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Development of the financial monitoring system to increase the level of financial security of Ukraine in the conditions of threats

■ **Abstract.** The growth of threats to the financial system and the change in their directions necessitates the urgent need to improve the State Financial Monitoring Service (SFMS) of Ukraine. The purpose of the study was to determine the directions of development of the SFMS to increase the level of financial security of the country. Using the method of critical analysis, inconsistencies of legal norms regarding the SFMS were identified. This substantiated the need to expand the functions of the SFMS both to prevent criminal acts and illegal activities. It was established that increasing the level of financial inclusion of Ukrainians determines the growth of the social significance of the SFMS. The directions of institutional regulation of the SFMS, priorities for the development of this service, indicative control markers, and improvement of supervisory actions were proposed. Using the method of analysis and synthesis, an asymmetric response

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to suspicious financial transactions by different categories of primary financial monitoring subjects was established. It was indicated that this violated the fundamental principle of the integrity of the SFMS and devalued its activities. It is substantiated to provide SFMS with the function of coordinating sectoral regulatory documents on financial monitoring, expanding administrative supervision over primary financial monitoring subjects, and strengthening imperative signs of punishment for failure to comply with the requirements of financial transaction control. The identified priorities for SFMS development, clarification of the norms of framework legislation in this area, and indicative markers of control of illegal transactions for financial security specialists are of practical value for institutional structures

■ **Keywords:** functions of monitoring; digitalisation of monitoring; financial inclusion; control areas; shadow economy

■ INTRODUCTION

The divergence of legal norms regarding the subjects of primary financial monitoring (SPFM) causes fragmentation of the system for neutralising threats to financial security, reducing the effectiveness of its component – the SFMS. The growth of external risks, in particular the use of financial instruments by the aggressor state in the hybrid war against Ukraine, and interaction with centres of international terrorism for this purpose is also significant for expanding the scope of state financial monitoring. The growth of the shadow economy, which provokes predicative crimes, also threatens the financial security of Ukraine, which indicates the need to improve the financial monitoring mechanism. This set of challenges and threats reduces the possibility of direct use in Ukraine of the experience of developed countries, acquired in peaceful conditions, in reorganising their financial intelligence services. Changing challenges require not only the prompt adaptation of the SFMS to them, but also ensuring the prospects for the development of the financial monitoring system to increase the level of financial security of the country. This determines the relevance of scientific research on this issue.

A significant number of scientific works are devoted to the problems of state financial monitoring. Thus, according to researchers H. Skrypnyk & V. Chernenko (2024), the conditions of hybrid warfare indicate the insufficient effectiveness of the SFMS and the need for its improvement. This conclusion is supported by O. Hordei & I. Yahodenko (2021), who studied the experience of relevant services in other countries. According to E. Sukholov (2023), the reason for this is the inconsistency of institutional measures, and according to the conclusions of the study by M. Perepelytsya (2021), the insufficient level of cooperation of the SFMS with the financial intelligence services of Western countries. A factor of negative impact on the effectiveness of the SFMS is the asymmetry of obtaining information by structures involved in combating money laundering and terrorist financing. According to M. Poliak-Sverhun (2024), improving SFMS should be aimed at forming a flexible and highly adaptive system for combating external risks.

This also reduces the ability to maintain secrecy regarding the process of raising suspicions of criminal activity. N. Poliova & V. Varenyk (2023) based on the study of the experience of the United States indicated the insufficient effectiveness of the Ukrainian national financial monitoring system, in particular, the lack of use of the monitoring tools and means of information exchange (in particular, the Secure Information Sharing System of FinCEN). US financial institutions are required to report to FinCEN activities that may indicate a wide range of risks. At the same time, a

number of authors pointed to the imperfection of the legal framework of Ukraine regarding financial monitoring.

Ya.B. Dropa *et al.* (2021) stated that some subjects of the primary level of monitoring use various methods and schemes of shadow financial flows, pursuing their own interests, which requires improvement of the state monitoring system. This increases the need to improve the primary level monitoring system. In particular, in the article by V. Koval *et al.* (2023), the introduction of compliance control in financial institutions is proposed for this purpose. Ya. Pushak & N. Trushkina (2021) noted the presence of about two dozen interpretations of the concept of “state financial monitoring” given in the scientific works of Ukrainian researchers, regardless of the existence of a valid legislative framework on these issues, which indicates a significant discrepancy in the defined tasks and goals of financial monitoring. I.V. Kononova (2024) indicated that the inconsistency in the defined concept of “financial monitoring” due to the isolation of only some of its functions complicates its generally accepted scientific interpretation.

