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ACCOUNTING FRAUDS: THE CASE OF THE SHIPPING FIRMS

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Abstract

This study was carried out in order to shed light on the prevalence of fraudulent activity in the maritime industry and ports, as well as the variables that contribute to fraudulent activity and the criminals accountable for these offences. Even though there have been a lot of studies conducted on the subject of fraud at seaports, the rapid growth of the crime has necessitated ongoing investigation into the topic in order to keep up with the continually evolving methods used by fraudsters to cheat the system. This is necessary in order to stay ahead of the game. The following subsidiary objectives have been outlined in order to facilitate the accomplishment of the core objective.

- ❖ *in order to determine what aspects of the maritime industry contribute to fraudulent activity,*
- ❖ *in order to classify the several types of people that commit fraud in the marine industry,*
- ❖ *in order to compile a list of the many schemes used in maritime fraud,*
- ❖ *being conscious of the effect that fraud has on the business of international trade,*
- ❖ *suggestions for reducing rates of fraud in the marine industry.*

Keywords: Maritime Fraud, Accounting Fraud, Maritime Industry, SEC, Debit, Credit, Business in international trade.

Acknowledgements

Introduction

Today's worldwide shipping is carried out by individuals and organizations hailing from a vast variety of countries and locations. The current global economy is the product of a time of relatively unrestrained trading when compared to earlier worldwide economies, which were mostly driven by imperial power. In contrast, the previous global economies were largely driven by imperial power. Shippers, charterers, shipowners, bankers, insurers, importers, and exporters are all members of the modern maritime community. The system that was constructed for the transfer of products is straightforward and effective, and the sea continues to serve as the lifeblood of international trade. Due to the fact that the delivery of goods typically takes some time, it is the practice in international business for the buyer to pay the seller before the customer receives the products being purchased. The letters of credit system, in which banks serve as intermediaries, has proven to be effective, and the paperwork involved in these transactions are more important than the products themselves (Jennings et al., 2006).

As a direct consequence of this, an international marine contract will often involve a large number of parties. Fraud is a particularly devious form of criminal activity that occurs when one party to a maritime contract wrongfully acquires money or items that belong to another party associated in the carrying and funding of the transaction. The risk posed by fraud is that it could destabilize the system by putting users' faith in jeopardy. Forgers, swindlers, and cheaters are drawn to the convenience of the system that governs international trade, which makes it susceptible to their activities. When one of the various parties involved in an international business transaction intentionally misleads another about some truth or occurrence in connection with marine activities in order to dishonestly collect money or products, this is considered to be an instance of maritime fraud. A significant effort on the part of numerous parties is required in order to pull off such frauds (Jones, 2011).

There is evidence of fraudulent activity in the business sector that dates all the way back to the time of the Roman Empire. According to the description provided by the International Maritime Bureau, "a transaction involving international trade involves several actors," including a buyer, a seller, a shipowner, a charterer, the ship's expert or crew, insurance, a lender, a broker, or an agent. It is referred to as maritime fraud when one of these parties acquires money or products from another party to whom, on the surface, he has assumed defined trade, transport, and financial duties.

The growth in instances of fraud in the marine industry can be attributed to a number of variables, including the following: As a result of the growing pressure placed on shipowners to acquire new customers, many of them have neglected to undertake sufficient due diligence when communicating with possible new business partners. Additionally, criminals are increasingly turning to new methods, such as hacking computers. Because con artists are always one step ahead, it is essential to stay one step ahead of them as well, particularly as more and more transactions are carried out electronically. A better level of security, of course, comes at a "cost," not only in the form of investments in new and enhanced technology and processes, but also in terms of the potential impact on economic prospects. To achieve the right level of skill and competence in one's business, in addition to having an awareness of the many schemes and con jobs that are available, is necessary. Because there are so many different people and locations involved in even the most fundamental A >>> B journey, the shipping industry is rife with opportunities for con artists to take advantage of those who aren't well-versed in the complexities of international trade. For example, there are so many different people and places involved in even the most basic A >>> B excursion. Because the parties are located in different countries, it may be difficult or even impossible to perform "physical checks" between them. This is because the parties are required to conduct business at "arm's length" or through intermediaries such as brokers and banks. In recent decades, maritime fraud has developed into a sector that is both highly profitable and relatively minimal risk. In the late 1970s, maritime criminal activity reached an all-time high, and the upward trend has only continued since that time. The obvious implication of this is that it begs the question of what kinds of schemes could be at work during a maritime con. It is general knowledge that a single international commercial transaction involves a large number of distinct types of enterprises, including vendors, purchasers, shippers, charterers, captains, crew, port authorities, inland hooligans, banks, and insurance companies. The crime of maritime fraud is perpetrated when one of these individuals takes advantage of another in order to steal money or products. As a direct result of this, the term "marine fraud" refers to a particular type of fraud that takes place in the maritime industry. Documentary fraud, which occurs when a document or signature is faked, as well as chartering frauds, as well as the intentional or false loss or destruction of cargo, barratry, the scuttling of ships, and other similar schemes, are all examples of this (Jennings et al., 2006).

The target of a fraudulent scheme involving marine transactions could be located anywhere in the world. The con artist is completely indifferent to the victim's ethnicity, religion, or ideology. There are a variety of different sorts of fraud that can occur in the maritime industry, and there is enough evidence to suggest that organized criminal gangs are responsible for a sizeable portion of these cons as well as other related offences. For a respectable number of years, the shipping sector has been working fruitfully on the basis of verbal agreements that are contained within a system. The ongoing infiltration of organized groups into the maritime industry is the one factor that raises the greatest level of worry with regard to the fight against marine crime and fraud. In the 1920s, scuttling and other forms of intentional ship damage achieved some attention (Jones, 2011).

Other forms of intentional ship damage included: it was not until the 1970s that it was rediscovered as a pioneering new art form; prior to that, it had fallen into obscurity. For example, after her cargo was taken, the Salem had to be cast off into the ocean. The days of owners purposefully sinking old and worthless ships are long have been replaced with schemes that are conducted by a ring of con artists that is more sophisticated, financially stable, and strategically planned (Jennings et al.,2006).

There are many different guises that marine cargo fraud can take, ranging all the way to the deliberate destruction of over insured commodities. It is possible to commit fraud by overestimating the value of the ship as well as the goods it carries (Jones, 2011).

Chapter 1: Literature Review and Theoretical Background

1.1 Introduction

Here, related studies on financial fraud, innovative accounting, and dishonest financial reporting are examined. The relationship between creative accounting and misleading financial statements is explained in the first section of this chapter (Section 1.2). There are many hypotheses out there on what causes fake financial information, however, this section presents the most common ones. An overview of accounting scandals can be found in Section 1.4.4. Financial report fraud and creative accounting are discussed in detail in Section 1.5. Section 1.6 explains the rationale and motives for using innovative accounting techniques. Furthermore, we examine the methods and prospects for creative accounting as well as the reasons why financial crimes occur. Section 1.7 concludes with our thoughts.

1.1.1 Exploring Terms

1.1.1.1 Creative accounting definition

Many people use the term creative accounting, yet no one agrees on what it means. According to Mulford and Comiskey (2011), there is a widely accepted definition that has a little smaller aim than practiced in the UK. The definitions of creative accounting are shown in the following table.

Table 1: Creative Accounting definitions

UK		
Year	**Definition**	**Authors**
2005	'The exploitation of loopholes in financial regulation to gain advantage or present figures in amisleadingly favorable light.'	Oxford Dictionary of English
USA		
2002	'All steps used to play the financial numbers game, including the aggressive choice and application of accounting principles, both within and beyond the boundaries of generally accepted accounting principles, and fraudulent financial reporting. Also included are steps taken toward earnings management and income smoothing.'	Mulford and Comiskey (2002)
Definition Preferred		
2011	'Using the flexibility in accounting within the regulatory framework to manage the accounts' measurement and presentation so that they give primacy to the interests of the preparers, not the users.'	Jones (2011)

The United States definition of creative accounting includes fraud, which is removed in the UK since it accepts accounting flexibility as a given. In this thesis, the term "creative accounting" is defined in accordance with Jones (2011). In other words, "the flexibility in accounting opens the door for many various kinds of creative accounting," as Jones (2011) argued. As a result, it was not considered criminal because the preparers' interests were seen as acceptable while using the accounting flexibility. Firms that employ creative accounting methods are not breaking the law because they are doing so to advance their own objectives.

The current governance system's ambiguities allow for creative accounting that serves the interests of the "preparers" rather than the "users" of the information. European listed companies' economic reports called for the submission of fair and reasonable account reports. There is a widespread conviction that financial statements must accurately reflect economic realities in many countries. The financial reality is

supposed to be defined by a sequence of financial figures presented to the users. Creative accounting, on the other hand, serves the interests of the preparers (for instance, managers). Economic necessity dictates that this must happen in order to portray a clear financial picture.

The ultimate goal of accounting is to provide shareholders with the information they need to make economic-related decisions about their investments. The framework aims to offer shareholders an accurate and fair view, even if legislative structure differs from country to country. Furthermore, elasticity allows for a wide range of accounting options. In other cases, managers may not have broken the law, but they may have violated basic accounting ethics, if not actually engaged in the fraud themselves.

1.1.2 Fraud Definition

The line that separates outright fraud from clever accounting is a blurry one. Fraud is normally dealt with by either the courts or the regulatory authorities. However, as previously noted, businesses engage in inventive accounting practices before ultimately falling victim to fraudulent activity. In order to understand the difference between creative accounting and fraud, it is critical to first define the term "fraud." The table provides a variety of definitions of financial fraud because there is no single meaning. These many definitions also demonstrate the wide range of fraud and the varying views of fraud.

Table 2: Fraud Definitions

Fraudulent financial reporting		
1995	"Fraud comprises both the use of deception to obtain an unjust or illegal financial advantage and intentional misrepresentations affecting the financial statements by one or more individuals among management, employees, or third parties. Fraud may involve: Falsification or alteration of accountingrecords or other documents Misappropriation of assets or theft Suppression or omission of the effects of s from records or documents Recording of transactions without	Auditing Standards Board, Statement of Auditing Standard, SAS 110 (1995)

	Intentional misapplication of accounting Willful misrepresentation of transactions or an entity's state of affairs."	
Definition of fraudulent financial reporting (preferred)		
2011	"The use of fictitious accounting transactions or those prohibited by generally accepted accounting principles gives the presumption for fraud which becomes proved after an administrative or court proceeding."	Jones (2011)

1.2 Fraud triangle theory

Recently, the term "fraud triangle", coined by Donald R. Cressey (1919–1987) to describe the interplay between the three factors of perceived pressure, opportunity, and rationalization, has come to be widely used to refer to Cressey's idea. In the diagram, the element at the top refers to an individual's motivation or pressure to commit fraudulent conduct. Instead of opportunity and justification, two components appear at the bottom of a triangle (Wells, 2011, as cited in Rasha &Andrew, 2012).

The "1Cs" model proposed by Rezaee (2002, p. 70–72) explains why there are so many diverse types of FFS incentives, opportunities, and explanations. According to him, financial statement fraud (FFS) is more likely to occur when earnings for those who perpetrate it are declining, operations in organizations are experiencing a slowdown, or the economy as a whole is experiencing a downturn. These are all indicators that suggest that FFS is more likely to occur during times of economic stress.

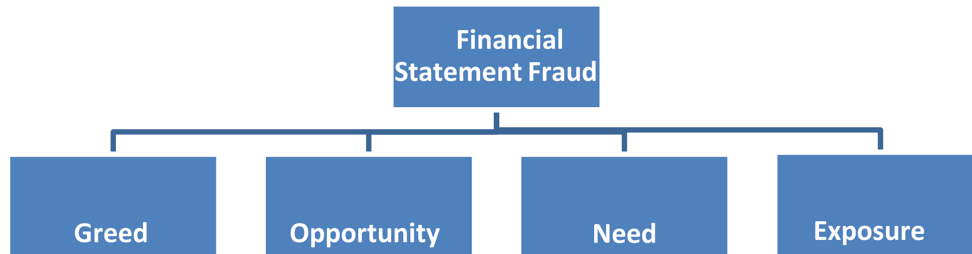
He looks at the following in terms of opportunity: "Due to the fact that financial statement fraud is often perpetrated by senior management, rather than lower-level employees or contractors, one would anticipate it to occur more frequently in an environment where corporate governance is weak. When an efficient corporate governance structure is in place, management is less likely to engage in financial statement fraud "For additional information, please see the following link:

Environmental pressure and business structure do not have a significant impact, as shown by this simulation model. Accounting fraud is bolstered by management's ill-advised ingenuity, lack of moral code, and animosity.

1.2.1 GONE theory

In the GONE theory, four letters are used to classify the risk elements of fraud: G for greed, n for need, and E for exposure (Bologna et al., 1991). As shown in Figure 1, although the GONE theory is typically used to examine cases of asset misappropriation, the four danger elements are equally relevant for the interpretation of fake financial statements.

