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UKRAINE IN INTERNATIONAL COOPERATION IN RESPECT TO ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING

Олексій Скрыбін, Дмитро Санакоєв, Олена Гороховська, Володимир Єфімов, Інна Єфімова. УКРАЇНА У МІЖНАРОДНОМУ СПІВРОБІТНИЦТВІ ЩОДО ПРОТИДІЇ ВІДМИВАННЮ КОШТІВ ТА ФІНАНСУВАННЮ ТЕРОРИЗМУ. Метою статті є визначення ефективних заходів протидії відмивання коштів. На основі системного аналізу визначено основні загрози, що можуть знизити ефективність боротьби з відмиванням коштів та фінансуванням тероризму: слабкі державні інститути, бюрократизація правоохоронних органів, високий рівень корупції, рівень організованої злочинності та контрабанди, низький рівень прозорості у

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політичних та фінансових сферах. Визначено, що законодавство країн із низьким рівнем відмивання коштів характеризується: суворими санкціями та встановленням відповідальності для всіх осіб, які брали участь і були обізнані щодо інформації про злочин. Рівень відмивання коштів в Україні можна зменшити шляхом впровадження таких заходів: посилення системи перевірки клієнтів фінансових установ, посилення контролю за дотриманням міжнародних вимог щодо фінансового моніторингу, посилення відповідальності за невиконання вимог, навчання працівників фінансових установ та співробітників правоохоронних органів щодо боротьби з відмиванням коштів, співпраця із кіберполіцією, встановлення суворої відповідальності для всіх осіб, причетних до відмивання коштів.

Ключові слова: фінансова установа, моніторинг, злочин, законодавство, міжнародна діяльність, Україна.

Relevance of the study. Stability and development of the state is one of the tasks for each country and international organizations whose activities are aimed at ensuring security in the economic, political and social spheres of the country. Rising crime rate of money laundering and terrorist financing may be an obstacle to the stability and development of Ukraine.

The development of technologies used in banking and financial institutions, the simplification of identification systems can increase the level of money laundering and terrorist financing. The state financial monitoring, which was conducted in Ukraine in the period from 2014 to 2019, revealed 3,663 generalized materials totaling \$ 28.6 billion, and in the first 9 months of 2020, 739 materials were generated in Ukraine and 2.2 billion USD laundered were revealed (Information on key results of the State Financial Monitoring Service, 2019), which indicates a fairly large amount of money laundered.

According to the Basel Anti-Money Laundering Index, global money laundering ranges from \$ 500 billion up to \$ 1 trillion [1]. The International Monetary Fund notes that money laundering undermines the integrity and stability of the financial sector, hinders the development of foreign investment and can lead to a decline in welfare, capital flight from productive economic activities, destabilizing effects on other countries (IMF and the Fight Against Money Laundering and the Financing of Terrorism, 2018). That is, the damage caused in modern conditions by the activities of international economic entities in terms of money laundering, distribution of domestic and international monetary resources, is global.

According to the report on the evaluation of anti-money laundering and terrorist financing measures in Ukraine, there is a positive dynamics of the legislation approximation to the international standards [25]. The report notes the achievements of Ukrainian legislation in complying with two FATF recommendations: improving the legal regulation in terms of terrorist financing crimes and strengthening sanctions against financial institutions for non-compliance with anti-money laundering and anti-terrorist financing legislation. This was due to the adoption of the Law of Ukraine «On Prevention and Combatting Money Laundering, Financing of Terrorism and Financing of the Proliferation of Mass Destruction Weapons» in 2019.

At the same time, it is stated in the report that further attention should be paid to measures aimed at improving the system of combating money laundering and terrorist financing in the following areas: latest technologies, financial sanctions related to terrorism, financial sanctions related to the proliferation of weapons of mass destruction, regulation and supervision over the representatives of non-financial professions and occupations, introduction of national statistics on combating money laundering and terrorist financing [25].

This situation indicates an improvement in the system of combating money laundering and terrorist financing in Ukraine, but at present there are aspects requiring further improvement in terms of legal regulation and implementation of monitoring by financial institutions.

Recent publications review. The concept of «laundering» is historically associated with one of the first and most well-known ways to legalize criminal proceeds (funds), which in the 20s and 30s of the last century, were shown (legalized) by the criminal groups in the United States of America, who obtained excess profit from alcohol products sale during the «National Prohibition Act» being in force [17]. In the late 1960s of the twentieth century a new direction of neo-institutionalism, related to the study of crime as an economic phenomenon- the economic theory of crime-, emerged [20].