The review of literary sources indicated the presence of certain disagreements not only in determining the directions of development of the state financial monitoring system, but also in the interpretation of the concept of “state financial monitoring”. The problem of applying the mechanism of state financial monitoring to increase the level of financial security of Ukraine in the conditions of threats also needs more careful consideration. This determined the purpose of the study – to identify the reasons for the insufficient efficiency of the state financial monitoring system, substantiate the need for changes, and suggest ways to improve the existing system.

■ MATERIALS AND METHODS

When conducting the study, both general and special methods of cognition were applied. The use of the specified set of methods was due to the significant divergence of the factors that lead to insufficient efficiency of the state financial monitoring system. The use of the method of critical analysis of the norms of legislation made it possible to identify problematic issues that, in order to achieve the purpose of the study and the tasks set, required research. At the next stage, using the specified method, recommendations that would eliminate the identified legal contradictions were proposed. The application of the comparative analysis method was preceded by the information search method. The search for information made it possible to identify statistical data provided on the websites of state and non-state services and organisations (State Financial Monitoring Service of Ukraine, n.d.; Transparency

International Ukraine, n.d.), international institutions (World Bank, 2021), in reporting documents of the National Bank of Ukraine (NBU) (National Bank of Ukraine, 2024) and scientific publications on banking and non-banking financial structures. Data was also obtained on changes in the receipt of notifications from SPFM about financial transactions with signs that are subject to control and the structure of sources of notifications to the SFMS with signs of illegal financial transactions. Based on this information, using the comparative analysis method, significant discrepancies were identified in the level of ensuring the tasks subject to national financial monitoring between banking structures that are controlled by the NBU and strictly adhere to the standards of the NBU and other SPFM.

The application of the comparative analysis method indicated the differentiation of the regulatory field of SPFM, which, at the next stage of the study using the analysis and synthesis methods, allowed to specify the consequences of such differentiation for the country's financial system. This became the basis for substantiating recommendations for eliminating these discrepancies. At the next stage of the study, using the analysis and synthesis methods indicated the asymmetry of responding to suspicious financial transactions of different categories of financial institutions. This, with further research, allowed to offer recommendations for eliminating the identified asymmetry in the control of financial transactions with signs that are subject to financial monitoring in banking and non-banking financial structures. The analysis and synthesis methods were applied to examine not only emerging threats but also transformations in the financial market, its digitalisation, and the increasing level of financial inclusion among Ukrainians as factors necessitating the improvement of the SFMS. The impact of these factors was investigated using the critical analysis method and recommendations were developed for the corresponding changes to the SFMS. Using the logical analysis method, the need to expand the functions of the SFMS of Ukraine to implement financial security tasks was substantiated, directions for institutional regulation of the state financial monitoring system to counteract and neutralise threats to the country's financial security were determined, priorities in the development of the SFMS, indicative markers of SPFM control for banking and non-banking financial institutions, improvement of supervisory actions for compliance by SPFM with the Legislation of Ukraine and industry norms regarding illegal financial transactions were determined.

■ RESULTS AND DISCUSSION

In the scientific literature, two main functions of financial monitoring are defined: control, aimed at ensuring the efficiency of the use of budget funds of Ukraine, and regulatory, aimed at identifying and stopping criminal financial transactions. At the same time, Law of Ukraine No. 361-IX (2020) singles out only one of the functions of state financial monitoring – detection and termination of criminal financial transactions. According to the norms of the Legislation of Ukraine, it is determined that the purpose of financial monitoring is to prevent the use of the country's financial system “for the legalisation of proceeds obtained through crime” (National Bank of Ukraine, n.d.). The main legal document that defines the powers of the

SFMS – Resolution of the Cabinet of Ministers of Ukraine No. 537 (2015) supplements the tasks of the SFMS with the clause stating that if there are suspicions that a financial transaction (client) is connected with the commission of an act that is qualified as a crime under current legislation, the SFMS must report this to legal structures. At the same time, the separation of crime and illegal actions in the Legislation of Ukraine significantly narrows the functions of the SFMS. The normalisation of the concept of “financial monitoring” is also significantly complicated by different points of view on it: economic, financial, legal (Pushak & Trushkina, 2021). In this study, financial monitoring is defined as a permanent, consistent, multi-level, systematic, adaptive financial and legal process of analysing and identifying potential areas of threats to the country's financial security, assessing their impact, forming variable scenarios of the occurrence of dangers and neutralising the consequences of the impact of threats; control of the vulnerability of the country's financial system for the identification of threat factors, primarily from objects with a high level of danger, implementation of risk management measures and assessment of the level of effectiveness of these measures.

