

UDC 330.3; 345.5
DOI: 10.31733/2078-3566-2021-6-490-496



Lyudmyla RYBALCHENKO[®]
PhD in Economics,
Associate Professor
(Dnipropetrovsk State
University of Internal Affairs,
Dnipro, Ukraine)



Oleksandr KOSYCHENKO[®]
Candidate of Technical
Sciences, Associate Professor
(Dnipropetrovsk State
University of Internal Affairs,
Dnipro, Ukraine)



Serghei OHRIMENCO[®]
Doctor of Economics,
Professor
(Academy of Economic
Studies of Moldova,
Chisinau, Moldova)

PECULIARITIES OF ECONOMIC CRIMES IN THE BANKING SPHERE

Людмила Рибальченко, Олександр Косиченко, Сергій Охрімєнко. ОСОБЛИВОСТІ ЕКОНОМІЧНИХ ЗЛОЧИНІВ У БАНКІВСЬКІЙ СФЕРІ. У статті досліджено економічні злочини, які відбуваються в банківській діяльності. Виконано порівняння рівня злочинності країн світу за останні три роки. Показано наслідки шахрайства на вітчизняних підприємствах та у розвинутих країнах з високим рівнем економіки. Рівень корпоративних шахрайств зростає, бо рівень розкриття таких злочинів дуже низький і їх важко ідентифікувати. Доволі часто корпоративні шахрайства відбуваються на великих підприємствах, де збитки від злочинної діяльності є значними. Шахрайство становить проблеми для усіх підприємств та організації через проведення злочинних маніпуляцій із грошовими коштами, які виводяться за межі держави. Визначено, що банківська діяльність найчастіше потерпає від економічних злочинних дій шахраїв, які використовують протиправні схеми для здійснення платежів через декілька країн, при чому, такі кошти вже не повертаються у країну.

Формування системи безпеки банківських установ щороку набуває особливої уваги та значущості на усіх рівнях розвитку економіки держави. Зростання економічної злочинності в банківській діяльності впливає на підвищення рівня ризиків. Для створення дієвих стратегічних підходів та напрямів щодо забезпечення надійного рівня захисту і безпеки банківських установ необхідно проведення моніторингу забезпечення безпеки в банківській сфері.

Досліджено, що значна частка економічних злочинів відбувається в банківській сфері. Тому для ефективної боротьби із злочинами, необхідно створювати відповідні заходи щодо виявлення чинників, які сприяють вчиненню економічних злочинів. До найбільш вагомих чинників прояву економічних злочинів є недосконалість існуючої нормативно-правової та законодавчої бази, що регулює банківську діяльність, криміногенна ситуація у фінансовій сфері, незадовільний контроль за діяльністю комерційних банків Національного банку України, неналежний контроль за станом міжбанківських розрахунків призвело до зловмисного використання платіжних документів для шахрайських дій, вчинення численних корисливих злочинів шляхом порушення чинного законодавства та відомчих нормативних актів, які регламентують діяльність банківської системи та низька кваліфікація фахівців.

Ключові слова: економічні злочини, банківська діяльність, тіньова економіка, шахрайство на підприємства, рівень злочинності.

© L. Rybalchenko, 2021
ORCID iD: <https://orcid.org/0000-0003-0413-8296>
luda_r@ukr.net

© O. Kosyuchenko, 2021
ORCID iD: <https://orcid.org/0000-0002-6521-0119>
kosyuchenko-inform@meta.ua

© S. Ohrimenco, 2021
ORCID iD: <https://orcid.org/0000-0002-6734-4321>
osa@ase.md

Relevance of the study. The banking system plays a special role in shaping the mechanisms of a market economy in Ukraine. The legal basis for regulating relations is the Law «On Banks and Banking».

The research paper's objective. It is investigated that a significant proportion of economic crimes occur in the banking sector. Therefore, in order to effectively combat crime, it is necessary to create appropriate measures to identify factors that contribute to the commission of economic crimes.

Discussion. The most important factors in the manifestation of economic crimes are the imperfection of the existing regulatory and legal framework governing banking, the criminogenic situation in the financial sector, unsatisfactory control over the activities of commercial banks of the National Bank of Ukraine, inadequate control over interbank payments led to malicious use of payment documents for fraudulent actions, committing numerous mercenary crimes by violating current legislation and departmental regulations governing the banking system and low qualification of specialists.

A typical crime in banking is the use of forged credit documents, fuzzy details of institutions and fingerprints, violations of payment documents and more.

