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Organizational and economic principles of financial monitoring of national business entities in the context of national security

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Abstract: The article considers the overall landscape and peculiarities of national regulations in the field of financial monitoring, in the retrospect and in the current moment. In particular, the cases of EU as a whole, the Netherlands, the USA, New Zealand and Australia are considered, through the prism of the necessity of compliance with FATF requirements and increased national security threats.

Keywords: *AML/CFT, Business, Compliance, FATF, Financial monitoring, National security, Regulation.*

1. Introduction

One of the international trends in the development of state control activities is the search for new tools designed to prevent illegal phenomena in the life of the state and society with minimal interference in the activities of individuals and organizations. The aggravated international and national problems of terrorism, drug trafficking, corruption indicate that traditional methods of combating them are not effective enough.

One of the ways to solve these state problems is the use of financial monitoring, which is currently turning from a purely theoretical financial and legal category designed in the future to unite systems of monitoring financial and economic relations in various spheres of the life of the state and society, into an effective legal mechanism that has currently received regulatory consolidation within the framework of only one of the areas - counteracting the legalization of criminal proceeds and the financing of terrorist activities.

A special subject composition, specific legal instruments, their implementation in the existing legal system - all this makes financial monitoring in the system of counteracting the legalization of proceeds from crime and the financing of terrorism one of the new legal phenomena in the life of the state and society. The implementation of financial monitoring in this area is intended to answer the question of the viability of financial monitoring as an independent financial and legal category in the future as the scope of its use expands.

The national security implications of economic and financial interactions have gotten comparatively little attention in the post-Cold War era. Rules-based market competition was viewed as an area that could seldom be used to obtain insufficient influence and, ultimately, achieve foreign policy goals.

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In Europe and other NATO nations, this attitude shifted in 2016 when Chinese business Midea purchased German robotics producer Kuka, raising fears that China was acquiring too much access to important technologies. In addition, one of Theresa May's first acts as prime minister in July 2016 was to halt the multibillion-pound Hinkley Point nuclear power station project. She eventually authorized the agreement, which was built by French EDF and is being financed in part by China, but stated that her administration will be more careful in dealing with such foreign investments.

Given these two most well-known examples, EU member nations began to express concern about a potential sell-out of European knowledge due to a lack of effective mechanisms and reciprocity.

In early 2017, France, Germany, and Italy requested a rethinking of EU foreign investment laws. A few months later, President Jean-Claude Juncker declared in the annual state of the union address that foreign state-owned companies should purchase European harbors, parts of our energy infrastructure, or defense technology companies in full transparency, with careful consideration and discussion (Bennett, 2023).

While Czechia has one of the most open investment environments in the EU, it presently lacks an adequate foreign investment screening process that considers potential security risks. This is significant because, in some situations, foreign investors may want to acquire strategic assets that allow them to control or influence firms whose operations are crucial to security and public order.

PSSI (Prague Security Studies Institute) has long acknowledged this fact and has a specialized E&F Threat Program. However, in order to increase situational awareness, it has been publishing a monitoring newsletter in Czech since July 2018 to highlight this often subtle and sophisticated kind of power projection. This monitoring also assists to track the conversation about increasing foreign investment processes in the EU and other NATO nations.

The research topic's relevance is reinforced by the changes occurring in national financial monitoring systems: the diversification of financial monitoring bodies and agents, the complexity of measures taken to prevent the legalization of proceeds from crime and the financing of terrorism, and the establishment of specialized international and regional organizations that influence changes in the laws governing public relations in this domain both nationally and internationally.