The issue of money laundering and terrorist financing is the subject of research by Ukrainian and foreign authors.

Money laundering is the processing of criminal proceeds in order to conceal their illegal

origins [36; 39]. Terrorism financing is any form of financial action, support or mediation providing financial support to terrorist groups [30]. R.A. Schott [32] analyzes the relation between money laundering and terrorist financing and notes that a significant difference between money laundering and terrorist financing is that the funds involved can come from both legal sources and criminal activity. E. Jean-Francois [16] studies financial monitoring for nonprofit institutions as a system that controls methods and procedures, the reliability of financial statements and the ability of an organization to receive feedback that can help achieve strategic and operational goals and tasks.

M. Liebedieva and L. Molova [22] study credit institutions as one of the subjects of financial monitoring, serving as the main information provider in the database of Russian financial intelligence, and playing a special role in national anti-money laundering and counter-terrorism financing systems. M. Proshunin [28] formulated the content of financial monitoring in credit institutions as follows: customer identification; monitoring of all operations; notification of the authorized body about suspicious transactions; availability (storage) of transactions documents; recording information about transactions; personnel training.

I. Chumakova and Yu. Kravchenko [5] described the national anti-money laundering system in Ukraine. Its main characters are the main subjects of financial monitoring, which are not directly related to the financial transactions of their customers, but they can be involved to ensure the visibility of the money laundering legality. S. Leonov and O. Kuryshko [23] generalized methodological approaches to assessing the attractiveness of countries for money laundering and approaches to identifying threats of using Ukraine as a platform for money laundering. The study is based on a two-tier approach to assessing the risks of using the country in the process of money laundering. As a result, the 10 countries under study were divided into 3 groups: countries specialized in financial services being attractive for money laundering (Cyprus, Switzerland, Great Britain and the Netherlands); countries with intensive capital outflows (Poland, Russia and Ukraine); countries with normal financial trade support (Austria, Germany and Italy). In most cases, the money laundering in Ukraine can be carried out not through trade transactions, but through equity transactions in the form of input / output of private foreign investment, including countries with loyal tax and banking law.

O. Serbyna and K. Minakova [33] studied the historical aspects of the financial monitoring system formation in Ukraine. They identified key factors which influenced the formation of the financial monitoring system and the main issues that should be paid attention to, the improvement of the financial monitoring system. A. Khmelnik [18] states that financial monitoring is a special method of financial control.

However, today the issue of combating money laundering and terrorist financing is relevant for many countries. Updating methods of money laundering and increasing the volume of such crimes highlights the need to develop an effective system for combating such crimes.

The research paper's objective is to identify effective ways to combat money laundering and terrorist financing in Ukraine based on a systematic analysis of international cooperation, legislation and practical measures implemented in foreign countries, as well as their discussions in Ukrainian society.

Discussion. The concept of «money laundering» is defined by the Directive of the European Parliament and Council «On the Prevention of the Financial System Use for the Purpose of Money Laundering and Terrorist Financing» d/d October 26, 2005 (Directive of the European Parliament and of the Council on the prevention of financial systems, 2005).

The actions by which shady money is «laundered» or «cleaned» me vary greatly depending on the situation, but money laundering usually involves the following steps (Pulling fraud out of the shadows of Global Economic Crime and Fraud Survey, 2018):

- 1) placement: funds are contributed to the financial system;
- 2) stratification: criminal funds are separated from the source usually through a series of transactions, which may include real or fraudulent purchases and sales of goods and property, investment instruments or simple international bank transfers;
- 3) integration: net funds are included into the legal economy and are «reinvested» in various ways, such as by purchasing real estate and other investment funds.

In practice, there are two main areas of cooperation between countries regarding anti-money laundering: the conclusion of international agreements on various aspects of this activity, as well as participation in international organizations specializing in combating money laundering and international crimes in general [20].

In these recent times, countries with a high risk of money laundering and terrorist

financing have some distinctive features [1]: weak state institutions, political rights and the rule of law; low level of financial and political transparency; restrictions of a free press right; lack of resources to manage the financial system; mostly cash economies; high rate of illicit trafficking and illegal trade (drugs, people, wildlife products, etc.). Ukraine has significant money laundering risks [24].

