
International Cooperation in Combating Corruption and Money Laundering

Solomiia Ohinok

PhD in Economics, Associate Professor at the
Department of Management of Organizations,
Lviv Polytechnic National University, Ukraine
E-mail: solomiia.v.ohinok@lpnu.ua
ORCID: <https://orcid.org/0000-0001-5462-5362>

Mykola Kopylchak

Master Student,
Lviv State University of Internal Affairs, Ukraine
ORCID: <https://orcid.org/0009-0006-0554-1983>

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Abstract. *The study addresses the critical issue of international cooperation in countering corruption and money laundering, emphasizing its relevance for Ukraine, particularly in European integration and ensuring economic security. The primary aim of the research is to analyze and propose innovative mechanisms for enhancing international collaboration to combat these financial crimes effectively. The methodology integrates a comprehensive approach, including comparative analysis, structural-functional methods, and a synthesis of best practices from leading international organizations such as MONEYVAL, FATF, and the European Banking Authority. Key findings demonstrate that adopting international standards and continuously improving financial monitoring systems significantly bolster the efficiency of counter-corruption efforts. The study highlights the importance of leveraging advanced technologies, fostering partnerships, and enhancing global information exchange between financial intelligence units. Results indicate that Ukraine's integration into international frameworks facilitates the alignment of national legislation with global norms, ensuring robust mechanisms for detecting and preventing illicit financial activities. Additionally, the research identifies the critical role of public-private partnerships and the integration of machine learning technologies to enhance the predictive capabilities of anti-corruption systems. Practical implications include recommendations for optimizing Ukraine's regulatory environment, establishing centralized databases for risk assessment, and enhancing the capacity of national financial monitoring institutions through collaboration with international counterparts. These steps are pivotal for creating a transparent and resilient financial system compliant with international standards. Furthermore, the study suggests the development of specialized training programs for professionals engaged in financial monitoring and promoting international dialogue through joint forums and workshops. The findings underscore the necessity of institutional reforms and strategic planning in shaping a unified and efficient global anti-corruption system. By addressing these priorities, Ukraine can strengthen its role as a reliable partner in the international fight against corruption and money laundering.*

Keywords: *international cooperation, corruption, money laundering, financial monitoring, anti-corruption frameworks, European integration.*

JEL Classification: F53, G38, H83, K42

1 Introduction

The issue of combating corruption and the legalization of proceeds obtained through criminal means remains critically relevant for Ukraine, particularly in light of its European integration path and the need to ensure economic security. The adaptation of domestic legislation to align with EU standards has emerged as a strategic measure in addressing these challenges. The ongoing development of financial monitoring systems through implementing international standards and collaboration with global organizations is a key component of this endeavor.

This study emphasizes the novelty and importance of the topic by addressing how international

cooperation can enhance the efficiency of combating corruption and money laundering. The increasing complexity of financial crimes and the growing interdependence of national economies frame it. The primary objective of this research is to identify and substantiate innovative mechanisms for fostering practical international cooperation in counteracting corruption and the legalization of illicit proceeds. To achieve this, the study is structured around the following research tasks:

1. Analyze the current state of international collaboration in combating corruption and money laundering in Ukraine.

2. Evaluate the role of international organizations and EU practices in improving Ukraine's financial monitoring systems.

3. Propose recommendations for aligning national policies with international standards to enhance efficiency in combating financial crimes.

The research employs a combination of methodological approaches, including comparative analysis, systems analysis, and scenario modeling. These methods provide a comprehensive basis for examining existing practices and forecasting the impact of proposed measures. The logical structure of the study progresses from analyzing Ukraine's existing challenges through the role of international cooperation to formulating actionable recommendations for policymakers and practitioners.

To better understand the context and inform the proposed measures, it is essential to consider the contributions of scholars and experts in the field. Their research highlights various aspects of the issue, from regulatory frameworks to the practical application of international standards.

