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Bank's Activities on Combating Money Laundering and the Financing of International Terrorism

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Abstract: Today, the problem of money laundering and the financing of international terrorism over the last 20 years has become one of the main problems of a global nature, which attracted many of the leading countries of the world and the banking system. The use of financial monitoring is one of the main solutions to these problems. The procedure of legalization (laundering) of money characteristic of virtually all forms of organized crime, which distorts the process of economic decision-making, undermine financial institutions, exacerbate social problems and, most importantly, facilitates corruption. To date, the profits obtained by criminal means are used for many purposes, for example: to cover costs associated with the crimes for investments in the sphere of activities of criminal organizations. Obviously, all that part of the proceeds to be investing in legitimate sectors of the economy and placement in international financial markets, need of laundering (legalization). The urgency of the problem of combating legalization of criminal proceeds and financing of terrorism increases in the form of reduced revenues at all levels of the budget system, the increasing expenditures required to Finance the law enforcement sector, budget deficit, balance the state of monetary policy. Research on the topic of money laundering and terrorism financing are particularly acute, and is confirmed by the changes occurring in national systems of financial monitoring.

Keywords: resource management, social protection, social security, management mechanism

JEL Classification: H20, H61, H71, H72

INTRODUCTION

Under the legalization (laundering) of income obtained by criminal means, in the Russian legislation refers to Commission of actions aimed at giving lawful appearance to possession, use and disposal of funds and

other assets derived from such crimes as illegal drug trafficking, the creation of phony companies, structuring and spraying personnel, financial fraud and others.

Legalization (laundering) of proceeds of crime, is revealed in four main areas: material, procedural, economic and legal. Operations and transactions of various kinds with the property reveals the material aspect. The transfer of funds in cash or cashless form or other property of the shadow economy in the legal reveals the economic direction. The procedural aspect of legalization (laundering) of proceeds of crime allows us to identify the origin of the original and true owners of property obtained as a result of the crime, in order to avoid any kind of prosecution (administrative, criminal). Finally, from a legal point of view, the money laundering should be regarded as legally significant actions in respect of the property to give apparent legitimacy of the source of origin of such property in order to conceal its criminal origin.

The financing of terrorism should be viewed as the activities to collect and provide money or other property, and provision of material gain by persons engaged in terrorist activities, through the provision of services and execution of works for the purposes of establishment and operation of terrorist organizations or terrorist activities.

Among the main factors facilitating money laundering include:

- non-compliance with international standards of regulation of financial activities, imperfection of mechanisms of control and monitoring over the activities of financial institutions;
- spread of corruption, especially among government, law enforcement and judicial authorities;
- limited sharing of financial information with foreign authorities, etc.

The process of legalization (laundering) of proceeds of crime, includes a number of operations aimed at concealing the source of financial assets, but in General, these operations are included in one of the three stages of the social model.

The legalization of criminal proceeds is a complex process involving a variety of transactions through a variety of methods, which are constantly transformed (Arzhakov & Silnov, 2016). Before presenting the analysis of the causes and conditions conducive to the laundering of proceeds of crime, consider one of the main schemes of legalization (laundering) of income obtained by criminal means.

Three-phase model is the base of and is regarded as a textbook. The analysis of the three-tier model of money laundering indicates its similarity to the model described by Jean Baudrillard: the first phase – the introduction of “dirty money” into legal circulation; the second phase – the money is separated from their source of origin, lose their traces; the third phase is the money, find a new legal source of origin and is invested in the legal economy.

LITERATURE REVIEW

The fight against crimes related to money laundering and the financing of terrorism, is essential to ensure the integrity of the financial system of the Russian Federation, but for success traditional methods of law enforcement should be reinforced with the participation of the financial system. This is primarily due to the fact that financial institutions have the most important information on transactions that may hide criminal plans.

In this situation, the study of the system of money laundering and financing of terrorism, the theoretical foundations of this system, and develop mechanism for its implementation is one of the urgent tasks facing the government, as at the current stage and perspective that has defined the research topic.

The problems of combating legalization of proceeds obtained illegally, have been studied in scientific works, V.A. Zubkov, V.N. Melnikov, S.K. Osipov, V.A. Shegortsov and other scientists.

It was also studied the works of foreign economists on the problems of money laundering, including Jurg-Beat Ackermann, Klaus Bazer, Bernasconi Paolo, Gerhard Werner, Dieter Carl, Joachim Klos, Christof Muller, Thomas Fabel, Ulrike Horeth, Petra Hoyer, etc.

We would like to highlight the scientists whose work was also used in the process: E.D. Anosov, S.V. Vlasov S. V., N.B. Kurshakova, Peter Lilly, S.I. Sukhorukov, N.Yu. Tanyushina, Peter Bosshard, Andreas Insam, Joachim Kaetzler, V.V. Mudrych, Erek Nuener, Johannes Trenkwald, Ludwig Weh.

Despite the large number of works devoted to the issues of money laundering and the financing of international terrorism, it should be noted that the problem of money laundering in the Russian literature is studied now mainly from a legal point of view. Insufficient attention, in our view, given the financial monitoring system of money laundering and the financing of international terrorism, requiring a deeper study.