The money laundering level can be directly related to the level of corruption that is common to Ukraine. Therefore, anti-money laundering may be related to the anti-corruption activities of the state [42–43].

Legal entities are more likely to be involved in money laundering transactions and with larger amounts of money, as private companies may use tax evasion as a method of money laundering [37]. In contrast, most of the instigators of terrorist financing crimes are individuals, civilians who have their own sources of funding from relatives or terrorist organizations [45].

Corruption makes legal entities more risky than individuals in terms of money laundering and terrorist financing [15].

Corruption and illegal economic activities (including fraudulent entrepreneurship, tax evasion and fraud) can be major threats to money laundering. This is confirmed by the data from various international and national institutions. In particular, the results of research by the British audit and consulting group Ernst & Young show that Ukraine tops the list of the most corrupt countries in Europe (E&Y Corruption Rating).

Modern terrorism nature can take viral or environmental form. In the first case, its source is public attitudes and value maxims that are aggregated on the Internet and the media, while in the second case it is «incomplete historical gestalts» in specific countries, indicating a number of economic, political, legal and socio-cultural factors and conditions of terrorism actualization. Environmental terrorism is more or less sustainable and is localized in states plunged into crisis. Viral terrorism does not have a permanent place of existence [40].

Criminals, in particular terrorists, often use non-bank financial institutions or monetary services, because even in the jurisdictions regulating them, many of these entities have little interest in the adequacy of anti-money laundering and counter-terrorist financing. Large global franchise MSBs, such as Western Union or MoneyGram, should comply with reporting requirements and cooperate with law enforcement authorities. However, smaller ethnic monetary services companies, such as those operating in a grocery store or travel agency, are less aware of their responsibilities to combat money laundering and terrorist financing, and it is easier for criminals to use them for money laundering.

In addition, many financial institutions carry out many different financial activities, such as foreign exchangers, buying cash or money transfers and others. Records management in such organizations is at a fairly low level [27]. The so-called «Internet crime courses» are becoming more common. Hackers obtain illegally credit card information and data of the institution customers [10]. Online payment systems, whether digital currency, virtual banking systems or other methods, constitute a threat to anti-money laundering and counter-terrorist financing. The locations of operators and websites are often unknown or located in jurisdictions which do not assist in criminal investigations. Digital currency is a popular method of payment and money laundering in child pornography, financial fraud and online money extortion schemes [35].

The investigation of cybercrimes in the financial sector may be slowed by the need to coordinate the activities of different law enforcement agencies. Improving the process of cybercrime investigation in the banking sector and improving Ukraine's cybersecurity can be achieved through the creation of a special unit – Cyber Corps, whose activities will be aimed at preventing the commission of crimes in cyberspace [42–33].

T. Kobayashi analyzed the Financial Monitoring Report, which was drafted in Japan by the Financial Services Agency (FSA) in July 2014 [11]. The FSA initiative is cooperation with foreign regulators, namely supervisory colleges, exchange of information with foreign regulators, etc.; collection and use of information, namely the creation of an intelligence project team to collect information; improving the inspection of examiners, namely the formation of a specialized group in the category of business risk and the beginning of cooperation with the examiner of the main team; initiatives aimed at improving the quality of exams, namely increasing operational flexibility. Most of the practices discussed in the report do not reach the level of «best practices» [19].

A special role in combating money laundering is assigned to the FATF, which was founded in Paris in 1989 [14]. The FATF Recommendations cover the following main blocks

of issues [45]:

- criminal prosecution of persons involved in money laundering, including security measures and confiscation of criminal proceeds;
- measures taken by financial institutions to prevent money laundering;
- institutional arrangements, including the establishment of FIUs, as well as the legal and material support of law enforcement and supervisory bodies;
- international cooperation in the field of anti-money laundering, including the exchange of information between the relevant authorities.

A risk-based approach allows countries within FATF requirements to take a more flexible set of measures to focus their resources more effectively and to apply risk-appropriate preventive measures to focus their efforts in the most effective way [34].