Levi M. and Peter R. (2006) explored money laundering and its regulation, focusing on the evolution of anti-money laundering policies, their effectiveness in combating illicit financial flows, and challenges faced by regulatory bodies. Simmons B. (2001) analyzed the international politics of harmonizing capital market regulations, examining how countries align their national rules with global standards and the role of international institutions in this process. Ferwerda J., Deleanu I., and Unger B. (2019) investigated the impact of corruption on the effectiveness of anti-money laundering legislation, highlighting how corrupt practices undermine the implementation of anti-money laundering measures. Sharman J. (2011) tested the global financial transparency regime, analyzing the role of international organizations in promoting transparency and the challenges in implementing global financial transparency norms. Goncharenko S. and Doroshenko S. (2020) focused

on Ukraine's challenges in combating money laundering, particularly in European integration and aligning Ukrainian policies with European standards. Shevchuk V. and Kovalenko Y. (2018) analyzed international experience in tackling money laundering. They explored the possibilities for implementing these practices in Ukraine, particularly regarding legal and institutional reforms. Korchagin M. and Fedorenko L. (2021) researched the institutional framework for financial monitoring, comparing international standards and their adaptation in Ukraine to improve the fight against economic crimes.

2 Key Partnerships and Initiatives in Financial Crime Prevention

The issue of combating corruption and money laundering remains a pressing concern for Ukraine, particularly as the country advances toward European integration and strives to ensure its economic security. As part of its commitment to join the European Union, Ukraine faces the challenge of aligning its domestic legislation with EU standards, an essential step to address the pervasive problems of corruption and illicit financial flows. This alignment process is fundamental to meeting EU criteria, enhancing Ukraine's overall economic stability, and fostering trust in its financial systems.

A vital aspect of this alignment involves continuously enhancing the country's financial monitoring systems. This is achieved through adopting international standards and fostering active collaboration with key global organizations focused on combating economic crime. International cooperation is indispensable, providing Ukraine access to global expertise, resources, and technological innovations that can strengthen its anti-money laundering (AML) efforts.

While significant progress has been made in the fight against corruption and money laundering, these challenges remain persistent. Ukraine must continue harmonizing its national legislation with international norms and bolster its collaboration with global organizations such as MONEYVAL, the Financial Action Task Force (FATF), and the Egmont Group of Financial Intelligence Units. These organizations serve as critical partners in developing robust, globally aligned frameworks that can effectively combat illicit financial activities. Moreover, they promote transparency and accountability within financial institutions and regulatory bodies.

A key component of Ukraine's strategy to combat money laundering involves integrating advanced technologies into its financial monitoring processes. Using innovative tools, such as

blockchain technology and artificial intelligence, allows for more accurate tracking of suspicious financial transactions and identifying potential risks. Additionally, adopting best practices from international counterparts ensures that Ukraine stays at the forefront of developments in the AML field, facilitating the implementation of cutting-edge techniques for detecting and preventing financial crimes.

Active international cooperation not only aids in experience-sharing but also enables the adoption of innovative technologies that enhance the resilience of Ukraine's financial system. Such collaboration is particularly critical as transnational financial crimes often require cross-border coordination to be effectively addressed. By leveraging the expertise of global partners and incorporating their insights, Ukraine can significantly improve its ability to prevent the illegal movement of funds and ensure that its financial institutions remain secure and transparent.

Ukraine's State Financial Monitoring Service plays a central role in the country's efforts to combat financial crimes. The agency actively collaborates with various international organizations to enhance the efficiency of combating crimes related to legalizing proceeds from criminal activities. Key partnerships include the MONEYVAL Committee of the Council of Europe, the Financial Action Task Force (FATF), the Egmont Group of Financial Intelligence Units, and the United Nations Office on Drugs and Crime. These collaborations are vital for aligning Ukraine's financial monitoring system with global best practices and enhancing the effectiveness of domestic anti-money laundering efforts (State Financial Monitoring Service of Ukraine).

Representatives of the State Financial Monitoring Service participate in MONEYVAL plenary meetings, contribute to typological studies, and participate in mutual evaluations of MONEYVAL member countries. These activities underscore the high level of expertise of the Service's specialists and their ability to collaborate effectively with international partners. In particular, the Service is involved in the MONEYVAL Working Group on Mutual Evaluations, a crucial component of the ongoing assessment of member states in the 5th round of mutual evaluations. These engagements help Ukraine ensure its financial system meets international standards and addresses emerging financial crime risks adequately.

