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**THEORETICAL AND SCIENTIFIC
APPROACHES TO THE PROBLEMS
OF MODERN ECONOMY**

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13.2 Organizational and economic mechanism of income unshadowing

Effective apparatus to counter shadow and corruption schemes of capital withdrawal from the national economy is one of the key directions of the National anti-corruption strategy of Ukraine and corresponds to the priorities of the Directive of the European Economic Community "On preventing the use of the financial system for money laundering purposes" [248]. Improving the state policy in the field of countering corruption schemes of income shadowing will help to overcome the existing barriers to entering the European community and accelerate the process of the European integration of Ukraine.

Legalization of income obtained by illegal means is being transformed into the most profitable type of illegal business in the world. The relevance of this problem is increasing due to the constant improvement of money laundering schemes and methods, the involvement of highly qualified financial consultants and analysts, lawyers and auditors who assist the organizers of criminal groups to launder funds, as well as due to the growth of political and economic instability. This leads to the need to update the relevant functions of state regulatory bodies and to consolidate their efforts in evading and preventing operations of the shadow withdrawal of capital or the legalization of proceeds of crime.

The fight against shadow money laundering is currently one of the government's priority tasks in the fight against corruption [249]. Updating the issue of countering corruption meets the needs of modern realities in Ukraine [250]. Global experience shows that the level of corruption always increases when the state is at the stage of reform. Therefore, corruption in Ukraine, its scale, specifics and dynamics are a consequence of the general political, social and economic problems of our state, the solution of which is extremely important and difficult for Ukraine. The unprecedented level that corruption has reached threatens national security and the constitutional order of the state.

The strategy of the state in the field of countering money laundering should be aimed at creating such conditions in which the economic effect of money laundering is higher than the costs spent on its organization [251].

Reducing illegal influence on the economy is impossible without creating an organizational and legal mechanism which would not only make it possible to track risky financial transactions, but also to avoid the legalization of "dirty" capital, despite the efforts of the criminal community [252]

State control over financial transactions as to the legality of capital flows is a strategically important area, considering the threats and challenges arising from the growth of crime in the field of economic activity, in particular money laundering.

The main task in the cycle of measures taken to combat flight of capital from the country's economy is to create a reasonable and effective mechanism to counter illegal

withdrawal of funds. This mechanism should be integrated into the system of strategic management of the national economy, be based on the guidelines defined by the relevant basic international institutions, and, taking the external and internal factors into account, identify the tools of influence required to achieve the goals of countering illegal withdrawal of funds [253].

Some elements of the mechanism for countering the legalization of criminal proceeds and the financing of terrorism, based on typological studies of international organizations, were studied in [254]. International standards in the field of countering the legalization of criminal proceeds and the financing of terrorism lay the foundation for the organization and legal support of national regimes in this area and provide for an effective system for verifying their implementation. Using typologies makes it possible to quickly respond to illegal financial transactions, identify additional criteria for classifying them as suspicious, as well as to reduce the risks and losses of the state in the financial sector.

The tools and mechanisms for countering shadow economy proposed in [255] are aimed at reducing the cost and increasing the efficiency of the legal economy, as well as creating parity conditions for the functioning of various forms of business.

Based on our own research, we can conclude that the mechanism for countering shadow capital outflow covers the purpose, objectives, principles, components and tools of an economic, organizational, administrative and legal nature, the operation of which in their entirety provides for the formation of a favorable environment for conducting legal financial activities, as well as improving the mechanisms for detecting and punishing violations of shadow capital transactions (Fig. 1).

The purpose of the mechanism for countering shadow capital outflow is to timely apply appropriate tools to identify shadow schemes, suspicious financial transactions, and illegal assets, and to prevent them from entering the country's financial system.

The functions of the legislative component of the mechanism are to regulate the activities of subjects of state and primary financial monitoring, law enforcement agencies in the field of preventing and countering the legalization (laundering) of

proceeds of crime and the financing of terrorism, and to establish responsibility for committing offenses.