Ukraine is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) and since October, 2004 Ukraine has been an observer of the Eurasian Group (EAG). The aim of MONEYVAL is to provide Member States with an effective system for combating money laundering and terrorist financing and to comply with international standards in this regard. To achieve this goal, MONEYVAL is endowed with a number of key competencies and tasks:

- to assess the compliance of its members with all relevant international standards in the legal, financial and law enforcement sectors through a process of peer review, including an assessment of the effectiveness of the measures taken in practice;
- to formulate recommendations regarding the ways to increase the effectiveness of national regimes of anti-money laundering and counter-terrorist financing and strengthen the capacity of states to cooperate at the international level in this regard;
- to conduct case studies in regard to the typology of money laundering and terrorist financing and provide relevant reports;
- to take measures to raise awareness of global policies and operational initiatives to combat money laundering and terrorist financing.

Ukraine also cooperates with such international organizations as the Egmont Group of Financial Intelligence Units, the Council of Europe, the United Nations Office on Drugs and Crime (UNODC), the World Bank, the International Monetary Fund, the Organization for Security and Cooperation in Europe (OSCE), European Union Anti-Corruption Initiative in Ukraine (EUACI), Organization for Democracy and Economic Development (GUAM) [31].

Traditional methodologies for detecting money laundering and terrorist financing include checking computer databases, surveillance, tracing email / spam, summons, interviews with partners and search warrants. Many of these methods are manual, which can make them inefficient and resource intensive [4; 26].

In addition, most financial institutions may not have sufficiently detailed information from the relevant intelligence units due to confidentiality policy. Under these circumstances, uncontrolled algorithms are more appropriate. If, despite this, it is decided to use controlled algorithms, insufficient sampling and oversampling techniques, as well as balanced training and test kits can be used to improve the performance of the model [44].

Fronzetti Colladon and Remondi [9] use social media analysis to detect money laundering in medium-sized factoring companies in Italy. They assess the risk profiles of customers involved in the factoring business using information from economic and geographic networks, in addition to general transaction data such as the transaction volume.

Recommendations on Combating Money Laundering and Terrorist Financing:

- monitoring of COVID-19 impact on the level of money laundering and terrorist financing
- strengthening the control of financial institutions regarding the compliance with FATF standards.
- carrying out informational and awareness-raising activities with employees of financial institutions and the private sector
- using a risk-based approach when investigating financial fraud and cybercrimes
- supervising the activities of financial institutions through the exchange of documents, conducting video conferencing
- cooperation at the international and national level [41].

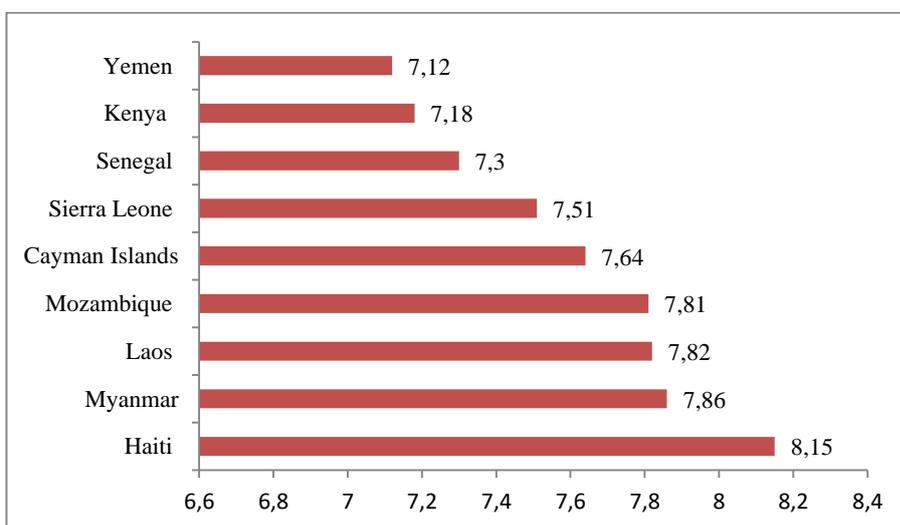
It is also advisable to implement a set of programs to reduce money laundering and terrorist financing, which may include [3]:

- identification of persons carrying out financial transactions, identification of