MATERIALS AND METHODS

The study was legal, informational and analytical documents of the United Nations, Group of development of financial measures of struggle against money-laundering (FATF – The Financial Action Task Force), The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), The Eurasian group on combating money laundering and financing of terrorism (EAG), the Bank for international settlements and other international organizations, the legislation of the States of the world community and, in particular, the Russian Federation, normative acts of the Government of the Russian Federation, The Ministry of Finance of the Russian Federation and Bank of Russia.

A significant role the study has played a statistical, informational and analytical materials, published by the Bank of Russia, Federal financial monitoring service and Federal service of state statistics of the Russian Federation (Kobersy, Karyagina, Karyagina & Shkurkin, 2015; Shkurkin, Kolpak, Kormiltsyna & Novoselova, 2017).

The study was actively used information resources of international organizations functioning in the sphere of combating the legalization of criminal incomes, as well as news portals.

We used such General scientific methods and techniques as system and factor analysis; forecasting and applied methods (grouping, comparison, and expert evaluation), which allowed based on the studied information to develop proposals that contain a scientific novelty.

Theoretical and practical significance of research consists in development and improvement of organizational and methodological apparatus necessary for the formation, strategy, tactics and control system of money laundering and the financing of international terrorism.

DISCUSSION

The Concept of Legalization of Proceeds of Crime and the Factors Contributing to their Obtaining.

The term “money laundering” refers to the process of converting illegally obtained money into legal money. Proposed many definitions of this concept. “Money laundering is the process by which hiding the existence, illegal origin or illegal use of income, and these revenues are disguised thus to appear to have legitimate origins”.

In international law, the definition of legalization (“laundering”) of proceeds from criminal activities was given in the Vienna Convention UN Convention against illicit traffic in narcotic drugs and psychotropic substances of 19 December 1988, which had a great influence on the development of relevant legislation in Western countries (Veche, 2012; Bashkov & Silnov, 2015).

Legalization (laundering) of proceeds of crime, – this is the final step in the transformation of crime in high profitable and effective kind of illegal enterprise. The most complete all stages of money laundering are represented in Figure 1 and Figure 2.