2. Literature Review

In the literature (Araujo, 2010; Gaviyau and Sibindi, 2023), it is noted that the legalization (laundering) of criminal proceeds in theoretical and practical terms should be considered in four main aspects: material, procedural, economic, and legal. In the material aspect, laundering of criminal proceeds is the implementation of various types of operations and transactions with property obtained by criminal means. In the economic sense, laundering of criminal proceeds is the transfer of funds or other property obtained by criminal means from the shadow economy to the legal one (Klymenko et al., 2016). From a procedural point of view, laundering of criminal proceeds is an activity by which the original origin and true owners of property obtained as a result of committing a crime are concealed in order to exclude any type of prosecution (administrative, criminal) (Khomiuk et al., 2020). And finally, from a legal point of view, laundering of criminal proceeds should be considered as legally significant actions in relation to property in order to give apparent legitimacy to the sources of origin of this property in order to conceal its criminal origin (Zalyubovskii et al., 2024). In a legal sense, namely the ostensible legitimacy of the sources of criminal proceeds, rather than the legality of their ownership, use and disposal, is decisive for the launderer of criminal proceeds, since it is the disclosure of the real sources of origin of the property that leads to the disclosure of the crime as a result of which the property was obtained. Equally important, this goal must be achieved through legally significant actions, namely those that entail the creation, modification, or termination of civil rights or obligations in relation to the property in question (Azinge-Egbiri, 2021).

In turn, the financing of terrorism should be considered as an activity on accumulation and provision of funds or other property, as well as ensuring the receipt of material benefits by persons

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carrying out terrorist activities, by providing services and performing work for the purposes of creating and operating terrorist organizations or carrying out terrorist activities.

Financial monitoring in the system of combating money laundering and terrorist financing as a term implies a system of legislatively established information, control and law enforcement procedures carried out by bodies and agents (subjects of financial monitoring), the purpose of which is to prevent the use of the financial system for money laundering and terrorist financing (public aspect) and to minimize the risk of involvement of financial monitoring agents in the legalization (laundering) of criminal proceeds and terrorist financing (private aspect) (Joshi and Sangit, 2022).

While the use of information and control procedures is typical for combating the legalization of criminal proceeds, in the area of combating the financing of terrorism, information and law enforcement procedures prevail, which is due to the initial existence of criminal prosecution of persons subject to financial monitoring (Dill, 2021).

The institution of financial monitoring has received regulatory and legal consolidation only within the framework of combating the legalization of criminal proceeds and the financing of terrorism, which gives grounds to consider financial monitoring in the system of combating the legalization of criminal proceeds and the financing of terrorism as financial monitoring in a narrow sense or as a definition of financial monitoring in the regulatory and legal plane. In this regard, experts note that, within the framework of determining the relationship between financial control and financial monitoring, the latter should be defined in aggregate not only as a type (a system of information, control and law enforcement procedures), but also as a method of financial control (monitoring transactions, operations, and persons who may be involved in illegal activities) (Wagman, 2023).

3. Methods

The methodological basis of the study is the comparative-legal and dialectical methods of cognition using the principles of development, integrity and systemicity. Within the framework of scientific research, comparative, systemic-structural, theoretical-methodological methods were used. In the study of the selected problem, private scientific methods were used, including historical and systemic methods.

4. Results

In recent years, the EU legislation in the area under consideration has been significantly reformed in order to increase the transparency of information relevant for the implementation of measures to combat money laundering and terrorist financing, as well as to deepen cooperation between the competent authorities of the EU Member States on relevant issues. In addition, regulations have been adopted at the EU level to harmonize the criminal legislation of the EU Member States in the area of combating money laundering.

In 2020, a new Action Plan for a comprehensive Union policy on preventing money laundering and terrorist financing was published, in which the European Commission once again emphasized the EU's commitment to the goals of combating these phenomena (Shamne et al., 2019). The Action Plan, among other things, defines the main areas of the Union's activities in the area of combating the legalization (laundering) of proceeds from crime and the financing of terrorism (AML/CFT) for the coming years: ensuring the effective implementation of the existing EU legal regulation in the area of AML/CFT, implementing a more complete and detailed harmonization of the Union's rules in this area, creating a system of supervision at the EU level over compliance with AML/CFT requirements, etc.