Figure 1: GONE theory



In most cases of financial statement fraud, the primary perpetrator is corporate management, whose "greed" is focused on obtaining high dividends or remuneration or opportunity to earn rationed stock and additional shares, and therefore indirectly obtaining personal economic gains. Greed becomes a "need" for a fictitious financial statement as a result. Corporate management has the 'potential' to make fake financial reports because of the advantages of everyday management actions and internal knowledge. If financial wrongdoing is discovered by external auditors and authorities, then the term "exposure" is relevant.

1.2.2 Risk factors of corporate governance

Corporate governance is the major factor in financial reporting fraud, according to Jennings et al. (2006) and Duncan (2009). Corporate governance is tasked with establishing and monitoring a company's internal systems. Vapnik's definition of corporate governance, a restricted definition of corporate governance, is also responsible for reducing the foundations of financial report fraud through the palliative effects of incentive, prospect, and rationalization (2015).

General meetings of stockholders, executives, regulatory boards, and top management must be in place to control corporations, according to Vapnik (2015). Jensen and Meckling (1976) also suggested that corporate governance should emphasize the connection between company owners and managers in order to ensure their benefits are compatible with one another. It was highlighted that corporate governance should resolve the major agent difficulty generated by the separation of management and ownership in order to lower the agency costs.

Barnes proposed a wide definition of corporate governance that includes stakeholder theory (1990) : the premise that corporate governance should take the interests of shareholders, stockholders, creditors, suppliers, employees, the government, and society into account. A structure of the arrangement the used to regulate the connection between investors, management, and employees. There is also a link between the corporations and their associated parties, according to Li (2001), which he defines as broad corporate governance.

1.2.3 Principal-agent theory

In the event that one or more people hire another individual to function as an agent, the contract between the owner and management is established (Jensen and Meckling, 1976). However, managers have an interest in exploiting the owners' welfare as well as that of the agent. It is common for owners and agents to have a conflict of interest that affects how earnings are reported. Earnings management is linked to financial report fraud, according to Rezaee (2002), who found that asymmetric information sharing with the owner is a form of earnings management. As a result, they may become FFS which is misleading if the owner does not detect them. As a result, conflicts between the owner and the agent might lead to financial reporting fraud.

How does principal-agent theory respond to the following questions? What is the issue with the agency? When it comes to the fake financial statement, what are the agency problem's underlying concepts? Agency costs can be broken down into a number of

distinct categories.

Herrmann and Inoue thoroughly investigated the agent theory in accounting (2015). They use two hypotheses to explain agency theory. The information imbalance between principals and agents is the first hypothesis. According to the second hypothesis, the interests of principals and agents diverge. Educators are counting on management to deliver on their business is owned by its owners to a considerable extent. In the midst of various disagreements, managers may act against owners by gathering increasingly incredible information about the business's day-to-day operations. It is possible for greedy and dishonest managers to increase their personal wealth by deceptive means.

As a company, one of the most difficult tasks is reducing agent-information asymmetry. Inaccurate information is being provided to investors about how managers function. As a result, managers have a chance to distort financial statements because of the "information imbalance" that exists between managers and shareholders. The auditor's report is also used by the principals to gather further information about the actions of the owners.

So-called moral hazard refers to this situation of unequal knowledge. For example, moral hazard provides stockholders with incentives to conduct fraud that may go undetected because of the falsification of financial statements.

The Enron scandal is the best-known example of information asymmetry. A clean audit report was issued in this case, despite the fact that the financial statements contained false information. As a result, the audit firm disregards data provided by actual users. As a result, Enron's shareholders were in the dark about the details of the company's financial statements.

In this thesis, we explore the financial statements of Greece in light of agent theory. According to this study, financial statement fraud is linked to the notion of agents.

1.2.4.Relation of accounting theories and financial accounting fraud

Statements of financial status appear on the company's balance sheet as well as providing financial information to investors and other stakeholders. In order for financial accounts to be accurate and accurately presented, certain aspects must be taken into consideration. As a result, all of the aforementioned hypotheses aim to provide light on the many ways in which corporations misrepresent their financial data. Finding and linking these elements to financial accounting fraud is the goal of this study.

External pressure and rationalization are essential elements in financial statement fraud, according to Yesiariani and Hayu's (2017) research, which examines financial statement fraud. As a result of their research on financial statement fraud, they found that financial stability and change in auditor are among the most important aspects. Also, the Fraud Triangle and GONE theories were used to examine these aspects.

Other studies like Zaki's use alternative models, such as the Beneish M-score and Altman FFS Z-score. Using the Fraud Triangle theory, they discovered that the FFS factors may be explained.

Financial stability, as measured by the ratio of change in total assets, is a crucial component in FFS, according to more recent research by Barnes (1990). The following ratios were found to be significant factors in financial statement fraud in the same study. An external pressure measure such as leverage ratio, an asset return measure such as return on assets, and an industry-specific pressure measure such as inventory change and an auditor's opinion are all taken into consideration. All of these characteristics were also taken into consideration in this study.

Internal and external auditors as well as directors and the board of commissioners must communicate effectively to ensure efficient corporate governance, according to a study by (Armstrong et al., 2010). According to this definition, corporate governance refers to a structure in which many stakeholders have varying degrees of responsibility and control over the organization.

Finally, there is the theory of agency. The fake financial statement is also explained using agency theory in this thesis. The purpose of this idea is to link it to corporate accounting blunders (Crutchley, Jensen, and Marshall, 2007).

1.3 The Crime Management Model

Since the late 1990s, the United States has seen an upsurge in corporate fraud, with failed serving as possibly the most illustrative example. A review of the prior literature reveals that financial and/or governance indicators are typically used to assess the

probability of fraud.

Ethics, ethics, psychology, and sociology have all been studied in depth in the literature on fraud. Psychological, sociological, and moral growth are all possible explanations for the crime. Morality has been linked to numerous business scandals. For example, some believe that Enron's demise was caused by the board's incapacity to act in an ethically and morally responsible manner. Statement frauds can be broken down into five factors. These aspects include cooks, recipes, motivation, monitoring, and end outcomes. As a result, the CRIME management concept was born (Kasznik, 1999).

1.4 Incentives for profit management

The profit motive, often known as the profit incentive, refers to the financial statement that organisations need incentives to encourage them to forsake their investments in firms. To put it simply, this means that businesses must wait to invest until they obtain something that is worth more than the money they put into it.

Individuals' motivation to make a profit

Individuals, like companies, must be convinced to give up their resources for the benefit of others if they are to be persuaded. If there are no such reasons, then the guy retains his resources and uses them to his own advantage. Employees are only willing to work if they are paid a salary/salary and/or other forms of compensation, such as benefits and work experience, before they are willing to accept the job.

Businesses are driven by a desire for profit.

Businesses are defined by their ability to make a profit, and as a result, the profit motive is a critical foundation upon which new companies can be built and maintained. A company's goal is to maximize revenue while minimizing costs in order to maximize profits for its owners and/or investors. When it comes to business strategy, profit is not always the most crucial goal in the short run. For example, a company may be willing to accept reduced profits or even losses in the present to enhance its position and gain more market share in the future.

A profit incentive has its drawbacks (Kasznik, 1999)

Entrepreneurship is all about making money, but it must be balanced with humanity, respect and ethics. An increasing number of enterprises could be allowed to function purely on the premise that more is better. The environmental and human rights of workers can be jeopardized, and their livelihoods jeopardized if firms are not held to an ethical standard of conduct. This country's history of labour activism is heavily influenced by concerns about what happens when firms are allowed to prosper solely

on the basis of profit. keeping an eye on the way they conduct business around the world in terms of how they treat their workers and the environment.

One of the primary drivers of economic activity is the desire to make money. For many years, economists have sought to figure out why people act the way they do. The requirements of living necessitate a source of income for the vast majority of individuals. There are several reasons why someone might start a business or produce a new idea.

Why do people do what they do? Because they want to make money, and they want to do it because they think they will get wealthy as a result of it.

People who have a desire to make money are generally useful to society, according to Adam Smith's "invisible hand" theory. A governmental organization, on the other hand, is incapable of distributing finances and goods as effectively as people who seek profit through the acquisition and selling of goods, according to Kasznik (1999).

What is the profit motive?

Profit motives might theoretically assist everyone, from individuals to corporations, in making decisions about what to do at any given time. Many decisions are made easier when they are framed in terms of potential profit. Assuming that just two of a company's product lines are profitable, a logical conclusion would be that it should discontinue the two unprofitable ones and focus its resources on those that are.

It is understandable that a person would want to focus on the activities or career prospects that pay the most money for his time and effort. For some, this will imply landing the best-paying job possible. For others, it may mean starting their own business and hoping for a better future income. When it comes to determining the profitability of a given activity, supply and demand should be considered. There is more profit to be made if there is more demand (or potential demand) (or possible profitability).

In spite of the fact that profit is a motivating factor in all form of economic activity, more control and analysis has been applied to its application as the sole factor in decision-making.

Observations on the motive of profit

When it comes to influencing individuals and businesses, economic motivation is one of the numerous aspects at play. It is important to remember that people's decisions are not solely driven by self-interest. A less lucrative activity may be chosen by some people because it provides them with additional rewards that cannot be measured in money. The promotion of environmental, social, and governance (ESG) principles

encourages companies to look beyond profitability alone.

The 2008 fiscal crisis and the subsequent recession are frequently linked to a push against the profit motive as the driving force behind decisions. In a highly integrated global economy, companies motivated by short-term profits and incentives to seek them with investment capital wreaked havoc.

The belief that capitalism is a force for good in society, despite the fact that many of the criticisms and criticisms were intended at companies seeking excessive profits, ignoring the inherent hazards, is a common desire. To be clear, this is not meant to be a guidebook for businesses to utilize in making all of their decisions (Kasznik, 1999)

1.5 Financial Statement Fraud Risk Factors

Fraud can cause a company to lose a hefty sum of money. Fraud can lead to a company's demise at the most extreme degree. There will be continual efforts on the part of the owner of the business to create an environment in which fraud is less likely to happen. For a variety of reasons, the likelihood of fraud occurring in a business is increased. The following are some of the fraud risk factors:

Objects' Characteristics

Size and worth. Removal of high-value items (such as diamonds) from the premises is less risky than keeping them on the premises (Levitt, 1998)

Possibility of resale scammers are more likely to take advantage of the ready-made market for reselling stolen products (as is the case with most consumer gadgets).

Cash. It is easy to commit fraud when there are a vast number of accounts and coins on hand, or money in bank accounts.

The Nature of Environmental Management.

Separation of responsibilities. To avoid fraud, many employees must be involved in various stages of a transaction, which necessitates at least two persons working together. As a result, fraud is made easier by vague job descriptions and approval processes.

Safeguards. Assets are less likely to be taken if they are physically protected. The inventory storage area may need to be enclosed, supplies and maintenance equipment stored in a lockable bin, security stations installed, and other measures (Levitt, 1998)

Documentation. Employees are more likely to commit fraud when there is no physical or electronic record of a transaction because they know they will not be arrested.

Time off. It is a natural disincentive for a company to force its employees to use all of the time they are allotted, as this prevents them from continuing to hide existing

incidents of fraud.

Transactions with parties with whom one has a personal or business relationship. There is a greater likelihood that purchases, and sales will be conducted in quantities that are significantly different from the market price if there are many transactions with linked parties.

Complexity. It is easier for employees to manipulate the results of complex transactions, especially those that entail estimates, when the nature of the company's business is extraordinarily complex.

Dominance. Even when the board of directors is ineffective, an individual who has the power to influence management choices is more likely to engage in questionable behaviour.

Turnover. The institutional memory of how transactions are processed is diminished when there is a significant level of turnover in the management team and among employees in general.

Audit. In the absence of an internal audit function, it is doubtful that any inaccurate or improper transactions will be uncovered or addressed.

Pressures

Intensity of displeasure Fraud is more likely to occur if the company's personnel is unhappy. If one is in a scenario where your rewards have been reduced, his or her incentives have been cancelled, or your promotions have been terminated, then he or she is likely to be in a situation like this (Levitt, 1998)

Expectations. There is a high possibility of financial reporting fraud when a company is under pressure from external investors or management to meet specified performance goals (such as bonuses) or balance sheet benchmarks in order to qualify for debt financing.

Guarantees. In order to avoid the activation of the guarantees, there will be considerable pressure to declare particular financial outcomes when the owners or members of management have guaranteed the company's debt.

1.6 The detection of fraudulent activity

In order to prevent financial reporting inconsistencies and to prevent probable scandals involving numerous manipulators involved in this process, the adoption of various approaches to detect accounting fraud is an incredibly significant process. It is believed that regression, d-decision, neural networks, Bayesian networks and supported vector machines are the most commonly utilized approaches nowadays.

Regression is the first step.

So far, regression methods have been the most widely utilized in fraud detection. In addition to fraud detection, regression model alterations were also examined. Enterprises with high inventories relative to sales, high debt to total assets, lower net profit on total assets, lower working capital in total assets and severe financial stress are more likely to distort financial reporting.

A decision tree

A decision tree's purpose is to categorize observations by appropriately selecting qualities to share the best sample and dividing them into groups and numerous mutually exclusive ones. Variable assets to current liabilities, the market value of own funds in total assets and the total liabilities of the company are some of the elements that are considered in this approach of anticipating hidden problems.

Neural Networks

The use of neural networks in the detection of financial fraud has been proven to be effective. Assuming that a feature is unrelated to other data, this method is a suitable alternative to the many hypotheses.

