, combined with the high social prestige of the perpetrators, results in high latency, making it difficult to uncover the actions of ‘white-collar criminals’ (Korinek, 2023). A useful tool against white-collar and organizational crime can be the appropriate design of the institution’s structure and the establishment of safeguards.

Hungarian definitions relating to economic crime

In the years following the change of regime in Hungary, several researchers at OKRI, then known as the National Institute of Criminology and Criminalistics, focused on economic crime and other related types of crime.

In connection with white-collar crime, Mariann Kránitz drew attention to the special nature of the perpetrators, pointing out that the personality, authority, power, and connections of white-collar criminals are factors that make the dangers of this type of crime almost impossible to assess (Kránitz, 1995). Mariann Kránitz researched corruption and white-collar crime across systems. Corruption is a collective term that, according to Kránitz, manifests itself on three levels. The general level is determined by the given social and economic conditions.

At the special level, forms of corruption specific to certain social groups occur. Examples include the corrupt systems of the 17th-century English gentry, the 18th-century German patricians, and the 19th-century Russian officials. The individual level refers to a specific situation of corruption in which one party has power and dominance and is the passive party. The active party promises or offers an advantage in order to obtain the passive party's biased decision-making (Kránitz, 1986). In Kránitz's unique definition, corruption is nothing more than 'the relationship between the organized underworld and the organized upper world' (Kránitz, 1986). A white-collar criminal is someone with economic or social authority who hides their criminal activities behind their clean, white collar. They are respected, accepted individuals who commit crimes by exploiting the authority associated with their position and social status (Kránitz, 1999)¹.

According to László Pusztai, economic cycles tend to generate economic crime. During the downward phase of the economic cycle, crime increases, as businesspeople in difficult situations, where the goal is to keep their companies afloat, can 'easily' find themselves in a position where they commit economic crimes. In contrast, when the economy is booming and flourishing, crime tends to decline (Pusztai, 1987). In 1994, Pusztai pointed out the shortcomings of Hungarian criminal law in relation to the increase in IT crime and environmental crime (Pusztai, 1994).

According to László Pusztai, public opinion considers economic crime to be 'every crime, offense, and unethical behavior that results in participants in everyday economic life gaining unlawful financial advantages, according to public perception.' The criminological approach to economic crime included the so-called 'gray economy' and its more dangerous form, the 'black economy.' The 'black economy' refers to tax evasion and considers the formation of invisible income to be the fundamental source of problems. The next level is the range of economic crimes. Distinguishing between economic and property crimes usually causes difficulties. Economic crime is typically related to the process of economic management – production, manufacturing, marketing, and distribution. Crimes against property involve a violation of the current ownership or property rights at the time of the offense (Tóth, 2015).

Mihály Tóth pointed out that the concept of economic crime is not only related to 'white-collar crime,' and that the two concepts should not be identified with each other. 'White-collar crime' is also related to the 'black economy.' The perpetrators occupy positions that command authority, have considerable influence, and have established networks of contacts (Tóth, 2006).

1 Mariann Kránitz refers here to István Schafer's work entitled 'The White-Collar Criminal,' published in 1948.

In Hungary, Mihály Tóth's concept of economic crime is one of the most widely accepted definitions in criminology. 'Economic crime should be considered as a form of crime that occurs in the course of economic activity or is closely related to it, which, regardless of the method of commission (often using or abusing legal forms and frameworks of economic activity) or its outcome is capable of violating or endangering, primarily and typically, the order of economic activity, economic obligations, and the framework of fair and lawful economic activity, beyond the harm caused to individual interests.' (Tóth, 2000). It is also worth defining economic criminal law, as it is the *ultima ratio* in the fight against economic crime. Economic criminal law is an independent and perhaps the most distinct subfield of substantive criminal law, comprising all criminal and non-criminal rules that determine which acts threatening the proper functioning of the current economic system (Fodor, 2017). The methodology and framework of criminology cannot replace but can greatly assist in the development of a precise, dogmatically sound conceptual apparatus for substantive law in the field of economic crime (Tóth, 2018).