The development of the European Union legislation in the area of combating the legalization (laundering) of proceeds from crime and the financing of terrorism chronologically coincides with the completion of the process of forming the single internal market of the EU (1990s) (Kubiniy et al., 2021). It is appropriate to consider the historical periodization of the development of this legislation in the form of three stages.

The first stage (1991-2005) was associated with the adoption by the European Economic Community of the first basic document on issues of combating the legalization of proceeds from crime -

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Directive 91/308/EEC "On the prevention of the use of the financial system for the purpose of money laundering", and the subsequent introduction of amendments and additions to it (Gaievska et al., 2023). This stage was marked by the consolidation in the EU law of the definition of the concept of "money laundering" and the imposition on the member states of the obligation to establish in national legislation a prohibition on the implementation of activities falling under this definition, as well as to create special bodies responsible for combating the legalization of proceeds from crime (financial monitoring bodies, financial intelligence units - FIU) (Gavkalova et al., 2022). In addition, at this stage, the responsibility for implementing a number of preventive measures (client identification, referral to authorized reporting bodies, etc.) was assigned to a wide range of entities ("obligated entities" in the terminology of EU legislation in the area under study) - from credit institutions to notaries.

The second stage (2005-2015) refers to the period of validity of Directive 2005/60/EC "On the prevention of the use of the financial system for the purpose of money laundering and terrorist financing" - the second basic EU document in this area (Gaman et al., 2022). At this stage, combating terrorist financing was included in the scope of European legislation. The range of responsibilities imposed on obligated entities was significantly expanded (identification of beneficial owners, implementation of appropriate due diligence measures in relation to the client, etc.) (Kulikov et al., 2022). This stage was also characterized by a partial departure from the prescriptive approach (rule-based approach) and the enshrinement in EU legislation of a new risk-based approach.

The adoption of Directive 2015/849/EU, "On the prevention of the use of the financial system for the purposes of money laundering or terrorist financing", marked the beginning of the third and current stage of the fight against the legalization (laundering) of proceeds from crime and the financing of terrorism (Zayats et al., 2024). This stage is characterized by the final rejection of the prescriptive approach in favor of a risk-oriented approach, deepening cooperation between authorized bodies of the EU member states and the harmonization of the criminal legislation of the member states in this area.

Individual European countries' experience in financial monitoring is also of great interest. For example, the Dutch Financial Intelligence Unit (FIU) has grown over the course of its more than 25-year existence to become the center of financial surveillance in the Netherlands. As societies have moved from using coins and notes to digital transactions, there has been a corresponding increase in the digitization of payment services (Vorobei et al., 2021). This has resulted in the availability of a larger volume of financial transaction data, which is sourced not only from banks but also from retailers and payment service providers such as Western Union. These statistics offer a wealth of information about people' shopping preferences, which might shed light on criminal activities (Shavarskyi et al., 2022). Banks and other businesses with access to transaction data are commonly regarded as the "gatekeepers" of the financial system. The "Money Laundering and Terrorist Financing (Prevention) Act" in the Netherlands mandates that these gatekeepers keep an eye out for any odd or potentially illicit activities among their clientele (Isaieva et al., 2020). It is now projected that around 12,000 employees work for Dutch banks, with their main duties being to screen clients, keep an eye on their financial transactions and transactional patterns, and report any suspicious activity to the FIU (Kamphuis, 2021). The FIU is the primary entity responsible for collecting all reports of suspicious transactions. It investigates them further and provides intelligence to the appropriate investigation and prosecution agencies (Lagerwaard, 2022).

The FIU is not a traditional "Orwellian" governmental security service because it uses private payment data, nor is it a huge private firm like Google or Facebook that uses its databases to monitor behavior for commercial goals, known as "Surveillance Capitalism" (Lagerwaard, 2022).

