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IMPROVEMENT OF THE METHODICAL TOOLS OF RISK-CONTROL OF BANK CUSTOMERS IN THE FINANCIAL MONITORING SYSTEM

In the conditions of active development of globalization processes the parameters of banks' activity become more diversified, acquire new characteristics and properties. The practice of banking includes a great number of mechanisms to manage the main types of risks: credit, liquidity, market and operational risk, including risks associated with money laundering. The statistics presented in reports of the State Financial Monitoring Service of Ukraine allow to prove that banks continue to underestimate their vulnerability to ML / TF risks, or try to manage them using traditional methods. The results of the analysis confirm the need to achieve the strategic goal – the effective identification, control and minimization of risks, which should be of key importance in the field of combating money laundering, including through the implementation of comprehensive preventive measures. A special role in ensuring the development of the economy and maintaining financial stability in the country is played by the banking sector. Banks are the most active entities in the reporting system, they send the largest number of reports about transactions subject to financial monitoring. This is evidenced by the general trends – during 2018, 9 871 608 million reports were received from banks, which is 99.02 % of the total number of reports.

Political trends are changing, the vectors of economic development of national economies are transforming, but the distinguished feature of "dirty" money is that it doesn't appear accidentally, but as a result of deliberate actions or intentional plans. In this case the subject of "laundering" is characterized by the criminal origin of these funds [1].

Domestic banks are subjects of initial financial monitoring. The essence of the stages of financial monitoring, the nature of their procedures implies that a bank initially studies a client's operation, and if having certain doubts in its legality, economic feasibility, additionally requires a client to give explanations and provide supporting documents. Once the authorized financial monitoring authority receives and examines the documentation, they ask a bank for additional information (a client's data or documents themselves) that a bank provides itself or requests from a client in case they have suspicions related to a transaction and its reference to legalizing of criminal proceeds or financing terrorism. Then, if necessary, a client, their other operations are subject to check, and in case of detecting a criminal scheme, detention of a client and subsequent investigation and judicial proceedings take place.

For any financial institution an important component of ensuring the efficient risks management is the final adoption of the appropriate decision (selection of a possible option of scenario development), e. g., whether it is possible to trust the potential client.

The National Bank of Ukraine has obliged banks to change approaches to the studying of financial activities of their customers. The domestic banks from now should check the origin of their clients' funds more thoroughly. Concerning the current conditions of banks' operation in the sphere of money circulation, one of the orientation targets is achieving maximum income, the implementation of which is associated with numerous risks.

The "Know your customer" rule is actively applied in the world practice, its purpose is to minimize the risks associated with possible money laundering, suspicious financial transactions that may expose the bank to reputation risks. The final task is to make sure that the client's operations are transparent and to cooperate exclusively within the legal field. When a client turns to the bank, except for the usual primary identification procedures for most clients at the stage of establishing business relations (opening accounts), banks are obliged to clarify the purpose and nature of future cooperation, to find out the origin of the client's money, if they have been on the deposit, where are they come from, what are sources of their income, to analyze and assess the financial condition of the customers [2].

Employees of the bank's structural unit in the process of identification, verification and study of the bank's customers form electronic customer questionnaires and develop criteria for assessing customer risks, the questionnaire is an internal document of the bank, which is formed on the day of establishing business relations with the customer. The questionnaire contains: all information obtained by the bank based on the results of identification, verification and study of the client; the bank's conclusion on the assessment of the client's reputation and the client's risk assessment with the dates of such assessments, after the client fills out the questionnaire, the client's risk level is assessed by calculating risk criteria, in particular:

risk by geographical location of the state of registration;

service risk;

risk by type of client.

If the client falls under at least one of the risk criteria [3], then the level of risk of the client can no longer be defined as - "low". The average level of risk is set if the client falls under 1-2 risk criteria, regardless of which group of criteria the assigned criterion belongs to. A high level of risk (and unacceptably high) is set if the client falls under 3 or more risk criteria.

In the process of servicing a large number of clients, both legal entities and individuals, there is a proportion of customers who attract special attention. Banks should not respond to denial of service to the high-risk customers, but should control each operation and carry out financial monitoring.

Thus, the bank classifies customers at 4 levels:

- customers with a low level of risk;
- customers with an average level of risk;
- customers with a high level of risk;
- customers with unacceptably high level of risk (high risk subcategory).

In [4], the author systematize the basic elements of the mechanism to control risk of bank customers in the context of the implementation of financial monitoring.. The mechanism includes: the goal, the principles, the tasks, the functions, the objects, the subjects, the tools, the policies.

Banks are required to apply the RBA in their activities, taking into account certain risk criteria, namely, those associated with the geographical location of the country of registration of a customer or institution, with its customers and the type of goods / services the bank sells to the client. The RBA should be proportional to the nature and scale of activity of the bank.

Risk assessment is carried out in relation to customers who are provided with financial or other services and / or with whom business (contractual) relations are established, taking into account the requirements and recommendations for risk management identified and provided by the relevant bodies of state financial monitoring, which perform the functions of state regulation and supervision of activities of relevant banks. For the first time, the level of risk is determined and fixed by the entity when establishing business (contractual) relations with a customer. The identification of ML / FT risks associated with the geographical location of the country of registration of a customer or institution, with its customers and the type of goods / services, to the extent that they can be identified will allow the bank to determine and apply appropriate control measures to minimize these risks.

Applying appropriate control measures provides banks with the ability to minimize ML / FT risks associated with high-risk customers. Banks are obliged to implement the monitoring of and to report on suspicious activities and large transactions, to collect the necessary identification information on the customer when the specified money threshold is exceeded.

In 2019, according to the results of inspections on prevention and counteraction to legalizing (laundering) of proceeds of crime, the National Bank applied measures of influence to 26 banks in the form of 14 written warnings, 19 fines totaling UAH 51,3 million. (fully paid) [5].

The sanctions for violation of the rules of financial monitoring are rather strict: a fine is always a financial loss, but suspension or cancellation of a license can cause a greater damage, which in turn will lead to the inability to carry out business activities.

If the analysis of documents (information) on financial transactions and their participants gives a reason to a bank to consider the signs of implementation of risk activities as real and to provides grounds to believe that the nature or consequences of financial transactions can create a real or a potential danger of using an authorized bank for money laundering, financing terrorism or financing proliferation of weapons of mass destruction, the National bank of Ukraine recommends banks to refuse to do business or carry out a financial transaction.

Prospect for further researches should be the development the approach to assessing the risk of bank clients.

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