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## **Current Issues of "Laundering of Dirty Money" and the Fight Against Corruption**

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### **Abstract**

The article examines the world experience of combating "money laundering" and corruption in individual countries in modern times, and also examines the existing legislative framework in the relevant field. In particular, extensive information was given about the measures implemented in the fight against "money laundering" and corruption, and information was given about the work done in this field in our country. Research methods such as systematic analysis, analogy, retrospective analysis and scientific generalization were used in the article.

**Keywords:** "dirty money", corruption, national security, financial instruments, terrorism, financing, Central Bank, cryptocurrency.

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## “Çirkli pulların yuyulması” və korrupsiyaya qarşı mübarizənin aktual problemləri

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### Xülasə

Məqalədə müasir dövrdə ayrı-ayrı ölkələrdə “çirkli pulların yuyulması” və korrupsiya ilə mübarizənin dünya təcrübəsi araşdırılmış, həmçinin müvafiq sahədə mövcud qanunverici baza tədqiq edilmişdir. Xüsusilə, “çirkli pulların yuyulması” və korrupsiya ilə mübarizədə həyata keçirilən tədbirlər haqqında geniş məlumat verilərək, ölkəmizdə bu sahədə görülən işlər haqqında məlumat verilmişdir. Məqalədə sistemli təhlil, analogiya, retrospektiv təhlil və elmi ümumiləşdirmə kimi tədqiqat metodlarından istifadə edilmişdir.

**Açar sözlər:** “çirkli pullar”, korrupsiya, milli təhlükəsizlik, maliyyə alətləri, terrorçuluq, maliyyələşdirmə, Mərkəzi Bank, kriptovalyuta.

## Актуальные вопросы «отмывания грязных денег» и борьбы с коррупцией

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### Аннотация

В статье рассматривается современный мировой опыт борьбы с «отмыванием денег» и коррупцией в отдельных странах, а также исследуется существующая законодательная база в соответствующей сфере. В частности, дана обширная информация о мерах, реализуемых в борьбе с «отмыванием денег» и коррупцией, а также дана информация о работе, проделанной в этой сфере в нашей стране. В статье использованы такие методы исследования, как систематический анализ, аналогия, ретроспективный анализ и научное обобщение.

**Ключевые слова:** «грязные деньги», коррупция, национальная безопасность, финансовые инструменты, терроризм, финансирование, ЦБ, криптовалюта.

## **Introduction**

Corruption, which is one of the main problems of the modern era and hinders the development of society, poses threats to international and national security. Major corruption cases are usually related to authoritarian regimes and political leaders. In this case, the possibilities of exposing those cases within the country are difficult and risky. Therefore, in our opinion, documenting the facts of political corruption brought to light as a result of the joint efforts of investigative journalists is a very important and important task [1]. Currently, the situation in the world is changing rapidly, because even 20-30 years ago it was much easier to "launder", "clean", and hide corruption money. Now everything is digitized, the share of non-cash transactions is increasing, access to information is expanding, new methods and tools are being created for the press, investigators and investigators to detect corruption.

So, in order to educate the society in this field, consistent and continuous work should be done. For example, let's note that an e-learning system has been developed in Azerbaijan to fight against "money laundering" and the financing of terrorism. On October 23, 2023, the Financial Monitoring Service (MFS) under the Central Bank of Azerbaijan in cooperation with the United States Agency for International Development (USAID) presented its new electronic-learning (e-learning) system to various state and financial organizations. MMX developed this system together with the USAID mission in Azerbaijan. The purpose of the e-learning system is to deliver information and knowledge related to the fight against "money laundering" and terrorist financing (PY/TMM) and its requirements to a wider

audience in a more efficient and effective way [2].

## **The purpose of the work**

For this purpose, such progressive tools play an important role in strengthening the legal culture and institutional capacity of the public regarding PY/TMM throughout the country. Because we believe that acquiring and sharing knowledge as one of the main elements in the fight against "money laundering" in society is very important. He added that the e-learning system creates an incentive for people to learn the material and allows them to take formal training, participate in Q&A and, as a result, become experts in countering the financing of terrorism.

