

COUNTERING TERRORIST FINANCING THROUGH FINANCIAL INVESTIGATIONS: THE INTERNATIONAL SECURITY CONTEXT

Ronska O. G., Budnyk L. A., Blazhei I. O.

INTRODUCTION

In the current conditions of globalization, the issue of international security is gaining particular importance. One of the most serious threats to the world community remains terrorist activity and its financing. In the 21st century, terrorism has become a global phenomenon, closely related to the processes of money laundering, organized crime and financial crimes. Effective counteraction to such threats requires the use of various tools, among which financial investigations occupy a leading place. Thanks to them, it is possible to track, identify and block financial flows that can be used to support terrorist structures. Financial investigations play a key role in ensuring international security. Through financial analysis, special services are able to prevent terrorist acts and destroy the financial infrastructure of terrorist organizations.

Modern challenges require the integration of financial investigations into the global security system. Organizations such as FATF, the UN, the EU and Interpol emphasize the need for active use of financial monitoring mechanisms to counter terrorist threats.

In this context, establishing cooperation between states, the prompt exchange of financial information, and the coordination of investigations are extremely important.

Financial investigations have become not only a tool for internal security of individual countries, but also a component of international cooperation in the field of security. The use of modern technologies for analyzing financial flows significantly increases the effectiveness of identifying sources of terrorist financing. However, the complexity of money laundering and terrorist financing schemes requires constant improvement of financial investigation methods. It is also necessary to develop institutional mechanisms for cooperation between financial institutions, law enforcement agencies and international structures.

The formation of unified standards for financial monitoring in the fight against terrorism remains one of the priority tasks. The goal of financial investigations is not only to identify individual facts of terrorist financing, but also to destroy the sources and channels of financial support for terrorist

activities. Analysis of financial transactions helps to identify individuals, sources of funds and structures involved in terrorist activities. Financial investigations make it possible to obtain solid evidence for the criminal prosecution of terrorists and their accomplices.

Integration of financial analysis into the national security system is a necessity today. Financial information is becoming a tool not only for operational work, but also for strategic planning to combat terrorist threats. Specialists involved in financial investigations must have a high level of knowledge in the fields of law, finance, international standards and digital technologies. The effectiveness of such investigations largely depends on access to reliable financial information. The issue of legal regulation of access to financial data remains one of the key to increasing the effectiveness of investigations.

It is also important to introduce the latest information technologies for processing large volumes of data. Countering terrorist financing is no longer possible without the use of modern analytical platforms. Financial investigations are an integral part of preventing terrorist threats. Their importance is growing in the context of the active use of digital currencies and cyberspace to finance criminal activities. Financial analysis allows you to effectively respond to new technological challenges and minimize the risks associated with them. Thus, financial investigations are an important element of ensuring national and global security. Improving international cooperation in this area will contribute to increasing the effectiveness of the fight against terrorism.

The purpose of this study is to determine the role of financial investigations as a key tool in countering terrorist financing, analyze their impact on strengthening international security, and identify the main challenges and trends in the application of financial measures at the global level.

Financial monitoring and investigation have become an important element of the global security strategy. Research into the conceptual foundations of financial investigations helps to understand the mechanisms of terrorist financing and develop effective measures of influence. The development of effective financial investigations is a guarantee of peace, stability and economic security of both individual countries and the international community as a whole.

1. Theoretical foundations and practical experience of financial investigations in ensuring the economic security of the state

Based on the conducted research, it was found that the term “financial investigations” is widely used in the activities of international organizations created to combat money laundering, in particular FATF, CFATF and

others. In the Ukrainian context, this concept is relatively new. Although the concept of financial investigations is quite simple, its practical implementation can be complex and requires special training.

Financial investigations are an important tool for:

- identifying previously unknown main (predicate) crimes;
- identifying individuals and groups involved in committing such crimes;
- identifying sources of illicit enrichment.

This highlights the importance of making the most effective use of financial intelligence throughout the investigation process. According to the FATF Recommendations and their explanatory materials, financial investigation is understood as the investigation of financial links associated with criminal activities, with the aim of:

- determining the scope of criminal activity and the structure of criminal groups;
- identifying and tracing assets, proceeds of crime or funds that may be subject to confiscation;
- collecting evidence for further use in criminal proceedings¹.

However, financial investigations have a number of difficulties:

1. They require in-depth knowledge and long-term experience in the financial sector.
2. No institution is able to collect all the necessary information without interagency cooperation.
3. Constant changes, diversity and instability of the financial sector create additional challenges in conducting such investigations.