Bayesian networks are also known as Bayesian networks.

Use the Bayesian network method for describing user statistics and fraud scenarios, for example. It is possible to verify the potential of fraud by analyzing user behaviour with Bayesian networks.

Vector machines that are supported (SVM)

Decision functions are evaluated using a linear model that incorporates a nonlinear support body depending on the boundaries of classes. It is also founded on the structural idea of risk minimization, which means that this sort of classifier minimizes the existing risk.

Financial statement fraud can be detected using the methods outlined above. However, there are certain limitations. In terms of estimating the impact of suspected fraud, these tools are not adequately developed for predictive discoveries of financial situational modelling fraud.

The protection of the global financial market is jeopardized by accounting fraud. Accounting records are examined, transactions are manipulated, and accounting principles are abused in total schemes. The economy in general, the company's stockholders and its employees are all negatively impacted by fraud.

In light of recent US corporate fraud scandals, the regulations and norms governing

financial reporting, financial statements, and the disclosure of information to members have been revised.

Accounting approaches and other strategies can significantly influence the treatment of fraud due to the alarm of possible fraud.. The adoption of numerous anti-fraud programmes, such as whistleblower protection programmes, is necessary to increase the accountability of firm executives and staff in order to battle this devastating phenomena.

1.7 The prevention of the accounting fraud

It may be difficult to uncover the evidence if the fraud spreads across a large network between the administration and third parties. What can be done to prevent the fraud from happening in the first place? This is a problem that extends far beyond the auditing profession. Detecting the large-scale fraud is challenging since it is well-planned and well-executed. But it is far from the only way to maintain control. There are three ways to combat fraud in this context: corporate governance; the auditor; and the oversight and regulation of financial markets. The public interest, however, would be better served by a broader application.

The management of corporations

PIPs should have a system of rigorous internal controls for financial reporting that incorporates the risk of fraud. The board of directors, the audit committee, and internal audit would all have clear duties in this structure. There should be an investigation into PIDs in the financial accounts and internal audits of management and managers. Inappropriate certifications should result in substantial penalties. More can be done to monitor and measure the company's culture and motivation. It is imperative that all parties in the corporate governance chain and reporting ecosystem have effective whistleblower programmes in place to encourage and protect people who disclose problems.

In order for auditors to have a better framework for detecting fraud, the controller recommends that auditing standards be re-examined. It is important to examine the substance, level of skepticism, use of forensic specialists, internal audits, access to and use of cultural and motivational evaluations, talks with audit committees, and public reports as part of the review process.

Boards, regulators, and the public may request that external auditors evaluate and report on a PIE's internal audit and risk management systems (including how the firm monitors and tests compliance).

1.8 Schematic Analysis of Marine Frauds and Piracy

It is possible for maritime fraud to take numerous forms. When someone purposefully misleads another in order to get money or things unlawfully through marine activities, it is a form of fraud.

Bills of lading, charter parties, and marine insurance policies are common examples of commercial contracts and paperwork that are routinely abused. Any dishonest act in connection with marine affairs is sometimes referred to as "fraud," even if it does not necessarily contain acts of concealment, deception, or misrepresentation that are typically believed to constitute elements of fraud in a legal setting. Acts of piracy, theft and barratry are all covered in the definition of this phrase. Maritime fraud occurs when any one of the various parties involved in an international trade transaction - whether as buyer, seller, shipowner, charterer, insurer, banker, broker or agent - participates in a fraudulent transaction "obtains money or goods from another party, unjustly and illegally, who, on the surface, has agreed to meet his specific trade, transportation, and financial responsibilities. In some circumstances, multiple parties work together to swindle the other person."

Given the wide range of dishonest acts that fall under the umbrella term "maritime fraud," it is impossible to analyse them in any systematic fashion, nor to discuss in detail every single variation of dishonest conduct that could occur. It has been classified into six key groups for this report and for consideration of topic matter : (1) falsification of documents; (2) falsification of charter parties; (3) falsification of maritime insurance; (4) falsification of deviations; (5) falsification of other documents; and (6) piracy.

1.8.1 Documentary Fraud

When it comes to committing maritime fraud, several documents can be utilized, but one of the most significant is the bill of lading, which serves as a receipt for goods received by the carrier, proof of a transportation agreement, and most crucially, a document transferring ownership of those items. There are "grey areas" in the overseas sale of commodities, just like in many other business activity. Fraud that is easy to spot, such as shipping garbage instead of what is described on a bill of lading, or contract violations that border on fraud, such as shipping lower-quality items than what was agreed upon in the sale contract, include b8tvJeen plainly detectable fraud. To put it another way, dishonest vendors fake bills of lading for commodities that do not exist on the conventional form of well-known shipping businesses or wholly fictitious companies. In reality, the ship carrying the products may be docked in the port or it

may be docked on the other side of the world, undergoing maintenance in drydock. Or the vessel could be made up entirely in a writer's imagination. Additional documents, such as an invoice for the sale price, a maritime insurance policy for the transport, as well as certificates of origin and inspection, are also falsified in business transactions. Bills of lading forms are widely available for purchase since they are easy to forge because they are simply pieces of paper without complex design AI "on the street (Schipper, 1989).

Once the seller has forged all the documentation, the seller's bill of lading, which serves as a document of title for the goods, is no longer valid "to an unsuspecting buyer who expects to receive the goods at the port of destination where they were supposed to be delivered. When the ship does not come, or if it does and the buyer finds the fraud, the vendor will vanish.

As an alternative to the aforementioned scenario, the seller could deliver products that are of a lower quality or quantity than what was agreed upon in the sale contract. If the shipping business notices a quality or quantity discrepancy on the bill of lading, the bill is amended to hide it. The variation in quality or quantity is usually of such a character that the carrier is unable to recognise it. With pre-packed containers, this is a common occurrence. As long as the buyer receives a "legal" bill of lading, he or she can provide it with either "genuine" documents, such as the insurance policy and invoice, or fake ones, such an inspection certificate. Oftentimes, shipments of trash are used to represent the goods (Marques et al., 2011).

Since a shipping bill of lading (together with other supporting documents) can be used to represent the products and their sale can be completed through a transfer of documents, these kinds of frauds are able to succeed. Buyers are unable to inspect their purchases prior to making a payment because they cannot do so at the port of loading, which is often complicated by the long distance involved, or at the port of destination, where sellers often resist making a payment until that time has passed. Payment for goods is therefore made by presenting the documents. The buyer is willing to pay the purchase price for the goods in exchange for the documents representing the consignment based on the carrier's statement on the bill of lading that the goods have been loaded on board his vessel and on the relatively superficial control of the goods by the carrier at the time of loading. An inspection certificate from an impartial testing organization would suffice for a buyer to demand proof of a product's quality, quantity, and loading onto a certain ship (Schipper, 1989).

These transactions are often conducted through foreign banking systems by opening a letter of credit from the buyer's bank in his home country to the seller's, which then arranges with a bank in that country to pay for items upon receipt and inspection by both parties. If a letter of credit is to be opened and specific documents are to be presented, it will all depend on the agreement between the buyer and seller when they engage into the contract of sale. The bill of lading will always be required by the buyer, no matter what the circumstances may be. Upon receiving a letter of credit from his local bank, the buyer will detail the specific paperwork and terms of the sale. Letter of credit instructions state that the bank in the seller's country will verify the seller's documentation to ensure they fit the buyer's credit requirements precisely.. According to the ICC-issued Uniform Customs and Practice for Documentary Credits (UCPDC), the paying bank will usually be conducting this inspection in accordance with this agreement, which states that it will only be inspecting the documents on their face and will not be determining if the goods exist or have been shipped (Marques et al., 2011). Buyers who misuse or fake shipping documents are another type of document fraud. Occasionally, ships arrive at their final destination before the bills of lading have been delivered to the recipients. Under these conditions, the carrier is required by law to store the cargo until the bills of lading are ready to be produced. Many carriers, on the other hand, release the products in exchange for indemnification letters for commercial reasons. When an unethical buyer clears his shipment against a letter of indemnity and then sells the bill of lading to an innocent buyer, the fraud occurs. Whenever a new owner of the bill of lading shows up with a copy and demands delivery, the carrier is put in a tricky situation. Typically, he is unable to locate the supposed consignee. After that, the carrier is legally obligated to pay the individual who presented the bill of lading.

Documentary fraud can also occur in payment-against-arrangements when the seller sends items and communicates paperwork to a negotiating bank in the purchaser's country for presentation in exchange for payment. In these cases, the buyer is expected to provide the documentation to the carrier's agents and clear the goods. In most cases, however, sellers forward in order to assist with the necessary customs requirements. Unscrupulous buyers may present fake original bills (including forged bank stamps) to the carrier's representatives and have the cargo cleared with the help of non-negotiable copies of the bills of lading and invoices. The seller finds out later that the original paperwork is still at the bank and that the goods have been delivered successfully. As

soon as possible, he files a claim for damages against the shipping company (Schipper, 1989).

Forged letters of credit are another type of document fraud; however, they are less common than other types. The vendor and buyer work together as part of a syndicate to send fake letters of credit purporting to be from a bank in one nation to a bank in the other as part of this relatively complex fraud. In most syndicates, the letter of credit forms are obtained from a bank employee, rather than being produced by the syndicates themselves. The form would also include information about the bank's numbering system, which is crucial if the appropriate bank is to accept the counterfeit.

Forgery or shipping garbage are also acceptable methods of obtaining the necessary shipping paperwork, which the syndicate then shows to the paying bank, gets payment and vanishes. It takes some time to get reimbursed, but when it does, the issuing bank discovers that there was no genuine credit. In order to avoid the paying bank checking with the issuing bank to verify the existence of the credit, this form of fraud is needed. This sort of fraud is most common when the amount of credit surpasses a particular threshold, which is why this type of fraud is more common for amounts under $1,000,000. This form of fraud is becoming more common, and institutions are adapting their policies accordingly (Marques et al., 2011).

1.8.2 Charter Party Frauds

Non-pent of wire fraud by the charterer against the shipowner or exorbitant additional freight by the shipowner against the charterer or cargo interests constitutes charter party fraud. A sub-charterer who defrauds the time charterer, shipowner, and cargo interests is one variation on this theme (Scott, 2019).

In cases when a charterer committed fraud, the charterer first hires the vessel, then sub-charters it out on a voyage basis as the despondent owner (or even establishes a liner service). In any case, the charterer presents himself as willing and able to transport other people's stuff.. Potential shippers are routinely presented with a freight rate that is particularly attractive. The charterer issues bills of lading, collects freight, and defaults on further hire payments as soon as 800n the cargo is put into the ship. In most cases, the charterer simply vanishes or goes into liquidation. As a result of the vessel's already-heavy cargo, the shipowner is in a precarious position. The shipowner is obligated to deliver the cargo if the bills of lading have been signed by or on behalf of the expert without qualification or reference to a charter party. More money is paid out by cargo interests in certain cases, while others are compelled to accept losses. Additionally, the

fraudulent charterers sometimes leave a trail of creditors at loading ports, with the primary remedy being the arrest of charterer-supplied bunkers. This could cause more issues (Schipper, 1989).

If the bill of lading is issued under freight collect terms, some cautious owners demand that the lien on the cargo for unpaid freight be included in the charter agreement. A fresh set of "freight prepaid" bills is all that the dishonest charterers need to collect the freight and then disappear. When the ship leaves port, this change is made behind the owner's back and without his knowledge. Only when the ship arrives at the port of discharge does the ship's expert uncover the bill-swapping (Scott, 2019).

The fact that most shippers do not know about charter parties when shipping products should be considered when looking at such frauds. Charter parties are rarely mentioned in the bills of lading.

In recessionary times, shipowners are more likely to commit frauds against ship charterers or cargo interests. An "accommodating creditor" may arrest a ship in a convenient way port for unpaid bills after the vessel has arrived for supposed repairs. It is sold by a judge's order. As a result of this, the new owner is in a position to demand additional free-of-charge from the cargo in teres, as the previous owner, the accommodating creditor, and the new owner are all part of a parent company (Schipper, 1989).

1.8.3 Deviation Frauds

Theft of cargo is the essence of this type of fraud. Cargo owners are tricked into chartering a ship to transport their goods to an agreed-upon destination by the shipowner. While the ship is on its way to a new destination, the goods are sold to the ship's owner. Finally, the ship is purposely destroyed or "disappeared" by changing its name, ownership, and country of registration. Due to conflict, civil unrest, or other circumstances, many ports are left unmonitored and uncontrolled, allowing for illicit gales to take place without much chance of detection. For transactions involving commodities that have been imported and then exported, the introduction of free trade zones in port areas of several nations may help to reduce government monitoring or customs control. As a result, some countries' court processes allow cargo to be disposed of by the ship's owner, or by the ship's owner, with only a short notice to the cargo owners (Scott, 2019).

Deviation fraud is not always intentional from the moment the cargo is requested. The unintended There are cases in which the owner is not paid for the charter rental, or the

port waiting period is too long, and this results in litigation. Port congestion in West Africa in the mid-1970s accounted for a substantial portion of the deviations. Many charterers do not realize that their vessels may be stuck in traffic jams. For months, ships were unable to get into berths because of a lack of demurrage payments from charterers. Many shipowners opted to store the cargo and abandon their journeys, while others sold the cargo to recuperate their losses.