The Law of Ukraine «On Prevention and Counteraction to Legalization (Laundering) of Proceeds from Crime» specifies the issue of measures to prevent economic crime in the economic sphere and defines their significance.

A significant share of crimes in the shadow sector of the economy also occurs through financial and banking institutions. Crimes in the credit and banking system include bribery and abuse of office in granting soft loans, financing from the internal reserves of certain business structures and more.

Large sums of money are withdrawn from legal circulation and enter the shadow economic structures through commercial banks. Financial frauds are committed, loans are stolen, currency is illegally converted and transferred abroad, which deepens the critical state of Ukraine's economy and is one of the causes of the default crisis.

Most commercial banks are interested in raising funds for the shadow economy. To carry out settlement operations in banks, current accounts are opened for fictitious firms, on which significant amounts of funds are accumulated on a daily basis, which are then illegally used both directly in Ukraine and on correspondent accounts of non-resident banks.

Due to the imperfection of the banking control system, criminals can hide their illegal actions for a long time, which complicates their disclosure.

Criminal activity in the banking sector includes the activities of conversion centers. Some managers of commercial banks use for their own needs the profits obtained through the illegal conversion of funds by setting up centers of illegal work with financial resources [6-7].

To cover up and create safe conditions for their criminal activities, bank managers through conversion centers use illegal open accounts in foreign banks, open accounts for fictitious companies, open accounts in foreign banks to transfer funds to them and more.

Thus, conversion centers conspire organized criminal groups that act as a separate structure or within commercial banks to conduct illegal financial transactions.

Economic crimes are more typical for countries where the level of the shadow economy is quite high [2]. Over the past three years (from 2018 to 2020), Ukraine has improved its position in the crime rankings [6] and climbed ten steps from 36th to 46th place, the United States rose three steps from 47th to 50th place, the United Kingdom from 47th (2018) to 65 (2020), Germany from 87th to 90th place and Poland from 90th to 105th place. Among other countries studied, Ukraine occupies the lowest positions in the ranking (Fig. 1).

At present, in the world, especially in Western countries, public understanding of crime prevention differs from understanding in Ukraine. If according to the current Ukrainian legislation, the public is represented by public law enforcement agencies and individual citizens, in foreign countries there are many participants in the public: the media, churches, religious organizations, volunteers, institutions and institutions of various forms of ownership, providing public services and more.

Corporate fraud is common in developed countries with a high level of economy. Ukraine ranks sixth in the national ranking of corporate fraud (45 %); Russia – 1st place (71 %), South Africa – 2 (62 %), Kenya – 3 (57 %), Canada – 4 (56 %), Mexico – 5th place

(51 %) (according to a study by PwC «Economic Crimes» during the economic downturn). 59 % of domestic companies have been victims of economic crimes in the last two years, which is higher than the world average (43 %).

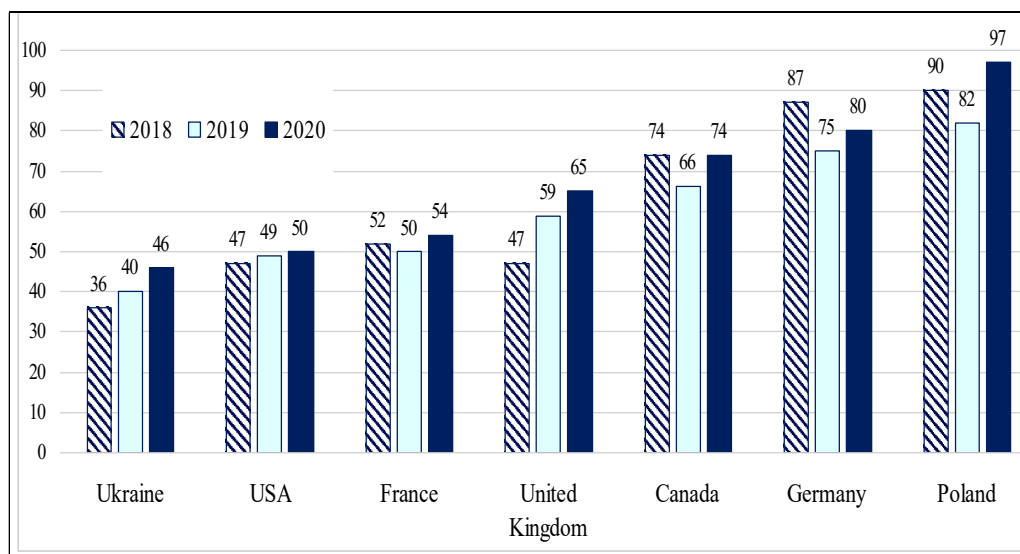


Fig. 1. The place of the world in terms of crime in 2018-2020

According to recent studies, 67 % of all cases of fraud are committed at the age of 31-40 years [1]. Employees (77 %) working in finance, accounting, sales, procurement, and senior management have the best chance of fraud. According to Ukrainian companies, the most common types of corporate fraud are corruption, abuse of office and misappropriation of assets.