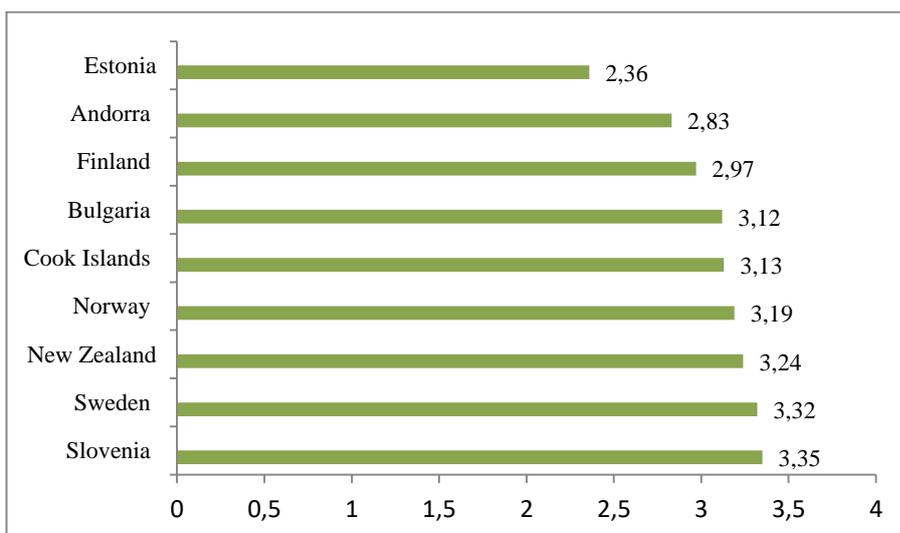
beneficiaries;

- determination of the procedure for withdrawal from the financial agreement;
- identification of transactions criteria being subject to financial monitoring, as well as reporting to the State Financial Monitoring Service of Ukraine thereof;
- assessment of money laundering and terrorist financing risks;
- verification of information about clients and their transactions to confirm or refute suspicions, whether a client carries out money laundering and terrorist financing;
- documentary recording of information on transactions which are subject to mandatory control;
- storage of information and documents obtained through internal control in order to prevent money laundering and terrorist financing;
- ensuring the confidentiality of measures taken by the subjects of financial monitoring to prevent and combat money laundering and terrorist financing;
- training and education of personnel on issues concerning prevention and combating money laundering and terrorist financing.

Analysis of the money laundering rate in developed countries can be the basis for identifying effective systems for combating money laundering and terrorist financing and developing recommendations for improving the Ukrainian system of combating these crimes.



a) countries with the highest money laundering rate



b) countries with the lowest money laundering rate

Fig. 1. The level of money laundering according to the Basel AML Index 2020 rating.

* source: developed by the authors

Legislation of the countries in the field of combating money laundering and terrorist financing

Country	Rating (Basel AML Index 2020)	Legislation	Punishment
Lithuania	3,51	According to the legislation, all financial institutions provide the tax police with information on persons suspected of money laundering, on all transactions amounting to more than 16.9 thousand of US dollars.	Criminal liability extends to a person who launders these funds, as well as to a person who launders the proceeds obtained from illegal actions.
Spain	3,66	In the Spanish Criminal Code, money laundering belongs to the section of crimes concerning bribery and similar crimes.	Imprisonment for more than three years.
Greece	3,73	Greek law provides for the identification of customers in the case of contracts conclusion, setting-up of accounts, renting safes, asset based lending- at the same time insurance transactions with small amounts and terms and pension related insurance transactions do not need identification.	Imprisonment from 5 to 10 years.
Belgium	3,98	Financial institutions control of all transactions amounting to more than 10 thousand euros. The Financial Information Processing Sector (CTIF), which analyzes the declarations of financial institutions with the involvement of relevant experts.	Imprisonment for 5 years.
United Kingdom	4,020	There is a Joint Working Group composed of leading figures in the financial sector of the economy and the National Financial Investigation Service of the United Kingdom, which includes the Bureau of Currency Investigations.	14 years of imprisonment and a fine; for disclosing information to a criminal or to a third party – up to five years; for failure to report of money laundering transactions that have become known to a person – up to five years.
Austria	4,38	In Austria, the abolition of anonymity of bank accounts, according to FATF recommendations.	Imprisonment for a term of more than three years.
United States	4,51	According to the legislation, the transactions in the amount from \$ 10,000 should be checked for suspicion.	Imprisonment (usually from 10 to 20 years) and fines.
Italy	4,61	Current Italian legislation requires financial institutions to keep detailed records regarding residents' foreign exchange transactions. The Gamma Vassal Act (1990) established criminal liability for money laundering operations.	Imprisonment from 7 to 12 years and a fine. The state is obliged to carry out monitoring on the detection and cessation of money laundering attempts; the transfer of any amount abroad is accompanied by a simultaneous declaration of income.