Understanding financial surveillance operations and the FIU's role is essential since the material that has been circulating involves sensitive personal data, creating issues with proportionality and privacy (Zilinska et al., 2022). Since a transaction by itself is not very useful, FIU data comprises not just financial intelligence but also a variety of supplementary data that places the transactions in context. Financial transactions, when paired with other personal data points, can be used to infer details about a person's activities, purchases, and travels (Panasiuk et al., 2020). These details can then be used

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to infer details about a person's sexual orientation, health, political and religious beliefs, and cultural preferences.

An FIU analysis, according to the operational analysis course, consists of a "intelligence cycle" that includes seven steps: planning, collecting, evaluating, collating, analyzing, reporting, and disseminating (*2024 National Strategy for Combating Terrorist and Other Illicit Financing*; Straeten, 2018).

The source collecting process is divided into various parts that may be seen as a pyramid, as illustrated in Figure 1, beginning with the information supplied by a reporting entity. The FIU then examines its own information, based on prior investigation expertise and understanding. In the instance of FIU-the Netherlands, for example, the strategic steering committee's chosen themes result in a body of knowledge on specific issues that may be referenced during investigations. Open and closed national and international sources can be found at the base of the pyramid (Ortina et al., 2023). The police systems that the FIU is connected to, tax data that is available upon request, Infobox Criminals and Inexplicable Assets (FIUNederland, 2020, p. 33), and other closed national sources are all analyzed by FIU-the Netherlands. Closed international sources, according to the course, originate from cooperation with foreign law enforcement organizations such as foreign FIUs, Europol, and Interpol. Particularly, FIUs have promised to openly provide as much information as they can, even private sources they may have (Egmont Group, 2017). Publicly accessible data, such as the Chamber of Commerce's commercial register, can be found in open sources. Additionally, a vast array of information can be found online, including Google search results, corporate websites, annual reports from organizations, news articles and programs, scientific research, and social media sites like Facebook, Twitter, and Instagram.

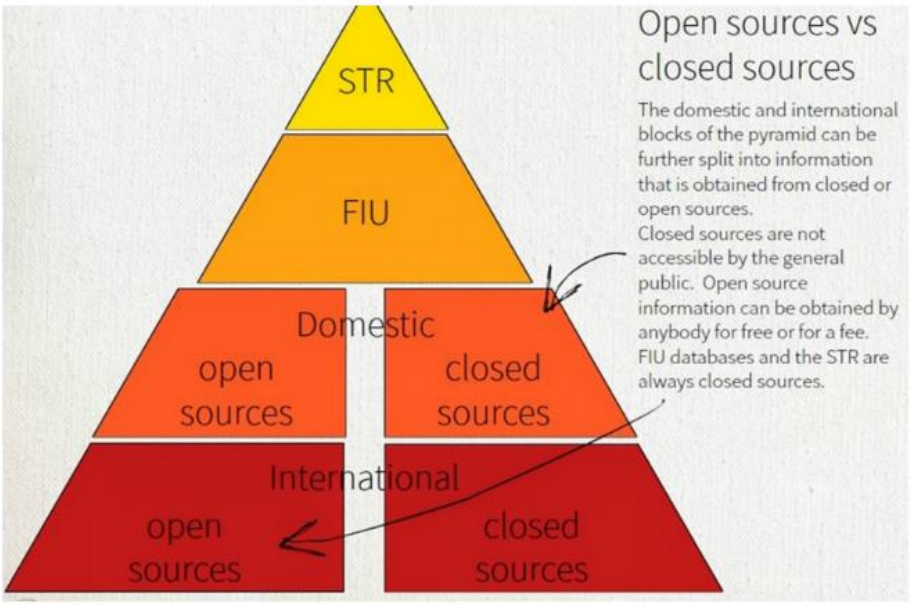

Figure 1.
Collection of open and closed sources by FIUNederland (Lagerwaard, 2022).

This is the essence of today financial monitoring and surveillance.