The high rate of growth of economic problems in the suspension of dressings for reasons that occur in the underdeveloped structures of power, human resources policy, legal shortcomings, the growth rate of labor, low growth rates

The level of fraud in enterprises is growing because the level of detection of such crimes is very low and they are difficult to identify. More often, corporate fraudsters commit crimes in large companies, so the losses of companies become very significant.

Fraud creates problems for corporations, manufacturing companies, organizations and institutions, misappropriating their assets, manipulating money, taking large amounts of them out of the country.

In 2020, about 70 % of all enterprises in the world [1] suffered from professional fraud, of which 44 % were private organizations and 26 % were public companies, 16 % were government enterprises, and 9 % were non-profit. Private and public companies suffered an average of \$ 150,000 in losses, government \$ 100,000 in losses, and nonprofits suffered the least in terms of \$ 75,000.

Enterprises with an annual income of less than \$ 50 million USA, have losses of 114 thousand dollars. USA (these include 38 % of enterprises). The largest losses are enterprises [1], whose revenue is more than 1 billion dollars. USA. \$ 150,000 USA (26 % of enterprises).

Professional fraud leads to material losses, court costs and can lead to bankruptcy. By creating a strategic plan and monitoring the planning of activities and development of the enterprise, you can reduce the risks that may occur in enterprises and take measures to avoid professional fraud. Modern policy of corporations and enterprises should be aimed at the application of modern methods and tools to prevent fraud and ensure their sound economic development [5].

Global problems that increase the risk of fraud in banks are: cyberattacks and data security breaches:

- social engineering;
- increase the speed of payments;
- new digital channels;
- open banking.

The risk of cyber fraud is greatest for financial institutions in all countries of the world. It is

investigated that not all banks have a documented operational model for fraud risk management, conduct fraud risk assessment at the enterprise level and establish a fraud prevention committee (Fig. 2).

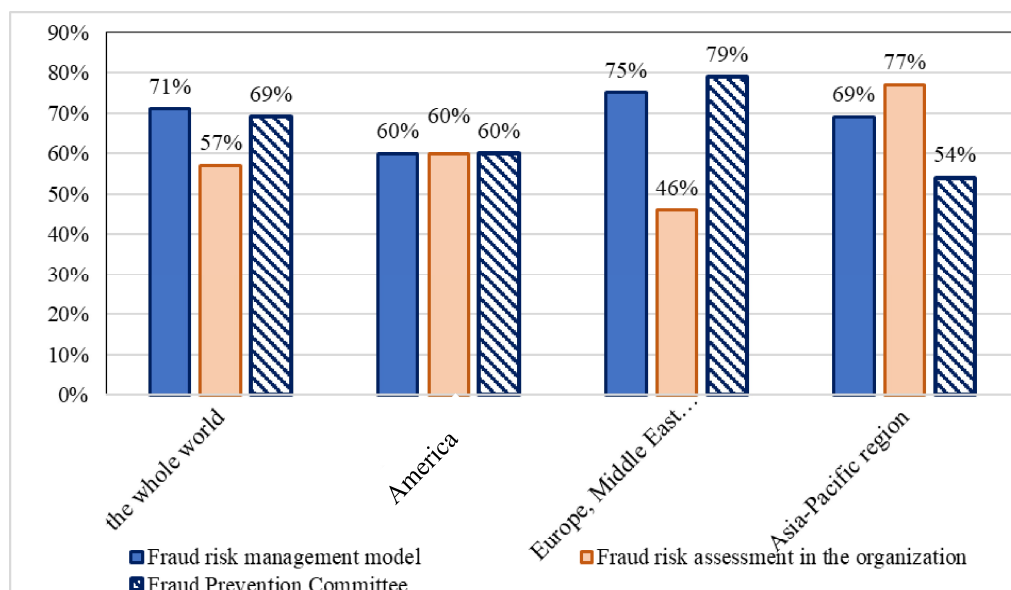


Fig. 2. Activities of world banks to prevent fraud in 2020

Fraud prevention protection is best developed in Europe, the Middle East and Africa (EMA), where it is highest (79 %) among countries worldwide, and the fraud risk management model (75 %) [1]. Financial institutions structure fraud risk management operations, with the responsibility for risk management being distributed as follows:

- 69 % of all transactions are on the first line of protection, which is managed by employees of business units or employees working directly with customers (first line);
- 31 % of all transactions are on the second line of protection, built on the principle of group security, which supervises risk management (second line).