1.8.4 Marine Insurance Frauds

There are a plethora of different sorts of maritime insurance fraud. The value of the insured item, as well as its very existence, is frequently the subject of fraudulent misrepresentation or non-disclosure in these types of frauds. Fraud in both hull and cargo insurance is possible. Thus, the shipowner benefits in his claim for the 108s from the hull insurer by intentionally sinking an over-insured vessel, or a ship with over-insured or non-existent cargo, which benefits the cargo owner in his claim from the cargo insurer for the excess over the real value—or for the entire claim in the case of the scuttling of a vessel with over-insured or non-existent cargo, which benefits both shipowner and cargo owner. The aforementioned possibilities are just a few of the many possible outcomes. Scuttling can be used by ship owners to hide the fact that they have stolen cargo and sold it illegally before the ship sank. When the hull is overvalued on an insurance policy, as well as stolen, the ship's owner reaps the benefits. Assuming that the assured has made a prima facie case for loss from an insured peril, an insurer must prove that the vessel was intentionally sunk, and that the assured was complicit in the act, which is often actually a challenging task because evidence is frequently unavailable and, in some national legal systems, legally difficult. Scuttling can also take the form of a fictitious disappearance; in which case the ship emerges with a other name and nationality.

In addition to scuttling-related crimes, cargo insurance claim frauds are prevalent and frequently highlighted. It is possible that an insured consignment's size was intentionally overstated in one type. Insurers can be sued by a consignee for alleged non-delivery of a non-existent component of the consignment as a result of the overstatement. Overcharging by an accommodating seller at the request of a buyer who wants to receive surplus foreign currency from his own country's central bank, which has enforced currency exchange regulations, is a common cause of such frauds (Scott, 2019).

The claimant or a cooperating surveyor may have submitted false or misleading survey

certifications, or the surveyor may have overestimated damage to the cargo in order to obtain payment from the insurance company. In addition to hurting insurers, this type of loss has ramifications on shipowners and other cargo interests when subrogated insurers bring successful recourse proceedings against them, as well as on other cargo interests when such exaggerated or false claims result in increased premiums.

1.8.5 Miscellaneous Frauds

These include a wide range of frauds relating to agent, mortgages, and port activities.
Shipbrokers, freight brokers, ship's agents, etc. are all examples of shipping agents engaging in agency frauds. Ship owners and other cargo owners can benefit from their role as intermediaries by allowing known fraudsters to continue to operate by failing to conduct adequate background checks, if not intentionally hiding their identities, before agreeing to a charter or accepting cargoes for shipment and/or pre-paid freight. Charter party frauds id described as in which the charterer, either as despondent owner or as liner operator, offers the chartered vessel to carry the products of others, gets pre-paid freight and disappears without paying the shipowner's charter hire. On top of all that, they are often in a position to manage enormous sums of money, whether it is in the form of charter hire payments or, in the case of liner agents, prepaid freight. Shipbrokers have been accused of stealing money and then disappearing in similar circumstances. There have also been cases of people posing as well-known and respected shipbrokers in order to receive charter hiring money into their own personal bank accounts. Ship's agents are also able to issue fraudulent bills of lading and bills of lading that are backdated or postmarked (Scott, 2019).

When a shipowner fails to pay the mortgage and purposefully avoids jurisdictions where the vessel could be arrested by the mortgagee, he or she commits a mortgage fraud. The vessel may be reregistered in a new nation, particularly one that does not require a deletion certificate from the previous country of registration as part of these frauds. If the ship is reregistered in a new country without any documented mortgages, then the shipowner could sell the vessel to an unwary buyer or accept a new mortgage to raise further finances (Schipper, 1989).

Documentary and marine insurance frauds, as well as maritime frauds performed in connection with port activities, are more often than not part of larger maritime fraud schemes. Letters of credit are now being opened with the requirement to submit a "bill of lading" without the statement that it should be a "on board" bill of lading. Corruption at the port level has resulted in the local port officials issuing receipts for shipments of

products that were either never delivered or were of poorer quality or quantity. The shipowner's agents who issued receipts for cargo bills of lading, which were successfully presented for payment under the letters of credit, subsequently presented these receipts to the shipowners (Schipper, 1989).

Similarly, fake supporting documents such as health or sanitation certificates are sometimes obtained for otherwise non-conforming items, which are then presented with the other paperwork for payment on a letter of credit, because of corruption in the port. In the context of maritime insurance fraud, intentionally incorrect tally keeping is also possible.

Fake short landing certificates can be obtained in order to document fraudulent insurance claims for non-delivery, for example.

In many ports, theft and pilferage are severe issues (Schipper, 1989).

Inadequate packing, poor storage arrangements, handling delays, and security constraints all contribute to theft in ports. Pilferage losses in cargo transportation can also be caused by a lack of shipboard security. In underdeveloped countries, theft losses can have a considerable negative impact on the economy if they are not properly regulated. Theft losses, in addition to increasing freight costs and insurance premiums, can cause production delays and the loss of market share due to missing items.

Lax expert controls in many countries lead to claims against the shipowner in the form of 10s8 or damage or facilitate fraud when the buyer buys the goods based on a clean bill of lading, when goods received for shipment are not properly checked by experts and bills of lading are not properly closed. Shippers, on the other hand, have pressured experts not to include clauses in bills of lading. When a shipper provides a letter of guarantee to the ship's owner in order to cover the ship's probable losses, the ship's owner may commit fraud against the buyer. It is also possible that the ship owner may find the shipper untraceable or bankrupt when it comes to implementing provisions of the latter of the guarantee (Scott, 2019).

1.8.6 Piracy

It is widespread practice to use the term "piracy" in a broad, non-legal sense to describe a wide range of violent seafaring activities. "Piracy" is defined as follows in article 101 of the 1982 United Nations Convention on the Law of the Sea, which restates article 15 of the 1958 Geneva Convention on the High Seas, which codified customary international law on the subject: "Piracy consists of the following acts: (a) any illegal acts of violence or detention, or any act of depredation, committed for private ends by

the crew or passengers of a private vessel" (b).

On the high seas, a band of three or four to 30 men operating from canoes, outboard-powered boats, and high-speed launches is just as likely to conduct thefts and robberies with violence, assault and even murder as they are to conduct robberies in a port area or territorial sea, where ships are preparing to enter or cross a narrow passage. It is possible that gangs on the ground are responsible for attacks on merchant ships.

As a result of local economic and social conditions or the presence of extensive coastal areas not fully under central government control, it appears that the reported incidents are concentrated in specific regions with a relatively high shipping traffic concentration and insufficient police enforcement.

1.9 Review of International Organizations that work on the prevention of maritime fraud

Listed below are a few of the varia.us groups that have some sort of role in the fight against fraud and maritime piracy. Even if this list is not exhaustive, it is meant to provide an overall perspective of the type and diversity of businesses who deal with marine fraud or provide a service relevant to fraud prevention.

1.9.1 The International Maritime Organization, or IMO.

Unlawful seizure of ships and cargo, as well as various forms of maritime fraud, were all topics of discussion at IMO's eleventh and twelfth sessions, respectively. On October 20, 1979, Lebanon sent a letter verbale to the Assembly, requesting that the matter be included to the eleventh session's agenda. Government of Lebanon suggested that IMO should consider taking the necessary effective measures to prevent and suppress such actions; and referring this matter to the Legal Committee of IMO for the preparation of an international convention for the suppression of criminal barratry and the unlawful seizure of ships and other maritime property. Resolution A.461(XI) was passed by the IMO Assembly at its eleventh session, after which the Council was asked by the IMO Assembly to conduct a study and report back to the twelfth session of the Assembly. The Unlawful Seizure of Ships and Cargoes and Other Forms of Maritime Fraud was established by the Council at its forty-fourth session (June 1980) to investigate the prevalence and nature of these acts, as well as the legal administrative measures taken by States and other interested parties and organisations, and to make recommendations to the Council on the action the IMO should take (Nia et al, 2015).

On the 24th and 25th of November 1980, the Ad hoc Working Group met in Paris with the assistance of the International Chamber of Commerce (ICC). As a result of their

discussions, the Council produced certain draught provisions for a proposed resolution's operative paragraphs. A resolution A.504(XII) was enacted on November 20th, 1981, with minor changes, following consideration by the Assembly at its twelfth session (November 1931), following the Council's endorsement of the Group's ideas during its 46th session in June 1981.

According to the resolution, commercial and industrial interests can play a key role in combatting marine fraud by self-regulating. It also emphasised that these interests were aware of the problem and needed to work together with governments and multilateral organisations.

Additionally, the ICC's achievements, particularly the establishment of the International Maritime Bureau, was applauded, and it invited other organisations to join the ICC and the IMB (1MB). IMO conventions and other relevant international instruments related to maritime safety were also highlighted in the resolution as having the potential to help prevent maritime safety incidents, and governments were encouraged to ratify these conventions and instruments. To prevent and combat maritime fraud, the document urged governments to revise existing national laws to consider the following: (1) administration of national registers, including ship citizenship and name changes, (2) documentary requirements, which must not impede international maritime trade and transportation, and (3) appropriate legal measures. This report also urged governments to assess the effectiveness of their national law enforcement procedures and resources in order to combat marine fraud. Other interests and intergovernmental organisations were also encouraged to work together, including the exchange of information and suitable cooperation with the International Monetary Fund (IMF). Last but not least, it asked governments and other international organisations to inform the IMP Secretary-General of legal and administrative actions taken to accomplish the resolution's goals.

A draught resolution against pirate attacks and armed robbery on merchant ships was also drafted by the International Maritime Organization's (IMO) Maritime Safety Committee in June 1983 in response to a request from the government of Sweden. According to the International Maritime Bureau's report, the Committee had before it various submissions from non-governmental organisations, including a review of the nature of the attacks and the measures taken by private parties and providing information on how to prevent such incidents in the future. This topic was brought to IMP's attention (by Sweden) due to an increase in violent attacks against merchant ships

in coastal areas of certain regions of the world recently (Nia et al., 2015).

1.9.2 Chamber of Commerce International

Some maritime fraud-related actions have been performed by the International Chamber of Commerce (ICC), which collaborated with IMO in convening the Ad hoc Working Group on Barratry. One may read more about maritime fraud and how it can be prevented in a pamphlet called "Guide to Preventing and Preventing Maritime Fraud," issued by the International Maritime Bureau. As part of this effort, the International Chamber of Commerce (ICC) established the International Maritime Bureau (IMB) in 1981 to serve as a focal point and central clearinghouse for information on maritime fraud activities to help individuals, corporations, and governments involved in international trade and maritime affairs avoid being victims of such activities.

The London-based IMB charges an annual fee for membership, although there is also ad hoc support available. It is estimated that 40% of the members are from developing nations, 50% from industrialized countries, 7% from socialist countries of Eastern Europe, and 3% from non-governmental organisations.

Primarily, the International Maritime Bureau's stated goals are to prevent fraud and other suspicious practices in international maritime transport; second, to receive information from commercial and other interests, including governmental agencies, regarding suspicious practices in international maritime transport; and thirdly for those involved in such practices, to recommend possible avenues of action.

1MB's role in investigating and disseminating information is most prominent among the different tasks it has done to achieve its stated goals. This is apparently because IMB officials have built up extensive international contacts that have allowed them to locate "lost" ships and cargoes as well as to authenticate paperwork. If you are a member, you will receive a confidential bulletin every two weeks that includes information about reported frauds and their methods of operation, as well as the activities of companies associated with fraud and suspicious practices, reports of stolen or forged surveys and letters of credit, and more. In addition, its electronic data bank is accessible to members who wish to do background checks on potential business partners. For example, the 1MB's willingness to publish and distribute information on suspect individuals or activities that is believed to be factual but that has not been fully validated as such is a key part of its information role. As a result, it is believed that the organization's members will be better protected if this information is disseminated as

soon as possible. It is possible that slander or libel suits will be filed, but in one court case, the 1MB has been able to evade an interlocutory injunction against its information activities despite the fact that there was no evidence to support the imposition of an interlocutory injunction. (Marques et al., 2011).

Chapter 2: U.S. Securities and exchange commissions

2.1 Mission and History

The United States government at the federal level formed the Securities and Exchange Commission in the wake of the Great Depression-era Wall Street Crash of 1929. (SEC). The primary responsibility of the Securities and Exchange Commission (SEC) is to investigate and prosecute violations of laws pertaining to market manipulation. Although it was established by the Securities Exchange Act of 1934, the Securities and Exchange Commission (SEC) is also responsible for enforcing a wide variety of other laws. These laws include the Securities Act of 1933, the Trust Indenture Act of 1939, the Investment Company Act of 1940, the Investment Advisers Act of 1940, the Sarbanes–Oxley Act of 2002, and many others. In particular, the Securities and Exchange Commission was founded by 15 United States Code Section 78d, which is commonly known as the Exchange Act or the 1934 Act (SEC). Investor protection, market stability, and expanded access to finance are the three priorities of the Securities and Exchange Commission (SEC), which works toward achieving these objectives. Public corporations and other types of regulated firms are mandated by law to provide the Securities and Exchange Commission with periodic reports, such as quarterly and annual reports. In addition, management is required to provide a narrative explanation of the company's actions and results during the prior year in the MD&A section of the annual financial reports that are distributed to shareholders. Plans for the following year, including initiatives and strategies, are typical subjects that are included in MD&A reports. In an effort to create a level playing field for all investors, the Securities and Exchange Commission (SEC) maintains an online database known as EDGAR (Electronic Data Gathering, Analysis, and Retrieval system) that contains information that has been filed with the agency. This database gives investors access to the information that has been filed (SEC.gov, 2022).