The New Zealand government has passed legislation to strengthen its powers to combat money laundering and terrorist financing. The AML/CFT Amendment Act 2017 gained royal assent on August 10, 2017. It implemented Phase 2 of New Zealand's AML/CFT regulations, expanding its scope to encompass real estate agents, conveyancers, attorneys, accountants, and other enterprises that trade in pricey commodities. Beginning October 1, 2018, accountants who supply specific types of business services must comply with the AML/CFT Act.

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In Australia, the Australian Government's Joint Committee on Law Enforcement issued a report on financial crime on October 7, 2015, recommending that the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 be expanded to include second-tier professions such as accountants, lawyers, and real estate agents (Gupta et al., 2021). The Australian Institute of Criminology anticipates that severe and organized crime would cost the Australian community up to AUD $60.1 billion in 2020-21, with illegal funding at the heart of most crime types (Stumbauer, 2024). It has a direct influence on the safety and well-being of Australian communities, while also exploiting and distorting legal markets and economic activities. The AML/CFT regime is a critical component of Australia's attempts to prevent criminals from profiting from their unlawful activities and monies from entering into the hands of terrorist groups.

On April 20, 2023, the Attorney-General launched a public consultation on proposed changes to Australia's anti-money laundering and counter-terrorism financing (AML/CFT) system (Nekhai et al., 2024). The consultation period for the first consultation paper, Modernizing Australia's anti-money laundering and counter-terrorism funding system, ended on June 16, 2023. New duties like as 'know your customer', transaction monitoring, and continuing customer due diligence are all intended to safeguard regulated enterprises and the public by supporting them in identifying and reporting suspicious activity (Commonwealth of Australia, 2024). All 'suspicious issues', cash transactions of A$10,000 or more, orders for the transfer of value transferred into or out of Australia, and yearly compliance reports, as well as cross-border movements of monetary instruments, must be reported to AUSTRAC. Furthermore, regulated firms must create and keep documents that can aid in the investigation of financial crime or are important to their compliance with the AML/CFT framework for seven years, and make them available to law enforcement if necessary.

The most important AML and CFT regulation in the US includes the following (Dill, 2021):

1. Bank Secrecy Act (BSA). The BSA is meant to help combat money laundering and prevent banks and financial institutions from being used as facilitators (Mishchuk et al., 2020). The BSA requires institutions to detect and monitor possible money laundering activities and report them to authorities so that enforcement action can be taken. The Act also quickly became a weapon for detecting and intercepting terrorist financing (Byrkovych et al., 2023). To comply with the BSA, financial institutions must traverse a series of regulatory obligations centered on reporting to and cooperating with authorities, as well as developing internal anti-money laundering procedures (Novak et al., 2022). That procedure includes the following critical considerations: an AML/CFT compliance program, as well as reporting and record-keeping requirements.

2. Money Laundering Control Act. This piece of law dates back to 1986. Unlike the BSA, the MLCA explicitly targets criminal offenders by outlawing money laundering and the transfer of funds generated from "specified unlawful activity", which is a predicate felony (Yermachenko et al., 2023). As a result, the MLCA is rarely utilized as an enforcement weapon against BSA-compliant financial institutions. The MLCA now includes both fundamental local and international money laundering features.

3. US Patriot Act. The Patriot Act, officially known as the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act, was passed in reaction to 9/11 and granted the United States government broad new powers to combat terrorism (Vinichuk et al., 2023). While the Patriot Act encompassed a variety of anti-terrorism operations, including wiretapping and monitoring, Title III of the Patriot Act, the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001, was the primary section that addressed money laundering (Tsymbaliuk et al., 2023). The explicit goal of Title III of the Patriot Act was to strengthen counter-terrorist finance procedures, stopping terrorists from acquiring cash to buy weapons and indoctrinate new recruits. Title III establishes clearer principles for the international community and more stringent restrictions governing financial operations (Skovronska et al., 2023). Additionally, the title broadens the concept of money laundering to encompass computer crimes, abuse of public funds, and bribery of election officials. Furthermore, Title III of the Patriot Act amended portions of the 1986 Money Laundering Act to tighten banking regulations governing international money laundering and

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terrorist financing (Panasiuk et al., 2021). This was accomplished by asking banking institutions to enhance their anti-money laundering (AML) operations and provide more due diligence reports on international bank accounts.