As methods improve and exacerbate the risks of fraud as a result of the transition to digital technologies and solutions, regulators increasingly expect financial institutions to be more coherent and integrated in their protection approaches to prevent, detect, and respond to fraud risks.

Data leaks in the banking sector lead to cybercrime, which can obtain large amounts of information and use theft of personal data to commit fraud.

Fraudsters create new schemes, including establishing a romantic relationship with the victim, acting on behalf of government or tax authorities, investment schemes, lotteries, hacking of business e-mail, fraudulent actions in the field of technological support and schemes where criminals are represented by relatives, and so on.

There are cases where banks detect illegal schemes before processing payments, but customers are so confident in the legality of the transaction, which they may fall victim to, that they categorically demand to make a payment even after the bank informs them that the payee is a fraud.

Thus, next-generation fraud risk management systems must be able to operate in a constantly digital transformation, identify new, hitherto unknown risks of fraud, take advantage of technology and reduce compliance costs.

Banks in the USA and the EMA have identified the development of digital channels as one of the three biggest challenges. The share of products and services sold by banks through digital channels is growing. Over the last three years (2018-2020), the share of non-cash transactions is growing and in 2021 will increase by another 12.7 %.

More than a quarter of banking products and services are provided through digital channels. With the reduction in the number of customers holding or withdrawing funds from bank accounts due to the availability of digital banking and non-cash payments, the need for physical presence of customers in the provision of banking services is reduced. As a result, the global trend of closing bank branches is spreading.

Accelerating payments also carries the risk of reducing the amount of damages incurred as a

result of fraud, as offshore payments through a large number of accounts will be made in seconds.

Worldwide, non-reporting of possible money laundering or other non-compliance with financial crime control requirements carries significant penalties that affect banks' investment decisions, with the result that the latter pays more attention to the fight against financial crime than fraud. More than 50 % of banking institutions worldwide plan to invest more in monitoring the compliance of international financial institutions to combat financial crime, bribery and corruption (AML & CTF – Anti-Money Laundering and Countering the Financing of Terrorism; ABC – Anti-Bribery & Corruption), as well as requirements for monitoring compliance with sanctions, than in fraud risk management [1].

There are schemes for money laundering, which were published by the National Bank of Ukraine [3]:

- «withdrawal of capital». This scheme has little effect on the exchange rate and allows their removal outside the state;
- «cash transfer». This scheme allows you to withdraw cash and is a form of payment for any work performed by an individual;
- «corrupt». This scheme belongs to illegal activities, is not regulated by economic laws and is aimed at committing crimes;
- «boiler». These are transactions that are illegal and intended to transfer funds in cash. For this purpose the banking system is used and the interest for carrying out illegal operation is received, as a reward;
- «receiving cash». Companies pay for raw materials for the manufacture of products and receive cash through the bank;
- «cash without cash». The conversion of non-cash funds without collection into cash is used.

It is studied that the modern international practice of crime prevention is the most advanced, innovative and effective methods of combating crime and its individual manifestations mainly occur in developed and prosperous Western countries. This can be interpreted as:

- the financial capacity of the government, law enforcement and other competent authorities of these countries ensure the rule of law and maintain the rule of law;
- the basis of crime prevention practice is provided by existing scientific developments, well-established criminological traditions and theories;
- long-term strategy for the introduction of public influence, the fight against crime through the formulation and implementation of various prevention plans and projects [6].

In recent years, there has been a general decline in crime in Europe, with a few exceptions. An analysis of data provided by Eurostat in 2020, as well as data from the latest edition of the European Collection of Crime and Criminal Justice Statistics, allows us to examine the level of crime and some of them. Criminal activity in EU member states until 2019, including [4].

In particular, the highest absolute indicators of the number of crimes recorded by the police in 2019 are observed in such EU member states as: Great Britain – 6.54 million, Germany – 6.5 million, France – 4.11 million, Italy – 2.23 million, Spain – 2.18 million crimes. The lowest absolute indicators of the number of crimes registered in 2019 are in: Cyprus – 4.8 thousand, Malta – 17 thousand, Luxembourg – 26 thousand, Latvia – 49.3 thousand, Estonia – 53.3 thousand crimes [4].