In addition to extensive information on the threats posed by money laundering and terrorist financing and explanatory presentations on the government's role in preventing such activities, the system provides information on AML/CFT regulations, international standards and best practices, as well as formal standards adopted in Azerbaijan and presents to users. Here, relevant employees of banks can take a course on PY/TMM and receive a certificate from MMX confirming that they are experts in this field. During the course, users go through a series of modules and small tests to test their knowledge. At this point, MMX can track each user's progress. Users who successfully complete the course can participate in the exam conducted by MMX [3].

It should be noted that, among other benefits of the system, increasing users' knowledge of the requirements of PY/TMM regulations with its help will potentially enable financial institutions to voluntarily

report transactions used for "money laundering" and terrorist financing.

During the last years, the circulation of cryptocurrencies in the international financial markets and the settlements carried out there is constantly increasing. In particular, crypto-currency, which includes anonymity in settlements, could not fail to attract criminal structures as a means of payment. For this reason, we believe that the assessment of the role of cryptocurrencies and especially bitcoin in "money laundering" is appropriate and of great importance. Because Bitcoin, which is considered the pioneer of cryptocurrencies, despite its creation in 2009, began to gain wide popularity in 2013 after its value increased 10 times in four months. Mass media, famous economists and experts on innovative technologies began to spread various information and make predictions about the advantages and disadvantages of the new digital currency [4].

It should be emphasized that despite the many positive features of bitcoin, due to some of its features, most states and economic institutions still do not accept bitcoin as a serious means of payment, and even some countries prohibit its use, citing the fact that it will support money laundering. For this reason, let's first consider some of the features of bitcoin that may pose a potential risk. For example, during transactions with the Bank or other payment systems, accounts are linked to specific individuals, but all transactions with bitcoin within the crypto-network are anonymous and bitcoin owners are not required to provide their personal information. The features and distinctive features of the crypto-currency network and system are as follows:

1. There is no centralized governing body here. The lack of a single center controlling Bitcoin makes it impossible to influence the issuance and exchange of Bitcoin, as well as to impose any block on transactions and accounts within the crypto-network.

2. Cryptocurrency exchange rate is unstable. The instability of the value of Bitcoin is due to the high volatility of its exchange rate.

3. Impossibility of canceling the performed operation. Bitcoin settlement between users is done directly without any financial intermediaries, and therefore it is impossible to cancel the transaction once it has taken place.

4. Lack of legal status of cryptocurrency. Bitcoin has so far only been officially announced by the Japanese government (April 2016) as a means of payment within the country. Other countries are expected to recognize bitcoin in Australia and Vietnam [5].

It should be noted that bitcoin is sometimes considered a magnet for illegal financial transactions over the Internet. However, it should be noted that criminals use any real currency to achieve their goals, and bitcoin is no exception. Bitcoin is a novelty, and its advantages over other currencies as a means of payment naturally attract the attention of the criminal world. In the meantime, let's note that most of the payments for contract killings in the world are made with cryptocurrency, especially bitcoin.

For information, the first major blow to the reputation of bitcoin was the arrest of Ross Ulbricht, the owner of the Silk Road website, in 2013. The Silk Road site was an online store that accepted bitcoin as a means

of payment and sold soft drugs (marijuana, ecstasy). The site, where buyers and sellers are completely anonymous, also offered artwork, cold weapons, and even services such as creating fake documents and organizing hacking attacks. According to estimates by the US Federal Bureau of Investigation, Silk Road is the largest "criminal marketplace" on the Internet and has generated approximately \$1.3 billion in profits over two years. For your information, Ross Ulbricht was charged with money laundering, drug trafficking and hacking and was sentenced to life in prison.

It should be noted that there are currently two international groups that coordinate measures against "money laundering" and conduct regular monitoring: the International Group for Combating Financial Crimes (FATF) and the "Money Wall" of the Council of Europe special expert group [6].

Meanwhile, the published report of FATF (Financial Action Task Force) entitled "New terrorist risks" included a section on the possibility of financing terrorist organizations by digital currencies. According to the report, "money laundering", illegal arms sales, drug trade, and financing of terrorism are primarily carried out by the traditional method-through illegal bank transfers, and the financing mechanism with cryptocurrencies is at the last place on the list. Therefore, we believe that the main reason for the increase in interest in cryptocurrencies, especially bitcoin, is "use in illegal financing", which is just another myth.

On the other hand, according to Jennifer Kelter, the head of the US Anti-Money Laundering Agency (FinCEN), the role of bitcoin in the financing of terrorism is quite

less compared to "traditional" financing methods and does not pose serious risks yet.

