

# THE ROLE OF THE NATIONAL BANK OF UKRAINE IN THE STATE FINANCIAL MONITORING

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The problem of legalization (laundering) of illegal profit and terrorist financing arises globally and concerns international community. World and national experience and research show that the most effective measure to minimize and effective by stand against crime and corruption is the implementation of financial monitoring.

The state financial monitoring is defined as a set of measures taken by entities of state financial monitoring focused to meet the requirements of the law on prevention and counteraction to legalization (laundering) of proceeds from crime and terrorist financing.

According to Part 3 of Article 4 of the Law of Ukraine «On prevention and counteraction to legalization (laundering) of proceeds from crime», the National Bank of Ukraine is included to the system of state financial monitoring, which performs control and supervision function over legal persons engaged in financial transactions [3].

The conducted analysis of the current legislation that regulates banking activities in the area of prevention and counteraction to legalization (laundering) of proceeds from crime shows that it is generally consistent with international standards, in particular those of the Financial Action Task Force on Money Laundering (FATF), the Basel standards Committee on Banking Supervision and other international legal standards. Our country is interested in organizing this process efficiently and receiving benefits not only in terms of recognition by the world community. The so-called «dirty money» causes moral losses to credit institutions and diminish the depositors trust. What is most important is that the circulation of such funds harms the state economy. NBU does not operate directly with settlement transactions, opening of account, etc. Thus its basic functions in the system of prevention of proceeds from crime are the following:

- the regulation of banks activity in order to prevent the use of the banking system for the legalization (laundering) of proceeds from crime;

- monitoring of implementation by banks their functions concerning the prevention of legalization (laundering) of proceeds from crime;
- sanctions for violation of the relevant requirements [4].

Moreover, in order to prevent the use of weak sides of financial system, NBU has responsibilities to ensure implementation by banks the Basel Committee on Banking Supervision standard as well as the identification of new banking and financial technology that can be used for legalization (laundering) of proceeds from crime and terrorist financing, and measures to prevent its usage. NBU has established requirements for financial monitoring by banks approved guidelines on this matter, and sent letters with the explanation of certain articles of antilegalization law [3].

Thus, the NBU should consider the fact that nowadays there is no single risk management system acceptable to all banks as market conditions and banks internal structures are different. That's why each bank develops its own risk management system according to its needs and circumstances. Therefore, the organization of financial monitoring of NBU has to give banks the opportunity to make their own decisions whether to conduct questionnaires concerning the categories of customers that conduct operations with small amounts. According to the Law of Ukraine «On prevention and counteraction to legalization (laundering) of proceeds from crime» NBU may fine a commercial bank up to 1000 tax-free minimum incomes (based on the results of scheduled and unscheduled inspections of banks or their branches) [3]. In case of repeated violation of the requirements of the law, the National Bank of Ukraine appeals to the court with a claim about the restriction, suspension or withdrawal of the license for the banking activity or certain operations.

In addition, each year the National Bank of Ukraine and the Cabinet of Ministers of Ukraine develops and approves plans (programs) on prevention and counteraction to legalization (laundering) of proceeds. One of the aspects of inter-agency cooperation and collaboration of the National Bank of Ukraine in the field of prevention of legalization (laundering) of proceeds from crime is the conclusion and implementation of interagency agreements about cooperation. Thus, the relevant agreement establishes that the NBU provides the State Service for Financial Monitoring of Ukraine with the directory of banks and their branches, information about provided licenses (permits), actions of violations of the laws on prevention and counteraction to legalization (laundering) of proceeds from crime and terrorist financing, as well as the outcome of the information received from the State Financy Monitoring.

The exchange of information is carried out on a regular basis by providing information in electronic or paper form for consistent data and file structures [1].

The National Bank of Ukraine has the right to establish procedures for overseeing payment systems used in Ukraine, identify important categories of payment systems and their requirements, to evaluate and to audit compliance with the requirements and international standards. Hence, due to the absence of NBU permission for the activity or issue of electronic money WebMoneyTransfer in Ukraine in June 2013, the Ministry of Income and Charges of Ukraine has blocked WebMoney accounts of over 60 million hryvnias [4].

Government of Ukraine developed legislation on combating money laundering, proceeds of crime. This problem, however, has not yet acquired sufficient scale and quality assessment among scientists.

Therefore, the following measures are to be taken to improve the activity of the National Bank as the financial monitoring body:

- make changes to the Law of Ukraine «On the National Bank of Ukraine», namely amendments regulating the status of the National Bank of Ukraine as a subject of state financial monitoring;

- establish an internal mode of regulation and supervision on banks and non-bank financial institutions;

- create units with financial intelligence that will serve as a national center for the collection, analysis and dissemination of information on money-laundering;

- to implement measures for detection and control the movement of cash and appropriate negotiable instruments across the border;

- to develop a global, regional, subregional and bilateral cooperation among judicial and law enforcement bodies and agencies of financial regulation.

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