Effective financial investigations involve active interaction between all stakeholders: law enforcement agencies, specialized financial institutions and international partners.

The financial component of criminal activity is included in the scope of financial investigations as a special type of analysis. It is the verification of the financial component based on the appropriate methodology, technology and organization of work that can significantly help law enforcement agencies in detecting and investigating almost any crime related to the circulation of funds and conducting investigative actions in the form of financial information².

The FATF in its recommendations calls on states to appoint specialized investigators to investigate crimes related to money laundering and terrorist activities. The latest approaches involve the simultaneous conduct of

¹ Operational Issues – Financial Investigations Guidance. URL: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/operationalissuesfinancialinvestigationguidance.html>

² Лепський С. І. Зарубіжний досвід використання фінансових розслідувань у правоохоронній діяльності. *Право і суспільство*. № 2. 2014. С. 189–194.

financial investigations, involving national, international and interdisciplinary investigative teams. Although special attention is paid to the creation of trained “financial investigators”, each investigator must have the skills to work with financial evidence and understand its value for any criminal proceedings. In addition to high-profile cases, the investigation of financial aspects should also cover street crime, which requires a change in the usual approaches in the work of investigators and prosecutors. An important provision of the FATF Recommendations is to provide investigators with the opportunity to access all necessary documentation. This means the right to request financial documents and obtain relevant evidence. The organization also emphasizes the need to use a variety of investigative methods, including conducting covert operations, intercepting telephone conversations, accessing computer systems and organizing controlled deliveries.

FATF Recommendation 40 explicitly states that financial investigations are an effective tool for detecting previously undetected predicate offences and identifying individuals or entities involved. Therefore, countries should ensure that financial intelligence is actively used at all stages of the fight against crime. This involves the free exchange of relevant data between regulators, supervisors, law enforcement agencies and other competent bodies, in accordance with applicable national rules and procedures, with an emphasis on effectiveness rather than formality.

It also emphasizes that financial investigations should become an integral part of the overall strategy for combating crime. Countries should develop a comprehensive policy that recognizes financial investigations as a key element of law enforcement activities.

The FATF document “Guidelines on Operational Issues of Financial Investigations” states that financial investigations are defined as the investigation of financial relationships related to criminal activities. In other words, it is the detection of traces of crimes through the analysis of financial flows. Thus, the FATF considers financial investigations as an important tool in the hands of law enforcement agencies, which can significantly strengthen traditional methods of criminal investigations. Therefore, they need to be integrated into the broader context of law enforcement activities.

In general, financial investigations are understood as the collection, consolidation, comprehensive verification, audit of financial statements and tracking of financial transactions in order to detect illegal actions related to the receipt, use or distribution of funds, e.g. counterfeiting of securities or money, money laundering, fraud related to credit cards, violations of tax

legislation, etc³. The activities of state bodies engaged in financial investigations should include not only ensuring the economic security of the country, preventing, detecting and stopping economic offenses, including corruption crimes and cases of legalization of proceeds from crime. Their responsibilities should cover a much wider range of tasks related to the fight against crime in general.

The main tasks of financial investigation are:

1. Identification of illegally obtained income, conducting property searches and applying confiscation procedures with possible arrest or detention in appropriate circumstances. This includes:

– establishing the source of origin of funds or property obtained through illegal activities;

– tracking cash flows and the movement of assets related to illegal activities;

– determining the location, movement, changes in the condition or form of assets, the facts of their acquisition, use or possession;

– identifying property that may be subject to further confiscation.

2. Conducting preparatory proceedings within the framework of criminal cases on the legalization of criminal proceeds, if there are appropriate grounds, namely:

– identifying methods of masking the illegal origin of funds or property;

– exposing the activities of organized financial and economic groups, disrupting transnational criminal schemes, determining the types and characteristics of these schemes;

– identifying persons who own or control the relevant assets.

Financial investigation involves the systematic collection, comparative analysis and processing of information to support criminal prosecution and deprive criminals of their illicit income and resources to continue their criminal activities.

Effective investigation of financial crimes requires law enforcement officers to have free access to financial and other relevant information; conducting in-depth financial investigations that allow for the detection of additional crimes and assets acquired through criminal activity that may be subject to seizure or confiscation.

