

THE STRUCTURE AND PREREQUISITES OF FUNCTIONING OF INTERNATIONAL SYSTEM OF FINANCIAL MONITORING

The article's purpose is to research the essence of money laundering and necessity of combating this phenomenon, as well as international financial monitoring system structure. The article contains a research of scientific approaches to interpretation the essence of "dirty" money and peculiarities of multistage models of their legalization. The article characterizes international financial monitoring system and the role of Ukraine in this system.

Key words: money laundering, money laundering stages, financing terrorism, mass destruction weapons proliferation, FATF, regional FATF-style organizations.

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СТРУКТУРА ТА ПЕРЕДУМОВИ ФУНКЦІОНУВАННЯ МІЖНАРОДНОЇ СИСТЕМИ ФІНАНСОВОГО МОНІТОРИНГУ

Метою статті є дослідження сутності відмивання грошей та необхідності протидії цьому явищу, а також структури міжнародної системи фінансового моніторингу. У статті досліджено наукові підходи до трактування сутності «брудних» грошей та особливості багатостадійних моделей їх відмивання (легалізації). Охарактеризовано міжнародну систему фінансового моніторингу та її структуру, а також роль України у даній системі.

Ключові слова: відмивання грошей, стадії відмивання грошей, фінансування тероризму, розповсюдження зброї масового знищення, FATF, регіональні організації по типу FATF.

Introduction. The clear dominance in international finance relations regulation is combating money laundering, financing terrorism and mass destruction weapons proliferation. The money laundering has already overcome the framework of separate countries and acquired the global meaning. This is the reason of functioning of wide number of international and regional organizations in international financial monitoring system.

An analysis of last researches and publications. Researches on financial monitoring as anti-money laundering and financing terrorism system were held by many scientists, in particular O. Baranovskyi [2], V. Beloshapka [3], S. Butkevych [3], S. Hurzhiy [4], S. Yehorycheva [5], S. Popovych [10], A. Rymaruk [11] etc.

The purpose of the article is to make a research of the essence of money laundering and necessity of combating this phenomenon, as well as international financial monitoring system structure.

The essence of research. The term "money laundering", as well as "dirty money", are widely used today both in common and legal practice. These terms were firstly used in USA in 1920th as slang phrases of Chicago gangsters at "dry law" times. Today we can find a lot of definitions of this term, but laundering is always derivative crime, and the primary is a process, which causes receiving of "dirty money".

Currently there is no monosemantic interpretation of "dirty money" essence. So in order to understand its meaning it is necessary to analyze this phenomenon from scientific and historical point of view. Interpretations of this term by different authors are shown in table 1.

Illegal incomes realization is a complicated process which includes a wide number of different operations, realized with plenty of continually improved methods. Having analyzed a large amount of previous research we can figure out several models of crime income legalization ("laundering"), which are shown in table 2.

The separation into stages in described money "laundering" models is quite conditional because it depends on specific money legalization schemes. So these stages cannot always be seen in practice.

In further research it is advisable to use the three-stage money legalization scheme, approved by FATF, which is the most widely spread and includes three stages of the whole legalization process: placement, layering and integration.

In order to prevent and combat money laundering and financing terrorism several international organizations were founded, namely FATF – Financial Action Task on Money Laundering, Egmont group, International Monetary Fund (IMF) etc. (figure 1). These organizations conduct researches on illegal income legalization methods, work out countermeasures and can impose sanctions on countries which do not cooperate in preventing money laundering and financing terrorism through implementation international standards in this sphere into national law system. Besides that regional FATF-style organizations also function, researching local dynamics and ways of money laundering more capittally. This helps FATF to create new rules and measures to combat this phenomenon.

The State Financial Monitoring Service of Ukraine keeps successful cooperation with the main international organizations and institutions which patronize questions of combating money laundering and financing terrorism. Ukraine takes part in international financial monitoring system through participation in such

organizations, like Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) and The Egmont group of Financial Intelligence Units. As an observer Ukraine takes part in Eurasian group on combating money laundering and financing of terrorism (EAG).

Table 1

Scientific approaches to “dirty money laundering” essence definition

Author	Term and its interpretation
First interpretation, made by USA law enforcement [10]	“dirty money” are money earned in crime way; “money laundering” – complex of measures aimed at hiding real sources of their origin and providing them legal origin features
Wien conference “Combating illegal narcotics and psychotropic substances circulation”	crime incomes legalization (“laundering”) – conversion or transfer of property, which was received owing to any crime in order to hide the illegal source of property and elude the responsibility for crime activity
Cotke K.	“dirty money” are money received as a result of tax evasion, because if money are “clear” there is no reason to hide them from taxation
Bazylyuk A.	“money laundering” – form of illegally received money conversation and cash legalization for providing their legal origin
USA Crime Code [11]	“money laundering” – crime, made by everybody, who is conscious of fact, that property, enrolled into finance contract, is illegal activity income, aimed at: 1. realization of finance contract which includes alike incomes in order to support illegal activity; 2. conscious finance contract realization intending to hide the place, source and owner of illegal incomes; 3. keeping finance activity with evasion of income reporting obligation.
The law of Ukraine “About prevention and combating illegal incomes legalization (laundering), financing terrorism and mass weapon proliferation” [1]	illegal incomes legalization (laundering) – any types of activity, related to finance operation realization, or operating with assets, received owing to crime, activities aimed at hiding or cover-up the illegal origin of these assets, rights for such assets, sources of their origin, location, displacement, form transfer, as well as acquisition, possession or using assets, which were received owing to crime