For the purpose of assisting investors in making more educated decisions within the capital markets, public firms ought to produce reports on a quarterly and semi-annual basis. In contrast to the banking industry, investments in the capital markets do not come with a guarantee from the federal government. The potential for significant profits

must be weighed against the danger of incurring significant losses. The use of mandatory disclosure of financial and other information about the issuer and the securities themselves, which is available to individual investors as well as major institutions, is one method that can be used to accomplish the goal of increasing public scrutiny while simultaneously reducing instances of insider trading and fraud.

The Securities and Exchange Commission (SEC) generates reports that can be accessed by the general public via a programme called EDGAR, which stands for the Electronic Data Gathering and Analysis System. The Securities and Exchange Commission (SEC) is committed to educating the general public and fulfils this obligation by publishing materials on a consistent basis that cover a wide range of investment-related subjects. The Securities and Exchange Commission (SEC) employs the same online system for receiving tips and complaints from investors, which helps with the investigation and prosecution of people who break securities laws. The Securities and Exchange Commission does not disclose, as a matter of policy, whether or not an investigation is currently underway (SEC.gov, 2022).

Before the federal securities laws and the SEC were established, the regulation of the trading of securities was conducted in accordance with the so-called blue-sky regulations. In order to protect investors from being taken advantage of, each state has enacted legislation that limits the distribution of securities, and it is responsible for ensuring that this legislation is followed. In order to comply with these rules, every stockbroker and brokerage company in the United States, in addition to every transaction involving securities and offering of securities, was required to register. On the other hand, blue sky restrictions were generally seen to be pointless by the public. For example, the Investment Bankers Association advised its members in 1915 that securities offerings could be conducted across state boundaries via the mail, so eliminating the requirement to comply with blue sky standards. This allowed the association to escape the burden of regulating its members.

The Securities Act of 1933 and the Securities Exchange Act of 1934, both of which were created as part of FDR's New Deal initiative, serve as the legal basis for the operations of the Securities and Exchange Commission (SEC). In reaction to the P. Commission's hearings on abuses and frauds in the securities markets, Congress enacted the Securities Act of 1933, which is codified as Section 77a of Title 15 of the United States Code. It regulates the issuance of securities that can be sold in more than one state by requiring issuers to register distributions in advance of sales. This is just

one of the requirements. During the first year that the law was in effect, the Federal Trade Commission was in charge of ensuring that it was followed (SEC.gov, 2022).

After that, in 1934, Congress created the Stocks Exchange Act of 1934, which is codified as Section 78d of Title 15 of the United States Code. This act established guidelines for the trading of shares on secondary markets. The Securities Exchange Act of 1934 is the piece of legislation that oversees the secondary market for securities, which consists of transactions between investors and corporations that are typically unaffiliated with the companies that first issued the securities. The Securities and Exchange Commission has authority over physical securities exchanges such as the New York Stock Exchange, as well as self-regulatory organisations, the Municipal Securities Rulemaking Board, the NASDAQ, alternative trading systems, and any other persons who engage in transactions for the accounts of others. In addition, the SEC has authority over any other person who engages in transactions for the accounts of others. In Section 4 of the Act of 1934, which also granted the Securities and Exchange Commission authority over the entire body of securities laws, the Federal Trade Commission's authority to enforce the Securities Act of 1933 was transferred to the newly established Securities and Exchange Commission. This gave the SEC authority over the entire corpus of securities laws (SEC.gov, 2022).

Joseph P. Kennedy was a friend of President Roosevelt's and an Irish American businessman and community leader. In 1934, Roosevelt chose Joseph P. Kennedy to head the Securities and Exchange Commission. Roosevelt selected Kennedy in part because he believed that Kennedy possessed the necessary competence in the financial sector to rectify the situation. L. and P. were appointed to the positions of the remaining two commissioners after the initial three commissioners resigned. Kennedy brought into the Securities and Exchange Commission (SEC) a number of outstanding young lawyers, notably William O. D. and Abe Fortas, both of whom would later become justices on the Supreme Court.

Kennedy's team established four goals for the new Commission: *i. restoring investor confidence in the securities market, which had practically collapsed; ii. restoring integrity to securities markets by prosecuting and eliminating fraudulent and unsound practises targeting investors; iii. putting an end to million-dollar insider trading by top officials of major corporations; and iv. establishing a complex and universal system of registration for securities sold in the United States.*

The first goal, "restoring investor confidence in the securities market," refers to the fact

that the market had practically collapsed Kennedy gave his word to the American business community that they would never again be fooled or exploited by Wall Street, and the SEC was successful in accomplishing its mission as a result of Kennedy's efforts. He pushed for average people to reinvest their money in the market as a means of fostering economic expansion (SEC.gov, 2022).

In following years, D., F., and C. served as commissioners and chairs for the South-eastern Conference. Since 1994, the vast majority of registration statements (and accompanying materials) that were filed with the SEC have been made publicly available through the SEC's electronic database. This practise has been in place (EDGAR). Since the 1930s, the securities market in the United States has seen tremendous development, which is chronicled in a new online gallery that was issued in 2019 by the Securities and Exchange Commission Historical Society. The narrative history that is given in the online gallery is supported by the inclusion of dozens of documents, papers, interviews, images, and videos.

2.2 Divisions and Offices

The President of the United States is responsible for appointing each of the commission's five commissioners to their respective positions. It is not allowed for more than three members of the Commission to come from the same political party. On June 5 of each year, the term of office for one of the commissioners comes to an end, for a total of five years. It is possible to complete an additional 18 months of service after the conclusion of the initial term. The president chooses one of the commissioners to serve as chair of the SEC, making that individual the organization's chief executive. However, in order to safeguard the independence of the SEC, the president does not possess the authority to remove the Commissioners from their positions. This worry was sparked by the string of unfortunate financial events that followed the presidential election in 2008 (SEC.gov, 2022).

The Southeastern Conference is comprised of a total of five different leagues. The Southeastern Conference can be divided down into the following categories:

Company Resources for Maintaining a Healthy Financial Position

The Markets, as well as Trading

Investment Management and Administration

Enforcement

Evaluations of the Benefits and Risks

Corporation Finance is responsible for overseeing the disclosures made by publicly traded companies as well as the registration of corporate transactions such as mergers. Managing EDGAR is another responsibility of the department as well. Along with all of the nation's broker-dealers and investment firms, self-regulatory organisations (SROs) like the Municipal Securities Rulemaking Board (MSRB) and the Financial Industry Regulatory Authority (FINRA) are included in the jurisdiction of the Trading and Markets department. Two examples of SROs include these organisations are provided below. This part also investigates the possibility of new regulations and monitors how well the industry is doing overall. The majority of the SEC's jurisdiction to enforce and regulate financial markets has been transferred to FINRA. In point of fact, participation in FINRA is required for any brokerage that is not already regulated by another self-regulatory organisation. This requirement applies to all brokerages. Those individuals who are interested in trading stocks can become "registered representatives" with FINRA, the organisation that oversees the industry. The Investment Management Division is responsible for the oversight and regulation of registered investment enterprises such as mutual funds as well as registered investment advisors. These organisations are subject to stringent regulations as a result of a number of federal securities laws. [19] Two of the federal securities statutes that are the responsibility of the Division of Investment Management are the Investment Company Act of 1940 and the Investment Advisers Act of 1940. Both of these acts were passed in 1940. This branch is responsible for a variety of tasks, one of which is advising the Commission on how best to interpret rules and regulations for the benefit of the general public as well as the professionals responsible for inspection and enforcement at the SEC (SEC.gov, 2022).

The Enforcement Division is in charge of conducting investigations into possible violations of rules and regulations pertaining to securities, as well as pursuing the proper legal action against individuals guilty for the violations. This department's budget has increased by more than half since the fiscal crisis that occurred in 2007–2008, making it the largest in terms of both the number of employees and the overall amount spent. The Securities and Exchange Commission (SEC) has the option of either initiating a civil lawsuit in a federal district court or beginning an administrative proceeding in front of a neutral administrative law judge (ALJ). The Securities and Exchange Commission (SEC) is authorized to bring issues to the attention of federal and state authorities despite the fact that it does not possess prosecutorial jurisdiction.

The Economic and Risk Analysis Division (DERA) was established by the Securities and Exchange Commission in September 2009 with the intention of incorporating financial economics and comprehensive data analytics into the principal functions of the agency. At the Securities and Exchange Commission (SEC), the Division is actively involved in all aspects of the policymaking, rulemaking, enforcement, and examination processes. The Department of Economic Research and Analysis (DERA) is the "think tank" of the agency. It draws on expertise in a wide variety of fields as well as quantitative and non-quantitative methods, as well as market institutions and practices, in order to provide the Commission with new perspectives on challenging issues to consider. DERA is also helpful to the commission in recognizing emerging dangers and trends and developing responses to them. One example of this would be challenges posed by innovative financial products and approaches. DERA's wide-ranging and multifaceted operations serve the vital purpose of fostering cross-departmental cooperation and eliminating barriers that prevent the agency's institutional knowledge from having a greater impact. This is accomplished by removing barriers that prevent cross-departmental cooperation from occurring. Activities of the Division include the development of individualized, analytic tools and analyses to proactively detect market risks indicative of possible violations of Federal securities laws. Other Division activities include providing the Commission and other Divisions/Offices with detailed, high-quality economic and statistical analyses, as well as specific subject-matter expertise. Analysts at DERA build analytical algorithms to identify warning signs in the data, which frees up limited resources at the Commission to investigate potential cases of misconduct. Additionally, the Commission's Chief Economist calls DERA home and can be found here.

While the Office of the General Counsel acts as the agency's "lawyer" before federal appellate courts and provides legal counsel to the Commission and other SEC divisions and offices, the Office of the Chief Accountant is responsible for drafting and enforcing accounting and auditing regulations for the SEC. These regulations are created by the Office of the Chief Accountant. This department has collaborated with the Financial Accounting Standards Board (FASB), the Public Company Accounting Oversight Board (PCAOB), and the International Accounting Standards Board (IASB) to contribute to the development of generally accepted accounting principles (GAAP), auditing standards, and international accounting principles, respectively.

Inspections can be conducted by the SEC's Office of Compliance, Inspections, and

Examinations on broker-dealers, stock exchanges, credit rating agencies, registered investment companies (both closed-end and open-end (mutual funds) investment companies), registered investment advisors, and registered investment companies (both closed-end and open-end (money funds) investment companies). The Office of International Affairs of the Securities and Exchange Commission (SEC) serves as the agency's diplomatic mission and is responsible for negotiating worldwide enforcement information-sharing agreements as well as developing the agency's international regulatory framework (SEC.gov, 2022).

The head of the police department. In January of 2013, Carl H. was presented to the public for the first time in his role as the new inspector general for the Securities and Exchange Commission. There are twenty employees employed by him.

It is possible that the assistance and information provided by a whistleblower who is aware of possible violations of securities law is one of the most effective tools in the law enforcement arsenal of the Securities and Exchange Commission (SEC). This assistance and information is provided by the SEC Office of the Whistleblower. The Dodd-F. Wall Street Reform and Consumer Protection Act included an amendment to the Securities Exchange Act of 1934, also known as the "Exchange Act." This amendment took the form of the addition of Section 922, which was given the title "Securities Whistleblower Incentives and Protection." In accordance with Section 21F, the Commission is required to provide monetary awards to qualified individuals who voluntarily provide original information that leads to successful Commission enforcement actions resulting in the imposition of monetary sanctions in excess of $1,000,000 and certain successful related actions. In addition, the Commission is required to provide financial awards to qualified individuals who voluntarily provide information that leads to successful related actions (SEC.gov, 2022).

2.3 Communication, Operations and relations to other agencies

2.3.1 Responses via the mail

In response to the public disclosures that firms make, the Securities and Exchange Commission's Division of Corporation Finance writes comment letters. The requests made by the SEC are outlined in a letter that was at first distributed under covert circumstances. In each of the comments that are included in the letter, it is requested that the filer either provide additional information, update the submission, or change the way that disclosure is provided in subsequent files. The filer is required to respond to the questions and concerns that are raised in the comment letter. The Securities and

Exchange Commission (SEC) may provide additional feedback after the event has taken place. This correspondence is finally made available to the general public.

In October of 2001, the SEC wrote a letter to CA, Inc. in which they covered fifteen distinct subjects. The majority of the topics were related to accounting practises at CA, Inc., and five of the topics were particularly related to revenue recognition. This letter was sent to the CEO of CA, who pleaded guilty to fraud at CA in 2004 and got this letter.