The principles of conducting a financial investigation include:

– the need to track the flow of money or other assets by comparing the facts about where the money and assets come from, who received them, when they received them, and how they were stored or invested;

³ Фінансові розслідування у сфері протидії легалізації злочинних доходів в Україні : метод. рек. [С. С. Чернявський та ін.]. Київ : Нац. акад. внутр. справ, 2017. 164 с.

- ensuring confidentiality, using open and closed sources of information in compliance with the restrictions and procedure established by law;
- professionalism, ensuring that financial investigations are conducted by investigators, detectives, agents, including specially trained ones, with financial investigations based on a specialized analysis of documents, which include accounts, financial statements, banking information, real estate data, and the movement of funds related to financial crimes and includes all information obtained from both internal and external sources, as well as during investigative or detective actions;
- systemic approaches, depending on the type and nature of the financial crime, consider the subject of the financial investigation as a system of interconnected elements and identify connections between them;
- objectivity in its conduct – the basis for conducting a financial investigation should be reliable and objective information, and the conclusions should be confirmed by appropriate quantitative (analytical) calculations;
- adequacy of methods and tools of financial investigations to modern trends in the development of the global financial system⁴.

Financial investigation can be described as the study of the interaction of individuals in the field of finance and business and the analysis of traces left by such contacts for use in law enforcement purposes.

The model of conducting financial investigations in law enforcement agencies may include:

- collection of financial intelligence for criminal proceedings;
- investigation of financial crimes and fraud;
- investigation of cases of money laundering and terrorist financing;
- identification, return and civil confiscation of proceeds of crime, taking into account the latest legislation.

Each of these areas requires the application of appropriate strategies and methods. Thus, financial investigation acts as a tool of the preparatory stage in criminal proceedings, focused on the analysis of the financial aspects of criminal activity. This involves a set of analytical and investigative measures to collect evidence, establish the volume of criminal activity, assess the profits received, funds used for criminal purposes, and property subject to arrest or special confiscation.

The decision to initiate a financial investigation in cases where it is necessary to track the activities of individuals is undoubtedly an important and useful stage in the investigation process. At the same time,

⁴ Посібник щодо деяких аспектів здійснення фінансових розслідувань (дослідження фінансових відносин). URL: [https://fiu.gov.ua/assets/userfiles/200/Typologies%20\(National%20Studies,%20Guidances%20etc\)/UKR_FINANCIAL%20INVESTIGATIONS%20MANUAL.pdf](https://fiu.gov.ua/assets/userfiles/200/Typologies%20(National%20Studies,%20Guidances%20etc)/UKR_FINANCIAL%20INVESTIGATIONS%20MANUAL.pdf)

there is a risk of abuse, when financial investigations can be used to collect compromising information, leading to human rights violations. Investigators should take into account the provisions of the ECHR and ensure that any violations of the rights provided for in Article 8 were duly justified, proportionate and in line with legitimate rights⁵.

The concept of parallel financial investigations has emerged in international practice and standards. This approach involves the simultaneous use of financial investigation tools during the preparatory investigation of both the main crime and crimes related to the legalization of proceeds from crime, the financing of terrorism or the commission of terrorist acts.

In accordance with FATF Recommendation 30, law enforcement agencies should actively implement parallel financial investigations into all predicate crimes related to money laundering and the financing of terrorism. Conducting a parallel investigation allows you to attract experience and knowledge from different areas, which significantly increases the overall effectiveness of uncovering criminal activity.

The essence of the concept is to create investigative groups, where responsibilities are divided: one part of the team investigates the main crime (for example, the manufacture of narcotics), and the other is engaged in the study of financial flows associated with the crime. Members of such a group periodically hold meetings to coordinate their actions and analyze the results achieved. The concept can be implemented both by forming specialized investigative units within law enforcement agencies and by involving existing departments specializing in financial investigations.

Parallel investigations help to identify all members of criminal groups, allowing for a better understanding of their structure and hierarchy, which opens up opportunities for bringing a wider range of individuals to justice.

Data, intelligence and evidence obtained in the course of parallel investigations can be shared between relevant structures. This allows for the efficient use of available resources and avoids duplication of effort. For example, wiretapping carried out as part of an investigation into a primary crime can simultaneously provide information on money laundering, which will allow for the application of appropriate judicial mechanisms for the seizure or confiscation of assets.

Financial investigations improve and facilitate the investigation of a predicate crime, as they reveal details of lifestyle, illicit enrichment and, depending on the country, can be used as circumstantial evidence (based on a court finding) that the only explanation is that the assets

⁵ Європейська конвенція з прав людини. URL: https://zakon.rada.gov.ua/laws/show/995_004#Text

originate from illegal activities, contributing to the establishment of sufficient evidence to bring an individual to justice⁶.