5. Discussion

Organizationally, the international system to combat the legalization of proceeds from crime and the financing of terrorism is made up of international and regional organizations, as well as structures that are not formally international organizations but play an important and sometimes leading role in this system (Ostapenko et al., 2023). One such multinational group is the Financial Action Task Force (FATF). While performing its primary tasks, the FATF reports on results related to combating terrorist financing. It also includes recommendations to help governments combat money laundering and terrorism funding (Stumbauer, 2024). It publishes three main typology reports outlining trends and concerns in terrorist funding. Furthermore, the organization performs reciprocal reviews of member nations' regimes to combat money laundering and terrorism financing, keeping a "black list" and a "grey list" of members identified as having shortcomings under FATF guidelines.

However, despite the existence of a clearly defined worldwide approach to combating the legalization of earnings from crime and terrorism funding, national systems can vary greatly due to a variety of variables (Litvinova et al., 2020). As a result, the FATF must consider each country's culture, as cultural aspects play an important role in a country's norms and the structure of its monetary systems (Melnyk et al., 2022). The founders of FATF clearly left their cultural stamp on the organization's system of standards and recommendations, and developing nations did not participate in the formulation of these recommendations (Lelyk et al., 2022). However, these countries have strong traditions and religious beliefs, which may have a big effect on how a country executes its regulations and financial system, as well as its financial monitoring system.

Different systems have substantial variances, which are mostly due to historical and cultural factors (Solomitsky et al., 2020.) Money laundering and terrorist financing are treated differently by countries for legal and political reasons (Kussainov et al., 2023). This certainly has an impact on the quantity of resources spent on the battle, as well as the country's efficacy and participation in the system of combatting money laundering and funding terrorism (Kryshtanovych et al., 2022). National financial monitoring systems are always evolving and improving. The reason for this is the new obstacles that money laundering presents (Hrytsyshen et al., 2024).

Based on FATF data, Hrytsyshen et al. (2024) created a table (see Fig. 2) that shows the efficacy profiles of anti-money laundering and anti-terrorist financing systems in the United Kingdom, the United States, China, Georgia, Moldova, Pakistan, Poland, and Ukraine for 11 immediate outcomes.

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		Great Britain (2022)		USA (2020)		China (2020)		Georgia (2020)		Moldova (2019)		Pakistan (2021)		Poland (2021)		Ukraine (2020)	
		Level	Score	Level	Score	Level	Score	Level	Score	Level	Score	Level	Score	Level	Score	Level	Score
1	IO1	HE	3	SE	2	SE	2	ME	1	SE	2	LE	0	ME	1	SE	2
2	IO2	SE	2	SE	2	ME	1	SE	2	SE	2	ME	1	SE	2	ME	1
3	IO3	ME	1	ME	1	ME	1	ME	1	ME	1	LE	0	ME	1	ME	1
4	IO4	ME	1	ME	1	LE	0	ME	1	ME	1	LE	0	SE	2	ME	1
5	IO5	SE	2	LE	0	LE	0	ME	1	ME	1	LE	0	SE	2	ME	1
6	IO6	ME	1	SE	2	ME	1	ME	1	ME	1	LE	0	ME	1	SE	2
7	IO7	SE	2	SE	2	ME	1	ME	1	ME	1	LE	0	ME	1	LE	0
8	IO8	SE	2	HE	3	SE	2	ME	1	ME	1	LE	0	LE	0	ME	1
9	IO9	HE	3	HE	3	SE	2	SE	2	SE	2	LE	0	ME	1	ME	1
10	IO10	HE	3	HE	3	LE	0	LE	0	ME	1	LE	0	ME	1	ME	1
11	IO11	HE	3	HE	3	LE	0	ME	1	LE	0	LE	0	ME	1	ME	1
Overall score		23		22		10		12		13		1		13		12	
Average score		SE	2.1	SE	2	LE- ME	0.9	ME	1.1	ME	1.2	LE	0	ME	1.2	ME	1.1

Figure 2.
Comparative analysis of the assessments of the effectiveness of national systems for combating money laundering and financing terrorism in the UK, USA, China, Georgia, Moldova, Pakistan, Poland, and Ukraine based on the FATF methodology (Hrytsyshen et al., 2024).