In the face of significant threats and new challenges to the country's financial security, the need to expand the functions of financial monitoring is increasing. Therefore, the functions of the SFMS are defined by Resolution of the Cabinet of Ministers of Ukraine No. 537 (2015), namely: implementation of institutional tasks to combat laundering of financial resources obtained through criminal means, financing of terrorism and proliferation of weapons of mass destruction; collection and analysis of information on financial transactions requiring monitoring; assessment of risks to the country's financial system; representation in international structures on the prevention and counteraction to the legalisation of financial resources should be supplemented. The following areas of expansion of the functions of the SFMS are proposed: ensuring the financial stability of the state and, for this purpose, organising counteraction to systemic risks; preventing not only financial crimes, but also illegal activities in the financial sector; interstate cooperation to prevent both international financial crimes and international illegal activities in the financial sector; protecting the population from financial dangers; supporting tax security; ensuring the stable development of the country's financial market.

Such obstacles to the activities of the SFMS as the prohibition of direct data exchange between structures and institutions of primary financial monitoring, which even concerns money laundering and terrorist financing, should be removed. This limits the possibilities of financial monitoring, since the execution of a financial operation of money laundering and the predicate crime can be separated both in time and geographically – even take place in different countries. Criminals can also use the method of dispersing the amount of money and its subsequent consolidation using the SPFM of various administrative or sectoral subordination. Prevention of such actions is also limited by the standardised methodology for assessing money laundering risks (State Financial Monitoring Service of Ukraine, n.d.).

It is also a certain problem that only fragments of data on violations are often provided to the Unified Information SFMS. The indicated fragmentation, in particular, is due to

the fact that the data, in accordance with the standardised procedure, is submitted by control of primary SPFM, which is a consequence of the prohibition of horizontal interaction of the specified subjects. This, accordingly, limits the monitoring of the transaction system that can be used by criminals, slows down, and sometimes makes verification impossible. Therefore, the norms governed by the SFMS need to be changed, in particular, regarding the expansion of the grounds for considering a financial transaction or the actions of the monitoring object to be illegal and the mandatory control of institutions and persons who were previously suspected of illegal actions.

Complex and lengthy legislative procedures do not allow for timely changes to the SFMS legislative framework, which reduces the effectiveness of financial monitoring. At the same time, industry standards and standards of individual institutional structures regulating the activities of SFMS require less time for their implementation. This leads to the differentiation of the SFMS regulatory field and causes fragmentation of the system of state neutralisation of threats to financial security, which creates additional risks for the country, in particular, in ensuring the stable functioning of the national economy. This also allows the management of some SFMS to facilitate financial offenses, deliberately slowing down countermeasures. The way out of this situation can be the complete exclusion of the human factor at certain levels of control, automated processing of information in real time and automated delivery of threat information to a centralised database and to a group of persons responsible for control. Increasing the level of digitalisation of the SFMS will allow to significantly reduce the specific costs of investigating each suspicion of criminal activity, even if the volume of suspicions increases as a result of the proposed expansion of the functions of state financial monitoring. This determines the priority in the development of the SFMS – relying on the innovative intensification of the process of state financial monitoring, rather than the extensive expansion of its personnel.

To reduce the shadow economy, it is necessary to lower the threshold level of control of financial transactions not only in terms of a one-time transaction amount, but also in terms of the use of dispersing the specified amount of funds into smaller amounts and, accordingly, increasing the number of transactions of the SPFM client over a certain period of time. At the same time, this requires a legislative expansion of the scope of state financial monitoring not only to counteract, in accordance with the Law of Ukraine No. 361-IX (2020), the legalisation of income obtained by crime, but also the legalisation of income obtained by illegal means (inconsistency of purchase and sale prices of

goods, property, etc. with market prices, inconsistency of a person's standard of living with his level of income, etc.), which is not prohibited by the norms of the specified law.

Thus, the factors that determine the need to expand the functions of financial monitoring are: a high level of shadowing of the economy, the growth of corruption, inconsistency of powers of various institutional structures, unsettled regulatory and legal field in the sphere of budget security, insufficient level of coordination of industry regulatory documents, insufficient organisational support. The importance of financial monitoring increases in the conditions of a hybrid war, when the enemy does not hesitate to use all means, including the destruction of the financial system, and the significant emergency of the entire financial system of the country, when even the destabilisation of one of the structural elements can lead to the destruction of the entire financial system. In order to expand the functions of the SFMS, the list of signs of risks and factors that should be paid attention to during financial monitoring needs to be dynamically adjusted, and their signs must be entered for real-time verification in the data stream using digital tools. The practice of forming horizontal connections between financial institutions needs to be implemented in order to expand the possibilities of using digital technologies to analyse the actions of economic entities that cause suspicion. This practice should first of all be supported by relevant laws.