* source: developed by the authors

That is, the anti-money laundering system and the legislation of countries with low money laundering rates is characterized by the following peculiarities:

- severe punishment in the form of imprisonment;
- significant amounts of fines;

- punishment of financial institutions and persons involved in money laundering;
- punishment of persons who had information about money laundering, but did not report it to the responsible authorities;
- compliance with the requirements of international organizations concerning financial institutions monitoring in terms of money laundering.

The peculiarity of terrorist financing is that it can be realized with the help of laundered (illegal) funds or with the help of legal money. It is advisable to take this feature into account in order to regulate and establish responsibility for crimes in the field of money laundering and terrorist financing. A powerful asset forfeiture tool should also be used to finance the fight against transnational crime.

It may be appropriate to use the experience of other countries concerning involvement of credit institutions as financial monitoring entities, which will act as the main providers of information to increase the effectiveness of combatting against money laundering and terrorist financing.

Also, when creating an effective system for combating money laundering and terrorist financing, economic characteristics of the countries should be taken into account. For example, the Ukrainian economy is characterized by the implementation of money laundering through equity transactions in the form of input / output of foreign investment.

Money laundering can occur in different ways depending on the organizational and legal form of the institution [46]. Thus, legal entities can have more opportunities to launder money by creating fictitious associations.

The financial institution monitoring system should include the following sequential processes:

- improving the level of customer identification;
- financial transactions monitoring;
- reporting suspicious transactions to the relevant authorities;
- improving the financial institution security system;
- training of financial institutions employees;
- systematization of information on suspicious transactions.

Combatting against money laundering and terrorist financing may be threatened by:

- weak state institutions;
- low level of financial and political transparency;
- violation of the right of a free press
- high rate of smuggling and illegal import and export of goods;
- high rate of organized crime;
- activities of informal financial and credit institutions;
- increasing the level of online transactions;
- bureaucratization of law enforcement agencies activities;
- high level of corruption.

The increase in money laundering may be due to a lack of information among employees of financial institutions on relevant and effective ways to combat money laundering and terrorist financing.

Possible ways to increase the effectiveness of anti-money laundering and counter-terrorism financing may be the following:

- increasing the level of customer identification when conducting financial transactions in all types of financial institutions;
- verification of suspicious transactions;
- establishing the location of a person carrying out the financial transaction;
- establishment of common criteria within the country for financial monitoring;
- assessment of money laundering and terrorist financing risks at the state level;
- information systematization on the control of financial institutions in order to increase the level of combating money laundering and terrorist financing;
- ensuring a high level of confidentiality of measures implemented by the subjects of financial monitoring to prevent the commission of money laundering crimes;
- conducting training for employees of financial institutions on combating money laundering and terrorist financing;
- creation and cooperation with cyber police for detection, investigation and counteraction to money laundering and terrorist financing crimes;
- establishing more severe liability for committing money laundering crimes in the form

of imprisonment and increasing the amount of fines;

– establishing responsibility for: persons laundering money; financial institutions and employees involved in money laundering; persons who had information about suspicious financial transactions and did not report it to law enforcement agencies.

A fairly high level of money laundering and terrorist financing crimes, as evidenced by statistical data of the State Financial Monitoring of Ukraine, may indicate that the security system of financial institutions has shortcomings and gaps allowing criminals to commit these crimes. On the other hand, such a situation may be a manifestation of technological development in the financial sector.

Money laundering and terrorist financing high levels can lead to:

Table 2

Consequences of a high level of money laundering

Possible negative consequences:	Possible positive consequences:
- increasing the crime rate in the country, through the financing of terrorism;	– development of technologies for detecting crimes in the money laundering area;
- manifestation of public distrust in official financial institutions;	– upgrading the skills of law enforcement officers;
- increasing the popularity of informal financial institutions;	– increasing the financial institutions security level in order to reduce the level of money laundering;
- reduction of investments and deposits in official financial institutions;	– informing citizens about the effective activities of law enforcement officers in the field of combatting money laundering;
- reduction of economic stability in the country;	– increasing public confidence in official financial institutions;
- socio-psychological instability in the country.	– stabilization of the economic and social sphere.