European Union legislation

Europol's work against financial and economic crime

Europol participates as a service provider in joint investigation teams within the European Union, including in the area of economic crime. Europol uses the following definition of financial and economic crime: economic crime, also known as financial crime, is an illegal activity committed by one or more people for financial or professional gain, which is motivated by economic gain. The European Financial and Economic Crime Centre (EFECC) was established in June 2020 to combat the growing threats to the integrity of the economy and financial systems. Europol has highlighted the following threats: money laundering, corruption, counterfeiting, fraud, and tax evasion schemes targeting individuals, businesses, and public institutions.

In preventing and combating financial and economic crime in the European Union, they strive to conduct joint investigations, establishing partnerships with both public and private organizations. The European Cybercrime Center is also involved in this work, particularly around cyber-based fraud.

Europol also cooperates with the European Anti-Fraud Office (OLAF), the European Public Prosecutor's Office (EPPO), and the European Union Intellectual Property Office (EUIPO) (Europol, 2024). Europol also conducts financial intelligence activities to support successful law enforcement.

In its 2024 report, the European Centre for Combating Financial and Economic Crime draws attention to the billions of euros in losses caused by this type of crime. Criminals make huge profits: there are cases that cause billions of euros in damage on their own. The number of victims of financial and economic crime (including online fraud and intellectual property crime) has reached unprecedented levels, and the number of reported cases is likely to be lower than the actual number of cases. The number of victims in the European Union is estimated to be in the millions, due to the rapidly growing cyber dimension of such crimes and the increasing online presence of citizens, businesses, and public institutions. The financial interests of the European Union and its Member States are threatened by sophisticated value-added tax, customs, and subsidy fraud schemes (Europol, 2024). The European Union has become a target for criminals from third countries. They operate from outside the European Union, exploiting the inadequate implementation of international anti-money-laundering standards and of law-enforcement cooperation in some countries. From such jurisdictions, these criminals coordinate offences, strategically leveraging distance and communications technologies to avoid detection by law-enforcement authorities.

Money laundering is the basis for the survival and success of organized economic crime. Huge illegal incomes are laundered. Nearly 70% of criminal networks operating in the European Union use money laundering to finance their activities and hide their assets. Money laundering is conducted through unofficial money transfer services, cash smuggling, money transfers, trade-based money laundering, trade in digital assets, and/or investments in the legal economy. An ever-expanding range of digital assets is being used to launder proceeds from crime. The misuse of legitimate business structures is key to money laundering, as layers of multi-country, often offshore, corporate structures conceal the actual owners. Professional money launderers have created a parallel underground financial system for conducting transactions and payments that are not reached by supervisory mechanisms.

Corruption is an indispensable tool of organized crime. Corruption is a fundamental prerequisite for most crimes. Sixty percent of criminal networks operating in the European Union use corrupt practices to achieve their illegal goals. No sector, no office, and no country is immune to corruption. In the economy of organized crime, the costs of corruption are marginal.

Fraud schemes cause significant financial and other damage. Most fraud is now cyber-based, with fraudsters using cybercrime services and exploiting the tools and data they offer. Fraudsters either target groups of potential victims or select specific victims. Revictimization of targets is a widespread practice. The

most common types of fraud targeting individuals and the private and public sectors include investment fraud, crypto investments, hacking of official emails, e-commerce fraud, technical support fraud, dating fraud, and phishing campaigns.

Criminals operate several fraudulent schemes that have a detrimental effect on the financial interests of one or more Member States and the European Union as a whole. Every year, billions of euros are lost through subsidy fraud, excise fraud (tobacco, fuel, and alcohol), import duty fraud, and VAT fraud (value added tax fraud). Some fraud schemes are linked to sporting events.