The State Financial Monitoring Service's work is also focused on aligning Ukraine's national legislation with the requirements of the European Union. The agency regularly presents the results

of its work at meetings of joint governing bodies between the Ukrainian government and the EU, providing detailed reports on the implementation of the EU-Ukraine Association Agreement. It is involved in dialogue with EU representatives on fulfilling obligations related to macro-financial assistance and the proper management of financial aid. This ongoing dialogue is crucial in ensuring that Ukraine's financial regulatory framework remains compliant with EU standards and effectively contributes to the country's economic and financial security.

In conclusion, combating corruption and money laundering remains a multifaceted challenge for Ukraine. By strengthening its legal and regulatory frameworks, incorporating advanced technologies, and fostering international cooperation, Ukraine can further enhance its financial security and align itself with European and global standards. These efforts will facilitate the country's European integration and contribute to building a more transparent, secure, and resilient financial system (fig. 1).

International cooperation is a key aspect of effective combat against financial crime. Ensuring efficient international collaboration requires joint efforts from all countries in the fight against global economic crime and establishing connections between their monetary authorities (Pershin, 2018).

It is well-known that international cooperation involves identifying and tracking transnational groups engaged in financial crime and exchanging information about individuals who may be linked to such activities. Moreover, it facilitates the effective coordination of actions in the fight against crime and the establishment of common standards and recommendations for implementing financial monitoring and control measures. International cooperation also enables the adoption of best practices and innovations in financial monitoring, enhancing the efficiency and effectiveness of efforts to combat economic crime. Participation in EU programs and initiatives offers the opportunity to implement their experience and join the policy of improving the system for combating money laundering and financing terrorism.

The difficulty of achieving progress in combating money laundering and terrorist financing, along with the need for a more coordinated approach, prompted the EU to propose a more significant role for the European Banking Authority (EBA) in the fight against money laundering. This role is regulated by an amendment to the review of the European Supervisory Authorities (ESA) framework, adopted at the end of 2019 and currently being implemented. These changes aim to improve coordination and information exchange