Thus, the concept of a “parallel financial investigation” involves conducting financial investigative measures simultaneously with a traditional criminal investigation into money laundering, terrorist financing or the underlying crime.

A financial investigation encompasses the analysis of financial transactions related to illegal activities, with the following main objectives:

- determining the size of criminal networks and the scope of the crime;
- identifying and tracing criminal proceeds, terrorist funds or other confiscated or potentially confiscated proceeds;
- providing evidence that can be used in criminal proceedings on criminal charges relating to both the underlying crime and the related crime of money laundering⁷.

The data obtained in the process of such an investigation may become the basis for the application of arrest measures and subsequent confiscation of assets. This is achieved through a comparison of facts and the collection of both direct and indirect evidence. Thanks to this approach, it becomes possible to identify the leadership of a criminal organization. Further useful material on financial investigation practice can be found in the Keys Hughes UK Financial Investigations Awards schemes⁸.

In criminal proceedings where the crime was accompanied by the receipt of illegal profits or property, a financial investigation must be carried out. However, due to the high resource intensity of such a process, it is necessary to take into account the level of public danger of the committed crime. Among the factors to be assessed are the severity of the offense, the amount of damage caused, the connection of the offense with corruption schemes, terrorist activities, threats to state security, drug trafficking, the activities of organized criminal groups or the participation of political figures. All these circumstances should be taken into account at the planning stage of the financial investigation.

⁶ Міжнародні стандарти боротьби з відмиванням коштів, фінансуванням тероризму і розповсюдженням зброї масового знищення. Рекомендації FATF. URL: <https://fiu.gov.ua/assets/userfiles/books/5%20round%20FATF.pdf>

⁷ Investigative strategies. URL: <https://www.college.police.uk/app/investigation/investigative-strategies/financial-investigation/changes>

⁸ UK Kees Hughes Financial Investigation Awards Program. URL: <https://altia-abm.com/keith-hughes-awards-winners-2019/>

2. Financial investigations in the framework of combating money laundering and terrorist financing: legal and organizational aspects of financial monitoring

Analysis of the regulatory and organizational foundations of financial investigations in the financial monitoring system is extremely important for scientists today, as it has both theoretical and practical significance. The regulatory framework in this area is the Law of Ukraine “On Prevention and Counteraction to the Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction” and other legislative acts, including subordinate regulatory documents of the Cabinet of Ministers of Ukraine, regulating financial monitoring issues.

According to the aforementioned Law, the Ukrainian financial monitoring system has a two-tier structure. Detection and control of suspicious financial transactions are carried out by both subjects of primary financial monitoring – financial institutions and state authorities – through state monitoring mechanisms. All participants in the financial market are obliged to identify persons involved in suspicious transactions, register such cases and immediately transfer information to the authorized state body⁹.

The Ukrainian financial monitoring system covers not only all financial service providers, but also certain other basic and specialized entities. It is based on the interaction of numerous ministries, departments and regulatory bodies, each of which has a clearly defined role. Overall coordination is provided by the State Financial Monitoring Service of Ukraine and the Ministry of Finance of Ukraine. An important role in supervision and regulation is also played by the National Bank of Ukraine and the National Securities and Stock Market Commission, which control the activities of financial institutions and legal entities providing financial services.

The functioning of the State Financial Monitoring Service is not limited to the collection and analysis of data on suspicious transactions; this body also transfers generalized information to law enforcement agencies in the presence of signs of criminal activity related to money laundering or terrorist financing.

In accordance with international standards, the State Financial Monitoring Service actively cooperates with relevant institutions of other countries, exchanging information on cases of money laundering. It also

⁹ Про запобігання та протидію легалізації (відмиванню) доходів, одержаних злочин шляхом, фінансуванню тероризму та фінансуванню розповсюдження зброї масового знищення: Закон України від 06.12.2019 № 361-IX. *Голос України*. 2019. 28 грудня. № 251.

maintains ties with organizations such as FATF and participates in international initiatives to combat the legalization of criminal proceeds¹⁰.

The construction of an effective national financial monitoring system is based on a strategic approach, which envisages the activities of the State Financial Monitoring Service as a central coordinating body¹¹.

