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The Role of Financial Monitoring in Ensuring The Economic Security Of The Russian Federation

El papel del seguimiento financiero para garantizar la seguridad económica de la Federación de Rusia

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**Aleksandr Viktorovich Grinenko**

Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs, Moscow, Russia.

Email: [aavgrinenko@yandex.ru](mailto:aavgrinenko@yandex.ru)

ORCID: <https://orcid.org/0000-0002-9996-2714>

**Irina Viktorovna Filatova**

Moscow State University of the Ministry of Internal Affairs of Russia named by V. Ya. Kikot, Moscow, Russia.

Email: [irina.v.filatova@yandex.ru](mailto:irina.v.filatova@yandex.ru)

ORCID: <https://orcid.org/0000-0002-0286-8829>

**Valentina Marifovna Shagunova**

Lipetsk Branch of the Russian Academy of National Economy and Public Administration under the President of the Russian Federation, Lipetsk, Russia.

Email: [valentina.shagunova@yandex.ru](mailto:valentina.shagunova@yandex.ru)

ORCID: <https://orcid.org/0000-0002-9454-7124>

**Alexander Viktorovich Rudenko**

Kuban State University, Krasnodar, Russia.

Email: [rudenkoalex@mail.ru](mailto:rudenkoalex@mail.ru)

ORCID: <https://orcid.org/0000-0002-4410-4093>

**Denis Nikolaevich Lozovsky**

Kuban State University, Krasnodar, Russia.

Email: [dlozovsky@mail.ru](mailto:dlozovsky@mail.ru)

ORCID: <https://orcid.org/0000-0002-9335-8858>



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## **Resumen**

Los autores justifican la relevancia de este artículo por el hecho de que en relación con la presencia constante de delitos en el ámbito financiero y su gradual migración del ámbito financiero al no financiero, existe la necesidad de ampliar las herramientas y métodos de gestión financiera. el monitoreo en el marco del sistema nacional ALD / CFT en términos de búsqueda de nuevas formas de intercambio de información, así como el desarrollo de actividades de control y supervisión en el área ALD / CFT en el marco de un enfoque basado en riesgos. Con base en los resultados obtenidos, los autores llegan a la conclusión de que es posible mejorar la organización del monitoreo financiero y expandir sus herramientas en el marco de la NS ALA / CFT, como un elemento importante del sistema para garantizar la seguridad económica de Rusia. a través de la modernización y mejoramiento de los mecanismos de evaluación y manejo de los riesgos de LA / FT y la interacción de información entre los sujetos del sistema de contramedidas de LA / FT, así como con las fuerzas del orden en la investigación de delitos.

**Palabras clave:** Seguridad Financiera, Control Financiero, Investigación De Delitos Económicos, Interacción Con Unidades Operativas E Investigadoras De Las Fuerzas Del Orden.

## **Abstract**

The authors justify the relevance of this article by the fact that in connection with the constant presence of offenses in the financial sphere and their gradual migration from the financial to the non-financial sphere, there is a need to expand the tools and methods of financial monitoring within the framework of the national AML/CFT system in terms of searching for new forms of information exchange, as well as the development of control and supervisory activities in the area of AML/CFT within the framework of a risk-based approach. Based on the results obtained, the authors come to the conclusion that improving the organization of financial monitoring and expanding its tools within the framework of the AML/CFT NS, as an important element of the system for ensuring the economic security of Russia, is possible through the modernization and improvement of

mechanisms for assessing and managing ML/TF risks and information interaction between the subjects of the ML/FT countermeasures system, as well as with law enforcement agencies in the investigation of crimes.

**Keywords:** Financial Security, Financial Control, Investigation Of Economic Crimes, Interaction With Operational And Investigative Units Of Law Enforcement Agencies.

## **Introduction**

Financial monitoring used in the diagnosis of economic security is based on the analysis of threats to the country's interests in the economic sphere and is an information and analytical system of constant monitoring the dynamics of safety indicators and their barrier (threshold) values. The main goal of the financial monitoring mechanism in this area of ensuring economic security is the timely identification and prevention of dangers that threaten the state in the field of economy and finance.