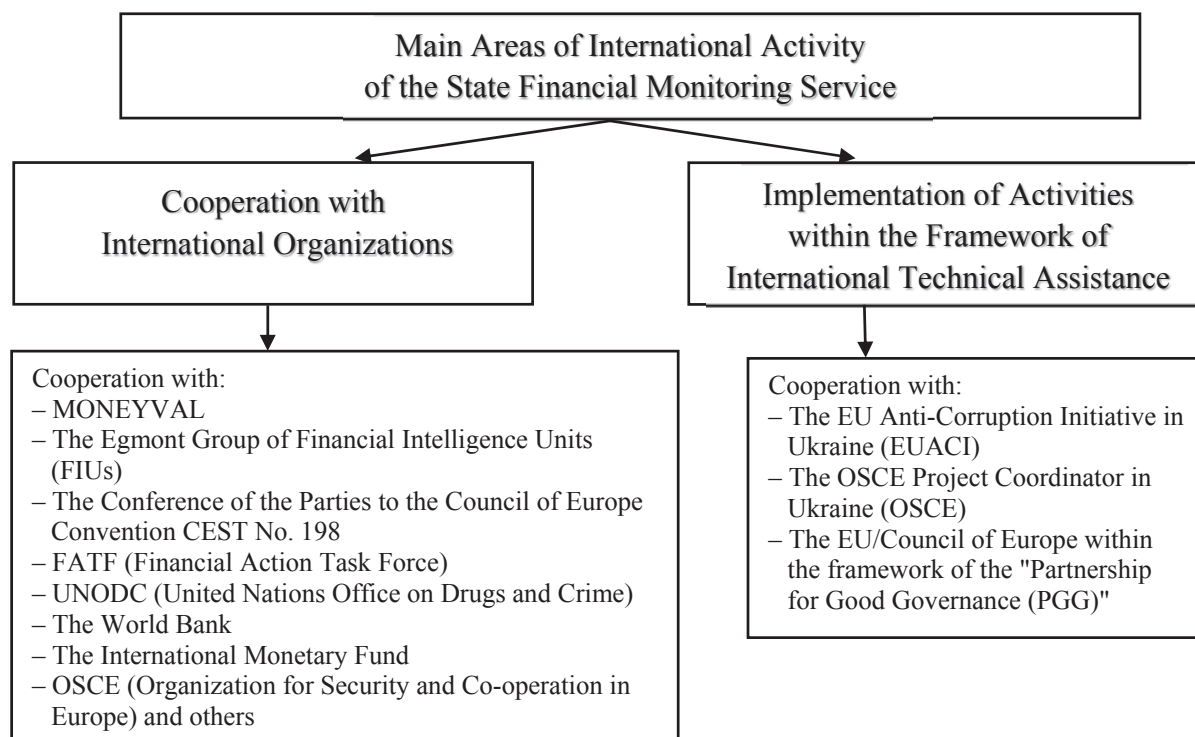


Figure 1 Main Areas of International Cooperation of the State Financial Monitoring Service

Source: Compiled by the authors based on the data from
(State Financial Monitoring Service of Ukraine; Cherkaskyi, 2022)

in collaboration with national authorities and other European supervisory bodies in the fight against financial crime.

3 Recommendations for Strengthening Ukraine's Anti-Corruption Framework

In the context of the revised statute, the European Banking Authority (EBA) has a new objective – to prevent the abuse of the financial system through money laundering and terrorist financing. This means that the EBA is now legally obligated to establish standards and coordinate and supervise the efforts of the EU financial sector in combating money laundering and terrorist financing (AML/CFT). This opens the way for examining the experience of forming and improving the AML/CFT system in EU countries and implementing this experience in Ukraine. This process can contribute to the rapid and effective implementation of a functional financial monitoring system in Ukraine. It can help Ukraine combat abuses within the economic system, ensure compliance with international standards in this area, and bring Ukraine closer to the requirements of the European Union and the recommendations of the Financial Action Task Force (FATF). The EU framework proposes AML/CFT policy improvement by granting extraordinary powers to the European Central Authority (ECA) (fig. 2).

Thus, the European Union has proposed measures to enhance the policy for combating money laundering and terrorist financing (AML/CFT) by granting extraordinary powers to the European Central Authority (ECA). This involves improving supervisory standards to consistently and effectively implement AML/CFT rules within the EU. Moreover, the initiative includes establishing new supervisory boards in the AML/CFT sector to promote practical cooperation and information exchange between competent authorities. Additionally, the ECA is tasked with developing draft regulatory standards for identifying risks in AML/CFT supervision and standards for information exchange between competent authorities. These measures are aimed at strengthening monitoring and coordination in the AML/CFT domain to effectively combat financial crime and ensure the security of economic systems.

Significant changes in the EU's AML/CFT policy involve improving supervision standards, coordination, and monitoring efforts. The European Banking Authority (EBA) stands at the center of these changes, having received several new powers. A new Permanent Committee, subordinate to the EBA, has been established to coordinate and oversee the implementation of AML/CFT standards. The new supervisory boards of inspectors, created by the European