Indicative indicators of the SPFM for banking and non-banking financial institutions in the conditions of threats should be: certain directions and sudden changes in the scope of activities, the range of products/services of financial institutions and their clients; financial operations of SPFM clients in accordance with their risk profile; geographical location of the SPFM due to the possibility of direct or indirect influence on its activities of the aggressor state; geographic location of the place of registration of customers and counterparty institutions of the SPFM; channels/methods of transferring financial resources, etc. For non-banking financial institutions, the areas of control should also be counterparties that take part in illegal transactions with financial resources, sources of receipt of financial resources obtained by illegal means to clients and counterparties, which is due to the absence of restrictions in the legislative field regarding the structure of their capital. The protection of citizens from illegal financial transactions is important for the expansion of the functions of state financial monitoring. This is reinforced by a significant increase in the level of financial inclusion of Ukrainians, which was already ahead of Turkey's level in the period before the start of full-scale aggression (Fig. 1).

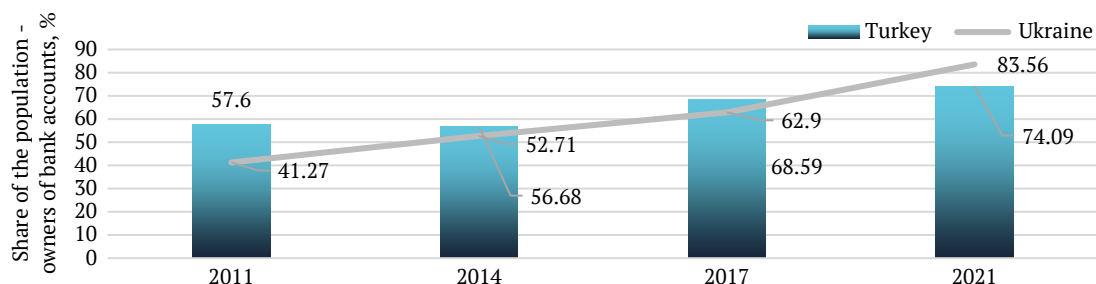


Figure 1. Comparative dynamics of the level of financial inclusion in Turkey and Ukraine

Source: constructed by the authors using data from World Bank (2021)

A significant increase in the financial inclusion of the population of Ukraine, on the one hand, is evidence of the development of the national system of financial services, an increase in the level of convenience for pensioners, individuals whose education/work is financed from the state budget, an increase in the volume of electronic payments, and, on the other hand, under the corresponding growth of the level of integration of the country's financial system, risks to financial security will be reflected in broad segments of the population. In such conditions, the reliability of the SFMS conditions the social stability of the country. The direction of the use of state financial monitoring to reduce risks in the integrated financial system of the country can be the expansion of its functions by using the capabilities of the Unified Information System of Financial Monitoring and automated referral to the specified system of notifications about potential threats

and their subsequent analysis in real time using artificial intelligence tools.

It also requires an increase in the level of integration of the Unified Information System of Financial Monitoring with other industry information systems and databases, for example, with the State Register of Real Property Rights, which will protect citizens from outsiders' transactions with their property. This, in turn, requires the unification of information presentation in branch, departmental, regional databases. The level of corruption is also a factor in Ukraine's financial danger. Although according to the data of Transparency International Ukraine (n.d.), in the period of 2019-2023, with a certain unevenness of changes in the Index of Corruption Perception in Ukraine (Table 1), there is a significant improvement of the indicated index – by 4 points when comparing the data of 2019 and 2023, Ukraine's place in the ranking is not high.

Table 1. Corruption Perception Index in Ukraine

Year	Rating	Corruption Perception Index (points)
2019	120	32
2020	126	30
2021	117	33
2022	116	33
2023	104	36
2024	105	34

Source: constructed by the authors based on data from Transparency International Ukraine (n.d.)