The socio-economic transformations in Ukraine are focused on modernizing the financial system in accordance with international standards in the field of combating the legalization of criminal proceeds and the financing of terrorism. The legalization of illegal funds remains a phenomenon that is constantly evolving, so law enforcement agencies

in different countries are continuously adapting their methods to new challenges. After the terrorist attacks in New York in September 2001, the issue of combating the financing of terrorism has gained particular importance. In recent years, there has been an increase in the activity of terrorist groups around the world, which requires constant analysis and development of effective countermeasures¹².

Creating a reliable system for preventing money laundering and terrorist financing requires a developed legal framework that would comply with international standards and principles of the FATF, which develops policy solutions in this area and supports their implementation at the global and national levels¹³.

Strengthening the requirements of the FATF, the World Bank and the International Monetary Fund is a logical response of the international community to the need for a more effective fight against financial crimes and terrorist threats.

The penetration of funds obtained through criminal means into legal business poses serious threats to the development of entrepreneurial activity, can destabilize the financial and currency systems and lead to a decrease in the well-being of the population. One of the most developed areas in Ukraine is financial monitoring in the banking sector, since this tool allows for timely identification of risk factors for the stability of banking

¹⁰ Економічна безпека та фінансові розслідування: концепти, прагматика, інструментарій забезпечення : колективна монографія / за заг. ред. д.е.н., доц. Вівчар О. І. Тернопіль : Економічна думка, 2019. 395 с.

¹¹ Про схвалення Стратегії розвитку системи запобігання та протидії легалізації (відмиванню) доходів, одержаних злочинним шляхом, фінансуванню тероризму та фінансуванню розповсюдження зброї масового знищення на період до 2020 року: Розпорядження Кабінету Міністрів України від 30 грудня 2015 р. № 1407-р. URL: <http://zakon2.rada.gov.ua/laws/show/1407-2015-p>

¹² Коротюк В., Карманов Є. Деякі аспекти правового регулювання боротьби з відмиванням грошей у банківській системі. *Все про бухгалтерський облік*. 2011. № 56. С. 17–19.

¹³ Група з розробки фінансових заходів боротьби з відмиванням грошей (FATF) URL: <https://fiu.gov.ua/pages/dijalnist/mizhnarodne-spivrobitnictvo/mizhnarodni-organizaci/grupa-z-rozrobki-finansovix-zaxodiv-borotbi-z-vidmivannyam-groshej-FATF.html>

institutions, in particular due to their possible involvement in money laundering processes¹⁴. The development of computer technologies and digital solutions has opened up new opportunities for financial institutions in terms of legalization of illegal income. The creation of duty-free zones has also contributed to tax evasion and legalization of criminal funds¹⁵.

The intensive expansion of international financial ties has led to the need to control the movement of financial flows. Most countries in the world agree that combating money laundering is an extremely complex task that requires effective state control. This requires the development of financial investigation systems that must adapt to the specifics of national legislation. As part of the harmonization of the Ukrainian legal framework with international standards, a special national financial supervision body was created. An example of the successful functioning of such services is the experience of Lithuania¹⁶.

According to the Law of Ukraine “On Prevention and Counteraction to the Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction”, financial monitoring is defined as a set of measures applied by entities of primary and state monitoring to prevent the legalization of criminal proceeds and the financing of terrorism¹⁷.

Analysis of Ukrainian legislation in this area indicates the functioning of a two-level system of financial monitoring – at the primary (base) and state levels. Domestic and foreign scientists, including E. Dmytrenko, M. V. Dubina, N. Dondyk, O. Zhabynets, V. Kovalenko, I. Kolomiyets, G. Krip, A. Lytvynenko, N. Moskalenko and others, are actively researching the essence of financial monitoring.

Analysis of different scientific approaches shows that there are different interpretations of this concept, which indicates the need for further in-depth research. In particular, M. V. Dubina distinguishes process, management and structural approaches to understanding financial monitoring¹⁸. Although

¹⁴ Єгоричева С. Б. Організація фінансового моніторингу в банках : навч. посіб. Київ : Центр учбової літератури. 2014. 292 с. 112.

¹⁵ Конєва І. Зарубіжний досвід боротьби з відмиванням коштів, отриманих у результаті злочинної діяльності. *Тенденції української економіки*. 2014. № 5. С. 11–16.