## **Materials and Methods**

The methodological and theoretical framework of this paper are the sociological and managerial scientific concepts of public administration and the implementation of financial monitoring in combating money laundering and the financing of terrorism in modern society. The study was based on logical and deductive methods and the systematic approach, which made it possible to determine the elements of the financial monitoring system and investigate the ongoing changes in the practice of solving optimization problems and increasing the efficiency of financial monitoring in Russia.

The use of a risk-based approach made it possible to identify criteria for assessing potential risks for making informed managerial and control decisions, as well as formalizing financial monitoring procedures for the subjects of primary financial monitoring and the subject of state financial monitoring (Rosfinmonitoring).

The study used the concepts, provisions and conclusions contained in the works of Russian and foreign sociologists, economists and legal scholars researching the problems of financial monitoring and combating money laundering and the financing of terrorism. The research of this problem became possible also with the help of complex analysis, theoretical modeling, comparative analysis and synthesis.

The use of the formal legal method made it possible to characterize the existing situation associated with a number of problems arising in the practical plane of the activities of state bodies and officials exercising financial control.

### **Result and discussion**

The main tasks of financial monitoring of economic security are: prompt provision of government bodies of the Russian Federation and its subjects with information on the state of threats to economic security, their nature, possible consequences, as well as forecasts in this area; information interaction of all authorities; control over the state of threats to economic security.

The subjects of financial monitoring are the executive authorities, which are entrusted with the functions of general economic analysis of the state of the country's economy as a whole and its individual spheres and the responsibility for the development and implementation of long- and medium-term documents that determine the development of the country, for example, the Security Council of the Russian Federation, the Ministry of Economic Development of the Russian Federation, etc.

The objects of financial monitoring are threats to economic, including financial security, as well as the factors causing them.

Monitoring of the issues of the law enforcement practice proves the need for the preparation of scientific works, the result of which is the development of theoretical and

legal provisions aimed at improving financial monitoring in the system of state financial control (Ivanov et al., 2020a; 2020b).

Thus, it can be concluded that the mechanism of financial monitoring enables the monitoring subjects to obtain the necessary up-to-date information about the object of observation (control) for making informed management decisions. That is, financial monitoring carries the functions of information support for the management process, which is also one of the main and final procedures of the financial monitoring mechanism. This management consists of exercising influence on controlled entities of financial monitoring or on its objects in order to achieve the goals of applying financial monitoring using measures and methods of management (issuance of appropriate orders, regulations, implementation of risk management measures, etc.).

In addition, financial monitoring carries with it control functions, monitoring (observing) the actions of controlled entities or changes in the object of financial monitoring after the application of managerial influences in order to control the implementation of the adopted management decisions or the results of such influences. Thus, feedback is provided between the object and the subject of monitoring, which makes it possible to correct the decisions made. This increases the efficiency of management and makes it possible to solve the necessary tasks, to achieve the set goals in various areas of the economy.

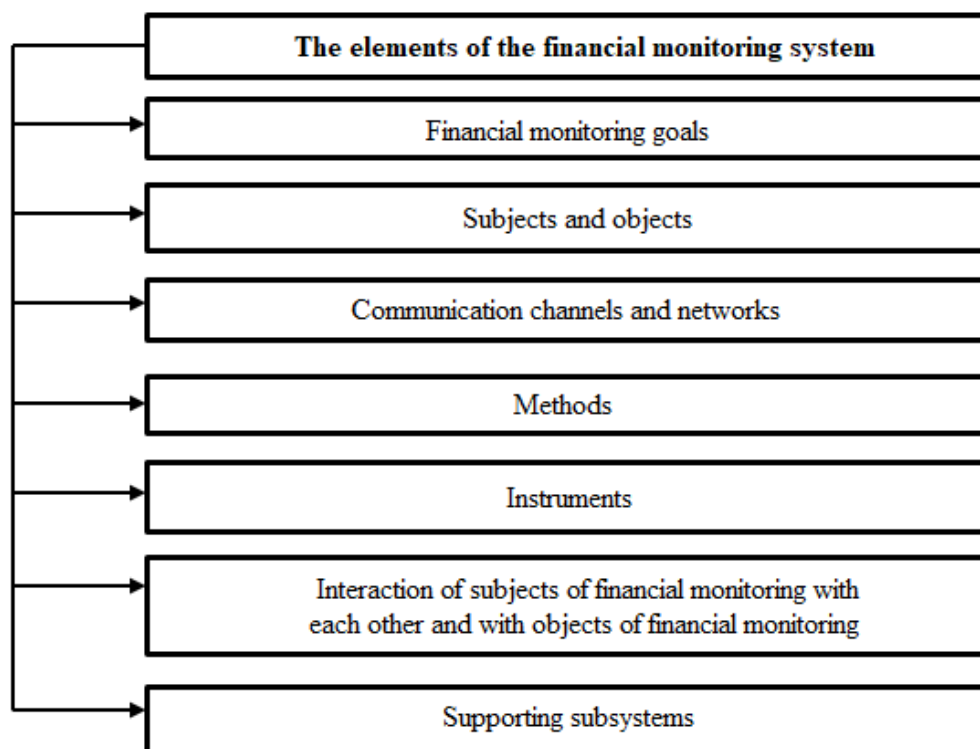
An important element of the financial monitoring mechanism is the indicators of economic security - indicators used in the diagnosis of economic security, as well as their threshold values that determine the boundaries of the risk zone for economic phenomena and processes.