* source: developed by the authors

One of the problems of the anti-money laundering and anti-terrorist financing system may be the fact that there are effective international standards for combating these crimes, but there is no effective application of them (Basel AML Index, 2020). Therefore, it is advisable to strengthen sanctions for financial institutions concerning non-compliance with the law in terms of combating money laundering and terrorist financing.

It is possible to increase the effectiveness of anti-money laundering and counter-terrorism financing by implementing the following measures:

- exchange of information between countries on current methods and technologies of committing money laundering and terrorist financing crimes;
- exchange of experience on the peculiarities of detection and investigation of such crimes in different countries;
- exchange of experience between financial institutions on reducing the level of money laundering and terrorist financing;
- increasing the efficiency of financial institutions staff work, through training in accordance with international standards;
- strengthening the control of financial institutions and their activities, in accordance with current international recommendations.

It should be also taken into account that the level of money laundering is associated with such phenomena peculiar to Ukrainian society, as corruption, organized crime, smuggling, and nontransparency of the political and financial system. Therefore, the creation of an effective system for combating money laundering and terrorist financing can have a positive effect on reducing the level of these negative phenomena.

Conclusions. A study of the anti-money laundering and anti-terrorist financing system shows an increase in the effectiveness of measures to combat these crimes, but the level of money laundering in Ukraine remains quite high. The idea of the article is to analyze the legislation of developed countries, the system of financial monitoring, international recommendations in terms of combating money laundering and identify the main features of an effective system of money laundering and terrorist financing combating. The aim of the article is to identify measures that will help increase the effectiveness of the Ukrainian system of combating money laundering and terrorist financing.

Money laundering and terrorist financing crimes can have both negative (declining

confidence in financial institutions and promotion of informal financial institutions, economic and socio-psychological instability) and positive consequences (improving the security of banks, improving the monitoring of financial institutions, improving the skills of law enforcement officers and public confidence in their activities and in the activities of official financial institutions, stabilization of the economic and social sphere).

Ukrainian anti-money laundering and anti-terrorist financing system may be threatened by the following facts: weak state institutions, low level of financial and political transparency, violation of the right of a free press, high levels of corruption, smuggling and organized crime, popularity of informal financial and credit institutions, growing online transactions, bureaucratization of law enforcement agencies.

The study found that the main features of the legislation in the countries with low money laundering rates are as follows: severe punishment in the form of imprisonment and significant fines; punishment of financial institutions and persons involved in money laundering; punishment of persons who had information about money laundering, but did not report to the relevant authorities; compliance with the requirements of international organizations for monitoring financial institutions in terms of money laundering.

Measures, which can increase the effectiveness of money laundering and terrorist financing combating were identified: increasing the level of customer identification; verification of suspicious transactions; establishing the location of a person carrying out the financial transaction; establishment of common criteria within the country for financial monitoring; assessment of money laundering and terrorist financing risks at the state level; information systematization on the control of financial institutions; ensuring a high level of confidentiality of measures implemented by the subjects of financial monitoring; conducting training for employees of financial institutions; creation and cooperation with cyber police; establishing strict liability for money laundering crimes in the form of imprisonment and increasing the amount of fines for: all persons involved in money laundering and those who have information about suspicious financial transactions. As a result, it will reduce money laundering and terrorism financing, corruption, organized crime, and smuggling, and contribute to stabilization of the economic and political system.

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ABSTRACT

The paper aims to identify effective measures to reduce money laundering. On the ground of the systematic experience of international cooperation, theoretical experience and practical measures to combat money laundering, the main threats that may reduce the effectiveness of combatting against such crimes have been identified: weak state institutions, bureaucratization of law enforcement agencies, high corruption, organized crime and smuggling rates, low levels of transparency in the political and financial areas, and the right of a free press. High levels of money laundering can have both negative and positive effects. The legislation of the countries with a low level of money laundering is characterized by: severe penalties and the establishment of responsibility for all persons who participated and were knowledgeable about information regarding the crime.

The level of money laundering in Ukraine can be reduced by means of implementing the following measures: strengthening the system of financial institutions clients verification, increasing control over compliance with international requirements concerning financial monitoring, increasing liability for non-compliance, training employees of financial institutions and law enforcement officers in regard to anti-money laundering, cooperating with the cyber police, establishing strict liability for all persons involved in money laundering.

Keywords: *financial institution, monitoring, crime, legislation, international activities, Ukraine.*