¹⁶ Міністерства фінансів Республіки Литви та України організують Координаційний комітет для реалізації реформи ДФС та створення Служби фінансових розслідувань. URL: <https://mof.gov.ua/uk/news/ministerstva-finansiv-respubliki-lytvyy-ta-ukrainy-organizovuyut-koordinatsiyni-komitet-dlia-realizatsii-reformy-dfs-ta-stvorennia-služby-finansovykh-rozsliduvan>

¹⁷ Дмитренко Е. Роль фінансового моніторингу у мінімізації латентності злочинів, передбачених статтями 209 та 209-1 Кримінального кодексу України. *Науковий часопис Національної академії прокуратури України*. 2019. № 1. С. 43–49.

¹⁸ Дубина М. В. Дослідження змісту дефініції «фінансовий моніторинг». *Проблеми і перспективи економіки та управління*. 2015. № 3. С. 253–258. URL: http://nbuv.gov.ua/UJRN/ppou_2015_3_35

these approaches differ in emphasis, they do not contradict each other and can be used for a comprehensive analysis of the essence of financial monitoring. The most suitable seems to be the process approach, which considers financial monitoring as a process of identifying suspicious financial transactions and taking measures to prevent the legalization of criminal proceeds and the financing of terrorism.

To better understand the specifics of financial monitoring, it is necessary to pay attention to its main goal – the fight against money laundering and the financing of terrorist activities. The money laundering process can be implemented through two-phase, three-phase and four-phase models. Financial institutions, in particular banks, can become a tool for the legalization of illegal income, which creates significant risks for both individual institutions and the financial services market as a whole.

Despite measures to prevent and combat money laundering, the threat to economic and political security remains significant, which requires improving technological controls, in particular through mechanisms of financial investigations of law enforcement agencies and financial intelligence services.

In accordance with Ukrainian legislation, the State Financial Monitoring Service collects, analyzes and processes information on suspicious financial transactions and, if there are sufficient grounds, transfers summarized materials to law enforcement agencies for further investigations. At the initial stage of data processing, the State Financial Monitoring Service also carries out financial investigations, which are subsequently transferred under departmental competence.

The Financial Intelligence Unit of the State Financial Monitoring Service cooperates with law enforcement agencies to verify the activities of primary financial monitoring entities in the event of violations in the field of preventing money laundering and terrorist financing.

According to FATF standards, financial monitoring should perform three main functions: identification of participants in financial transactions, recording of data on suspicious transactions and informing a specially authorized body. Researchers point out that the methods of implementing these functions are not regulated in detail by international standards¹⁹. At the same time, in many countries, financial monitoring entities carry out a set of measures aimed at identifying clients, documenting their financial transactions and transmitting information on suspicious transactions to competent authorities.

¹⁹ Фінансовий моніторинг : навч. посібник / укл. Е. О. Юрій, О. М. Грубляк. Чернівці : Чернівець. нац. ун-т ім. Ю. Федьковича, 2025. 368 с.

Financial monitoring is carried out in order to identify transactions related to the legalization of criminal proceeds, which constitutes a crime, and the fight against crime is a state responsibility. It is important to note that banking institutions are the main sources of information on financial transactions subject to monitoring, which emphasizes their key role in the fight against money laundering, terrorist financing and the proliferation of weapons of mass destruction. Based on the results of the inspections, banks independently prepare reports and proposals for consideration by the supervisory board or the head of the foreign bank branch²⁰.

Modern research is actively aimed at finding innovative IT solutions to improve the efficiency of internal systems for combating money laundering and terrorist financing in banks. One of the methods of preventing criminal activity is the use of early warning systems, especially in the credit sector²¹. This requires the development of unified approaches to risk analysis and the creation of effective risk management mechanisms in the field of financial investigations. Using risk assessment, the National Bank of Ukraine should identify potential problems in the activities of banks and in the banking system as a whole.

An important component for both the organization of the financial monitoring system in banks and the regulatory support of financial investigations are internal documents developed taking into account the requirements of Ukrainian legislation, regulatory acts of the National Bank of Ukraine, the State Financial Monitoring Service, as well as the recommendations of the FATF and the Basel Committee on Banking Supervision²².

When building an effective system of financial investigations, it is necessary to take into account typical shortcomings, in particular the minimum threshold for mandatory monitoring, which creates loopholes for criminals. The rapid evolution of technologies and methods of money laundering requires regular updating of typologies and improvement of risk assessment criteria. It is also necessary to promptly adapt monitoring systems to new schemes of financial crimes.

Further development of the financial monitoring system in Ukraine involves its adaptation to international standards, increased cooperation with law enforcement agencies and the judiciary. The National Bank

²⁰ Безродна О. С., Лесик В. О. Теоретико-методичні аспекти оцінювання фінансової стабільності банківської системи. *Проблеми економіки*. 2017. № 2. С. 251–262.

