

Legalization Of Criminal Proceeds: National Risk Assessment Methods

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ANNOTATION: This article analyzes the issues related to assessing the risks of money laundering at the national level. It examines the factors that pose threats to the national economy and financial system, risk assessment methods, and preventive measures. Furthermore, the importance of legal measures, financial monitoring, and international cooperation in mitigating national-level risks is discussed.

KEYWORDS: Money laundering, risk assessment, financial monitoring, international cooperation, legal measures.

INTRODUCTION

Money laundering is one of the most serious threats to the global economy and national financial systems. This process involves introducing illegally acquired funds into the formal economy, leading to increased corruption, financial instability, and the growth of criminal activities. To mitigate these risks, countries are working to develop national-level risk assessment and effective monitoring mechanisms. This article discusses ways to assess risks related to money laundering, assessment methods, its impact on the national economy, and preventive measures.

MAIN PART: The legalization of criminal proceeds, commonly known as money laundering, is the process of disguising illegally obtained funds to make them appear legitimate. This practice poses a significant threat to economic stability and security, as criminals use financial institutions, investments, and offshore accounts to conceal illicit assets. A national-level risk assessment (NRA) helps governments:

Protect the national economy by preventing illicit financial flows;

Combat the financing of terrorism by disrupting illegal funding channels;

Ensure financial system stability by addressing corruption and fraudulent transactions;

Comply with international standards, such as those set by the Financial Action Task Force (FATF).

When assessing risks at the national level, the following factors are considered:

Transparency and security of the financial system

Trends in illicit financial transactions

Cross-border financial flows and related risks

Strength of the legal and institutional framework

Effectiveness of law enforcement agencies

Assessing the risks associated with the legalization of criminal proceeds at the national level is a crucial step toward ensuring economic and national security. The findings of such assessments help develop effective legal frameworks, enhance financial transparency, and align regulatory measures with international standards. Today's threats primarily include the increasing proliferation of weapons, drugs, human trafficking, and transnational illegal financial operations. These trends necessitate new measures to prevent and combat the legalization of criminal proceeds, the financing of terrorism, and the proliferation of weapons of mass destruction at an early stage. In line with the 2017–2021 Action Strategy for the development of the Republic of Uzbekistan and to

enhance the effectiveness of countering the legalization of criminal proceeds, the financing of terrorism, and the proliferation of weapons of mass destruction, the following steps have been undertaken:

Measures have been developed based on the requirements of United Nations Conventions, the Financial Action Task Force (FATF) standards, and the results of the national risk assessment regarding the legalization of criminal proceeds and the financing of terrorism.

Presidential Decree No. PF-5349, dated February 19, 2018, specifies in Clause 7, sub-clause "g" that the monthly additional payment for employees responsible for implementing and developing modern information technologies and communications in state bodies and other budgetary organizations must be set at no less than 100% of their base salary. To facilitate the establishment of the National Center for Countering the Legalization of Criminal Proceeds, the importation of equipment, technology, software, and other material and technical resources not produced domestically has been exempted from customs duties until January 1, 2023.

Amendments to the Criminal Code: Article 243 should be supplemented with a second part stating: "If a crime has caused material damage to individuals, legal entities, or the state, the remaining assets obtained through criminal activity shall be confiscated only after full compensation of the damages incurred." This amendment is necessary because, in judicial and investigative practice, confiscating criminal assets first—before compensating victims—can result in victims not receiving adequate restitution. The proposed amendment will strengthen the protection of the legal interests of victims and civil claimants (individuals, legal entities, and the state) by ensuring that the material damages they suffered are fully compensated before any confiscation of

illicitly obtained property.

The money laundering process generally consists of three stages:

Placement – Illegal funds are introduced into the financial system.

Layering – Multiple financial transactions are conducted to obscure the source of funds.

Integration – The funds appear to be legally obtained and are integrated into the formal economy.

The impact of money laundering on the economy includes:

Weakening economic stability.

Reducing trust in banks and financial institutions.

Increasing corruption and crime.

Decreasing state budget revenues.

The main methods of assessing risks at the national level include:

Sectoral analysis – Evaluating risk levels in sectors such as banking, financial institutions, gambling, real estate, and notary services.

Monitoring transactions – Identifying and analyzing suspicious financial operations.

Identifying high-risk sectors – Analyzing sectors with high cash turnover.

Mathematical modeling and forecasting – Using statistical analyses and artificial intelligence models to detect money laundering risks.

MEASURES TO MITIGATE RISKS:

Strengthening legislation – Implementing strict penalties against money laundering.

Enhancing financial monitoring – Ensuring that banks and financial institutions effectively monitor suspicious transactions.

Improving international cooperation – Collaborating with international organizations to detect and prevent high-risk financial operations.

Raising public awareness – Informing businesses and the public about the dangers of money laundering.

CONCLUSION: Assessing money laundering risks at the national level is crucial for combating financial crime. Effective monitoring, a strong legal framework, and international cooperation are key factors in addressing this issue. Governments must reinforce legislation, increase the responsibility of financial institutions, and strictly regulate high-risk sectors to prevent the integration of criminal proceeds into the legal economy.

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