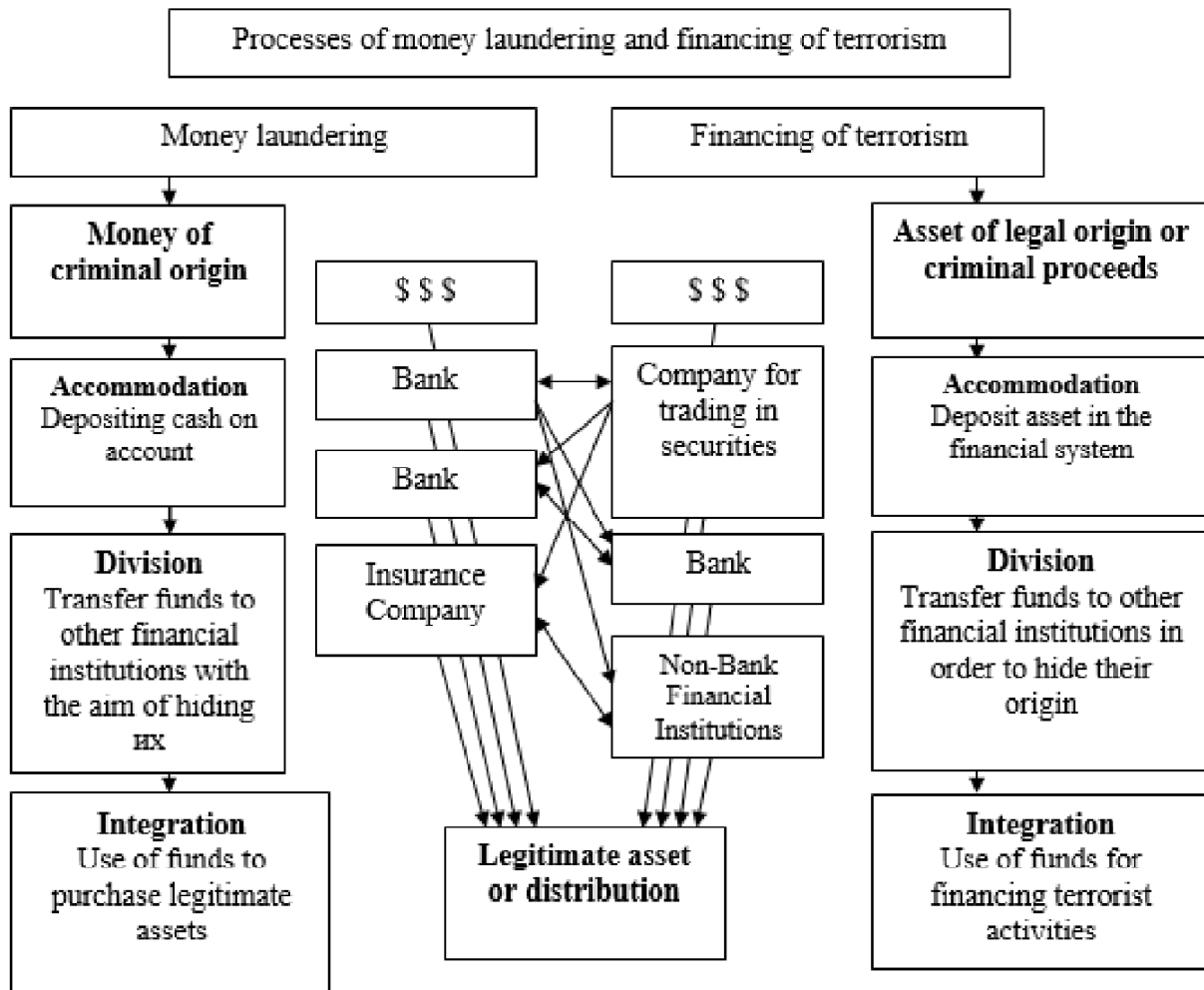


Figure 1: Processes of money laundering and financing of terrorism

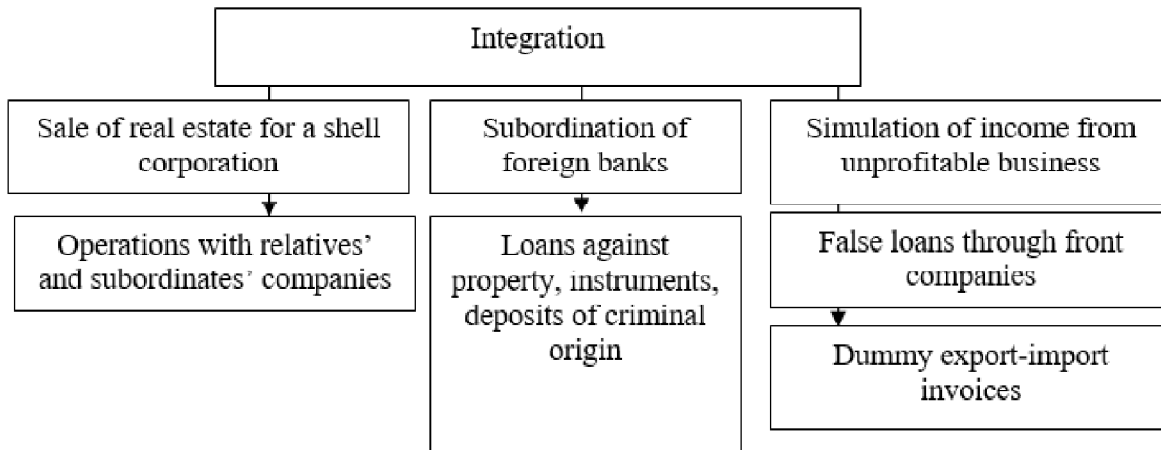


Figure 2: Integration as a stage of laundering of criminal incomes

After the process of division (separation) successfully carried out, the money launderer needs to create the appearance of authenticity in explaining the sources of his wealth.

The issue of money laundering, meaning the legalization of income obtained by criminal or unlawful means, have acquired in Russia is particularly acute. Without a solution to this issue cannot continue the country's economic reforms (Mamychev, Ivanova, Ranchinskaya & Kobersy, 2017). The most serious concern is the scale that has acquired money laundering, and the damage this practice causes to the economy and society. Money laundering is closely connected with such phenomena as corruption, capital flight, the use of offshore companies by Russian companies and banks to conceal profits and tax evasion (Aliev, 2009).

Money laundering has become one of the main factors of the unfavorable investment climate in Russia, impeding the inflow of investment in the economy. Russia cannot ignore its inclusion among a small number of countries in the list of the International Commission against money laundering (FATF), recommending the international community to exercise extra caution in relations with Russian companies and financial institutions.

Banks act as a kind of “gate guards” legitimate financial system. Only their vigilance can protect the system from organized crime groups, corrupt officials and terrorists, not giving them a tool to conceal proceeds from criminal activities. Banks play a crucial role in the prevention and detection of money laundering and the transfer of information to the relevant authorities.

Legalization of proceeds of crime in Russia is closely connected with movement of capital across the Russian credit organizations and is reflected in huge cash amounts. In 2013 the total turnover of illegal funds in the Russian economy is estimated at \$ 220 billion, which is about 40-50% of the total turnover of funds (Vorobyova, 2010)

Problems of counteraction of legalization of income obtained by criminal means. Problems of counteraction of legalization of income obtained by criminal means, in the country, due to the fact that Russian organized crime over the past ten years has made a “breakthrough”, in terms of importance on par with the transnational criminal syndicates that have a centuries-old tradition. According to the interior Ministry, about 40 percent of our banks either directly controlled by organized crime, or is in the scope of

their “operations”. Laundered and start to turn “dirty” money bring considerable harm to the state and society.

Purposeful law-making and organizational work on implementation of tasks of financial monitoring, which plays an important role in this struggle, in Russia began only in 2001 with the ratification of the Strasbourg Convention “On laundering, search, seizure and confiscation of the proceeds from crime”, Russia has entered into international cooperation in the fight against “dirty” money, by joining to the basic principles and accepting them, began work in this direction. So, on 7 August 2001, Russia adopted the Federal Law No. 115-FZ, “On counteraction to legalization (laundering) of incomes obtained in a criminal way and financing of terrorism” (Federal law, 2001).