Criminal networks involved in intellectual property crime infiltrate every stage of the legal supply chain. These crimes are difficult to detect, as most of the counterfeit goods circulating within the European Union originate from outside the EU. The digitization of trade and transport has shifted much of the distribution to the online space, further distancing criminals from their goods. The goods and sectors most affected by intellectual property crimes in the European Union are the automotive industry, clothing and accessories, cosmetics and perfumes, food, labels and packaging materials, pesticides, pharmaceutical products, pirated products, and toys.

Eurojust's activities against economic crime

The role of Eurojust (2023), the European Union Agency for Criminal Justice Cooperation, is to coordinate the work of national authorities in EU Member States and third countries involved in the investigation and prosecution of international crimes to make Europe safer. This is also how it works in the detection of economic crime. According to Eurojust's definition, economic crimes include several types of crimes, such as financial fraud, corruption, money laundering, and crimes affecting the financial interests of the Community. These crimes can have a serious impact on the economy and financial system of EU countries. Eurojust plays a central role in combating this type of crime by facilitating international cooperation and the exchange of information between member states (URL1).

Economic crime remained one of Eurojust's priority areas in 2022. Fraud was the most significant of these. Compared to 2021, the Agency dealt with more than five hundred additional fraud cases.

Since the start of the COVID-19 pandemic, criminals have been increasingly targeting victims through online trading platforms. This trend continued in 2022, as evidenced by the high number of investment fraud cases registered with Eurojust and the increase in the number of victims across the European Union. Intra-Community fraud (MTIC fraud) causes damage to both EU and

national budgets. Tackling this type of fraud is one of the objectives of the EM-PACT (European Multidisciplinary Platform Against Criminal Threats) priority on fraud, economic and financial crime for 2022-2025.

Launched in 2021 and extended in 2022, [SENTINEL](#) is an EU-wide operation aimed at ensuring the lawful use of Next Generation EU recovery funds by detecting, investigating, and prosecuting cross-border crimes, such as fraud and money laundering. The operation was launched by Europol and involves Eurojust, EPPO, OLAF and 20 EU Member States. Its aim is to ensure that the €806.9 billion budget is used to strengthen the European Union's economy and does not end up in the bank accounts of criminals.

Eurojust published its first money laundering report in 2022 ([URL2](#)). According to the report, Eurojust has registered nearly 3,000 cross-border money laundering cases over the past six years. Since 2016, the number of cases submitted to the Agency has been steadily increasing. The report focuses on the most important legal and practical challenges. There are still differences in national laws regarding predicate offenses. To convict someone of money laundering, countries must also investigate the predicate offense. Double criminality must be examined. It is possible that the predicate offense is only considered an administrative offense under national law. Attention must be paid to the difficulties arising from the use of cryptocurrencies. It is necessary to be familiar with the mechanisms for converting cryptocurrencies into legal tender. It is important to identify the actual owner of the proceeds of crime, which is made difficult by the existence and use of fictitious companies or letterbox companies, identifying foreign elements in company structures, or the fact that suspects usually do not act in their own name in order to hide financial traces indicating the origin of illegal money. A problem is that law enforcement officials are still not sufficiently familiar with the regulation on the mutual recognition of freezing and confiscation orders. Different national laws define victims differently, and there is no uniformity as to who is entitled to compensation. While it is relatively easy to track money transfers within the European Union, cooperation outside the European Union is difficult.

Since 2016, all EU Member States have been involved in international money laundering cases submitted to Eurojust, with Italy, France, Spain, Germany, and the Netherlands managing the most cases. More than sixty third countries have been involved in these cases, with Switzerland, the United Kingdom, the United States, and Ukraine representing the most involved non-EU countries.

Eurojust published its first corruption report in 2022 ([URL3](#)).

The report examines more than five hundred corruption cases. Coordination through Eurojust has led to tangible results, including seizures, confiscations,

arrests, and convictions worldwide in complex cross-border investigations and prosecutions of corruption cases. The five Member States most affected by corruption cases registered with Eurojust are Greece, Germany, Romania, Italy, and Spain. Third countries also play a key role in Eurojust corruption cases: between 2016 and 2021, 42 third countries were involved.