The institutional component ensures coordination of the activities of the subjects of state and primary financial monitoring, law enforcement agencies in the field of preventing and countering the legalization (laundering) of proceeds of crime and the financing of terrorism.

The functions of the information component are: communication of state bodies carrying out activities in the sphere of countering the legalization of criminal proceeds and the financing of terrorism, a comprehensive analysis of the information on illegal income or the financing of terrorism, identifying ways of countering them; information support for the development and implementation of the measures to counter money laundering and the financing of terrorism. The mechanism's organizational and economic as well as administrative and legal tools ensure the interaction of economic and mathematical as well as financial and legal methods and techniques for countering the legalization (laundering) of the proceeds of crime and the financing of terrorism.

Financial monitoring, being the most effective tool for minimizing and effectively countering organized crime, corruption and legalization of "dirty" money, is of particular importance among many tools used for overcoming the phenomenon of shadow capital withdrawal.

A key role in consolidating the efforts to combat the legalization of illegal income belongs to the coordination of the activities of the State financial monitoring service of Ukraine and law enforcement agencies. The overall goals and objectives are to ensure coordinated, targeted actions, strengthen the rule of law and improve the effectiveness of the tasks of all participants in the national system for countering the laundering (legalization) of income obtained as a result of illegal and corrupt schemes.