However, the international component of financial monitoring is also critical, as AML/CFT measures cannot be successfully implemented merely on a domestic level due to the worldwide nature of crimes under the scope of AML/CFT.

Since the adoption of the European Union's (EU) Fifth AML Directive in 2020, investment funds and investment advisors have been designated as obligated organizations under the EU AML/CFT system, resulting in greater regulatory scrutiny across the EU (Kovaliv et al., 2023). Investment funds and investment advisors registered in the United States are currently exempt from ownership disclosure requirements under the US Money Laundering Act of 2020 and the Corporate Transparency Act.

There have been various proposed legislation that would have required some investment advisers to adhere to AML/CFT standards since the USA PATRIOT Act was created (Saik et al., 2023). The Financial Crimes Enforcement Network (FinCEN) of the US Department of Treasury suggested mandating the use of AML/CTF systems by unregistered investment firms, including private funds, back in 2002. Consultations in 2003 and 2015 came after this (Kondur et al. 2024). But according to the proposed rule, the definition of "financial institution" (FI) under the Bank Secrecy Act (BSA) would only have applied to Securities and Exchange Commission (SEC)-registered investment advisers (RIAs), requiring them to set up an AML/CFT program. SEC-exempt reporting advisers (ERAs) would not have been included in the rule's purview, nor would it have established minimum requirements for customer identification programs (CIPs) (Gaviyau and Sibindi). Smaller private equity firms, as well as the majority of venture capital firms, are frequently SEC-registered investment advisers, so they would not have been included.

However, in early 2024, the Treasury Department's risk assessment uncovered serious national security threats, including instances in which sanctioned persons and foreign enemies used investment advisers, including ERAs, to invest in US assets and get access to sensitive information (Bazaluk et al., 2023). It stated that, despite some advisers voluntarily implementing AML/CFT controls, the lack of comprehensive legislation made the sector susceptible (Semenenko et al., 2020). To lessen the industry's exposure to money laundering and terrorist financing risks, the Treasury Department proposed a new rule in February 2024 that would require RIAs and ERAs to comply with AML/CFT measures under the BSA. This would make the industry more resilient to attempts to use the investment advisory industry for illicit activities, such as circumventing sanctions. FinCEN and the US SEC jointly filed a notice of proposed regulation in May 2024, requiring investment advisors to construct, document, and

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maintain a written CIP, in an effort to improve the proposed rule mandating the adoption of risk-based AML/CFT programs (Hanley-Glerish, 2024).

Over the past several years, the Australian government has increased its involvement in overseas inquiries (Avedyan et al., 2023). This commitment is motivated by the government's attempts to combat transnational, severe, and organized crime (TSOC), including money laundering, tax evasion, drug trafficking, corruption, cybercrime, and terrorist financing (TF) (Miralis et al., 2023). These multi-pronged initiatives include establishing frameworks for a nationally coordinated strategy, strengthening agency resources and skills, and collaborating with overseas colleagues on international investigations.

The Australian Federal Police (AFP) is Australia's national law enforcement authority in charge of enforcing Commonwealth criminal legislation, which includes international bribery, cybercrime, TF, and money laundering (ML).