Table 2

Illegal incomes legalization (“laundering”) models

Model	Scientists, experts	Brief essence of stages
Two-stage model	Bernasconi P. [13]	- Money laundering. - Return into circulation.
	French banks association	1. Entering of “dirty money”. 2. Implementation of legalized capital.
Three-stage model	US Senate Foreign Affairs Committee [11]	1. Cash receiving, consolidation and placement. 2. Conservation. 3. Repatriation or integration “laundered” money into legal organizations.
	Zund A. [15]	Money “laundering” process is similar to natural water circulation: big (global), small (country) and continental (regional).
	Baranovskiy O. [2]	1. Creation of “dirty” money. 2. “Laundering” of “dirty” money. 3. Recycling of “dirty” money.
	Rymaruk A., Lysenkov Yu., Kapustin V., Synyanskiy S. [12]	1. Previous money “laundering”. 2. Layering. 3. Integration.
	FATF [16]	1. Placement. 2. Layering. 3. Integration.
Four-stage model	UNO experts [7]	1. Divestment of cash and its transfer to fake persons accounts. 2. Cash distribution. 3. Covering up the crime tracks. 4. Money integration.
	Muller K. [14]	1. Country of main crime/activity: previous (inner) “laundering”. 2. Country of main crime/illegality: gathering previously “laundered” money and preparation to smuggling. 3. Country of “laundering”/illegality: preparation to invading money into legal financial system. 4. Country of “laundering”/legality: covering up activity (transfers, investments).
	Beloshapka V. [3]	1. Placing money into national financial system. 2. Transfer money abroad. 3. Money circulation in other countries’ bank systems. 4. Returning money into the country.
	Popovych V. [10]	1. Creation. 2. “Laundering”. 3. Returning of “laundered” money. 4. Using of “laundered” money.

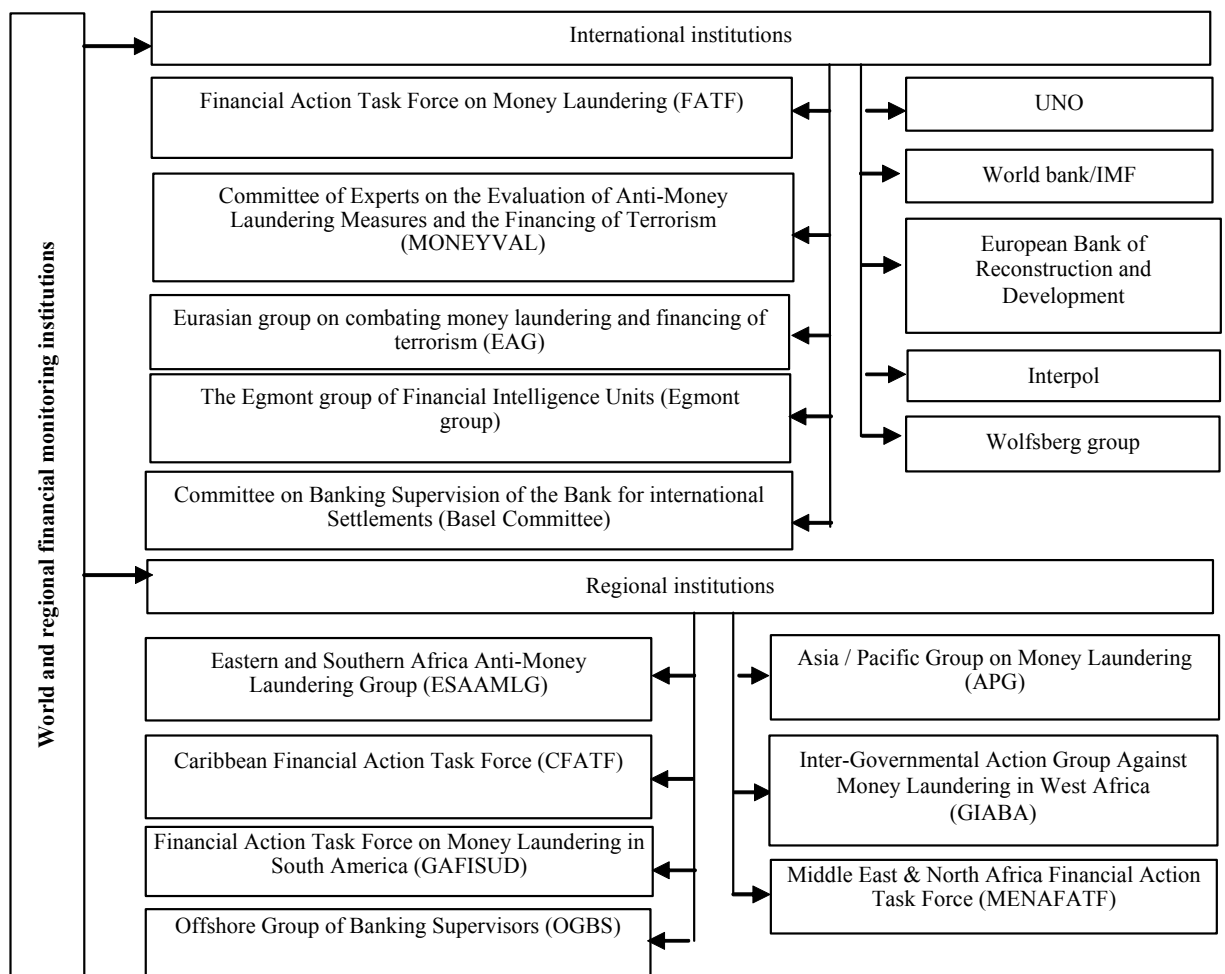


Fig. 1. The institutional structure of international financial monitoring system

Summary. Coordinated combating money laundering and financing terrorism on international level is a basement of system character of this activity and strengthens international cooperation in this sphere. Currently international financial monitoring system covers all regions of the world, what allows taking into consideration all aspects and specifics of regional illegal income legalization processes.

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