²¹ Касаткіна Т., Плахота А. Аналіз бізнес-моделей банків у рамках Supervisory review and evaluation process (SREP). 2018. URL: <https://bank.gov.ua/doccatalog/document?id=69900832>

²² Документи Базельського комітету з банківського нагляду. URL: http://www.sdfm.gov.ua/articles.php?cat_id=535&art_id=587&lang=uk

of Ukraine carries out inspections of banking institutions for compliance with financial monitoring requirements. Among the most frequent violations detected are untimely identification of high-risk clients, failure to identify persons who have a significant stake in legal entities. Sanctions are applied for detected violations, including warnings and other measures of influence.

Thus, the financial monitoring management system in the banking sector is at the stage of active development and requires further research, as well as the development of applied recommendations in the field of risk management.

In the international arena, there are specialized organizations that develop principles and standards for effective combating money laundering and terrorist financing. Each state forms its own system of measures that must meet international requirements. The State Financial Monitoring Service of Ukraine actively cooperates with international structures in this area.

In the scientific literature, three main models of organizing financial monitoring are distinguished: a ban on large cash transactions without the participation of a professional intermediary, mandatory reporting of large financial transactions, and reporting of suspicious transactions²³. Ukraine uses a mixed model and is currently considering the possibility of reducing the criteria for mandatory monitoring and increasing the volume of notifications to authorized bodies.

Many countries have established special bodies to verify the legality of financial transactions in relation to the requirements of anti-money laundering legislation. Most of these bodies appeared in the 1990s, the first example being the Australian Centre for Financial Reporting and Analysis in 1989. The bodies may be subordinate to governments or ministries of finance. According to a study by the Utrecht School of Economics (Netherlands), about 2.8 trillion US dollars are laundered annually in the world²⁴.

As regards combating the financing of the proliferation of weapons of mass destruction, Ukraine faces particularly difficult challenges, so the experience of foreign financial institutions in this area is of great importance for national practice. Studying international experience makes it possible to identify promising directions for the development of the Ukrainian financial monitoring system, in particular by borrowing

²³ Смагло О. (2021). Функціонування системи фінансового моніторингу в Україні. *Економіка та суспільство*. 2021. № 26. URL: <https://doi.org/10.32782/2524-0072/2021-26-28>

²⁴ Керівництво FATF щодо використання ризик-орієнтованого підходу для банківського сектора. URL: http://www.sdfm.gov.ua/content/file/Site_docs/2016/20160805/rek%201.pdf

the practices of countries such as Finland, which has effectively implemented the responsibility of authorized bodies for the initial stage of financial investigation²⁵.

Effective fight against money laundering, terrorist financing and proliferation of weapons of mass destruction is possible only under conditions of active international cooperation, regular exchange of information and constant improvement of the methodology of this activity. Intensive development of technologies, in particular automation in the world economy, necessitates the prompt identification of new threats and the development of appropriate methods for their measurement, prevention and minimization.

To more accurately determine the factors that affect the level of money laundering risk, an analysis of indicators was conducted that help establish the internal structure of relationships in the system of financial transactions. This made it possible to reduce the dimensionality of the description of economic processes and highlight the most significant indicators. Preliminary results of factor analysis demonstrated that at the current stage of financial institutions' activities, not all criteria for assessing the risk of using their services for money laundering are equally informative and relevant (factor loading less than 0.7). This applies, for example, to indicators such as the share of transactions registered by internal monitoring, the share of transactions for which it was decided not to report to the State Financial Monitoring Service, the number of violations detected, the average monthly volume of payments for the purchase of agricultural products or deposits of funds by individuals.

Given the requirements of factor analysis, further research should use explanatory factors that cover at least 75% of the variance [26].

Factor analysis is a set of techniques that allow moving from initial data on suspicious financial transactions to grouping key influential factors. The study shows that about 19% of the money laundering risk is due to the quality of customer identification by financial institutions. Cash transactions in national currency affect the risk by 23%. Transfers of foreign currency abroad, often through fictitious contracts, determine about 25% of the risk. In addition, two additional factors related to cash withdrawals were identified, which form 5% of the total risk, and a factor reflecting the quality of accounting, with an impact of 4%²⁶.