Art. 265 of the Budget Code of the Russian Federation establishes the types of state financial control. These are external and internal, preliminary and subsequent financial control. The analysis made it possible to establish what place is given to financial monitoring, including its tools - observation and analysis, in the financial control system and to establish two key areas of ensuring economic security, where the use of the

financial monitoring mechanism is most relevant: diagnostics of national economic security and suppression of illegal financial operations that are due to the presence of relevant threats, both in general and in certain significant sectors of the economy, for example, in the in the credit, banking and financial sphere of the Russian Federation (Pushkarev et al., 2020b).

Based on the findings, a financial monitoring mechanism was disclosed at the level of a unified system, which includes a set of interrelated elements endowed with specific content and having a specially organized interaction, implemented on a multi-stage basis (Figure 1). In our opinion, financial monitoring should be viewed as a method of financial control necessary for the government or subjects of financial control to exercise control functions in the system of managing economic processes.

**(Figure 1):** Elements of a financial monitoring system



Source: compiled by the authors

From our point of view, the main advantage of financial monitoring over other generally accepted methods of financial control (audit, examination, examination, verification) is that monitoring (observation) is carried out constantly, and not periodically.

These methods of financial control, in contrast to financial monitoring, record the results of the financial activities of the controlled entity. Financial monitoring is focused on the very process of carrying out activities, on constant monitoring of financial operations, their features. It records the current, intermediate results of this activity, which are not taken into account by other control methods due to the inconsistency of the conduct and time constraints.

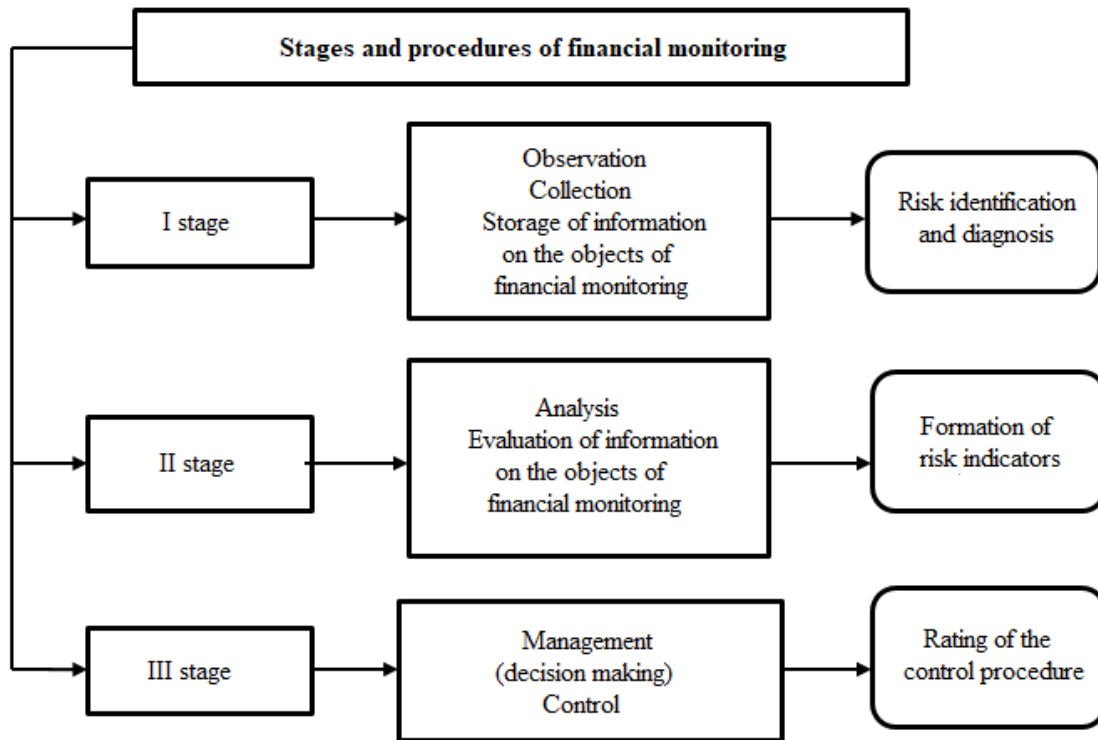
It should be borne in mind that the main stages of financial monitoring include, in addition to traditional procedures, procedures related to risk identification, which is determined by the general approaches laid down by international organizations, in particular the FATF (Magomedova, 2014, p. 124; Pushkarev et al., 2020a, p. 330-331).