The current Russian system of counteraction of legalization (laundering) of proceeds from crime and financing of terrorism was created with the requirements of the recommendations of the International working group on the fight against money laundering (FATF). It is based on the principle of priority use of banking institutions to combat money laundering. The FATF believes that the banking system, especially in the era of globalization of financial services most exposed to risks related to money laundering.

According to article 3 of the Convention, under the legalization (“laundering”) of proceeds from crime shall be:

- conversion or transfer of property if known that such property derived as the result of an offence or offences, or as a result of participation in such offence or offences, in order to conceal or disguise the illegal source of property or of helping any person who is involved in committing such an offence or offences so that it could evade responsibility for their actions;
- concealment or disguise of the true nature, source, location, disposition, movement, genuine rights in relation to property or its belonging if it is known that such property derived as a result of the offense or offenses as a result of participation in such offence or offences;
- acquisition, possession or use of property, knowing, at the time of its receipt it was known that such property derived as the result of an offence or offences or as a result of participation in such offence or offences;
- participation, complicity, or membership in a criminal conspiracy to commit any offence or offences given above, the attempt to commit such an offence or offences and aiding, abetting, assisting or advising in the Commission.

The Vienna Convention, the United Nations recognized the crime of “laundering” of money derived from illicit drug trafficking. At the same time, the development of organized crime has led to growth of criminal organizations derived from other areas of criminal activity. A portion of these revenues also became subject to “laundering” and be invested in the legal economy.

The third stage is masking of traces of the committed crime. Before a criminal to launder the income, is at this stage the following challenge: to take all measures to ensure that the third party is not found out where the money and with whom they are distributed in different institutions or organizations. In order to accomplish this task, they spend, as a rule, the following activities:

- the use of banks for opening accounts, are located, usually far from places of work and residence of offenders;

- transfer money to the home country from abroad, but legally with new accounts of companies or other institutions;
- the use of underground banking accounts.

The methods by which criminals use traditional financial institutions, include:

- smurfing – transforming cash into financial instruments;
- exchange small banknotes for banknotes of larger dignity;
- exchange transactions – organized exchange of money for bills of a different quality or a different currency;
- structuring of operations with cash;
- control over financial institutions;
- illegal use of exceptions from the law;
- the use of correspondent relationships between banks;
- creating a false paper trail;
- the merger of legal and illegal funds;
- translation of criminally obtained funds abroad;
- the use of “collective” accounts.
- the use of transit accounts;
- a mechanism of guarantees for loans (Emelin, 2012).

Consider some of the methods more in detail.

Structuring and other ways money laundering can be transferred to non-traditional financial institutions. The method of merger of legal and illegal funds, which will be discussed in the analysis of the role of money laundering non-traditional financial institutions.

Placement through non-traditional financial institutions (Zhubrin, 2011). Called non-traditional non-Bank financial institutions who are actually providing banking services. These include currency exchange, brokers, securities or precious metals, commodity brokers, casinos and organizations that provide postal and Telegraph services exchange of cheques for cash. Non-Bank financial institutions can be used to launder money in the same ways as traditional financial institutions, particularly the structuring, subordination and merger of funds.

In recent years, these financial institutions were increasingly used for the laundering of illegally obtained incomes and their introduction into financial turnover. This is largely due to the fact that in the banking sector legislation aimed at combating money laundering, more developed and more effectively.

Crimes in the sphere of economy in Russia. One of the main causes of money laundering in Russia is a close relationship between political and business groups. There are lobbying groups and pressure groups foreign trade organizations, which have close ties with political parties, helping them to influence policy and government decisions. In some cases, entrepreneurs themselves become active members of political groups or approximate political leaders. And the new business class, lobbied and politicians have the same interest is self-enrichment at the expense of the country.

Political leaders occupying important positions in public administration, often provide privileged business groups monopoly protection and even economic espionage, and in return receive from them a generous bribe (Ivanov, 2004).

Legalization is a process by which criminally obtained incomes join in the legal money turnover, while the real sources and channels of receipt of such proceeds (cash) are carefully hidden from the outside attention. Money laundering committed by the organized criminal structures, which aim at further financing of criminal activities, and having the possibility of using illegally obtained funds for various purposes (Kunelbayev *et al.*, 2016). The real (illegal) sources of income in the process of obtaining and legalization in many cases can hide behind legitimate-looking activities, and can also co-exist alongside it. Legalized “dirty money” obstreperous in the process of laundering from the source of their illicit origin and become, thus, part of the legal economy.

Money laundering is not confined to drug trafficking and terrorism, which involved large sums of cash. Illicit trade in weapons, radioactive materials, organized crime, illegal financial activities underground production of alcohol, fraud, kidnapping, terrorism, theft of public funds and funds – all of this and more creates more than favorable conditions for the emergence of a significant illegal capital. The availability of such funds in the country recognized by the international community as a sufficient condition for large-scale criminal financial transactions.

