

BASIC CRITERIA AND SIGNS OF SUSPICIOUS TRANSACTIONS RELATED TO MONEY LAUNDERING

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Understanding the primary criteria and indicators of suspicious transactions, particularly the sources and methods of laundering criminally obtained funds, is crucial for competent authorities to develop and implement an effective program aimed at combating money laundering and reducing risks to the state's economy.

Regulatory bodies and government institutions need to establish characteristics and criteria for detecting financial transactions involving funds or other assets linked to the legalization of criminally derived income. These criteria should consider the nature of their activities, geographical location, as well as the strategic plan of existence and development. Additionally, suspicious transactions outlined in the Law of the Republic of Uzbekistan No. 660-II dated August 26, 2004, can be used as criteria for identifying and characterizing suspicious or questionable transactions. Justifying the classification of a client's activities as suspicious according to this document is a key and additional indicator that criminal proceeds may be laundered.

Due to the most vulnerable points in the modern anti-money laundering system, criminals often conduct operations in the form of lawful ownership, use, and disposal of assets acquired through crime. Analyzing the fundamental regularities and existing modifications of money laundering in practical terms allows us to identify more well-known schemes of legitimizing income obtained through criminal means.

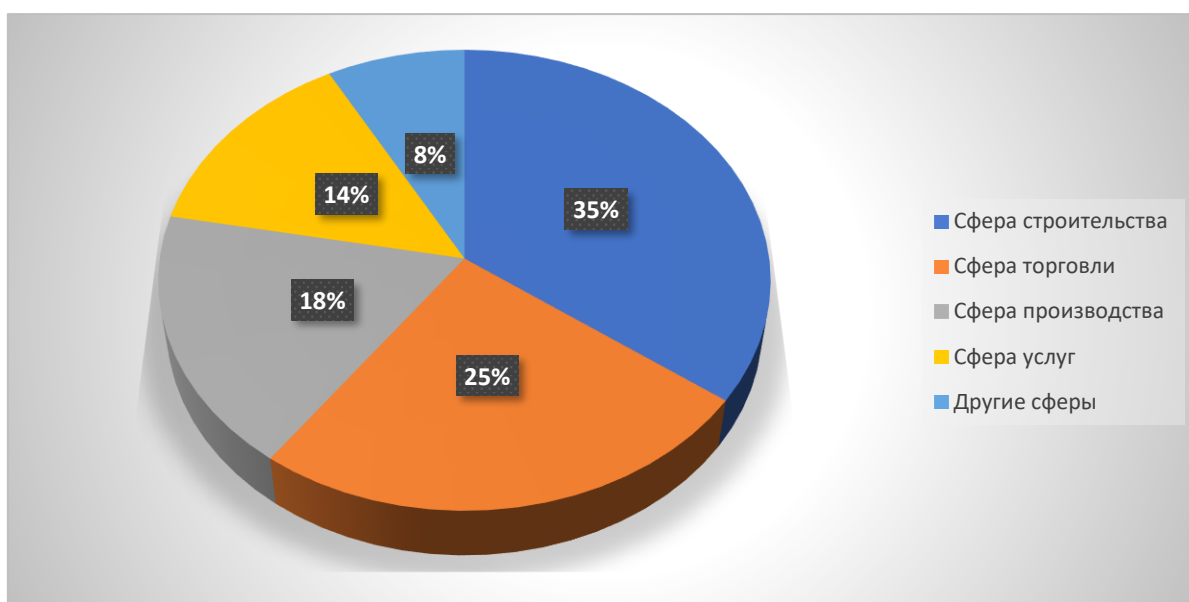


Рисунок 7 – Оценка сфер, осуществляющих сомнительные операции⁵

⁵ Составлена автором на основе данных Государственного налогового комитета Республики Узбекистан.

For example, after the latest review, the State Tax Committee of Uzbekistan identified 7,990 companies engaging in fictitious transactions with dubious enterprises. Statistics show that the construction sector has the highest shadow turnover in the economy. According to the data from the chart, 35% is attributed to the construction sector, 25% in the trade sector, 18% in manufacturing, 14% in services, and 8% in other sectors. (see Figure 7).

В частности, по состоянию на 21 февраля 2021 года для внесения ясности в необоснованный зачет сумма налога на добавленную стоимость (НДС) в размере 534,6 млрд. сумов камеральная налоговая проверка завершена на 2534 предприятиях по республике. В разрезе регионов эта сумма тоже выглядит достаточно внушающее и отражает долю денежных средств, задействованных от действий, полученных в результате совершения правонарушений (таблица 5):

According to the statistics of the Central Bank of the Republic of Uzbekistan, money laundering of criminally obtained income is evident in the growing dynamics of cross-border money transfers and actions aimed at converting cash into non-cash forms (Table 6).