Eurojust has been involved in the European Commission's fight against fraud affecting the Union's financial interests using criminal law instruments. The European Public Prosecutor's Office (EPPO) began operating in this area in 2021, but Eurojust remains competent to investigate crimes related to the protection of the Union's financial interests (PIF) involving EU Member States and third countries not participating in the EPPO, at the request of the EPPO.

Eurojust Report 2023. Investment fraud (especially in the field of crypto investments) is one of the most common forms of fraud, affecting millions of people worldwide. Almost 70% of criminal networks operating in the European Union use money laundering to finance their activities and conceal their assets. Corruption is a key enabler of most criminal operations, with 60% of criminal networks operating in the European Union using corrupt practices to achieve their illegal goals. The amount of assets seized from criminal networks by judicial and law enforcement authorities remains below 2% of annual organized crime revenues.

EU Strategy against Organized Crime (2021–2025) *(European Commission, 2021)*

The aim is to increase Member States' capacity to fight organized crime. It will limit criminals' ability to maintain and expand their criminal activities, engage in corruption, and infiltrate the economy by investing illegal profits.

The new rules also cover violations of restrictive measures, ensuring that the proceeds of violations are effectively traced, frozen, managed, and confiscated. For many Member States, this is a new rule on the confiscation of 'unjustified wealth,' which, under certain conditions, allows for the confiscation of assets identified in criminal investigations. Such confiscation is only permitted if a national court is satisfied that the identified property is the proceeds of crimes committed within the framework of a criminal organization and that these activities have generated significant economic benefits.

The agreement pays particular attention to procedural safeguards. Member States must also designate authorities (asset management offices) to manage frozen or confiscated assets. The European Commission has asked Eurojust to provide information on the proposal for a new directive, based on its operational

cases. This legal instrument will have a significant impact on the Agency's cases, as Eurojust provides support to national authorities at all stages of the asset recovery process, from tracing and freezing to confiscation and recovery.

Strengthening asset recovery and anti-money laundering measures and promoting financial investigations

Organized crime in the EU is fundamentally based on the ability to launder large amounts of criminal proceeds. While three-quarters of criminal organizations still use basic methods to hide their illicit profits — such as investing them in real estate or other high-value assets — others are using increasingly sophisticated methods with the help of white-collar criminals who launder money (Europol, 2021). The financial trail left behind by criminals is one of the main indicators of their activities, providing useful clues for investigators and invaluable evidence for prosecuting perpetrators. Therefore, the handling of proceeds of crime plays a crucial role in detecting criminal activities, deterring crime, and preventing its infiltration into the legal economy and society. Despite advances in the legal framework for combating money laundering and asset recovery, only a small proportion of money laundering activities are detected, and only 1% of criminal assets were confiscated between 2010 and 2014 (Europol, 2016). This has been exacerbated by the increased use of financial channels that are subject to limited supervision compared to the banking sector, such as virtual currencies.

The legal framework for confiscation is limited in terms of what assets and criminal activities it covers, which makes it even harder for authorities to take away illegally obtained assets from criminals. Asset recovery offices currently face challenges in tracing assets, as they do not have the power to temporarily freeze assets to prevent their disappearance, nor do they have direct and immediate access to certain public registers, such as central real estate registers or central company registers. Recovered assets are not always managed efficiently and are not sufficiently used to compensate victims or for the benefit of society.

There is also a need to further promote a culture of early financial investigations in all Member States and to strengthen the capacity of investigators to deal with the financial aspects of organized crime. Europol will be able to provide even greater support to Member States in conducting financial investigations through the establishment of the European Financial and Economic Crime Center.

It is equally important to step up efforts to freeze and confiscate assets by further strengthening the EU legal framework and the operational capacity of asset recovery offices. Measures for confiscation without conviction should be

explored, as they could contribute to increasing the amount of confiscated assets in cases where, for example, the acquired assets cannot be linked to a conviction.