The issue of money laundering, meaning the legalization of income obtained by criminal or unlawful means, have acquired in Russia is particularly acute. Without a solution to this issue cannot continue the country’s economic reforms. The most serious concern is the scope, which acquired money-laundering, and the damage this practice causes to the economy and society. Money laundering is closely connected with such phenomena as corruption, capital flight, the use of offshore companies by Russian companies and banks to conceal profits and tax evasion. Money laundering has become one of the main factors of the unfavorable investment climate in Russia, impeding the inflow of investment in the economy.

Table 1
Crimes in the sphere of economy in the Russian Federation in 2016

<i>Crimes in the field of economy</i>	<i>Number of crimes Registered (revealed) by 2016</i>	<i>Number of crimes Disclosed (reviewed) by 2017</i>
Total:	226,1 thousands (+12,4%)	137,1 thousands (+6,3%)
Including:		
Consumer market	59,8 thousands (+10,7%)	44,9 thousands (+8,2%)
Credit and financial system	87,9 thousands (+20,5%)	41,5 thousands (+10,0%)
Foreign economic activity	6,6 thousands (-0,5%)	4,2 thousands (-8,4%)
Fuel and energy complex	7,2 thousands (-5,7%)	5,4 thousands (-3,7%)
Timber industry	3,5 thousands (+14,7%)	2,0 thousands (+7,7%)
Water resources	0,9 thousands (+52,7%)	0,7 thousands (+72,6%)
Income legalization	4,2 thousands (+16,0%)	3,5 thousands (+8,3%)
Corrupt practices	8,6 thousands (+16,5%)	7,0 thousands (+21,2%)

Against this background, increases in the number of registered cases of legalization (laundering) of money or other property obtained by criminal means. According to the UN experts, the annual turnover of organized crime is about \$500 billion, half of which is funds derived from drug trafficking. Such sum annually “laundered” criminal economic structures. The latest research indicates the link of this process with the characteristics of the economy, and money is regarded as one of the main activities of organized crime, Table 1 shows the percentage of detection of such crimes.

The main tasks in the field of combating money-laundering include:

- development of a legal framework for combating money-laundering, its linkage with other sections of Russian legislation;
- formation of an adequate administrative system, including the allocation of a coordinating body in the field of combating money-laundering;
- strengthening the supervision of financial institutions, allowing to control illegal or questionable transactions;
- expansion of Russia’s cooperation with the international community in order to prevent the practice of money-laundering;
- full use of international experience in developing effective mechanisms to combat money-laundering (Vasiliev, 2013).

Methods and Conditions of Money Laundering. Traditionally, the process of money laundering consists of three stages.

In the first stage (stage placement) is placement of illicit proceeds into financial institutions.

The second stage (conversion stage) is to conduct financial transactions aimed at concealing the criminal origin of the proceeds.

In the third phase (consolidation phase) “cleansed” the capital is returned to the offender in the form of cash, property or property rights. The classical scheme of money laundering includes the use of cash transactions, abuse of services banking and other financial institutions operations with expensive movable and immovable property, gambling. In recent years, widespread schemes involving offshore financial companies, the Internet, credit cards, non-Bank (alternative) systems of remittances and international trade in goods and services.

For money laundering can be used by both local and foreign legal and physical persons. In the country can also be laundered foreign capital, especially in those cases when the country has a weak system of combating money laundering. For operations on money-laundering can be used purposefully or to be created financial and non-financial institutions. Globalization of financial markets has gradually blurred the boundaries between internal and external sources of illicit capital, schemes of money laundering, regardless of the scene or derive income from illegal activities. The development of the financial services market, strengthening the relationship between the various financial institutions, allows you to use almost any of them for money laundering.

Significant damage from operations in money-laundering is strongly requires the adoption of special measures at the state level. The most notable effects of money laundering include the following:

- the criminal world gets the opportunity formally to lawfully use the revenues from illegal operations and, thereby, to expand and to gradually legalize their activities. This leads to an increase in the political influence of criminal organizations, opposition to strengthen regulation and legislation;
- stimulates the development of corruption in the public sector and offences in the financial system. Large amounts of capital involved in the operation for money laundering, undermine the stability of financial markets;
- the government loses some taxes, increase disparities in the distribution of the tax burden and social differentiation.

Thus, we can conclude that money laundering often occurs through the store or restaurant, which is owned by a criminal businessman. The owner mixes the money obtained by illegal means (e.g., racketeering) and the money earned by lawful means. It legitimizes the means received by a criminal way.

Principles, Forms and Methods of Counteraction of Legalization of Income Obtained by Criminal Means. Among the many methods used in the placement of criminal proceeds through non-traditional financial institutions, consider the merger of legal and illegal funds, purchase property for cash and illegal export of currency.

Merging of legal and illegal funds based on the purpose of money laundering such enterprises where significant amounts of cash are the usual and legitimate phenomenon (e.g., restaurants, bars, hotels, companies that own vending machines, etc.). It uses two main schemes.

In the first case, the result is achieved by the concealing of illicit income in the mass of legitimate transactions (merger) functioning of firms.

In the second case, it creates a fictitious company, engaged in real economic activities. The company creates only the appearance of the transactions by showing in the financial statements as income of legalized money.