It should be noted that in February 2009, the draft law "On the fight against the legalization of money or other property obtained through crime and the financing of terrorism" was adopted in Azerbaijan. The fight against "money laundering" is carried out by the Financial Monitoring Service under the Central Bank.

We think that the development of bitcoin and, in general, cryptocurrencies, sets new tasks for the state's legislative, regulatory and law enforcement agencies. Practically, any progressive technologies bring with them new risks along with positive innovations, and cryptocurrencies are no exception in this respect. When evaluating the minimization of this type of risks, first of all, it is necessary to identify these risks, collect information and analyze statistical data. Only then can you proceed to specific measures. Sensitive regulation and operational management methods should be applied so that potential investors and ordinary users can apply digital currencies in their business using innovative (blockchain) technologies, provided they do not violate the law [7].

It should be noted that MONEYVAL, the anti-money laundering body of the Council of Europe, calls on Azerbaijan to intensify efforts against money laundering. MONEYVAL, in its report published on February 12 of this year, urged the Azerbaijani authorities to intensify efforts to fight against the legalization of "dirty money" (PL), terrorist financing (TM), special preventive measures and control, called to pay special attention. The report presented a detailed assessment of Azerbaijan's compli-

ance with the standards determined by the Working Group on Financial Measures [8].

The document states that since the last evaluation of MONEYVAL in 2014, Azerbaijan has implemented several initiatives to strengthen its legal and institutional framework for the fight against ML and TM, creating the basis for an efficient system in this field.

It should be noted that MONEYVAL acknowledges Azerbaijan's great progress in the fight against the financing of terrorism, emphasizes that the authorities successfully investigated crimes related to the financing of terrorism, as a result of which seven convictions were issued during the assessment period. In addition, the efficiency of the country's international cooperation is highly appreciated. Thus, Azerbaijan demonstrates that it is capable of providing constructive assistance and applying for assistance. However, the report states that there is a need for serious improvements in the effective investigation and prosecution of "money laundering" cases. As law enforcement agencies use financial intelligence to track the proceeds of money laundering and terrorist financing crimes and gather evidence, there is a need for closer internal cooperation at the operational level [2].

In addition, the report emphasizes the need for consistency in investigations and prosecutions, especially in the case of high-risk crimes. The document notes that although some cases of "money laundering" have been investigated, there are opportunities for improvement in the detection of major offenses and the prosecution of legal entities for money laundering.

In addition, the institution considers Azerbaijan's legal framework reliable from

the point of view of applying targeted financial sanctions. However, concerns remain about the adequacy of controls over private sector enforcement of sanctions and, in particular, proliferation financing [3].

MONEYVAL also calls for urgent measures to reduce the risk of abuses by non-profit organizations for the purpose of financing terrorism, ensuring the proportionality of preventive measures and the protection of the legitimate activities of non-profit organizations. MONEYVAL believes that supervision of financial institutions and non-financial institutions and professions requires fundamental improvements. Understanding of risks varies between supervisory authorities and a more rigorous approach to supervision based on risk assessment is recommended.

Although Azerbaijan has achieved success in preventing the illegal use of legal entities, it needs more active measures to ensure transparency. Reporting organizations are strongly advised to take necessary steps to identify politically influential persons and beneficiaries.

In the meantime, let us inform you that within the framework of the future procedures, Azerbaijan is expected to inform MONEYVAL about the progress in strengthening the measures against "money laundering" and the financing of terrorism by December 2025.

It should be noted that Azerbaijan takes into account some international recommendations in the fight against "money laundering". The main issue here is that using the banking system, in many cases, it is still possible to withdraw money whose source is not determined within the country to foreign banks. As for the activity of law

enforcement agencies in preventing "money laundering", we believe that judicial authorities should be independent in investigating these cases.

For your information, the Prime Minister of the country, Ali Asadov, on October 2, 2023, in accordance with the Law of the Republic of Azerbaijan "On the fight against the legalization of property obtained through crime and the financing of terrorism", "Identification of high-risk zones" signed a decision on the basics.