The Commission will also consider the possibilities for systematically initiating financial investigations and post-conviction financial investigations. Rapid access to financial information is essential for conducting effective financial investigations and successfully tracing and confiscating assets. It is therefore of the utmost importance that Member States transpose in a timely manner the Directive on facilitating access to financial information, which provides law enforcement authorities with access to central bank account registries and strengthens cooperation between law enforcement authorities and financial intelligence units. The Commission will review this Directive, together with the anti-money laundering framework, to ensure that law enforcement authorities have access to a future platform linking all EU bank account registries.

At the same time, international cooperation on anti-money laundering measures needs to be improved. Member States should make full use of the Anti-Money Laundering Operational Network (AMON), an informal international network of law enforcement agencies' anti-money laundering units, and the https://rendeszet.uni-nke.hu/document/rendeszet-uni-nke-hu/vagyonvisszaszerzes_konyv.pdf), an informal network of law enforcement and judicial practitioners specializing in the tracing, freezing, seizure, and confiscation of assets. The Commission will also propose that the European Union ratify the Council of Europe's Warsaw Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime.

Addressing infiltration into the economy and society

Criminal groups invest a significant portion of their revenues in legitimate businesses in various sectors, including real estate, construction, transportation, and catering. By controlling companies operating in these sectors, criminal organizations can launder their illegally acquired assets and maximize their profits. The infiltration of organized crime damages the legal economy and distorts market rules. The economic situation caused by the COVID-19 pandemic has increased the risk of organized crime actors buying up weakened companies and infiltrating entire business sectors. Criminals are attempting to exploit the various financing mechanisms put in place to support economic recovery. To address this threat and identify key areas for intervention and awareness-raising, Member States and Europol need to develop an intelligence picture of the scale and extent of criminal investment, the methods of infiltration and the sectors at risk. The local dimension also plays a key role in reducing the opportunities for criminal groups to recruit

new members. People who have grown up in an environment of organized crime and in socio-economically disadvantaged areas are most at risk of being drawn into criminal activities. These individuals, who start with minor offenses or initially play a minor role within the organization, become members and leaders of future criminal organizations. Targeted measures implemented in neighborhoods and communities have proven successful in providing alternatives that prevent young people from becoming involved in violence and crime for life. In addition, crime prevention activities, such as community policing or awareness campaigns in areas particularly affected by criminal activity, are essential to make society more resilient to the activities of criminal organizations. The Commission will step up the sharing of knowledge and best practices on crime prevention through the European Crime Prevention Network. Asset recovery is a powerful disincentive and an effective tool in the fight against serious and organized crime. It deprives criminals of their illicitly acquired assets and prevents them from investing them in further criminal activities or integrating them into the legal economy. According to the latest estimates, the assets seized by law enforcement agencies from criminal networks still amount to less than 2% of the annual income generated by organized crime in 2020-2021 (Europol, 2024).

Directive on asset recovery and confiscation²

The Directive lays down minimum rules on the tracing, identification, freezing, confiscation, and handling of assets in criminal proceedings. In this context, criminal proceedings are a distinct concept under EU law, as interpreted by the Court of Justice of the European Union, which may differ from the case law of the European Court of Human Rights.

Az irányelv szerint meg kell erősíteni az illetékes hatóságok azon képességét, hogy megfosszák a bűnözőket a bűnözői tevékenységből származó jövedelemtől. The Directive aims to strengthen the ability of competent authorities to deprive criminals of the proceeds of their criminal activities. To this end, rules should be laid down on tracing and identifying assets, strengthening freezing powers, improving the management of frozen and confiscated assets pending a final decision on confiscation, strengthening the tools for confiscating the proceeds of crime, the instruments of crime and the property derived from the criminal activities of criminal organizations, and improving the overall effectiveness of the asset recovery system.

2 Directive (EU) 2024/1260 of the European Parliament and of the Council of 24 April 2024 on the recovery and confiscation of assets.