Purchase the property for cash. The acquisition of property (cars, boats, planes, stocks, luxury goods or real property) for cash is an important method of money laundering. The purpose of the acquisitions is threefold: to support a luxurious life style; to translate suspicious of the large sum of cash is equally valuable, but less suspicious form; to purchase property, which will be further used for criminal purposes.

Translation of criminally obtained money abroad is carried out in two main ways: through physical removal and removal through the financial transaction.

Stratification – the separation of illicit proceeds from their source by creating complex chain of financial transactions to disguise the check track these revenues. If placing large sums of money was successful and was not detected, then open further the laundering of money become more difficult. Various financial transactions superimposed on one another to complicate the work of law enforcement to find illicit funds subject to confiscation (Shokhin, 2014).

The conversion of cash into cash instruments. Once illicit proceeds have been placed in financial institutions, they turn into monetary instruments such as traveler's checks, money orders, Bank checks, bonds and stocks. Such translation facilitates the export of illicit proceeds out of the country.

The purchase and sale of the property. When the money launderer places them in the property being acquired, the latter may subsequently be resold domestically or exported and sold abroad. This leads to a double result: complicated search of the money launderer and becomes harder to find and confiscate the property of Electronic transfer of funds is perhaps the most important of the methods of the bundle. It provides criminals with such advantages as speed, distance, minimum check footprint and high anonymity, provided a huge daily volume of money transfers.

Transfer money to accounts of other firms. Such transfer, the masked sham transactions or by liquidation firms allows you to effectively hide the origin of funds.

Currently, for operations the second phase of the greater role played by tax havens and other countries with a soft tax regime and weak financial control system (Altenkirch, 2007).

P. Bernasconi identifies the following conditions that are typical for the country “laundering” of money:

- no mandatory accounting for banks;
- anonymous Bank accounts;
- the lack of mandatory identification of customers;
- poorly performing judicial authorities;
- the absence of legal assistance in confiscation of money with a criminal origin.

Integration – the stage of the process of legalization, aimed directly at giving of visibility of legality of criminally obtained financial funds. In this phase, the money finds a legal source of origin and invested in the legal economy.

After the process of separation successfully carried out, a money launderer faces should create the appearance of authenticity in explaining the sources of his wealth. At the stage of integration, the laundered money placed into the banking system under the guise of legitimately earned income. If the trail of laundered money was not identified in the previous two stages, to separate the legitimate from the illegal money extremely difficult. The detection of laundered money at the stage of integration becomes possible only through covert intelligence work.

All directions of cooperation between the financial Supervisory agencies with the banks are reduced to ensure the execution of banks of the Russian Federation legislation in order to fulfil public tasks, including the formation of financial policy of the country, ensuring that banks on global financial markets and the stability and credibility of the Russian banking system in the country and in the world. The direction of tax administration

Statement on the account in tax inspection of a particular Bank and the joint work of the Bank and tax authorities to ensure deductions of statutory taxes and other levies is the direction they interact with each other. The Bank of Russia, thus, obliged to ensure the enforcement of Federal legislation, adopted regulations and established statutory requirements, regulations of banking activities and other requirements on taxation of banks, which is achieved through the licensing and registration of credit institutions, documentary supervision and implementation (if necessary) on-site inspections (Korolev & Pleshakova, 2012).

The interaction is manifested at the stage of registration of the credit institution. For example, to obtain a license to conduct banking activities in territorial administration of Bank of Russia should be directed to the confirmation by the State tax service of the Russian Federation run by the founders – legal entities of obligations to budgets of all levels over the last three years. The Bank of Russia and its institutions exercise control over compliance with the economic standards. In accordance with the established procedure Bank of Russia regulating the activities of credit organizations monitoring of compliance by credit institutions mandatory standards imposed on the main control (national banks) of the Bank of Russia at the location of the correspondent accounts of credit organizations. Control is carried out on the basis of monthly balances of credit institutions, which are attached to the corresponding reference calculations of the actual values of obligatory economic standards and the deciphering of individual balance accounts, signed by head and chief accountant of the credit institution.

Antitrust Direction. From the joint Statement of the Government of the Russian Federation and Bank of Russia “On strategy of development of Bank sector of the Russian Federation” follows that in order to create a competitive environment in the banking sector, abuse of dominant position by banks is the task of antitrust regulation at the Federal and regional levels.

The Ministry for Antimonopoly policy of the Russian Federation considers the claims through the Bank of Russia carries out financial oversight of the acquisition of a large share of a Bank. In particular, the Bank of Russia carries out the control of the acquisition as a result of one or several transactions by one legal entity or group of legal entities and physical persons connected among themselves by agreement or group of legal entities being affiliated or dependent in relation to each other, more than 5% of shares (stakes) of a credit institution. To carry out such an operation these persons shall notify the Bank of Russia, and the acquisition of more than 20% of the shares of the interested person must obtain the prior consent of the Bank of Russia. A unique example, existing solely in terms of the specifics of Sberbank of Russia, which according to the banking statistics Bulletin provides storage for more than 65% of all deposits of citizens, which cannot but cause concern to competition authorities. However, given the complexity of the situation of the banking system, currently (despite strong recommendations from international financial institutions such as IMF, world Bank) in respect of the Sberbank of Russia does not assume measures to change the situation.