Thus, let's note that the legal bases for determining high-risk zones in world practice are as follows:

- Decisions of the UN Security Council, the World Bank and the International Monetary Fund;

- The Financial Action Task Force (FATF), the Council of Europe Committee of Experts on the Evaluation of Measures against Money Laundering and the Financing of Terrorism (MONEYVAL), FATF-type regional bodies (FSRB), other specialized international or regional organizations published mutual evaluation or detailed reports, as well as progress reports;

- Public statements issued by the FATF.

Summarizing all this, we can say that "money laundering" is the transfer of illegally obtained financial resources from the "hidden economy" to the official economy and their open use at a later stage. The official name of the process is "legalization of proceeds of crime or property". At this time, funds can be converted from cash to non-cash (bank) money and vice versa from non-cash (bank account) to cash. This is the process by which criminally obtained ("dirty") funds begin to appear as legitimate

("clean"). "Laundering" of money is a crime, and corresponding criminal liability is provided for this act in the Republic of Azerbaijan [2].

Criminals, as a rule, only need to "launder" large amounts of funds. At the same time, the volume or amount of "laundered" funds does not play a role in the criminalization of such an act. Criminals use various methods and means to make dirty money look legitimate, or at least to hide the source of dirty money. Such methods and tools are used in the financial and non-financial sectors, especially in the banking sector [8].

We believe that the fight against money laundering is carried out for several purposes. The primary and most important goal here is the prevention of all crimes committed with greed in the country. The second important goal is the detection of crimes that have already been committed and, as a result, the return of the looted wealth to its legal owners or the state.

It should be noted that the "National Action Plan for 2017-2019 on the fight against the legalization of money or other property obtained through crime and the financing of terrorism", approved by the Decree of the President of the Republic of Azerbaijan, includes the fight against money laundering and the financing of terrorism. from practical measures in the field. It should be noted that for this purpose, a large number of trainings and events were held by the Ministry of Justice of the republic and other state institutions in this context in order to form civil society, educate the population and ensure sustainable development [1].

Today, Azerbaijan is a place that combines concepts such as large-scale reforms,

regionally important energy projects, stability and high social welfare. Strengthening of transparency in the public administration system, development of electronic services and fight against corruption are among the priority directions of the state policy. At the same time, there is a strong political will for the successful fight against corruption in our country [3].

It is very important that the national strategies and action plans for the fight against corruption are adopted by the decrees of the President of the country, and new strategic visions and tasks are defined in this field. Institutional and legislative reforms implemented in accordance with the implementation of this strategy, electronic government infrastructure, close cooperation with civil society, principles of public participation, and extensive educational measures are among the successes of our anti-corruption policy. Specialized bodies such as the Anti-Corruption Commission and the General Directorate of Anti-Corruption under the Prosecutor General perform systematic activities on the formation of state policy, the implementation of criminal prosecution and the implementation of preventive measures in this field. Thus, according to the latest amendments to the Law of the Republic of Azerbaijan "On the fight against corruption", state protection is provided to persons who provide information on corruption offenses.

Today, it can be said with full confidence that all mechanisms for fighting corruption exist in the Republic of Azerbaijan, and this process is constantly developing. In addition, let us note that as a result of the work done in the field of fighting corruption, most international organizations, including

the Group of States Against Corruption of the Council of Europe (GRECO) and the Anti-Corruption Network for Eastern Europe and Central Asia of the Organization for Economic Co-operation and Development (OECD) in the reports of the institutions, the measures implemented in this direction in our country are evaluated positively.

This positive trend is also reflected in the annually updated international rankings. Thus, during different periods, our country completed GRECO's I, II, III and IV Assessment stages in 2019, completed OECD's I, II, III and IV monitoring stages and obtained a compliance report. In addition, in the "Doing Business 2020" report, Azerbaijan ranked 34th among 190 countries and was among the 20 most reforming countries [3].

We would like to inform you that among those normative-legal acts "On regulation of inspections conducted in the field of entrepreneurship and protection of the interests of entrepreneurs" of the Republic of Azerbaijan, approved by the Decree No. 955 of the President of the country, Mr. Ilham Aliyev, dated August 28, 2013 Law No. 714-IVQ dated July 2, 2013 stands out for its special importance in the field of strengthening state support to entrepreneurs, eliminating inappropriate interventions in this field and further improving the investment environment [1].