²⁵ Щербина В. С. Використання світового досвіду у побудові національної системи фінансового моніторингу в Україні. *Сучасні проблеми фінансового моніторингу* : збірник матеріалів IV Всеукраїнської науково-практичної конференції (10 квітня 2015 р.). Х. : ХНЕУ ім. С. Кузнеця, ТО Ексклюзив. 2015. С. 44–46.

²⁶ Сучасні економіко-правові ризик-орієнтовані засоби регулювання розвитку ринку фінансових послуг : монографія (за редакцією Н. М. Внукової, С. В. Глібка). Харків : ТОВ «ПромАрт», 2020. 305 с.

Factor analysis is an important tool to complement probabilistic risk assessment methods and provides higher accuracy of express analysis. Financial institutions that are subjects of primary financial monitoring should focus on controlling the identified risk factors, since appropriate organizational, analytical and methodological tools have already been developed for them.

However, the development of financial monitoring in Ukraine is hampered by economic instability, which contributes to an increase in the risks of money laundering and terrorist financing. To overcome these challenges, it is necessary to provide state support, create appropriate institutional conditions and stabilize the country's financial system.

A promising direction for improving the financial monitoring system is to solve the problem of the lack of qualified personnel and regulate the criteria that define financial services as having a high risk of money laundering. In addition, the risk management system in financial institutions should be improved to monitor the interim results of risk assessment and increase the preventive readiness of institutions for potential inspections or investigations.

CONCLUSIONS

Financial investigations play an important role in countering terrorist financing in the context of international security. They allow for timely identification, disruption and elimination of financial channels of support for terrorist groups. In the context of globalization, financial investigations have become a key component of the international security system. The analysis shows that financial monitoring is an effective tool for destroying the economic basis of terrorist structures. Achieving real results is possible only through international cooperation, exchange of financial information and coordinated actions of competent authorities. Financial investigations help not only to expose individuals involved in terrorist financing, but also to identify sources and ways of receipt of funds. Information obtained during financial analysis is of great importance for the criminal prosecution of terrorist organizations.

At the same time, the effectiveness of investigations directly depends on the quality of access to financial data and the appropriate qualifications of personnel. Continuous improvement of approaches to financial analysis is a necessary condition in conditions of dynamic changes, in particular in the field of digital technologies. The fight against money laundering through the latest electronic tools and digital assets requires special attention.

Further development of financial monitoring involves closer international cooperation and harmonization of legal standards. International

organizations, in particular FATF, are forming the basic principles of combating terrorist financing at the global level. The use of factor analysis in financial investigations significantly increases the accuracy of identifying risky transactions. Identification of the main risk factors helps financial institutions respond to threats in a timely manner.

The use of automated analytical systems has significant potential for increasing the effectiveness of financial monitoring. Only through digitalization can complex and multi-level financial schemes of terrorists be effectively countered.

Financial investigations should be considered as one of the priority areas of state policy in the field of national security. Their integration into the national system of measures to counter terrorism should become a prerequisite for ensuring stability. Deepening international cooperation in financial monitoring is a determining factor in strengthening global security. Thus, financial investigations play one of the leading roles in preventing and disrupting terrorist financing at the global level.

SUMMARY

The role of financial investigations in countering terrorist financing in the context of globalization is studied. The main international standards and practices in the field of detecting and stopping illegal financial flows are analyzed. The activities of international organizations, such as FATF, the UN and the EU, in strengthening financial security are considered. Special attention is paid to the legal mechanisms of interaction between states in the field of exchanging financial information. Key challenges associated with the use of the latest technologies for financing terrorist activities are identified. The need to improve national financial monitoring systems in accordance with international requirements is substantiated. The author emphasizes the importance of interagency and international coordination of efforts. Directions for increasing the effectiveness of financial investigations in the field of countering terrorism are proposed. The article is of practical importance for specialists in the field of security, law and financial monitoring.

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Information about the authors:

Ronska Olga Grygorivna,

Ph.D. in Economics,
Associate Professor of the Department of Security
and Law Enforcement
West Ukrainian National University
11, Lvivska str., Ternopil, 46004, Ukraine

Budnyk Liudmyla Andriivna,

Ph.D. in Economics, Associate Professor,
Associate Professor of the Department of Security
and Law Enforcement
West Ukrainian National University
11, Lvivska str., Ternopil, 46004, Ukraine

Blazhei Iryna Olegivna,

Ph.D. in Economics,
Lecturer of the Department of International Economic Relations
West Ukrainian National University
11, Lvivska str., Ternopil, 46004, Ukraine