Direction of the Currency Control. The government of the Russian Federation and Bank of Russia are bodies of currency control. After the reorganization of the Federal service for currency and export control of the Russian Federation and its transformation into the Department of currency and export control of the Ministry of Finance, in cooperation with the Bank of Russia the government of the Russian Federation carries out currency control on the territory of Russia.

It should be noted that the Bank of Russia in accordance with the Federal law from 02.12.1990 1394-1 “About Central Bank of the Russian Federation (Bank of Russia)” is also a monetary authority. Under the foreign exchange control refers to the activities aimed at ensuring compliance with the currency legislation when carrying out currency transactions.

Main directions of currency control are: definition of conformity of conducted currency transactions to the current legislation and existence of necessary licenses and permissions; check of performance by residents of obligations in foreign currency before the state, and also obligations on sale of foreign currency

on domestic currency market of the Russian Federation; check of validity of payments in foreign currency; check of completeness and objectivity of accounting and reporting on currency transactions and transactions of non-residents in currency of the Russian Federation. Implementation of foreign exchange control is also entrusted to agents of currency control.

To currency control agents accountable to the Bank of Russia, the legislation will include authorized banks, which means banks and other credit institutions licensed by the Bank of Russia on carrying out of currency transactions.

In this case, the interaction of banks with bodies of financial supervision is manifested in the organization of exchange control through the Bank of Russia in collaboration with the Ministry of Finance, which, in turn, authorizes a credit institution as agents of currency control by issuing the respective license.

Direction of Improvement of Banking and Other Legislation. An important contribution to the development of approaches and implementation of measures on reforming of the Russian banking sector makes cooperation with Russian and foreign experts, banking Supervisory authorities and international organizations. A leading role in these processes is functioning since March 1999 under the auspices of the Bank of Russia the Interdepartmental Coordination Committee to facilitate the development of banking in Russia (ICC), which is attended by representatives of the Government of the Russian Federation, the presidential Administration of the Russian Federation, State Duma and Council of Federation of the Federal Assembly of the Russian Federation.

The active phase of the interaction of the Central Bank and financial Supervisory authorities is manifested at the stage of harmonization of legislative initiatives on issues of banking activities, and other matters within the competence of the Bank of Russia

Inspections and documentary supervision as the direction of interaction.

First, it is the inspection of the Bank of Russia accounts chamber of the Russian Federation and the State Duma of the Federal Assembly of the Russian Federation.

Second, in the implementation of their Supervisory powers, the Bank of Russia carries out constant supervision over the activities of credit institutions and the state of the banking system by acquiring, learning, synthesis of information about the state of monetary and banking systems and the status of specific credit institutions. On the basis of obtaining the required information from credit organizations, Bank of Russia collects and presents individual data for assessing the state of the Russian banking sector in the form of official documents of the Bank of Russia. This information is actively used by the Ministry of Finance, Ministry of economic development of Russia, Federal State Statistics Service of Russia, as well as other financial Supervisory agencies.

In accordance with paragraph 2 of the Instruction of Bank of Russia from 19.02.1996 No. 34 "On procedure for conducting inspections of credit institutions and their branches by authorized representatives of the Central Bank of the Russian Federation (Bank of Russia)" the main goal pursued by the Bank of Russia inspections is the determination directly on the site of the real financial state of a credit institution and its branch, the identification of situations threatening the interests of depositors and creditors, verification of compliance with applicable banking legislation and statutory acts of Bank of Russia.

Implementation of the Queries as the Direction of Interaction. Interaction of Bank of Russia with bodies of financial supervision is manifested in the implementation of requests for additional information from the financial Supervisory agencies or Vice versa in accordance with the Russian legislation.

In particular, the Bank of Russia in order to verify and establish the true founders of the credit institution may request from the Federal securities Commission of Russia, Russia, Russian Finance Ministry, the state customs Committee of Russia, Federal State Statistics Service of Russia, etc. additional information required by the Bank of Russia to verify the correctness of the information on individual banks. For example, for the compilation of balance of payments of the Russian Federation, Bank of Russia uses the statistical data of the state customs Committee of Russia and Federal State Statistics Service of Russia.

Direction of preventing the penetration of criminal money into banks. Until the middle of last year in the Russian practice was completely absent from the concept of “anti-money laundering” like shape or directions of interaction of banks with bodies of financial supervision. The concept of money or legalization of criminal money is giving lawful appearance to possession, use or disposition of monetary funds or other property obtained as a result of the crime.

Currently, however, under the influence of the world community of developed countries, the Russian legislation reflects this direction of Bank supervision a priority. It is reduced to the effective operation of the FMC of Russia (authorized body for combating money laundering) for the collection, processing and analysis of information submitted by credit institutions on transactions with the relevant criteria of “suspiciousness” or identified in the process of implementing internal control in credit institutions.

CONCLUSION

In connection with the advent of the February edition of the FATF recommendations, the Federal financial monitoring service has prepared proposals on amending legislation in the sphere of AML/CFT in the framework of the activities of the Interdepartmental working group on the identification and crossing of illegal financial transactions. Following the content of the FATF recommendations, “National Payment Council” proposes to solve a number of problems in the organization and functioning of the system of money laundering and the financing of international terrorism.