Let us emphasize that the implementation of purposeful measures in the direction of further improvement of the business and investment environment, strengthening of state support to the private sector, education, improvement of the legislative base, stimulation of innovative entrepreneurship, and the involvement of young people in entre-



preneurial activity are the actions of the country's leadership. It is an indication of his determination to continue consistent and principled struggle in the field. Taking advantage of this, all state bodies and specialized institutions, non-governmental organizations and mass media, and every citizen of Azerbaijan who wishes for the progress of his country and the well-being of his people, should unite their efforts in the direction of the implementation of the anti-corruption strategy of the state and should fight against corruption in general [2].

It should be noted that cases of corruption in the private sector have characteristic features. Thus, according to the Law of the Republic of Azerbaijan dated January 13, 2004 "On Combating Corruption", corruption refers to the status of officials, the status of the body (institution) they represent, and their powers illegally obtaining material and other benefits, privileges or concessions by using the opportunities arising from that status and powers, as well as illegally offering material and other benefits, privileges or concessions mentioned by individuals and legal entities to officials or the capture of those officials by means of promise or giving is understood [9].

Corruption, which is considered one of the main factors hindering development in any field, is a problem that worries most countries of the world in our modern times. The existence of corruption first of all undermines universal and national values, hinders legal state building, shackles economic and social development, creates conditions for inefficient use of society's resources, and harms low-income people. Therefore, the fight against corruption is one of the main

goals of every state that has chosen the path of democratic and civilized development [7].

In our opinion, the use of the state's anti-corruption policy should be based on a set of measures and processes that can lead to a positive result as a whole. There are no universal methods of fighting corruption, therefore, each state chooses its own strategy and system of anti-corruption measures based on its internal characteristics. Nevertheless, it is necessary to study the practical experience of designing and purposeful implementation of foreign strategies aimed at preventing corruption [8].

The successful anti-corruption experience of the United States reflects what mistakes should not be made and what anti-corruption measures should be more effective in which situations. Taking such experience into account will allow our country to significantly reduce the level of corruption in every field of activity in the shortest possible time. Today, the task of fighting corruption in the United States is one of the priorities of state policy. It is based on the 1978 US Civil Servants Code of Ethics Act, the 1990 Principles of Ethical Conduct for Government Officials and Servants, and the 1997 Foreign Corrupt Practices Act. constitutes [10].

The main direction of civil service is moral customs and the principle of monetary incentives, with the help of which civil servants feel confident, hoping for a decent standard of living. This, in turn, creates the basis for the stability of the state apparatus and its completion with specialized personnel. Also, a limit is placed on the "business activity" of high-ranking officials and officials of the state after they leave the authorities. Employees must strictly submit infor-

mation to their supervisors about the existence of their movable and immovable property and property, as well as all companies, business firms, creditors, and educational centers that provide financial and business relations through their spouses and minor children [11].

In addition to all of these, special acknowledgments should also be presented. It is strictly prohibited and inadmissible for civil servants to receive any gifts from anyone as gratitude, participate in financial transactions, and use closed state information for their own interests during the performance of their official activities. A civil servant may be partially or completely relieved of his duties if he commits corruption [12].

Since 1946, the law "On the implementation of federal lobbying activities" has been in operation in the United States. Accordingly, every organization that influences Congress must register its lobbyists and disclose its legislative interests. All lobbyists must report on their work in the Congressional News quarterly [13].

The state takes the position that unsolved lobbying will necessarily lead to the adoption of decisions beneficial to the interests of a limited circle of individuals, and as

a result, it will lead to corruption. These provisions are also strengthened by the 2007 Federal Law on Private Governance and Transparent Government. Its essence is to increase transparency in the activities of the Congress, to limit the period of lobbying activities of former senators, to prohibit lobbyists from fulfilling party responsibility only, and to prohibit senators and congressmen from receiving any rewards and gifts from lobbyists, as well as corrupt services [14].

Since 2006, a new strategy for fighting corruption has been implemented in the United States. The main thing here is that politicians and officials declare their assets before starting their duties; refusing asylum to corrupt officials from other countries; restoration of violated rights and requisition (confiscation) of corruption proceeds and their proper redistribution; elimination of corrupt practices abroad; use of the mechanism of free disclosure of corruption information; is the stimulation of anti-corruption monitoring by civil society institutions [13].

### **Conflict of Interests**

The author declares there is no conflict of interests related to the publication of this article.

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