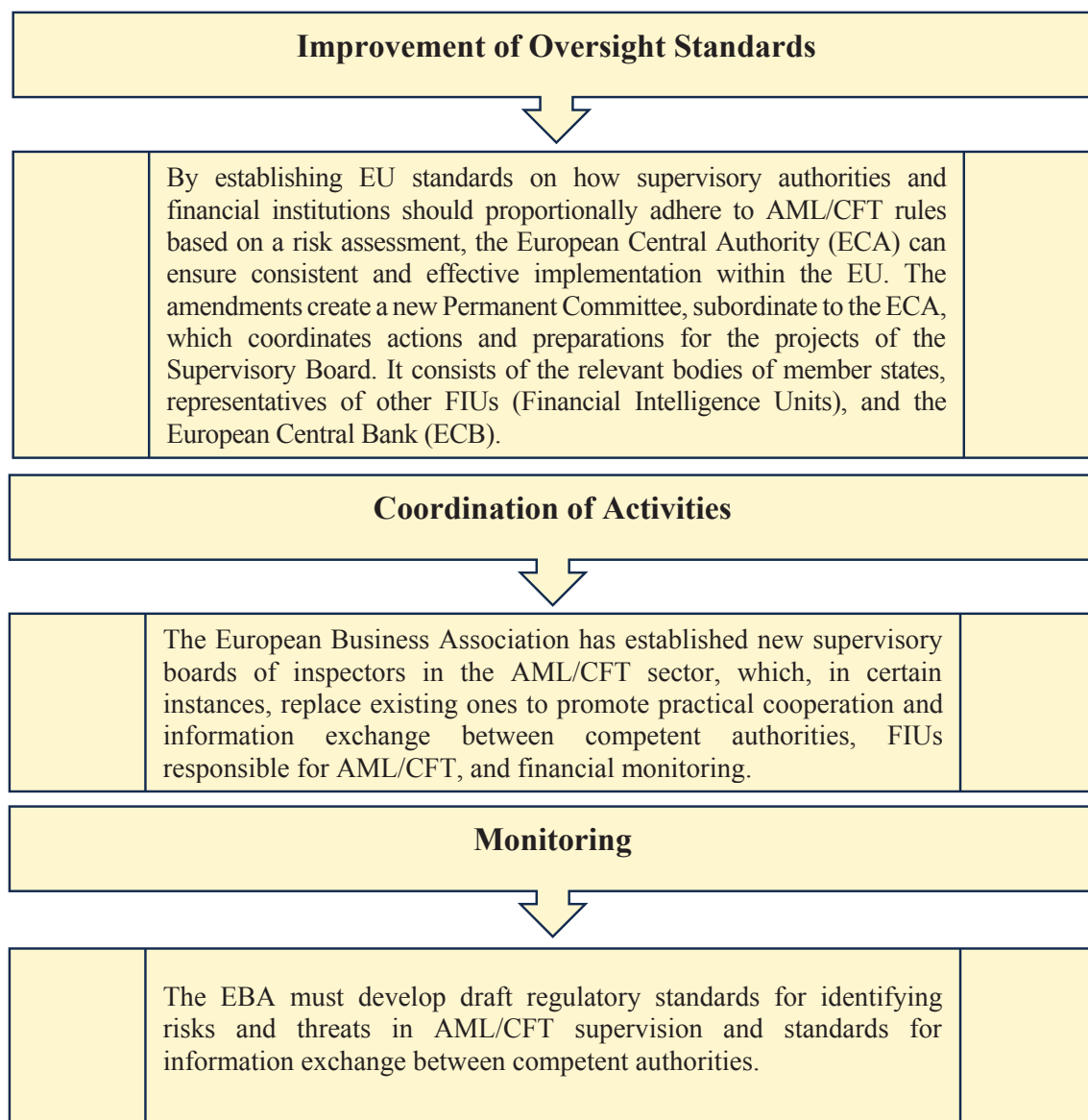


Figure 2 Directions for Improving AML/CFT Policy through Granting Special Powers to the European Central Authority

Source: Compiled by the author based on data from (International Monetary Fund, 2018; Lannoo, 2021)

Business Association, will facilitate more effective cooperation and information exchange between competent authorities responsible for AML/CFT and financial monitoring.

These initiatives are a positive step toward unifying and strengthening the EU's system for combating financial crimes. Furthermore, the EBA is empowered to address competent authorities regarding investigations into violations of AML/CFT rules and even impose sanctions for non-compliance. Alongside these measures, the EBA is tasked with creating a central AML/CFT database to collect and analyze information on deficiencies in individual financial institutions' systems, aiding in risk identification and information sharing. These new provisions will improve the efficiency

of the EU's AML/CFT system and foster a safer and more resilient financial environment.

To enhance the effectiveness of combating money laundering and corruption in Ukraine, the experience of the European Union (EU) and other European countries can serve as a valuable resource.

Improving Ukraine's anti-money laundering and counter-terrorist financing (AML/CFT) system requires a comprehensive and systematic approach. This includes aligning national policies with international standards and fostering stronger cooperation with global partners. The main directions for enhancing this system may involve the following measures:

1. Collection and Analysis of Information on Financial Institutions. A robust mechanism

for gathering and analyzing financial data is a cornerstone of an effective AML/CFT strategy. Ensuring seamless information exchange between financial monitoring entities, national law enforcement agencies, and international organizations is critical. This exchange facilitates the early detection of suspicious transactions and aids in investigating complex financial schemes. Additionally, adopting advanced data analytics tools and artificial intelligence can improve the accuracy and speed of identifying financial irregularities.

Moreover, fostering transparency in reporting and creating a mandatory requirement for financial institutions to disclose beneficial ownership information will help uncover shell companies and other entities often used for illicit activities.