In our opinion, in contrast to traditional financial monitoring procedures, including the observation and assessment of information about objects, the use of a risk-based approach allows identifying criteria for assessing potential risks for making informed management and control decisions, as well as formalizing financial monitoring procedures for primary entities. financial monitoring and the subject of state financial monitoring (Rosfinmonitoring).

Financial monitoring reinforces mutual ties between controlling entities and controlled (controlled) entities of financial control and monitoring, taking into account the degree of risk, which allows you to create special ties and form financial control relationships. In addition, they make it possible to carry out the risk management process in the financial and economic sphere. It is also important to note that traditional methods of financial control perform the task of identifying already committed mistakes, violations and abuses in financial activities. But the purpose of financial control is not only to identify these violations, but also to identify the source of risk, thereby preventing its possible occurrence

in the future, using feedback from controlled entities. This task is solved by financial monitoring. Constant and continuous monitoring of financial transactions and phenomena makes it possible to identify those areas of financial activity, where the commission of abuses and offenses is possible, to identify the typology of offenses. After that, state bodies, having considered the results obtained using financial monitoring, with the help of economic and legal levers, can eliminate the gaps in the legislative regulation of the necessary areas of financial activity. Thus, preventing the very possibility of committing abuse and delinquency in the future.

(Figure 2): Stages and procedures of financial monitoring using a risk-based approach



Source: compiled by the authors

Thus, one of the new and at the same time effective areas of combating economic crimes in the financial sector is a risk-oriented approach in establishing new areas of activity for economic entities, where there are increased risks of cases of money laundering. This approach allows us to concentrate efforts to counter the attempts of criminal elements to



launder their “dirty” profits in areas that do not have sufficient necessary legal regulation to suppress illegal actions.

Not being a separate management function, financial monitoring should be considered as a method of financial control necessary for the government or entities of financial control to exercise supervisory functions in the context of constantly performed control actions and procedures for monitoring, analysis and evaluation in order to determine current changes in the observed processes of movement. funds occurring in the financial and economic sphere, as well as generalization of information to identify and prevent abuse and delinquency.