In 2023, law enforcement agencies notified 257 persons of suspicion of corruption, but only 101 criminal proceedings were opened, for which 65 sentences were handed down by the court (State Financial Monitoring Service of Ukraine, n.d.). This indicates both the insufficient level of anti-corruption and the insufficiency of the evidence base regarding the facts of corruption. One of the directions for the formation of a sufficient evidence base regarding corrupt actions can be the expansion of the functions of SFMS to this area, which threatens the financial security of the country. The given example regarding the ratio of the number of court decisions to the number of suspected crimes also indicates the problem of evaluating the effectiveness of work in this direction. The functions of SFMS should be ensured by the implementation of framework legislation in this area and the reliance in the practical activities of the subjects of its primary link on industry norms and norms of institutional structures with a high level of adaptability to the challenges of time.

These functions should be expanded in the following directions: increasing the directions of state and internal control; dynamic adaptive change of indicators of suspicious financial transactions; expansion of the list and number of indicators. The proposal to expand the scope of the SFMS's control will lead to an increase in the number of notifications from the SPFM about financial transactions with features that are subject to financial monitoring. The increase in the workload of the SFMS requires appropriate organisational measures. At the same time, the available data indicate a significant decrease in the number of the SPFM (Fig. 2), which began in 2019. According to the indicator of 2023, the indicated decrease is almost 55% compared to the indicator of 2019, which signifies a significant decrease in the amount of information received by the SFMS.

During the same period, the number of notifications from the SPFM to the SFMS decreased by 8.3 times (Fig. 3), which accordingly reduced the workload of the SFMS.

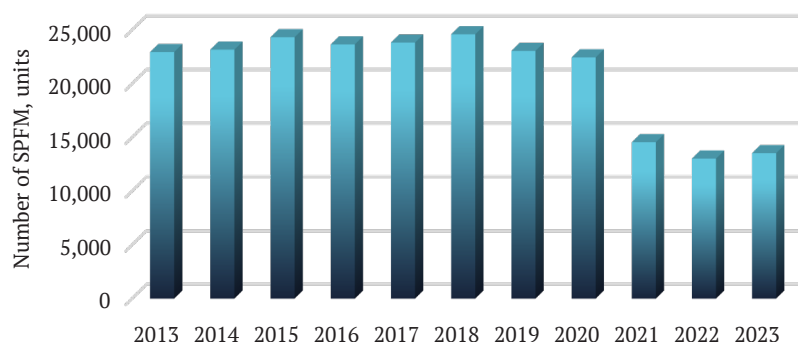


Figure 2. Number of SPFM, units

Source: constructed by the authors using data from M. Utkina (2024), State Financial Monitoring Service of Ukraine (n.d.)

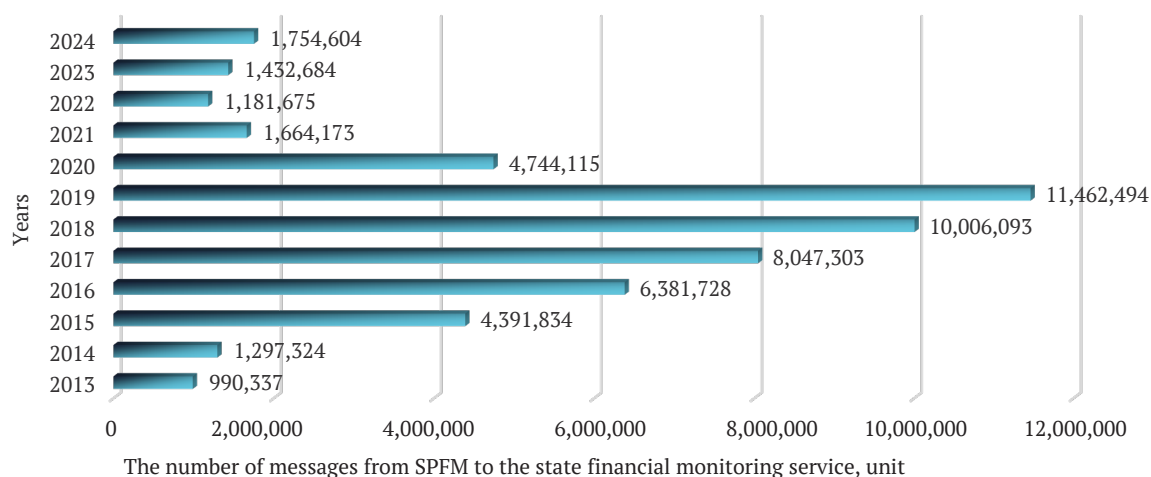


Figure 3. The dynamics of receiving notifications from the SPFM about financial transactions with the signs that are subject to financial monitoring, units

Source: constructed by the authors using data from State Financial Monitoring Service of Ukraine (n.d.)