2. Conducting Expert Reviews of Competent Authorities. Systematic evaluations and audits of national law enforcement and regulatory agencies can significantly enhance their capabilities. These assessments should focus on their readiness to address AML/CFT challenges, the adequacy of their resources, and the effectiveness of their operational strategies. Regular peer reviews and technical assistance from international organizations such as FATF, MONEYVAL, or the Egmont Group can help identify gaps and recommend actionable solutions.

Additionally, creating specialized training programs for law enforcement, financial analysts, and regulators will improve their ability to address the complexities of modern financial crimes. These programs should include case studies, simulations, and exposure to best practices from other jurisdictions.

3. Creation of a Central AML/CFT Database. A centralized database is indispensable to collect and store comprehensive information on financial transactions, high-risk individuals, and institutional deficiencies. Such a database should be interoperable with international systems to facilitate cross-border information sharing. Integrating this database with advanced risk assessment tools will enhance its utility in detecting and preventing financial crimes.

The database can also serve as a knowledge hub, providing policymakers and enforcement agencies with data-driven insights for crafting more effective regulatory frameworks. Modern encryption techniques and strict access protocols should be implemented to ensure its security and confidentiality.

4. Strengthening International Cooperation. Participation in international AML/CFT initiatives and organizations is crucial. Ukraine should deepen its engagement with FATF, MONEYVAL, and other global bodies to align its policies with best practices. Signing bilateral and multilateral

agreements to facilitate the exchange of information and joint investigations will enhance its international standing and capability to combat financial crimes.

In addition, leveraging tools like the EU's centralized AML/CFT database and participating in regional task forces will allow Ukraine to stay updated on emerging threats and innovations in financial monitoring.

5. Legislative and Regulatory Updates. Modernizing Ukraine's legal framework to reflect the latest international standards is essential. This includes implementing comprehensive laws to address gaps in beneficial ownership transparency, virtual asset regulation, and whistleblower protection. Strengthening the independence and accountability of regulatory bodies will also foster greater public trust.

Including robust penalty mechanisms for non-compliance with AML/CFT laws and establishing clear guidelines for enforcement will further enhance regulatory effectiveness. Cooperation with the European Public Prosecutor's Office and other EU enforcement agencies can provide additional support in investigating and prosecuting cross-border crimes.

6. Promoting Financial Literacy and Public Awareness. Raising awareness among businesses, financial institutions, and the general public about AML/CFT requirements can help prevent unintentional violations and promote compliance. Public campaigns and educational programs can highlight the importance of financial integrity and the role of individuals and organizations in safeguarding the economic system.

Implementing these measures will significantly strengthen Ukraine's ability to combat money laundering and corruption, ensuring alignment with international standards and enhancing its financial system's transparency and stability. Collaboration with international partners, adoption of innovative technologies, and a commitment to continuous improvement will position Ukraine as a reliable and proactive participant in the global fight against financial crimes.

These initiatives are essential for ensuring the security and stability of Ukraine's financial system, advancing its integration with the European Union, and fostering a sustainable economic environment.

4 Conclusion

This study underscores the pivotal role of international cooperation in combating corruption and money laundering, particularly in the context of Ukraine's European integration and the imperative to ensure economic security. Ukraine

can significantly enhance its financial monitoring systems by adopting global standards, leveraging advanced technologies, and fostering partnerships with organizations like MONEYVAL, FATF, and the European Banking Authority.

The findings highlight that aligning national legislation with international norms strengthens the capacity to detect and prevent illicit financial activities. Moreover, integrating innovative tools such as artificial intelligence and blockchain, along with fostering public-private partnerships, augments the efficiency and resilience of anti-corruption frameworks.

Practical recommendations proposed in the study include optimizing regulatory environments,

creating centralized AML/CFT databases, and enhancing the competencies of national institutions through specialized training and international collaboration. These measures address immediate challenges and lay the foundation for a transparent and secure financial system.

By embracing these strategies, Ukraine can fortify its role as a reliable partner in the global fight against financial crimes while advancing its integration with European and international frameworks. The research emphasizes that sustained efforts in policy reform, technological adoption, and international cooperation are essential for achieving long-term financial stability and security.

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