Cross-border cooperation should be facilitated by ensuring that competent authorities have the powers and resources necessary to respond quickly and effectively to requests from authorities in other Member States. Provisions laying down rules on early tracing and identification, urgent measures for freezing, or effective management contribute to improving the possibilities for cross-border asset recovery.

Given the global nature of organized crime and its ability to demise assets derived from crime across borders rapidly, cooperation with third countries should also be strengthened within the international legal framework. The poly-criminality of criminal organizations involved in a wide range of illicit activities in different markets, and their systematic and profit-oriented cooperation, effectively combating organized crime requires that freezing and confiscation measures cover the proceeds of all crimes committed by organized criminal groups. The scope of the Directive covers all crimes harmonized at EU level, including the crimes listed in Article 83(1) of the TFEU (Treaty on the Functioning of the European Union), in addition to the crimes listed in Article 83(1) of the TFEU. , it should also cover all crimes harmonized at EU level, including fraud affecting the financial interests of the Union, given the increasing involvement of organized crime groups in such crimes. This Directive should also cover environmental crime, which is a major area of activity for organized criminal groups and is often linked to money laundering or to waste and residues generated in connection with the production and trafficking of drugs. Facilitating illegal entry and residence is one of the main activities of organized criminal groups and is typically linked to trafficking in human beings. According to the directive, the concept of proceeds of crime includes direct income from criminal activities and all indirect benefits, including the subsequent reinvestment or conversion of direct income. This means that assets that may have been converted or transferred to conceal their origin may also be seized. Proceeds must include all assets, including those that have been partially or wholly converted or exchanged, and those that have been mixed with assets of lawful origin, up to the estimated value of the mixed proceeds.

The search for assets must be initiated as soon as there is suspicion of criminal activities that are likely to generate significant economic gains.

The directive considers the fact that criminals demise the proceeds of crime very quickly between countries, so Member States must ensure that asset recovery offices also share the information they need to conduct their tasks quickly.

Current Hungarian criminal law regulations in the field of economic crime

The Criminal Code currently contains the following chapters on economic crimes:

- Crimes against money and stamp circulation (Chapter XXXVIII),
- Crimes against the budget (Chapter XXXIX),
- Crimes related to money laundering (Chapter XL),
- Violations of economic order (Chapter XLI),
- Violations of consumer interests (Chapter XLII),
- Information crimes motivated by financial gain (Section 422)

In line with Europol's approach, Hungary also strives to focus on prevention. Prevention would be an effective way of curbing economic crime. However, if this proves unsuccessful, the inevitability of criminal prosecution is the message that must be conveyed to perpetrators of economic crime.

Financial and economic crimes are constantly evolving, adapting to changes in the wider environment, such as technological advances and global and regional geopolitical crises. At the same time, they are also influenced by developments in organized crime: perpetrators of financial and economic crime are adept at exploiting opportunities, gaining expertise in new areas, targeting more victims than ever before, and maintaining greater distance between themselves and their crimes (Europol, 2024).

The significance of European Union law in establishing the facts of budget fraud

Gábor Molnár examines the influence of European Union law on current Hungarian regulations (Molnár, 2017). He points out that Member States are free to choose the sanctions to be applied, which may take the form of administrative sanctions, criminal sanctions, or a combination of the two. He cites the Convention on the Protection of the European Communities' Financial Interests (PIF Convention), which defines the objectives, the concept of fraud, and the obligations of member states. According to the preamble to the PIF Convention: the contracting parties to this convention, the Member States of the European Union, are convinced '*that the protection of the financial interests of the European Community requires the criminal prosecution of fraud affecting those interests, and that 'such conduct should be punishable by effective, proportionate and dissuasive criminal penalties, without prejudice to the possibility of applying other penalties in different cases, and that, at least in serious cases, the imposition of custodial sentences should be possible.*' Member States shall

take the necessary measures to ensure that conduct constituting fraud affecting the financial interests of the Union is punishable by effective, proportionate, and dissuasive criminal penalties, including, at least in serious cases of fraud, penalties involving deprivation of liberty. In tax administration procedures and criminal proceedings for tax fraud (budget fraud), the decisions of the Court of Justice of the European Union (CJEU) also serve as secondary EU law.