Despite the rather optimistic trends in European crime, it should be noted that during 2017-2019, the number of convicts serving sentences in prisons increased in 17 of the 28 EU member states. At the same time, the number of police officers has increased in half of European countries during this period.

In the context of the crisis of EU migration policy, a significant increase in the number of illegal migrants trying to find employment in the most economically developed European countries, as well as an increase in property crimes, European authorities are trying to strengthen the response of criminal justice authorities to recent crime in Europe.

Speaking about crime in the banking sector, it should also be noted the growing intensity of the use of cryptocurrencies in banking crimes. The criminal business is doing well with the use of cryptocurrencies. Initially, the issues of using cryptocurrency were considered anonymous. Now there are tools that allow you to investigate quite well, track cryptocurrencies from the point of entry into the virtual world to the point of exit when they are exchanged for dollars, euro and other national currencies. However, there is a peculiarity that starts with the problems of national legislation.

The Central Bank of Sweden (Riksbanken) has realized that the possibility of using digital currency (e-krona) will be able to get close to the next launch. Sweden is not the lowest indicator for the sale of cheap pennies in the society – less than 10% of all payments. Also the purpose to introduce e-money in Sweden – to make unprepared calculations as safe and efficient as possible.

15% of American survivors are willing to use cryptocurrency and 60 % of them are ready to use their bank for investing in cryptocurrency. In the same way, in the United States, it is simpler for the people to buy and sell bitcoins and cryptocurrencies.

«Cryptorevolution» by a crocus planet. Vaughn does not bypass the side mayzhe zhodnu kraine svitu, dawning Ukraine. On May 8, 2021 the Verkhovna Rada made the step to the normalization of crypto assets. Basically, the fight against cryptocurrency victories is the price of the management of the fraudulent values. From commercial banks to the National Bank of Ukraine, there will be a lot of money for the permit of the issuance of cards with cryptocurrencies. But here the nutritional status of the high risk of such operations is determined, as well as the necessary procedures for financial monitoring.

Today, cryptocurrencies are considered the most attractive for investments. On November 22, 2021, the market capitalization (investment value) of the first five cryptocurrencies is as follows (table 1):

Table 1

TOP-5 leaders of market capitalization in cryptocurrency

№	The name of the cryptocurrency	Cost, \$ USA
1	Bitcoin (btc)	1 100 110 303 381
2	Ethereum (eth)	503 002 397 322
3	Binance Coin (bnb)	97 115 626 934
4	Tether (usdt)	73 961 208 297
5	Solana (sol)	67 254 772 124

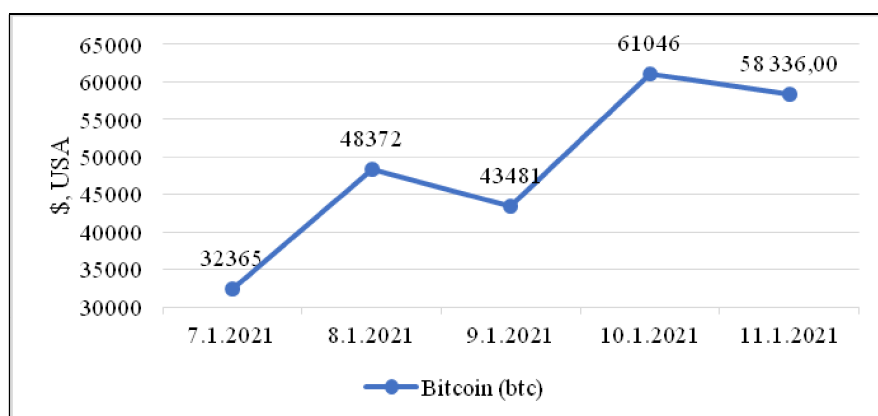


Fig. 3. Bitcoin exchange rate (btc)

The generous envelope of virtual assets in Ukraine is to become 1 billion UAH, and it's a matter of fact. Three countries also legalized crypto assets: Germany, Luxembourg and Singapore. The development of the Ukrainian market of virtual assets in the country can be deprived of the introduction of a change from the Tax Code of Ukraine, the current draft law is also on the list.