Even the specific number of notifications from the SPFM about financial transactions with the signs that are subject to financial monitoring decreased from 497 in 2019 to 105 in 2023. This does not indicate a reduction of risks and threats, but a negative trend of decreasing attention of the SPFM to the control of these threats. From this point of view, the structure of message sources is significant. The vast majority of reports come from

banking institutions (Fig. 4) and not from the SPFM of the non-banking sector. It is also significant that at the beginning of a full-scale war, i.e. during the period of acquiring the maximum value of the risks specified in the Methodology of their assessment (State Financial Monitoring Service of Ukraine, 2018) the share of messages from non-banking institutions, which was already insignificant, decreased by more than six times (Fig. 4).

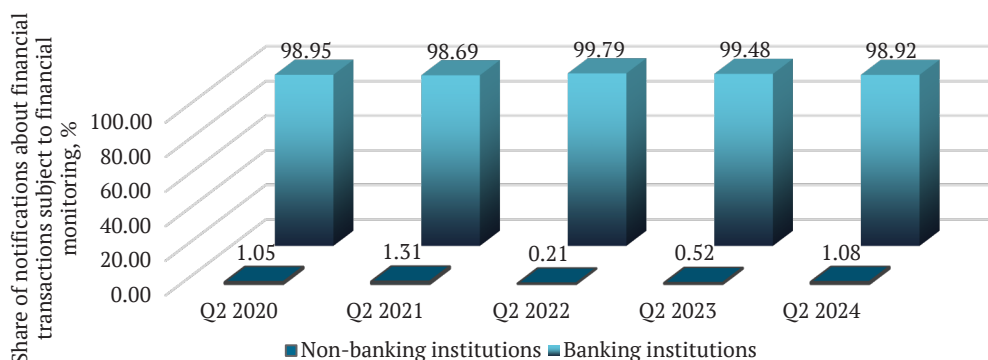


Figure 4. The structure of the sources of notifications to the SFMS for the period of 2020-2024 about financial transactions with the signs that are subject to financial monitoring, units

Source: constructed by the authors using data from State Financial Monitoring Service of Ukraine (n.d.)

This indicates the asymmetric response to suspicious financial transactions by structures and organisations involved in the fight against money laundering and terrorist financing and the proliferation of weapons of mass destruction, primarily by certain categories of the SPFM and, accordingly, their provision of information to the SPFM about suspicions of criminal activities, which forms a certain loophole for circumventing the current legal norms. This shows that the activities of the specified SPFM require additional regulatory measures and an increase in the level of control. By using the proposed approach to exclude the human factor at certain levels of control, processing information by closed software and hardware complexes directly in the SPFM in real time and sending threat information to a centralised database and their automated processing,

the possibility of abuse in this sector of the financial market will be significantly reduced. In addition, the automated processing of information will reduce the burden of the financial monitoring service, even with the proposed increase in the areas of control.

The multi-sectoral affiliation of the SPFM also requires the SFMS to be given the function of coordinating the body of sectoral regulatory documents regarding financial monitoring, the expansion of administrative supervision over the SPFM, and the strengthening of the mandatory features of punishment for non-compliance with the requirements of the control of financial transactions specified in the current Law of Ukraine No. 361-IX (2020). At the same time, as shown in Table 2, the number of SPFM of the non-banking sector, even by their

individual types, is greater than the number of banks, and their total assets are commensurate with the total assets of banks, which indicates the commensurate number of financial operations of banking and non-banking

institutions. At the same time, according to the SPFM profile of the non-banking sector, for example, pawnshops, lotteries, etc., these institutions are the most likely ways for money laundering.

Table 2. Changes in the number of banking and non-banking SPFM and their assets

Type of SPFM	Parameter	Years				
		2020	2021	2022	2023	06.2024
Insurance companies	Assets, UAH million	63,867	64,903	64,737	74,412	67,581
	Number, units	210	155	128	101	90
Financial companies	Assets, UAH million	186,572	216,406	243,997	250,454	258,917
	Number, units	960	922	760	559	548
Credit unions	Assets, UAH million	2,317	2,330	1,449	1,422	1,387
	Number, units	322	278	162	133	120
Pawn shops	Assets, UAH million	3,854	4,289	4,101	3,839	3,856
	Number, units	302	261	183	146	116
Banks	Assets, UAH million	1,822,841	2,053,232	2,351,678	2,944,684	3,125,617
	Number, units	73	71	67	63	62

Source: constructed by the authors based on data from the National Bank of Ukraine (2024)