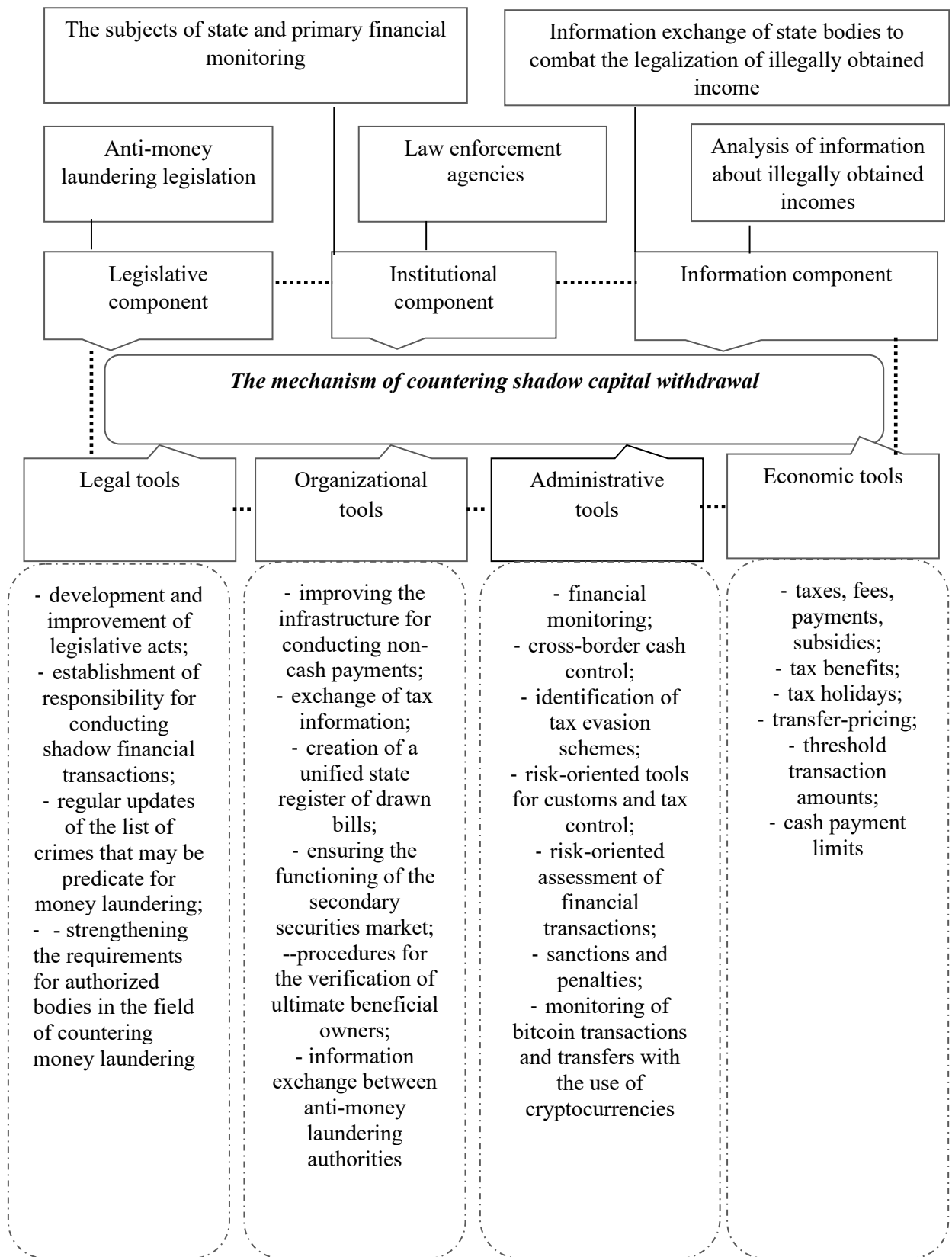


Figure 1. The mechanism of countering shadow capital withdrawal

According to the State financial monitoring service, the priority areas for conducting financial investigations are:

- financing of terrorism and separatism;
- laundering the proceeds of corruption;
- embezzlement of budget funds and funds of state-owned enterprises;
- use of cash in schemes of the legalization (laundering) of the proceeds of crime [256].

Other directions of financial investigation also require the attention of all participants of the national financial monitoring system and law enforcement agencies. The financial investigations of the State Financial Monitoring Service have resulted in constant materials transfer to law enforcement agencies as to suspension of financial operations and blocking of funds due to the detection of illegal financial schemes (table 1).

The State Financial Monitoring Service as a subdivision of financial intelligence of Ukraine takes enhanced practical measures to prevent and counteract laundering of illegally obtained income, terrorist financing and financing of the proliferation of mass destruction weapons.

Table 1.

Amount of shadow financial transactions funds

Financial transactions based on facts (mln UAH):	2017	2018	2019
1) terrorism and separatism financing	51,6	100,9	27,7
2) laundering of income from corrupt activities	16200,0	277800,0	41800,0
3) abuse of budget assets	3600,0	3500,0	1555,9
4) money laundering (including cash)	2 843,3*	26311,1	9384,8

* includes only funds converted into cash

based on [256, 257, 258]

The State Financial Monitoring Service as a subdivision of financial intelligence of Ukraine takes enhanced practical measures to prevent and counteract laundering of illegally obtained income, terrorist financing and financing of the proliferation of mass destruction weapons.

An extensive system of financial monitoring entities able to prevent and counteract laundering of illegally obtained income is represented in the most significant areas of the economy. They are assigned the main tasks: to identify and verify clients as to their financial transactions and financial activity; to manage risk; to register information about financial transactions that are subjected to financial monitoring; to refuse to conduct a financial transaction in certain cases.

The functions of the entities of primary financial monitoring are of different types: organizational and management (definition of the system, order, structure of financial monitoring, its executors, their tasks, functional duties, forms and means); controlling (identification, verification, and research of the identity of the client who carries out financial transactions, verification of their activity types, comparing the items of the financial transaction that is financially monitored with the latter); analytical (the analysis of financial transaction, establishing its characteristics as being risky, economically unjustified or unusual practices of the client); informational (identification and submission of information about the characteristics of existing or alleged dubious financial transactions to the State Financial Monitoring Service, and verification by means of these bodies); preventive (direct and indirect prevention of the legalization (laundering) of proceeds of crime, through the implementation of monitoring actions in respect to certain financial transactions [259].

To sum up, we can conclude that the mechanism for counteracting shadow withdrawal of capital is aimed at overcoming the problems of capital withdrawal and laundering of the proceeds of crime. The improvement of the national system for preventing and counteracting the legalization (laundering) of illegally obtained income and terrorism financing should take place in the context of the implementation of strategic goals of the financial and anti-money laundering policy.

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