Money laundering

Money laundering forms the basis of almost all forms of organized crime. Practically every form of organized crime depends on money laundering. Nearly 70% of criminal networks operating in the European Union use money laundering to finance their activities and hide their assets (Europol, 2024).

László István Gál distinguishes between the criminological and criminal law concepts of money laundering. In criminal law, any part of the economic concept of money laundering constitutes money laundering. The authorities do not need to prove that the entire money laundering process has taken place (Gál, 2022).

László István Gál defines money laundering in criminological terms as follows: illegal economic services conducted under the guise of legal economic transactions, as a result of which the origin of assets obtained through criminal activity becomes verifiable, thereby removing any recognizable illegality. Any illegal activity involves a certain type of transaction cost, as the use of income derived from crime increases the risk of the crime being exposed.

These transaction costs can be reduced by a successful money laundering operation. The specific economic significance of this activity is that it transforms potential wealth, which would be dangerous to spend without money laundering (and is therefore considered inactive capital from this point of view), into actual purchasing power. In this sense, money laundering fulfills the role of an illegal monetary supply that satisfies the demand for money laundering services by individuals or groups committing income-generating crimes (Gál, 2021).

Budget fraud

Mihály Tóth, describing the changing world of economic crime, notes that one thing survives everything, and that is VAT fraud. These crimes take on new forms, but their essence remains the same: by making unjustified claims for sales tax refunds, perpetrators cause incalculable damage to the economy. The damage caused by international carousel fraud and VAT abuse in the EU already exceeds the European Union's annual payments (Tóth, 2017).

Act LXIII of 2011 established the offense of budget fraud. According to the explanatory memorandum to the Act, the proliferation of fraudulent behavior made law enforcement difficult. Special protection of the budget became necessary if only because the budget was the biggest loser of the regime change (Tóth, 2017).

Miklós Gábor Molnár emphasizes that tax fraud has been replaced by budget fraud, the application of which is also governed by European Union law (Molnár, 2017).

Judit Jacsó describes how tax fraud has become a cross-border crime, and that combating it requires the harmonization of criminal law and sanctions. The 2017 Directive on the protection of the European Union's financial interests under criminal law covers VAT fraud if two conditions are met (the act affects the territory of at least two Member States and the value of the offense exceeds EUR 10 million) (Jacsó, 2017).

Asset recovery, asset confiscation

The 98% of the wealth obtained through economic crime fuels organized crime. EU legislators, Member States, and law enforcement agencies are stepping up their efforts to weaken the economic power of organized crime by recovering confiscated assets. However, the amount of income seized is still a drop in the ocean compared to the huge illegal – and untaxed – revenues of criminal networks. (Europol, 2024).

Deres and Kármán describe the objectives and basic processes of asset recovery:

- Identifying and tracking illegally acquired assets.
- Freezing and seizing assets; possible subsequent confiscation.
- Managing frozen and seized assets in order to preserve their value.
- Confiscating illegally acquired assets.
- Selling confiscated assets, which may include their reuse for public or social purposes. Legislation on asset recovery includes provisions on freezing, seizure, confiscation, and distribution of assets, and also covers substantive criminal law, criminal procedure, and mutual legal assistance (Deres & Kármán, 2023).

With regard to the agreement contained in the Hungarian Criminal Procedure Act, Zsolt Pál Fürcht pointed out that it is worthwhile to initiate prosecution, among other things, if financial damage to the budget or compensation for the victim can be expected (Fürcht, 2020).