The Securities and Exchange Commission (SEC) announced in June 2004 that it will make all comment letters available online for the convenience of investors. The Securities and Exchange Commission (SEC) did not live up to its commitments, as shown by an examination of regulatory filings from May 2006 that covered the previous year. According to the findings, 212 companies admitted having received comment letters from the SEC; however, only 21 of those companies chose to make their letters public. In an interview that took place in 2006 with the New York Times, the director of the Division of Corporation Finance, John W. White, stated as follows: "We have solved the difficulties to disseminating the data... We predict a significant increase in the number of employment vacancies in the not too distant future."

2.3.2 Notifications in writing of inaction

A letter from the staff of the Securities and Exchange Commission (SEC) that states that the staff will not recommend to the Commission that the SEC commence enforcement action against a person or company if that person or company participates in a particular behaviour is known as a "no-action letter." In the event that the current standing of an action is unclear from a legal perspective, these letters are delivered in answer to questions. These letters are made public, so contributing to the expanding body of information regarding what is and is not allowed. Even though they are compelling, courts are not required to follow them because they just convey the views of the staff about the securities laws (SEC.gov, 2022).

From 1975 until 2007, a credit rating agency known as a nationally recognised statistical rating organisation (NRSRO) produced credit ratings that other financial institutions are allowed to use by the SEC for certain regulatory reasons.

2.3.3 The amount of time required to respond to requests made under the Freedom of Information Act

The Securities and Exchange Commission (SEC) did not earn a good overall grade in the most recent review of the 15 federal agencies that receive the most requests under

the Freedom of Information Act (FOIA), which was published in 2015 and conducted by the Center for Effective Government. The SEC received a score of 61 out of a possible 100 points (using data from 2012 and 2013). A deterioration can be seen in the grade's progression, as it went from a D in 2013 to a F presently.

2.3.4 Actions taken by authorities in response to the credit crisis

On September 17, 2008, the Securities and Exchange Commission (SEC) issued severe new rules to outlaw any forms of "naked short selling." This was done as a means of taming the unpredictable markets (SEC.gov, 2022).

The Securities and Exchange Commission investigated situations in which individuals attempted to influence the market by disseminating rumors about particular institutions. In addition, the commission has investigated allegations of trading violations as well as abusive short-selling activity. In addition, managers of hedge funds, broker-dealers, and institutional investors were required to testify under oath and furnish particular information regarding their holdings in credit default swaps. The SEC was able to negotiate the largest settlements in the agency's history, which totaled approximately $51 billion, on behalf of investors who had purchased auction rate securities from six different banks.

2.3.5 Problems with the system that regulates things

The Securities and Exchange Commission (SEC) has been criticised for doing "an unusually lousy job of holding executives accountable" and for being "too 'tentative and afraid' in handling misbehavior on Wall Street. Both of these criticisms have been levelled against the SEC. Christopher Cox, who served as the former chair of the Securities and Exchange Commission, has acknowledged that the agency made a great deal of errors in its investigation of the Bernard M. scheme. The Securities and Exchange Commission (SEC) disregarded red flags regarding M. Investment Securities beginning with an investigation into a feeder fund that had first invested with M. in 1992 and which, according to the SEC, had promised returns that were "curiously stable." Many people have the opinion that the Securities and Exchange Commission disregarded the red flags and facts that pointed to M.'s possible fraud.

Because of this, Cox has stated that she will investigate "any staff interaction and relationships with the M. family and firm, and their impact, if any, on actions by staff regarding the firm." Assistant Director of Compliance and Investigations at the Securities and Exchange Commission During the course of Eric Swanson's inquiry into whether Bernard M. was running a Ponzi scheme, Shana M., who worked as the

company's compliance counsel at the time, and Eric Swanson came into contact with one another. After the investigation was finished, Swanson resigned from his position at the SEC and soon after that, he wed Shana M..

Roughly forty-five percent of institutional investors were of the opinion that the M. fraud could have been prevented by a more vigilant Securities and Exchange Commission (SEC.gov, 2022).

In the year 2000, H.M. filed a complaint with the SEC's Boston branch, stating that M. should be investigated because he could not have legally made the gains he claimed to have made using the investing strategy M. claimed to have utilised. The complaint stated that M. should be investigated because he could not have legally made these gains using the investing strategy M. claimed to have utilised.

After being fired in September 2005 for seeking to subpoena a Wall Street figure, former SEC enforcement attorney A. filed a wrongful termination action against the agency in June 2010, claiming that the agency unlawfully terminated his employment. During her time at Morgan Stanley, Mary Jo White, who would later become chair of the SEC, defended John J. Mack in a case of alleged insider trading involving the investment firm Pequot Capital Management. The case was brought against Mack by White. Even though the insider investigation had been closed at the time, the Securities and Exchange Commission (SEC) pursued charges against Pequot one month before it reached a settlement with A.. A report that provided a comprehensive explanation of the problem and called for improvements at the SEC was released by the Senate in August of 2007 (SEC.gov, 2022).

W., a Democrat from Virginia, sent a letter to the Securities and Exchange Commission on September 26 in which he inquired as to whether or not the current disclosure system was acceptable in light of the relatively small number of corporations that have provided such information. W. was writing the letter in response to a question that he had posed the day before.

2.3.6 Defeats at the Office of the Inspector General

A government watchdog group called Project on Government Oversight wrote a letter to lawmakers in 2009 to complain that the Securities and Exchange Commission had ignored more than half of the recommendations that were issued to it by its Inspector General. According to POGO, the Securities and Exchange Commission (SEC) has disregarded 197 of the 312 recommendations provided in audit reports and has not acted on 27 of the 52 proposed reforms indicated by the Inspector General in the two

preceding years. Both of these statistics can be found in POGO's report. There were suggestions made to investigate and expose the underlying causes of the SEC's inability to detect the M. ponzi scheme, as well as to implement disciplinary action against SEC employees who accept illegal gifts or favours from financial companies. There were also suggestions made to investigate and expose the root causes of the SEC's inability to detect the M. ponzi scheme (SEC.gov, 2022).

In 2011, a writer for Rolling Stone named T. released a story in which he conducted interviews with former SEC employees and found that most of them had negative things to say about the agency's Office of the Inspector General (OIG). It was "wide knowledge" that anyone who reported an incident to the OIG would have their professional career brought to an abrupt halt.

In 2012, the former Chief Investigator of the SEC, W., expressed concerns regarding the actions of Inspector General H. David K.. As a result, the SEC decided to bring in the Inspector General of the United States Postal Service, David C. W., to carry out an independent, external assessment of K.'s behavior. W. concluded, after conducting a 66-page investigation, that K. had violated ethical guidelines by supervising investigations involving people with whom he had "personal contacts" and, as a result, a conflict of interest. W.'s conclusion came after W. had conducted the investigation. Due to the fact that K. considered M. to be a "very good buddy," the research casts suspicion on K.'s role in the M. investigation as well as other investigations. It was decided that the timing of when K. and M. first became friends is uncertain; nonetheless, if it had begun before or during K.'s investigation into M., it would have been in violation of the ethics standards in the United States. According to the findings of the study, K. "looked to have a conflict of interest" and should not have begun his investigation into Standford because he had ties to a female attorney who represented people who had been defrauded. Rather, K. should have refrained from beginning his investigation into Standford (SEC.gov, 2022).

According to the reporting of T. as well as that of whistleblower and former SEC employee F., the agency systematically destroyed thousands of documents related to preliminary investigations of alleged crimes committed by financial companies involved in the Great Recession that the SEC was supposed to be regulating, such as Deutsche Bank, Goldman Sachs, Lehman Brothers, SAC Capital, and others. These companies include Deutsche Bank, Goldman Sachs, Lehman Brothers, SAC Capital, and others. The SEC refers to the initial stages of an investigation as "Matters Under

Inquiry," which is the name that was used for the records that were requested by the organization. The practice of destroying objects first emerged in the 1990s and has since become widespread. Tensions were raised in 2010 when F. exposed this SEC activity to the National Archives and Records Administration. In addition, F. provided the details of a meeting that took place at the SEC in which senior staff members discussed the prospect that it may be against the law to recognize that the damage had taken place. A number of others, including G., a Republican from Iowa, took note of F.'s appeal for protection as a whistleblower as well as the narrative of the agency's document-handling methods. The Securities and Exchange Commission (SEC) has responded to criticism levelled against its practices by issuing a statement defending those practices. According to NPR, a law professor from the University of Denver Sturm College of Law stated, "My initial take on this is it's a tempest in a teapot." Additionally, a securities lawyer from the Washington, D.C. area stated, "there's no allegation the SEC tossed sensitive documents from banks it got under subpoena in high-profile cases that investors and lawmakers care about." After this, NPR made the following statement: the most important question that has to be answered in this conversation is this: to what extent does Congress place its faith in the findings of an investigation? Also, the institutions of legal practice? The statute requires that all investigative files be kept for a period of twenty-five years after the investigation has been completed. However, federal officials contend that no judge has decided that materials linked to preliminary SEC inquiries became investigative records. They say that this is despite the fact that these documents exist. He is purportedly devoting his undivided attention to the charges, as stated by the inspector general of the SEC. According to NPR, K. assures that a report will be ready by the end of the month (SEC.gov, 2022).

2.3.7 Program for the Protection of Informants

People who come forward to disclose violations of securities laws are eligible for cash compensation through the Whistleblower Rewards Program, which is administered by the Securities and Exchange Commission (SEC). With the passage of the Dodd-F. Wall Street Reform and Consumer Protection Act in 2011, a programme was established that rewards "whistleblowers" with rewards that range from 10 percent to 30 percent of any penalties collected by the Securities and Exchange Commission or other agencies as a result of the information provided by the whistleblower. This information was provided as a result of the Dodd-F. Wall Street Reform and Consumer Protection Act. By the year 2021, the SEC had collected $4.8 billion in monetary remedies thanks to

information gained through the program, and whistleblowers had been awarded more than $1 billion. The SEC is required by law to provide an annual report on the program to Congress; the report for 2021 can be viewed on this page.

2.3.8 Relationship with various additional organizations

Not only does the Securities and Exchange Commission (SEC) work together with other federal agencies, state securities regulators, international securities regulators, and law enforcement agencies, but it also works with a variety of organizations that are responsible for their own self-regulation, such as the Financial Industry Regulatory Authority (FINRA), the Securities Investor Protection Corporation (SIPC), and the Municipal Securities Rulemaking Board (MSRB). In accordance with Executive Order 12631, the President's Working Group on Financial Markets was established in the year 1988. The Head of the SEC and the Head of the CFTC are both members of the Working Group, which is presided over by the Secretary of the Treasury. The aim of the Working Group is to preserve the faith of participants in the financial market while simultaneously working to improve the orderliness, transparency, and efficiency of the market (SEC.gov, 2022).

Throughout its history, the Federal Trade Commission (FTC) was in charge of ensuring compliance with the Securities Act of 1933. As a result of the adoption of the Securities Exchange Act of 1934, the Federal Trade Commission is no longer able to exercise any authority in this area. According to the Securities Exchange Act of 1934, the SEC is given the authority to regulate proxy solicitation; nevertheless, some of the measures that the SEC has recommended (such as the universal proxy) have been greeted with opposition. The Federal Trade Commission's principal aim is to protect consumers and put an end to company practices that harm competition in the marketplace. The Securities and Exchange Commission (SEC) is concerned with the security markets, whereas the Federal Trade Commission (FTC) supervises standard commercial activity. The Temporary National Economic Committee was established as a result of a joint resolution that was passed by Congress on June 16, 1938. (52 Stat. 705). As part of its mandate, it was required to report violations of antitrust laws to the federal authorities. When the committee's funding was withdrawn in 1941, the SEC ordered that the committee's records be sealed, and to this day, those papers have not been made public. The Municipal Securities Rulemaking Board (MSRB) was established by Congress in 1975 with the mission of formulating rules governing the underwriting of municipal securities as well as their trading. The MSRB is not permitted to enforce its own

regulations and is therefore subject to scrutiny by the SEC (SEC.gov, 2022).

On November 1, 2019, the Asset Management Advisory Committee (AMAC) was formally established with the intention of providing the SEC with "diverse viewpoints on asset management and related advice and recommendations." There are a number of potential topics that could be brought up for debate within the committee. Some of these topics include the effects of globalization, evolving roles of technology and service providers, as well as investor and market participant trends and developments. On the committee, we have representation from a wide variety of various categories of investors and market participants. However, state securities regulators have the authority to enforce securities blue sky rules within their respective states. The SEC and the SROs that it regulates are responsible for the enforcement of the majority of the laws pertaining to securities. It is possible that registering securities with a particular state is required before being allowed to sell those securities in that state. The National Securities Markets Improvement Act of 1996 (NSMIA), which sought to eliminate the necessity for a parallel system of federal and state regulation by modifying Section 18 of the 1933 Act to exempt nationally traded securities from the need for registration with individual states, has preempted state law in this area. This act was passed in an effort to eliminate the need for a parallel system of federal and state regulation. However, the NSMIA does not prohibit states from enforcing anti-fraud laws against any security that is offered for sale within their borders.

The Securities and Exchange Commission (SEC), in addition to its own efforts to enforce the law, collaborates with other federal and state agencies to pursue individuals who are suspected of breaking securities laws.