Conclusions. Thus, as the analysis and generalization of the leading modern approaches to crime prevention in the leading European countries show, the main element of this activity is not state punishment for committed crimes, but the expansion of private sector participation. Society is silent in all its manifestations. This concept should be based on:

- first, on a legal basis for crime prevention throughout Europe;
- secondly, on the criteria of economic feasibility, as it helps to save public spending on prevention through the use of free state aid;
- thirdly, it meets the requirements of these times, which are characterized by the humanization of criminal penalties and the expansion of prevention topics [4].

References

1. Report To The Nations. 2021 Global Study On Occupational Fraud And Abuse. URL : <https://www.acfe.com/report-to-the-nations/2021/#download>.
2. Рибальченко Л. В., Косиченко О. О., Рижков Е. В. Вплив тіньової економіки на економічну безпеку України. *Науковий вісник Дніпропетровського державного університету внутрішніх справ*. 2019. № 2. С. 175–183.
3. Інформаційно-консультаційна платформа. URL : <https://zakon.help> – Нацбанк розкрив 7 основних схем відмивання грошей банками.
4. Eurostat – Crime statistics. URL : http://ec.europa.eu/eurostat/statistics-explained/index.php/Crime_statistics#Total_recorded_crime.
5. Про національну безпеку України : Закон України від 21.06.2018. URL : <https://zakon.rada.gov.ua/laws/show/2469-19>.
6. Рівень злочинності у світі. URL : <https://visasam.ru/emigration/vybor/prestupnost-v-mire.html>.
7. Rybalchenko L., Ryzhkov E., Ohrimenco S. Modeling economic component of national security. *Philosophy, economics and law review*. 2021. Vol. 1, no. 1. P. 25–36.
8. Rybalchenko L., Ryzhkov E., Ohrimenco S. Economic crime and its impact on the security of the state. *Philosophy, Economics and Law Review*. 2021. Vol. 1, no. 2, P. 67–80.

Надійшла до редакції 30.11.2021

1. Report To The Nations. 2021 Global Study On Occupational Fraud And Abuse. URL : <https://www.acfe.com/report-to-the-nations/2021/#download>.
2. Rybal'chenko, L. V., Kosyuchenko, O. O., Ryzhkov, E. V. (2019) Vplyv tin'ovoyi ekonomiky na ekonomichnu bezpeku Ukrainy [Influence of the shadow economy on the economic security of Ukraine]. *Naukovyy visnyk Dnipropetrovs'koho derzhavnoho universytetu vnutrishnikh sprav*. № 2, pp. 175–183. [in Ukr.].
3. Informatsiyno-konsul'tatsiyna platforma [Information and consulting platform]. URL : <https://zakon.help> – Natsbank rozkryv 7 osnovnykh skhem vidmyvannya hroshey bankamy. [in Ukr.].
4. Eurostat – Crime statistics. URL : http://ec.europa.eu/eurostat/statistics-explained/index.php/Crime_statistics#Total_recorded_crime.
5. Pro natsional'nu bezpeku Ukrainy [On National Security of Ukraine] : Zakon Ukrainy vid 21.06.2018. URL : <https://zakon.rada.gov.ua/laws/show/2469-19>.
6. Riven' zlochynnosti u sviti. URL : <https://visasam.ru/emigration/vybor/prestupnost-v-mire.html>. [in Ukr.].
7. Rybalchenko, L., Ryzhkov, E., Ohrimenco, S. (2021) Modeling economic component of national security. *Philosophy, economics and law review*. Vol. 1, no. 1, pp. 25–36.
8. Rybalchenko, L., Ryzhkov, E., Ohrimenco, S. (2021) Economic crime and its impact on the security of the state. *Philosophy, Economics and Law Review*. Vol. 1, no. 2, pp. 67–80.

ABSTRACT

The article examines the economic crimes that occur in banking. A comparison of the crime rate in the world over the past three years. The consequences of fraud at domestic enterprises and in developed countries with a high level of economy are shown. The level of corporate fraud is rising because the level of detection of such crimes is very low and difficult to identify. Quite often, corporate fraud occurs in large enterprises, where the losses from criminal activity are significant. Fraud is a problem for all businesses and organizations through the criminal manipulation of money that is taken outside the state. It has been determined that banking most often suffers from the economic criminal actions of fraudsters who use illegal schemes to make payments through several countries, and such funds are no longer returned to the country.

The formation of the security system of banking institutions annually acquires special attention and significance at all levels of economic development of the state. The growth of economic crime in banking affects the level of risk. In order to create effective strategic approaches and directions to ensure a reliable level of protection and security of banking institutions, it is necessary to monitor security in the banking sector.

Keywords: *economic crimes, banking activity, shadow economy, fraud at the enterprise, crime rate.*