Under the current legislation the client is not required to submit to the Bank documents necessary for the implementation of procedures of legalization of the criminal income and the financing of international terrorism. To date, the activities of banks in this area were reduced to passive identification of suspicious transactions, however, considering the accumulated experience in the fight against money laundering, banks are ready to act as active participants in the process of combating the legalization.

To implement this task it is necessary, in our view, to move from the model of obligatory control to a model risk – based control only for suspicious transactions.

According to the proposals of the Federal financial monitoring service, credit organizations and professional participants of the securities market entitled unilaterally to refuse the conclusion of contracts of Bank accounts with customers involved in potentially illegal activities.

We agree with the opinion of A. Emelin on the proposal of the new wording of paragraph 5.2. of article 7115-FZ since due to the uncertainty of some rules changes can lead to numerous disputes when

they change. Due to the lack of clear criteria that allow to identify the presence (absence) of economic purpose, it is expedient to exclude from the bill provisions regarding such cases. And change the system of administrative responsibility sharing the elements of offence under art. 15.27 “Failure to perform the requirements of the law AML/CFT” of the administrative code, for violations related to money laundering. For the goals should be limited to article 15.27 composition of the administrative code of offences, which establishes liability for acts resulting in the legalization of income. It is also necessary to reduce the list of offences, the subjects of which are recognized officials exclude from the subjects of administrative responsibility on the composition stipulated in paragraph 1-3 of article. 15.27 of the administrative offences code of the Russian Federation, because the current version does not serve the purposes of money laundering and the financing of international terrorism. In order to resolve the problem, also proposed to exclude the credit institution from the subjects of offences.

To improve the quality of the information provided in Federal Financial Monitoring Service, will help consolidate the banks the obligation to send to the authorized body data on flow of funds transactions, leasing and other transactions with movable property and not on the facts of such transactions.

The international community recognized the need to counter money laundering as one of the main factors contributing to the drug trade, organized crime and corruption. To this end, developed a number of international legal acts that establish the obligations of States parties to criminalize laundering, the creation of national systems of detection, investigation and prevention of money laundering, international cooperation in this field. For the first time, the obligation of criminalizing the laundering of proceeds of crime, for the countries participants put the UN Convention against illicit traffic in narcotic drugs and psychotropic substances.

The successful outcome of combating the legalization (laundering) of proceeds of crime may be exercised only in the case that it would simultaneously unfold at two levels – national and international. In a separate state, without the international exchange of information flows, interaction and participation in the process of fighting with criminals’ credit institutions successful fight against legalization is not possible. Therefore, Russia should intensify international cooperation in this field.

The merger of transnational organized crime in terrorist activities intensified under the influence of complex processes of globalization requires the international community to unite efforts to effectively counter the associated challenges and threats. Along with criminal liability, a necessary condition is the presence of a complex response not of a financial nature, namely other types of legal liability for laundering “dirty money” or property, and applications. A key issue for the Russian Federation is a more General question of the use of other types of liability, including administrative and financial as a complement of the criminal.

In our opinion, you need a system that would provide the possibility of application of measures of a financial nature (fines, arrests, confiscation of property and funds), as well as attracting distinct from the criminal liability, for example:

1. Lifelong deprivation of the right to occupy certain positions and engage in certain activities on the territory of the Russian Federation and abroad;
2. The establishment of forced work over several years (depending on the seriousness of the offence from 2 to 20 years) on the subsistence minimum and on his own recognizance;

3. The establishment of mandatory to show quarterly reports on income and purchases;
4. The increased use of electronic bracelets;
5. Establishing Bank and other organizations audio surveillance;
6. Tightening inspections of transport at the border etc.

The fight against money laundering and financing of terrorism is the technology of money laundering and financing of terrorism, the purpose of which, in our opinion, is to assist governments and other key figures of this field in understanding the nature of existing and potential threats and implement effective strategies to solve these problems. The need for effective implementation strategies for the investigation and suppression of money laundering and financing of terrorism, a unified approach to the development of the organizations performing transactions with monetary funds or other assets, including professional participants of the market, as well as the definition and implementation of effective preventive measures. Combating money laundering should include a complex of legal and organizational measures.

One of the main means of combating the legalization of criminal incomes was the adoption in accordance with international standards, normative legal acts to ensure fair and effective regulation of the financial sector of the economy, the protection of honest businessmen against the penetration of criminal capital and the impact of unscrupulous officials. The Russian legislator should heed the opinion of scientists, practitioners and a number of amendments to the existing penal provision.

Only well-trained professionals will be able to resist the actions of organized crimes. Today international experience suggests about the need to expand the types of business activities are subject to control procedures for money laundering. Control needs to get an audit company, legal community, consultants for business, legal company engaged in registration of organizations, both in Russia and abroad.

Only law enforcement agencies in the fight against legalization is not enough. Necessary their link with associations of real estate agents, market participants, securities, precious metals and gold by credit institutions. The last in the course of their activities must take into account the fact that the most common subject of the laundering in Russia are non-cash money, take into account the characteristics of the perpetrators, including diagrams of the crime, which are very diverse and not always confined to the transactions and financial transactions.

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