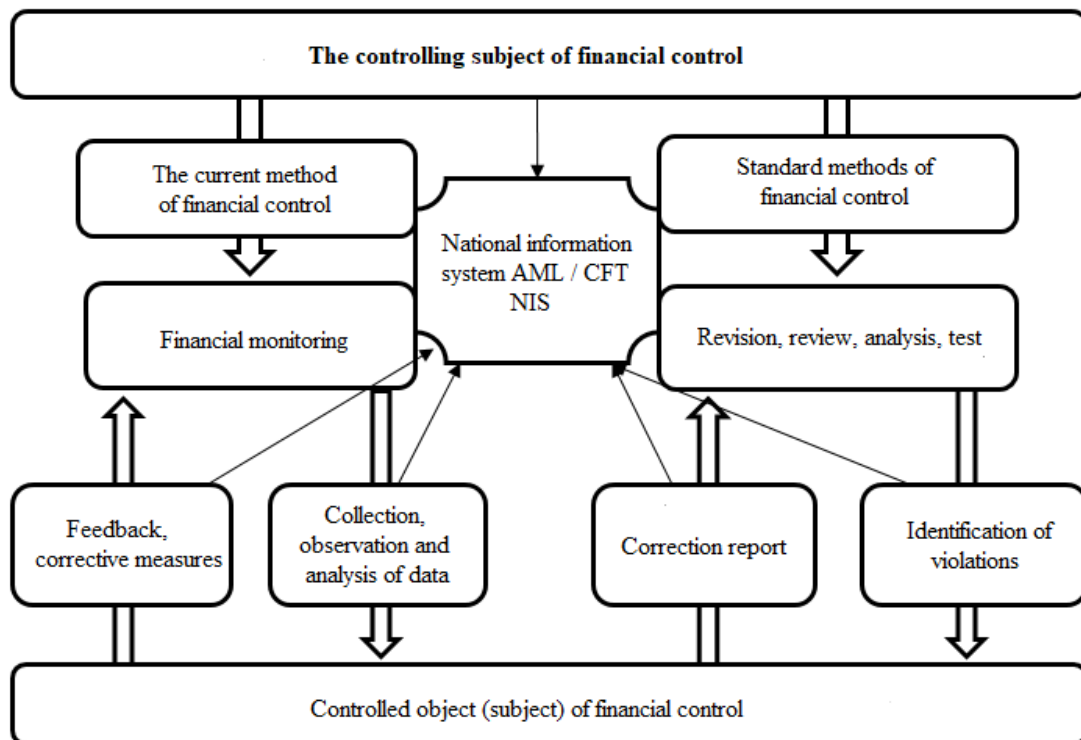
In this connection, we believe that the National AML / CFT Information System (NIS) plays a special role in the AML / CFT NS, which is based on substantive principles of economic security, among which (Chuikova, 2015): ensuring the legality and legal regulation of controlling entities; ensuring systemic protection against risks and threats; availability of an early warning system and response to risks and threats; the consistency of forecasts for the development of controlling entities with the tasks of economic security, while noting the most important function of financial monitoring at the level of coordinated information interaction between controlling entities and controlled entities (Figure 3).

Substantiation of substantive principles of economic security, allows to determine the place of the National Information System on AML / CFT in the functions of financial monitoring and to disclose its economic significance at the level of an information bank for the collection, monitoring, analysis and identification of risk factors for money laundering and terrorist financing.

From our point of view, the main elements of the functioning of the NIS AML / CFT should contain quantitative and qualitative algorithms of financial control, combining the principles of standard and current methods, which allows: to exercise control constantly, and not periodically; continuously receive feedback, make corrective decisions during the implementation of processes; allows not only to identify violations, but also to prevent their

possible occurrence in the future based on feedback; evenly distributes the control procedure over time, facilitating the processing of an increasing amount of information. To date, the creation of a national AML / CFT information system is defined by the Rosfinmonitoring of the Russian Federation as a state task for the period until 2025, however, from a practical point of view, this initiative is only under consideration, which determines the formalization of the methodological basis for its implementation at the national level. The mechanism of functioning of the NIS, based on foreign practice, allows to combine all entities associated with a report of a suspicious transaction, form a kind of cluster of connections, in terms of the level of risk, and vice versa - an array of such clusters forms an integral assessment as a direct participant in the operation (for example, it reveals signs of fictitiousness or involvement in the shadow process based on the materials of financial investigations), and the credit institution itself, involved in the operation in any role.

(Figure 3): Place of the national information system on AML / CFT issues in the functions of financial monitoring



Source: compiled by the authors

The creation of the NIS AML / CFT, from our point of view, will expand the possibilities of state financial control, strengthen the state's control and its ability to ensure the economic security of the country.

## **Conclusion**

The effectiveness of financial control carried out by the national AML / CFT system is associated not only with the possibility of full use of financial monitoring procedures, but also with close interaction and information exchange between the elements of this system. The national AML / CFT system has certain capabilities for financial control over the movement of public funds in the framework of financial monitoring. Such control is inextricably linked with its procedures aimed at identifying and preventing questionable actions.

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