"International Engagement: 2020 and Beyond", the AFP's 2020 report, revealed the organization's new worldwide focused approach (Deyneha et al., 2016). The AFP's previous approach focused on identifying, deterring, stopping, and upsetting domestic criminal activities. In order to safeguard Australians and Australia's national interests, the AFP aims to "take the fight against crime offshore, and to work in partnership" with "foreign law enforcement agencies to detect, deter, prevent, and disrupt crime at its point of origin or transit", according to the study (Gupta et al., 2024). By collaborating more with international law enforcement and intelligence partners like Interpol and the Five Eyes, an intelligence alliance made up of Australia, Canada, New Zealand, the United Kingdom, and the United States, as well as international non-law enforcement organizations like the United Nations (UN) and foreign governments, the AFP has expanded investigations that have an impact on Australia as part of this international approach. AUSTRAC plays an active role in the worldwide response to ML and TF, exchanging information and intelligence with other FIUs across the world (Gilmour and Hicks, 2024). The information supplied concerns financial transactions, financial intelligence, and AML/CFT. These techniques of collaboration aid foreign counterparts with AML/CFT legislation, as well as law enforcement agencies in tracking the international flow of proceeds of crime. MOUs are now in existence between AUSTRAC and 95 comparable national FIUs (Arivazhagan et al., 2023). This includes effective partnerships with key regional partners, such as its Chinese and American counterparts.

In 2022, in response to the ASO's sanctions on Russia, AUSTRAC formed a specialized intelligence unit to monitor and analyze financial reports on suspected sanctions evasion (Cherniaiev et al., 2024). The ASO and AFP utilize AUSTRAC reports to investigate sanctions evasion. AUSTRAC also participates in international efforts to coordinate effective financial intelligence sharing to combat sanctions evasion, and it is a member of the Russia-Related Illicit Finance and Sanctions FIU Working Group (Borodina et al., 2022). The Group monitors the worldwide flow of funds and collaborates with others to target sanctioned individuals and entities, with an emphasis on the use of shell corporations and other corporate structures, as well as third-party nations, to separate sanctioned persons from their assets.

Thus, the landscapes of financial monitoring and maintenance of national security interwoven, constituting now the single complex open system, and the processes of appropriate convergence likely will continue.

6. Conclusions

The realm of financial crime is rapidly developing. Rising geopolitical dangers and tighter sanctions, as well as increasingly sophisticated efforts by crime syndicates to launder money, pose multiple and complicated vulnerabilities to financial institutions.

Financial institutions must stay up with these worldwide changes. Local restrictions are getting more stringent and closely connected with international norms. The regulatory environment is becoming more stringent, with higher fines for noncompliance and ever-changing definitions of what constitutes successful compliance. Institutions that can swiftly adjust will undoubtedly do better.

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At the same time, client expectations are evolving. Onboarding processes are intended to be completely digital and smooth, regardless of the customer's location. This trend puts additional strain on compliance teams, who must strike a balance between the requirement for completeness and the desire for speed. Internally, there is also pressure to reduce time to revenue and improve back-office efficiency, pushing many companies embark on large-scale digital transformation projects.

Globally, rules are continually altering, with scrutiny becoming increasingly demanding. The Financial Action Task Force (FATF) has a substantial impact on the worldwide AML regulatory environment by providing a framework for financial institutions and regulatory agencies to develop AML/CFT policies and procedures, as well as creating international standards.

Compliance procedures are under increased scrutiny as regulatory authorities enforce higher criteria and harsher consequences for noncompliance. This increased enforcement is evident in the increased authority granted to sector supervisors around the world, such as, for example, the establishment of the Anti-Money Laundering and Countering the Financing of Terrorism Authority in Europe and the UK's Solicitors Regulation Authority, which now has broad fining powers.

First, AML has considerable experience working in the EU, the United States, the United Kingdom, Australia, New Zealand, and the Gulf nations. As a result, we appreciate the need of adhering to local legislation. Even if the national financial institution only operates inside that country, it may be subject to international AML regulations, especially when onboarding sophisticated clients. As a result, identifying major global AML needs that are not currently covered by national rules is critical and should be the focus of ongoing research.

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