In order to combat illegal activity in international securities markets, the Securities and Exchange Commission (SEC) utilizes the IOSCO Multilateral Memorandum of Understanding as well as direct bilateral agreements with the securities regulators of other countries. (SEC.gov, 2022).

Chapter 3: Cases of Accounting Fraud in the Maritime Industry

3.1 Case 1(2:21-cv-1251)

D R.M, sometimes known as the "Insider Trader," is being investigated for allegedly engaging in unethical trading of securities belonging to M.N.V. Between September 2017 and July 2019, M.N.V.'s Senior Manager shared extensive nonpublic information with D R.M. This information included the shipping company's financial data, an acquisition, and the clearance of two pharmaceutical applications by the United States

Food and Drug Administration ("FDA"). By trading based on this insider information, D R.M was able to generate illicit profits totaling $7,348,207 while avoiding losses totaling $703,337. D R.M provided the Senior Manager with confidential trading information and agreed to share the profits with him.

Second, the activities that M. has outlined in this document constitute a violation on her part of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5]. These laws can be found in the United States Code.

3.2 Case 2 (3:2020cv04190)

AML BitCoin was a blockchain-based digital token that the defendant in this case, NAC, LLC ("NAC"), was in the process of developing. NAC claimed that AML BitCoin was superior to the original bitcoin due to anti-money laundering, know-your-customer, and other security features encoded in the smart contracts for the token, and that it was compliant with regulatory requirements relating to digital assets. The plaintiff in this case, NAC Foundation, LLC ("NAC"), was developing R.M.A., the founder and CEO of NAC, was the primary architect of the scheme and the individual who derived the greatest financial rewards from its implementation. J.A.A., a lobbyist and consultant, was enlisted to assist NAC and Andrade in their efforts to promote the offering. At least $5.6 million was raised from about 2,400 retail investors, the majority of whom were located in the United States, during the months of at least August 2017 and at least December 2018.

The Commission has taken the initiative to pursue legal action against NAC and A. on its own. During the period between October 2017 and February 2018, during which NAC released and sold tokens to the public, including during an initial coin offering ("ICO") period, the tokens were considered a "security" under the federal securities laws. The term "security" can refer to a wide variety of investment vehicles, such as "investment contracts," as well as the broader concept of the financial instrument as a whole. Investment contracts are agreements to invest money in a company endeavor with the intention of benefiting from the commercial acumen or management of others. Investment contracts can take the form of a written document or an oral agreement.

Investors in NAC's offering probably saw it as an opportunity to make money due to the blockchain and token's apparently ground-breaking qualities, as well as the potential future development of such features. This certainly influenced their decision to invest in the offering.

According to the offering materials provided by NAC, while the proprietary anti-money laundering, know-your-customer, and other security features of AML BitCoin had already been developed, certain additional features of the token and NAC's "privately regulated public blockchain" were still being completed. As a result, NAC would initially issue tokens with the symbol "ABTC" that could eventually be exchanged one-for-one for tokens that functioned as AML BitCoin (the"Token"). In May of 2018, NAC began trading using its own tokens, and since then, the firm has made steps to ensure that its tokens may be traded on other platforms as well. Since the month of May in 2018, the Tokens have been available for trading on at least one of these marketplaces. During the time that tokens were being offered, they had no use. Tokens that were issued by NAC could not be used on any of the marketplaces that were operated by NAC; however, they could be traded for other digital assets or fiat cash on marketplaces that were operated by third parties. The Tokens were marketed to investors who may have a fair expectation of price appreciation as a result of NAC's and A's managerial and entrepreneurial skills.

NAC and A. lied to investors in the offering, making it seem as though NAC had already developed anti-money-laundering, know-your-customer, and other security features of AML BitCoin. This was done in order to acquire capital for further development of AML BitCoin's anti-money-laundering, know-your-customer, and other security features. They misled investors by, among other things, making false and deceptive claims about the development of the technology and the interest of government agencies in adopting AML BitCoin as a payment method in press releases, social media, and other promotional materials. This led investors to believe that they were investing in something that was more promising than it actually was. A. found out during the initial coin offering (ICO) that elements of the NAC offering, and marketing materials made erroneous or deceptive representations about the technology; despite this knowledge, he continued to try to attract investors and promote the offering in any way he could. A. was responsible for coordinating and assisting with the writing of materials that had the appearance of having been written by an independent individual but were, in reality, paid promotions of NAC. Certain of these articles made statements on NAC's operations that were both grossly false and intentionally misleading.

Investors were further taken advantage of by press releases and other promotional materials issued by NAC, A., and A.. These materials falsely implied that the companies were on the verge of airing a Super Bowl commercial for AML BitCoin,

despite claims that the commercial had been rejected by the NFL and NBC due to its political content. In addition to this, A. intended to use manipulation in order to increase the Token's trading volume as well as its value on digital asset exchanges. The development status of the AML BitCoin token, NAC's financial condition, and purported interest by and negotiations with governmental agencies for use of the AML BitCoin in their payment systems were all topics on which NAC and A. made false and misleading statements to investors and potential investors. NAC and A. also misled investors and potential investors about the purported interest by and negotiations with governmental agencies for use of the AML BitCoin in their payment systems. After A. saw the true state of the technology and NAC's finances, he continued to deceive investors and promote the offering despite the fact that he should have known better. The people who made these comments either deliberately ignored the truth or acted irresponsibly toward it.

If investors had relied solely on these statements, they would have been led to believe that NAC had successfully developed the proprietary anti-money laundering, know-your-customer, and other security features of the AML BitCoin token and that NAC was in advanced negotiations with governmental agencies for use of the token in their payment systems. In addition, investors would have been led to believe that NAC was in advanced negotiations with governmental agencies for use of the token in their payment systems. Those investors would have been led to believe that

Both NAC and A. asserted that their company's technology was superior to bitcoin, complied with all relevant rules, and was awfully close to being suitable for use in financial transactions.

During the initial coin offering (ICO), A. discovered that the technology was only in its infancy and that the NAC had only held introductory meetings with government agencies. There had been no follow-up meetings or agreements regarding the potential implementation of AML BitCoin tokens in the systems of the government agencies. In addition, Abramoff was aware, as of at least January 2018, that NAC did not have the financial resources necessary to purchase a Super Bowl advertisement, and that the NFL and NBC had not rejected the commercial that his company had prepared for AML BitCoin. The commercial was created by Abramoff's company.

The Commission is seeking injunctions, disgorgement of ill-gotten gains in addition to interest from the date of the judgement to the date of payment, civil monetary penalties, and any other kind of relief that it considers appropriate.

3.3 Case 3 (1:2020cv11156)

Since at least 2015, T. has pretended to be the heir to a Greek shipping fortune. At the same time, he has been claiming that he is an extremely successful money manager who is in control of the family's fortune, which is worth more than one hundred million dollars. According to T., he utilizes the business that he owns, N., as the investing arm of the organization that handles the wealth of his family. T. has promised investors high returns and "secured" guarantees that their money will be repaid in full if the projects fail, all in an effort to entice them to invest in his numerous international real estate ventures. This false air of prosperity and success has been created by T. in order to attract investors.

In spite of the fact that T. has assured investors that they will receive "guaranteed" returns, N. does not own any substantial assets and does not operate any significant businesses. T. has kept tens of thousands of dollars for himself to use for things like rent and credit card payments, while some of the money from the investors has been utilized for business expenses, but it looks to have been wasted. The money was taken from the investors.

3.4 Case 4 (6:2021cv00694)

Since at least May 2015 and continuing up to the present day, H. Corp. and JM, the company's founder and CEO, have been accused of engaging in a series of fraudulent unregistered securities offerings that have resulted in the acquisition of more than $17.1 million. These offerings took place in several entities that were both formed and controlled by H. Corp. and JM.

H. Corp, LLC along with five "special purpose" organizations (HCCF-1 LLC, HCCF-2 LLC, HCCF-3 LLC, and HCCF-4 LLC and HCCF-5 LLC), received financial backing in the form of investments. H. Corp served as the "Manager" for the HCCF-1 through HCCF-4 offerings, while H., Inc. another corporation founded and controlled by JM, served as the "Operator" for those same offers.

There were several diverse types of securities sold, including promissory notes, funding agreements, and "high yield, secured bonds". The monthly returns that were guaranteed ranged anywhere from 1% to 5%. The offerings were ostensibly intended to satisfy H.C. and its affiliates' customer lead generating sales businesses' unmet capital requirements so that they could continue operating normally.

3.5 Case 5 (3-20169)

In 2017, GV, which is a provider of solutions for signal transmission and is a subsidiary of B. Inc., accelerated sales in an inappropriate manner. Prior to B.'s acquisition of GV in 2014, the company was made aware of the possibility of sales acceleration at GV; however, the company failed to implement and maintain adequate internal accounting controls, which made it possible for GV to experience repeated instances of revenue acceleration in 2015 and 2017. B. incorporated the financial data of GV into its own accounting system and created consolidated financial statements that included GV 's performance. This was done so that B. could provide the necessary reports.

D., who was the Senior Vice President of Finance at B., was in charge of the transaction structuring and accounting in 2017 that involved GV. Wiser knew, or should have known, that these transactions would lead to B. overreporting revenue, but he did not take this responsibility seriously enough.

When customers were not prepared to take ownership of the goods they had ordered by the end of the quarter, GV began shipping the goods to warehouses that it paid for and controlled. Meanwhile, W. condoned and participated in the practice of incorrectly recognizing revenue before the end of the quarter.

In addition, W. intended for GV to make what seemed to be sales of around $4.5 million to a former worker towards the end of 2017, who would act as a distributor to lease or resell the goods. However, the former worker did not possess the credentials required to become a distributor. In addition, he did not have a warehouse, a clientele, or the means to pay for the things that he had purchased with his own money. Despite this, B., with W.'s permission, inaccurately represented the revenue that was linked with these sales. B. was able to get all of the products back when it decided to reverse the arrangements since the former employee did not resell or lease any of the company's products.

The books and records of B. had already recorded more than 140 transactions by the end of 2017, with a total value of over $62 million in sales by that point. As a result, B.'s sales figures for the first three quarters of 2017 were overstated by more than $29 million. In the latter three months of 2017, a significant percentage of the revenue that was initially recognized as coming from these dealings was nullified.

Wiser forged an internal memo to support the accounting of transactions with the former employee, and he also submitted bogus representation letters that concealed his knowledge of odd transactions. Both of these actions were intended to cover up W.'s involvement in the questionable financial dealings.

As a result of incorrect revenue recognition, B.'s quarterly reports on Forms 10-Q and earnings press releases in Current Reports on Forms 8-K for the first three quarters of 2017 contained materially misstated financial results. A number of provisions of federal securities laws relating to antifraud procedures, reporting, books and records, and internal accounting controls were violated by B. As a direct consequence of W.'s activities, B. committed violations of reporting, books and records, and internal accounting controls.

3.6 Case 6 (3:20-cv-00822)

The Securities and Exchange Commission has brought charges of fraud against three former executives of I. Corp. The former executives are accused of artificially inflating the shipping company's sales by using a variety of manipulative and fraudulent accounting techniques. They have been charged with fraud by the SEC. The former CEO and CFO of Ironclad have come to an agreement to satisfy the Commission's requests.

The Chief Executive Officer of I., the Chief Financial Officer of I., are accused by the SEC of conspiring to inflate Ironclad's revenues from at least December 2015 through June 2017, by booking revenue before it was earned and recognizing revenue that was never earned. This allegedly occurred while they were all working for Ironclad in According to the allegations, this included booking nearly one million dollars in revenues from a single customer for gloves that the customer never actually purchased. The complaint further alleges that the defendants took active steps to conceal their conduct by, among other things, relocating products to a warehouse across the street, delaying relocating returned products back into inventory, shipping products to different clients, and altering documents. As a result of all of these actions, the complaint claims that the quarterly revenues I. publicly reported during the relevant period were inflated by as much as 24 percent.

3.7 Case 7 (3-20185)

Between the end of 2017 and the beginning of 2018, SC conducted a successful initial coin offering (ICO), during which it sold more than 145 million digital assets (also known as "SHIP tokens"). This resulted in a revenue increase of approximately $27.6 million for the company, which is active in the shipping and logistics industry. To "jumpstart the SC economy and supplement funding to enable [SC] to provide the best product possible," SC promised ICO backers it would use the money to create a blockchain platform, which will henceforth be referred to as "ShipChain's Platform" or

simply "Platform." ICO backers contributed to SC in order to "enable [ShipChain] to provide the best product possible."

SHIP tokens were offered and sold as investment contracts and, as a result, are considered securities, according to SEC v. W.J. H. Co., 328 U.S. 293 (1946) and its progeny, which include cases discussed in the Commission's Report of Investigation Pursuant to Section 21(a) of the Securities Exchange’’ Act of 1934: The DAO (Exchange Act Re. No. 81207). (July 25, 2017). A purchaser who participated in the offering of SHIP tokens would have had a reasonable expectation of making a profit in the future if they did so on the basis of the claims made by ShipChain and the efforts it has made to establish its business, including the use of the proceeds from the ICO fund to develop its platform. Offering and selling these securities without a registration statement filed or in effect with the Commission, or without an exemption from registration with the Commission, constitutes a violation of Sections 5(a) and 5(c) of the Securities Act on the part of ShipChain.