Таблица 4

Факты фиктивных сделок в Республике Узбекистан на 2021 г.

City, region	Quantity	Sum
City of Tashkent	984 enterprises	(99,3);
Fergana Region	324 enterprises	(133,6);
Bukhara Region	316 enterprises	(30,2);
Andijan Region	296 enterprises	(32,8);
Kashkadarya Region	185 enterprises	(14,5);
Jizzakh Region	160 enterprises	(19,8);
Tashkent Region	151 enterprises	(50,9);
Syrdarya Region	143 enterprises	(10,8);
Navoi Region	126 enterprises	(10,6);
Namangan Region	113 enterprises	(52,7);
Republic of Karakalpakstan	101 enterprises	(3,1);
Samarkand Region	90 enterprises	(16,5);
Khorezm Region	71 enterprises	(2,7);
Surkhandarya Region	59 enterprises	(1,7);

Источник: составлена автором

Common indicators that a client may be laundering proceeds from criminal activities include:

- Situations where the client refuses to provide requested information in accordance with established norms and accepted practices in the banking sector, displaying excessive concern for confidentiality regarding the client's transaction. In practice, financial institutions typically request additional information about a legal entity, which is a standard procedure for customer identification.

- Legal entities or beneficiaries of their activities refusing to provide documents and information, citing confidentiality of the transaction, should be a signal to bank staff.

- Clients ignoring better service terms (commissions, interest rates for time deposits, interest rates for savings deposits, adopting excessively high fees for subscription fees, where the standard rates of the financial institution significantly differ from the fees usually charged for that type of service. When analyzing client behavior, it's essential to consider that the reason clients sometimes ignore more favorable service conditions lies in the complexity of alternative banking products, reducing costs.

- Essentially, if a client's transaction is not aimed at liquidity management, lacks risk insurance characteristics, and is not economically justified considering the client's business.

- Conducting transactions significantly deviating from the client's usual practices and operations introduced by the client previously; the operation is not characteristic of market practices, and it involves unusually complex or non-standard payment procedures.

Table 5

Structure of high-risk operations in the Republic of Uzbekistan

Share in total volume %	Cash out funds through accounts and payment cards of individuals	Cash withdrawal	Sale of cash to trading companies	Cashing out through charitable foundations	Withdrawal of cash abroad	Other
2016	10%	40%	11%	10%	23%	6%
2017	64%	10%	4%	8%	7%	7%
2018	38%	41%	0%	1%	20%	0%
2019	21%	35%	5%	9%	22%	8%
2020	15%	38%	7%	13%	18%	9%
2021	22%	44%	5%	9%	15%	5%

- Unjustified haste in client-requested actions. This criterion is likely the most disputed since it's challenging to find clients uninterested in payment speed, given the economic nature of most banking operations. However, the reasons for client requests for expedited actions should always be taken into account. If the client ignores any element of financial control, it is advisable to scrutinize the client more thoroughly.

- Just before a client enters into a pre-arranged scheme for conducting their operations, the client implements significant changes related to their financing and asset movement direction. In this case, the activity initially planned according to the standard direct payment scheme may require the client to make changes to the settlement procedure and incur additional expenses for unknown recipients.

- Issuing orders through a representative/intermediary, where all operations go through client instructions without direct contact with the credit organization.

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**EXAMINE THE PROCESS AND OUTCOMES OF FORMALLY ACKNOWLEDGING
AND REGULATING THE INFORMAL ECONOMY IN VARIOUS NATIONS**

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Introduction. In order to diminish the informal economy, it is essential to institute explicit regulations and laws while overseeing legal processes, alongside the formal registration of activities. Tackling the shadow economy requires enhancements in labor market standards and a thorough analysis of macroeconomic indicators. Nevertheless, there is presently a scarcity of research utilizing digital financial technologies.

The subsequent phase involves scrutinizing the practices of certain nations. For instance, in Japan, a versatile identification number known as 'My Number' has been operational since 2015, contributing to better government interactions and social equity. The National Tax Agency is responsible for gathering and evaluating this information, thereby enhancing the effectiveness of the fiscal system.

Literature Review. The shadow economy encompasses activities primarily aimed at evading taxes, driven not only by tax evasion but also influenced by factors such as government control and corruption. Allingham and Sandmo highlight that the decision to engage in tax evasion is contingent on the anticipated costs and benefits.

There is a limited body of research on the interplay between the shadow economy and digital financial technologies, with varying definitions arising from different aspects identified in current studies. Medina and Schneider characterize it as a blend of official, legislative, and institutional objectives related to state financial management.

Georgia encountered taxation challenges starting in 2003, and subsequent reforms significantly reduced the types and rates of taxes, resulting in a remarkable 450% increase in tax revenues by 2008.

Australia's Taxation Office (ATO) has improved its mobile app since 2013, providing tools such as calendar reminders and tax calculators to assist