Confiscation of property

Since the typical goal of economic crime is unlawful gain, criminal proceedings must make it clear that committing crimes is not a profitable activity and that illicit enrichment cannot be maintained. The aim of the legislator is to confiscate assets that are criminal or considered criminal. For this reason, it is essential to identify, secure, and confiscate criminally obtained assets or, if this is not possible for some reason, to recover such assets with the cooperation of the defendant, since compensation for the victim's damages is also of fundamental importance when applying a criminal policy aimed at redressing the damage caused.

According to Kelemen, organized crime groups are investing increasingly large sums of money in order to ensure the conditions necessary for committing crimes as 'effectively' as possible. In addition to the above interests, this investment may also have the further purpose of ensuring the 'successful' escape of the perpetrators from prosecution by the authorities after the crimes have been committed, as well as securing the benefits derived from the crimes. However, since 'investments' made for this purpose are also confiscated on the basis of gross confiscation, the repressive nature of the measure is becoming increasingly dominant in relation to organized crime. (Kelemen, 2020).

Criminal proceedings against a legal entity

The spread of criminal liability for legal entities has also been promoted by international conventions and European Union legal acts. International conventions on the accountability of legal entities, anti-corruption, and organized crime also contain provisions on this matter. The United Nations Convention against Transnational Organized Crime provides for effective, proportionate, and dissuasive sanctions against legal entities. (United Nations, 2004).

The sanctioning of offenses committed through the use of legal entities makes measures against legal entities applicable in a wider range of cases than the general criminal proceedings governing liability. For example, if money obtained through budget fraud is transferred to the perpetrator through a given company, and it can be established that the company does not benefit from this, nor was that the intention, but rather to conceal the crime, it is still possible to take measures against the legal entity if the manager or the person responsible for control was aware of this (Horváth & Pocsai, 2023).

Hungarian legislation has adopted the concept of legal entity used in international conventions and joint actions of the European Union instead of 'corporate liability' and 'body liability.'

One of the main objectives of criminal law measures applicable to legal people is to deprive the legal person of the financial advantage gained through the commission of the offense, as well as to prevent further violations of the law. Criminal law measures applicable to legal people include dissolution of the legal person, restriction of the legal person's activities, and fines.

It may happen that the exact value of the financial advantage achieved or sought cannot be determined or can only be determined at disproportionate expense. In such cases, the law allows the court to estimate the value of the financial advantage. Galgóczi warns that, compared to the relatively definite penalty system in Hungarian criminal law, it is inappropriate for the law to set only the lower limit of the fine and not the upper limit (Galgóczi, 2022).

International legal obligations require the confiscation of all financial gains derived from criminal activity in all possible cases, including from legal entities where applicable. This is ensured by the confiscation of assets, which may also affect the assets of legal entities, in the context of criminal proceedings against natural people.

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Laws and Regulations

Act CIV of 2001 on criminal measures applicable to legal people

Act C of 2012 on the Criminal Code

Directive (EU) 2024/1260 of the European Parliament and of the Council of 24 April 2024 on asset recovery and confiscation

Online links in the article

URL1: *Economic crimes* | Eurojust – European Union Agency for Criminal Justice Cooperation. <https://www.eurojust.europa.eu/crime-types-and-cases/crime-types/economic-crimes>

URL2: *Eurojust Report on Money Laundering* | Eurojust – European Union Agency for Criminal Justice Cooperation. <https://www.eurojust.europa.eu/publication/eurojust-report-money-laundering>

URL3: *Eurojust Casework on Corruption: 2016-2021 Insights* | Eurojust – European Union Agency for Criminal Justice Cooperation. <https://www.eurojust.europa.eu/publication/eurojust-casework-corruption-2016-2021-insights>

Reference of the article according to APA regulation

Domokos A. (2025). Economic crime, economic criminal law. *Belügyi Szemle*, 73(11), 2373–2394. <https://doi.org/10.38146/BSZ-AJA.2025.v73.i11.pp2373-2394>

Statements

Conflict of interest

The author has declared no conflict of interest.

Funding

The author did not receive any financial support for researching, writing, and/or publishing this article.

Ethics

No dataset is associated with this article.

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