In a wide range of scientific works, there is a legal interpretation of financial monitoring, which is limited only to the function of countering the legalisation of illegal income, financing of terrorist structures and organisations, financial support for the spread of weapons of mass destruction (Levytska & Osadcha, 2021; Pushak & Trushkina, 2021; Kononova, 2024). At the same time, Zh. Andriichenko (2020) and T. Yavorska *et al.* (2023) detailing the risk-oriented approach in the process of financial monitoring, noted that in the risk management system (Resolution of the Board of the National Bank of Ukraine No. 64, 2018) there is no risk of legalisation of illegal income among various types of risks. The studies of I. Rekunenko *et al.* (2020) and O. Rubai *et al.* (2023) indicated the differentiation of approaches to the interpretation of the concept of “financial monitoring” according to the level of its implementation, distinguishing the macro level, in which the international and national sub-levels are distinguished, and the micro level of subjects of economic activity.

The researchers identified the need to improve the SFMS in many areas. In the article D. Hrytsyshen *et al.* (2024) the need to expand the scope of control of the SFMS to areas related to ensuring the state security of the country was indicated. In the study by O. Smahlo (2022) the use of the SFMS mechanism to combat corruption and not only in terms of bribery, but also in terms of embezzlement of budget funds was proposed. M. Prodanchuk *et al.* (2023) proposed to expand the use of digital tools for this. These approaches are discussed in detail in the presented study.

A significant number of researchers pointed to the growing importance of state financial monitoring in wartime conditions. In the study of M. Utkina (2024) it was indicated that the conditions of martial law led to significant changes in the banking and financial spheres, which requires urgent changes to the regulatory and legal acts that regulate the conduct of state financial monitoring. It was emphasised that due to the delayed legislative procedures, certain institutional structures, in particular the NBU, introduce adaptive changes to the norms that regulate monitoring mechanisms, forms and tools. In the study by O. Rubai *et al.* (2023) it was outlined that the

operational simplification of financial monitoring procedures after the start of a full-scale invasion, in particular, by the Resolution of the Board of the National Bank of Ukraine No. 60 (2022), facilitates the control of a certain group of transactions with cash funds aimed, in particular, at defence needs, reduce on-site inspections by representatives of the state financial monitoring system, etc. This is taken into account in the presented study. I. Sikora (2024) noted the importance of the SFMS for stimulating the implementation of new methods of controlling budgetary resources in wartime conditions, which leads to an increase in risks and uncertainty, and the operational assessment of the effectiveness of the financial mechanisms involved in the challenges of wartime.

The effectiveness of SFMS, according to the conclusions of Ya. Pushak & N. Trushkina (2021), is reduced due to the bureaucratised process of financial monitoring, its multi-level administrative structure, which complicates the analysis of information about actions that have signs of financial offenses and, according to N.M. Zayed *et al.* (2022), slows down decision-making on neutralising threats to the country's financial system. There are differences in scientific works in assessing the effectiveness of financial monitoring systems in European and North American countries. Thus, in the studies of O. Hordei & I. Yahodenko (2021) and D. Hrytsyshen *et al.* (2024) it is recommended to adapt the experience of financial intelligence of Western countries to implementation in Ukraine. At the same time, in accordance with the comparative analysis of financial monitoring structures in EU countries in the article by S. Khaliuk (2024) it was noted their complexity and fragmentation, insufficient adaptability to new threats even in stable economic and political conditions, and significant shortcomings in law enforcement.

A. Krytiyev (2024) proposed horizontal integration of state information resources. The feasibility of forming horizontal connections of state information resources is indicated in the presented article. At the same time, the feasibility and possibility of creating a single state information space raises certain doubts. This is difficult to implement technologically due to the significant difference

in design solutions of local resources, the difference in the “generations” of the technical and software tools involved, and, most importantly, the difference in data presentation. In addition, the formation of a single information space will increase the risk of unauthorised access to information of varying degrees of secrecy for citizens and institutions of Ukraine and varying degrees of openness for international partners.

The use of functional limitations of state financial monitoring in scientific works and even time limitations, such as time limits for investigating crimes, leads to a narrowing of the possibilities for improving the mechanism of financial monitoring (Hrytsyshen *et al.*, 2024). This intuitively takes the development of the financial monitoring system beyond the scope of research, which, in the context of changing challenges, reduces the effectiveness of its use for the tasks of the country’s financial security. In view of the above, proposals to narrow the functions of state financial monitoring to limit the provision of institutional structures with timely and objective information on the conditions of the functioning of the financial monitoring system also seem unfounded. Limiting research to such components as institutional, methodological and regulatory support (Hrytsyshen *et al.*, 2024) and leaving out of consideration its multi-level systemic nature, its complex structure, problems of various administrative arrangements, and SPFM also leads to narrowing of opportunities for improving the mechanism and development of the state financial monitoring system.