3.8 Case 8 (5:21-cv-01053)

A. Shipping Corporation and its Chief Executive Officer R. S. misled investors by making false and misleading statements about the status of A.'s delinquent financial reports between approximately October 2018 and approximately March 2019. During this time period, the statements were made between approximately October 2018 and approximately March 2019. A. then made a series of false and misleading statements, this time regarding the status of the company's development of a COVID-19 test, between in or about March 2020 and in or about April 2020 – during the COVID-19 pandemic. This occurred between in or about March 2020 and in or about April 2020. The false representations made by A. and R. S. resulted to increases in both the stock price and the amount of trading for A.'s stock.

Between the years 2015 and 2019, A. was required to provide the Commission with financial reports on a quarterly and yearly basis. A.'s most recent financial report was submitted to the Commission on November 20, 2015; nevertheless, this was their very final filing. After that date, A. did not file with the Commission the annual and quarterly reports that were required of them. These reports would have contained both audited and unaudited financial accounts.

Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5] have been violated, either directly or indirectly, by A. and R. S., and unless they are restrained and enjoined, they

will continue to violate these provisions unless the court takes action. Additionally, A. and R. S. have directly or indirectly violated Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 13a-1 and 13a-13 promulgated thereunder [17 C.F.R. 240.13a-1, 240.13a-13] and, unless restrained and enjoined, will continue to violate Section 13(a) of the Exchange Act.

3.9 Case 9 (4:18-cv-00283-RSB-JEG)

F. was directly involved in a scheme by G. and S. that resulted in the fraudulent offering and sale of at least $15 million of securities to more than 150 investors between at least December 2013 and February 2016. The scheme was orchestrated by G.

From 2013 until February 2016, G., S., their principal salesman P. U., and other salesmen whom G. and S. recruited and controlled committed securities fraud by selling interests in a number of limited partnerships and joint ventures that were purportedly created to extract and sell oil from existing wells in the states of Kansas, Oklahoma, and Texas. G. and S. were assisted in their scheme by other salesmen whom G. and S. recruited and controlled.

G., S., and U. made the representation to prospective investors that the limited partnerships and joint ventures would use the funds to (a) acquire "working interests" in a number of different oil wells and (b) implement enhanced oil recovery techniques, such as fracking, in order to develop and extract oil from the wells. This was done in order to attract investors. Investors were persuaded by G., S., and U. that the entities would sell the oil in order to earn returns for investors ranging from 15 to 55 percent or more per year "for decades." These returns would be earned for investors by the entities.

G. and S. carried out their con by using two companies based in Tennessee: SSG, which has since been administratively dissolved, and BGR, which later changed its name to T. Both of these companies have since been dissolved.

Investors were told by G., S., and U. that SEG would manage the limited partnerships, T. would manage the joint ventures, and that each of these firms would be led by a person who have significant prior experience working in the oil industry.

In order for G. and S., who are both convicted felons, to conceal their personal involvement in the plan, G. and S. set up SSG and T. with fictitious executives who purported to run the companies. These executives were known as the figurehead executives.

F. was the figurehead that was installed over T., and he was aware that he was misrepresented to investors as being in charge of the firm and experienced in the oil

industry. However, F. knew that this was not the case.

3.10 Case 10 (19-cv-5296-DLC)

In this case, the defendants attempted to use a false public offering as a springboard to a listing on the Nasdaq Stock Market, LLC ("NASDAQ"). The scheme involved the Defendants distributing over 400,000 shares, or more than one-third of the total shares reportedly sold by L. in the offering, to insiders and others affiliated with the company in order to create the appearance of a public float of bona fide investors in order to meet the requirements of the NASDAQ. Actually, these insiders and affiliates did not pay for their shares, and the investments did not meet NASDAQ requirements. The amount of money raised in the offering was also inflated by the Defendants' misrepresentations to NASDAQ and in L.'s SEC filings, both of which were made without the knowledge or consent of the NASDAQ or the SEC. Defendants obtained a qualification to conduct an offering (i.e., a notice from the SEC that the offering may proceed) under SEC Regulation A [Regulation A —Conditional Small Issues Exemption, 17 C.F.R. 230.251 - 263], a set of rules that allows issuers to publicly sell securities under procedures that are less burdensome than those that apply where the sales are registered under Section 5 of the Securities Act of 1933 ("Securities Act Since L. was not headquartered in either the United States or Canada, as is required by Legislation A, the business could never have used the regulation to sell any shares. Despite L.'s assertions to the contrary, it was never headquartered, managed, or operated within the United States. M. instead relocated virtually everything associated with L.—including its leadership, staff, assets, cash, and records—outside of the country.

In light of this, the SEC approved L.'s fraudulent Regulation A offering on June 16, 2017. Sales of L. securities at $5 per share were the only ones approved by the SEC. The defendants knew that L. would not be able to sell enough shares to satisfy NASDAQ listing criteria, so they gave shares to insiders and affiliates to make it look like there was a larger public float of legitimate investors. The insiders and their relatives didn't even have to put up any cash to get their hands on those shares. Accordingly, L.'s Class A shares commenced trading on the NASDAQ on December 13, 2017 under materially false pretences.

On or around the following day, December 15, 2017, L. reported that it had purchased "Z.c.," which it claimed was a cryptocurrency firm, from M.E. Pte. Ltd., an organisation at least 92% owned by M.. Despite the fact that Z.c. had no real value, L.'s stock price increased considerably after the company officially disclosed the acquisition in a

deceptive Form 8-K. The share price of L. reached an all-time high of $142.82 on December 18th, 2017.

The Z.c. announcement caused a price jump, and in the months that followed, insiders and affiliated parties sold their shares for millions.

Similarly, in 2017 and 2018, L. and M. committed a large accounting fraud by recording revenue from commodity transactions that did not occur. Many reported purchases and sales of goods that never existed were actually part of a larger operation involving organizations controlled by L. and M. and involving forged bills of lading. L. lied about their financials and claimed over $66 million in fake revenue for the year ending December 31, 2017. This was more than 89% of L.'s total revenue. Therefore, L. submitted a fraudulent Form 10-K for the year ending December 31, 2017 and a fraudulent Form 10-Q for the quarter ending March 31, 2018 to the Securities and Exchange Commission. Each of these reports was signed off by M.. With regards to the purchase of Z.c. and L.'s eventual demise, both L. and M. made or signed materially false and misleading current reports on Form 8-K.

According to the allegations in this Complaint, the defendants have violated and will continue to violate the antifraud provisions of Sections 17(a) of the Securities Act of 1933 [15 U.S.C. 77q(a)] and Section 10(b) and Rule 10b-5 thereunder of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. 78j(b); 17 C.F.R. 240.10b-5].

The reporting, books-and-records, and internal controls provisions of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(a), 78m(b)(2)(A), 78m(b)(2)(B)] and Exchange Act Rules 12b-20, 13a-1, 13a-11, and 13a-13 [17 C.F.R. 240.

The internal controls and books and records provisions of Section 13(b)(5) of the Exchange Act [15 U.S.C. 78m(b)(5)] and Exchange Act Rule 13b2-1 [17 C.F.R. 240.13b2-1], the lying to accountants provision of Exchange Act Rule 13b2-2 [17 C.F.R. 240.13b2-2], and the certification provision of Exchange Act Rule 13a-14 [17 C.F.R. In addition, M. has and will continue to aid and abet violations of the reporting, books-and-records, and internal controls provisions of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(a), 78m(b)(2)(B)] and Exchange Act Rules 12b-20, 13a-1, 13a-11, and 13a-13 [17 C

Conclusion

Today's shipping requires the participation of individuals and companies from all

around the world. In contrast to earlier global economies, which were primarily propelled by imperial authority, the contemporary global economy is the result of an era in which trading was relatively unfettered. Earlier global economies were primarily driven by imperial authority. On the other hand, imperial power was the primary driver of the global economy in the past. Shippers, charterers, shipowners, financial institutions, insurance companies, importers, and exporters are all members of the modern maritime community. The infrastructure that was put in place to make it easier to carry commodities is uncomplicated and highly effective, and the sea continues to be the most important transportation mode for international trade. In the context of international commerce, it is customary for the buyer to make a complete payment to the seller before the consumer actually receives the items that they have purchased. It has been demonstrated that the role of intermediary that banks play in the system of letters of credit is successful, and the documentation that is associated with these transactions is more important than the items themselves (Jennings et al., 2006).

Because of this, there are often a great deal of parties involved in the signing of an international maritime contract. Fraud is perpetrated when one party to a maritime contract wrongfully obtains money or items that belong to another party related with the carrying and funding of the transaction. This is a particularly heinous crime that one of the parties has done. The risk posed by fraud stems from the fact that it has the potential to damage users' faith in the system and their perception of its dependability. Because of the simplicity of the system that controls international trade, fraudsters, con artists, and cheaters can easily take advantage of it. When one party to an international business transaction intentionally misleads another about a fact or occurrence relating to marine activity in order to dishonestly collect money or products from the other side, this is an example of maritime fraud. To carry off a con of this nature requires a significant amount of effort from a large number of people (Jones, 2011).

Records of business fraud may be traced all the way back to the time of the Roman Empire. It has a lengthy and illustrious history. According to the definition provided by the IMB, "a transaction involving international trade involves numerous parties." These parties can include a buyer, a seller, a shipowner, a charterer, the ship's expert or crew, insurance, a lender, a broker, or an agent. In addition, a transaction involving international trade can involve a number of other individuals. It is referred to as maritime fraud when one of these parties engages in fraudulent activity in order to get money or goods from another party to whom he has assumed defined trading, transport,

and financial duties as a result of a contractual agreement.

The growing tendency of fraudulent activity in the marine industry can be attributed to a number of variables, including those that are stated below: Due to the rising amount of pressure that shipowners are under to acquire new customers, a considerable number of shipowners fail to undertake proper due diligence prior to initiating contact with possible new business partners. The utilisation of technology breakthroughs by criminals, such as hacking computers, is another trend that has been observed. Cons are always one step ahead, therefore it's necessary to be proactive in order to avoid falling prey to them, particularly as more and more commerce is conducted online. Cons are continually one step ahead. The "costs" involved with enhancing security include expenditures on investments in new and enhanced technology and processes, as well as the potential impact on economic prospects. It is crucial to obtain the necessary knowledge and skills in order to be successful in business, and it is also important to be aware of the numerous scams and con jobs that are out there. Because even the simplest A to B journey involves so many different people and places, the shipping industry is full of opportunities for con artists to take advantage of people who aren't well-versed in the complexities of international trade. This is because even the simplest A to B voyage involves so many different people and places. Even the most straightforward journey from point A to point B, for example, involves a large number of different people and places. Due to the fact that the parties are located in various parts of the world, it could be challenging or even impossible to carry out "physical inspections" between them. This is due to the fact that the law requires all commercial transactions to be carried out between unconnected third parties, also referred to as "arm's length."

Over the course of the last few decades, maritime fraud has evolved into a highly lucrative sector that poses no threat to its participants. At the end of the 1970s, criminal activity on the high seas reached a new high point, and it has been on an upward trend ever since then. This upward tendency has lasted ever since. This indicates that it is legitimate to wonder what other schemes might be in play during a maritime con because they might be related to the situation. It is common knowledge that a single international economic transaction involves a large number of different businesses, including sellers, buyers, shippers, charterers, captains, crew, port authorities, inland hooligans, banks, and insurers. This is because each of these parties has a unique role to play in the process. When one of these individuals takes advantage of another for their own gain, whether to steal money or goods, they are guilty of the crime of maritime

fraud. Because of this, many who work in the maritime industry use the term "marine fraud" to refer to a particular type of fraudulent activity. Intentional or false loss or destruction of cargo, barratry, scuttling of ships, and other schemes that are comparable to these are all examples of "chartering frauds," which is a category of fraudulent activities involving shipping contracts (Jennings et al., 2006). A fraud scheme involving marine commerce might potentially target any location on the face of the world as its targeted victim. The con artist does not give a hoot about the victim's race, religion, or political affiliation in any way, shape, or form. There are a variety of different sorts of fraud that occur in the maritime business, and there is ample evidence to suggest that organised criminal gangs are responsible for a major portion of these cons as well as other offences associated with these frauds. The shipping sector has been productively operating on the basis of verbal agreements inside a system for a considerable number of years. The continued presence of organised groups that penetrate the maritime industry heightens concerns over marine crime and fraud. During the 1920s, scuttling and other forms of intentional ship destruction acquired a significant amount of public attention (Jones, 2011).

Other types of intentional ship damage included: fading into obscurity until its rediscovery as a ground-breaking new art form in the 1970s after having been forgotten for decades. For example, the Salem had to be cast adrift in the water because her cargo was taken by thieves. The days when owners would purposefully destroy old and worthless ships have long since been supplanted by a ring of con artists that is more sophisticated, financially secure, and strategically planned (Jennings et al.,2006).

There are many different manifestations of marine cargo fraud, the most common of which range from inflated claims to the direct destruction of commodities that were over insured. The practise of greatly overestimating the value of a ship and the goods that it carries as cargo is one form of fraud (Jones, 2011).

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