The proposals provided for improving the SFMS: expanding the functions of controlling the effectiveness of materials provided to legal structures, eliminating the asymmetry of control over the types of SPFM by implementing framework legislation in this area, providing the SFMS with the function of coordinating the body of industry regulatory documents on financial monitoring, expanding administrative supervision over the SPFM and strengthening the imperative signs of punishment for failure to comply with the requirements of controlling financial transactions, normalising the practice of forming horizontal connections between SPFM to increase the efficiency of countering illegal financial transactions even if they are partially implemented, will ensure the development of the SFMS, which will positively affect the state of financial security in Ukraine.

■ CONCLUSIONS

It is indicated that a rigid hierarchical functional and information structure of state financial monitoring has been formed according to the current legal acts in Ukraine. It is indicated that the complex structure of inter-sectoral

information interaction and interaction between the parties of financial monitoring formed in the current legislation complicates the operative response to violations of the norms of the legislation. It is indicated that the differentiation of the legal field for different types of SFMS causes fragmentation of the system of state neutralisation of threats to financial security. It is indicated that not only new threats determine the need to improve the SFMS, but also dynamic changes in the financial market, its digitalisation and the growth of the level of financial inclusion of Ukrainians, which was already ahead of the level of Turkey in the period before the start of full-scale aggression. Since one of the inherent features of the shadow economy is the laundering of illegal income, this opens the possibility of using the mechanism of state financial monitoring, by expanding its functions, to ensure an integral influence on the pace and level of the shadow economy.

It is noted for the first time that the asymmetric response to suspicious financial transactions by structures and organisations involved in combating money laundering and financing of terrorism and the proliferation of weapons of mass destruction, primarily certain categories of the SPFM and, accordingly, their provision of information to the SFMS about suspicions of criminal activities also violates the cornerstone principle of integrity system of state financial monitoring, which can significantly devalue its activity. It is indicated that the functions of state financial monitoring should be ensured by the implementation of framework legislation in this area and the practical activity of the subjects of its primary link based on industry norms and norms of institutional structures with a high level of adaptability to the challenges of time. The directions of institutional regulation of the state financial monitoring system to counteract and neutralise threats to the financial security of the country, priorities in the development of the SFMS, indicative indicators of the SFMS control for banking and non-banking financial institutions, improvement of supervisory actions for compliance with the SFMS norms regarding illegal financial transactions have been determined. Further research will focus on identifying new factors that should be subject to financial monitoring and developing measures to neutralise their impact.

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Розвиток системи фінансового моніторингу для підвищення рівня фінансової безпеки України в умовах загроз

■ **Анотація.** Зростання загроз фінансовій системі та зміна їх спрямованості зумовлює нагальну потребу в удосконаленні діяльності Державної служби фінансового моніторингу (ДСФМ) України. Метою дослідження було визначення напрямів розвитку ДСФМ для підвищення рівня фінансової безпеки країни. За допомогою методу критичного аналізу було виявлено неузгодженості правових норм, що стосуються ДСФМ. Обґрунтовано необхідність розширення функцій ДСФМ як щодо запобігання злочинним проявам, так і протиправній діяльності. Встановлено, що підвищення рівня фінансової інклюзії українців зумовлює зростання соціальної значущості ДСФМ. Запропоновано напрями інституційного регулювання діяльності ДСФМ, пріоритети розвитку цієї служби, індикативні маркери контролю та удосконалення наглядових дій. За допомогою методу аналізу та синтезу встановлено асиметричне реагування на підозрілі фінансові операції з боку різних категорій суб'єктів первинного фінансового моніторингу. Зазначено, що це порушувало фундаментальний принцип доброчесності ДСФМ та девальгувало її діяльність. Обґрунтовано надання ДСФМ функції координації галузевих нормативно-правових актів із питань фінансового моніторингу, розширення адміністративного нагляду за суб'єктами первинного фінансового моніторингу, посилення імперативних ознак покарання за невиконання вимог контролю за фінансовими операціями. Визначені пріоритети розвитку ДСФМ, роз'яснення норм рамкового законодавства в цій сфері та орієнтовні маркери контролю за незаконними операціями для фахівців із фінансової безпеки мають практичну цінність для інституційних структур

■ **Ключові слова:** функції моніторингу; діджиталізація моніторингу; фінансова інклюзія; сфери контролю; тіньова економіка