

The Need to Implement Compliance Control in Ensuring the Economic Security of Commercial Banks

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Abstract. In the context of growing financial risks and regulatory complexity, the implementation of effective compliance control has become a critical component in ensuring the economic security of commercial banks. This study explores the necessity of embedding compliance frameworks within the operational and strategic structure of banking institutions to mitigate risks related to fraud, money laundering, regulatory violations, and reputational damage. Drawing on empirical data, case studies, and regulatory reports, the research examines the relationship between robust compliance mechanisms and financial stability in commercial banks. The paper highlights how the absence of compliance control leads to financial penalties, operational disruptions, and diminished stakeholder trust. Particular attention is given to the role of internal control systems, staff training, regulatory alignment, and the use of digital compliance tools. The findings confirm that compliance control not only safeguards banks from external threats but also strengthens internal governance and transparency. The paper concludes by recommending the integration of risk-based compliance strategies and continuous monitoring systems to enhance the resilience and economic security of commercial banks in an increasingly volatile financial environment.

Keywords: Financial risks, regulatory complexity, internal control systems, risk identification, compliance control, commercial banks, economic security.

1. INTRODUCTION

In an era marked by growing financial complexity, regulatory tightening, and rising risks of financial crimes, commercial banks face mounting pressure to protect their economic security. One of the most critical mechanisms for safeguarding financial institutions is the implementation of an effective compliance control system. Compliance control refers to the structured processes and systems that ensure a bank's operations adhere to legal, regulatory, and internal policy requirements. The absence or weakness of such systems can expose banks to significant financial, legal, and reputational risks.

Economic security in the banking sector refers to the institution's ability to maintain stability, resist internal and external threats, and ensure continuity of operations while protecting customer and stakeholder interests. For commercial banks, compliance control plays a pivotal role in this regard. It prevents violations of anti-money laundering (AML) laws, reduces the likelihood of financing illicit activities, and ensures transparency in transactions and reporting. Moreover, it fosters sound corporate governance, operational discipline, and risk management—all of which are essential for long-term economic sustainability.

Global financial scandals, such as the LIBOR manipulation and major money laundering cases, have demonstrated the devastating effects of compliance failures. These incidents have resulted in multi-billion-dollar fines, loss of investor confidence, and systemic instability. In response, regulators worldwide have tightened compliance standards, making it imperative for banks not only to meet minimum requirements but to proactively embed compliance into their corporate culture.

2. LITERATURE REVIEW

Degree of study of the problem. Issues of ensuring economic stability of the economy were studied in the works of foreign scientists Fahey L.[8], Platt W. [9], N.Stewart, H.James, V.Bell, S.Lell, T.Hikin, A.Amsden, M.Hobdey, Y.Chuang and others.

Among CIS scientists, Doronin A.I.[10], Solomanidina T.O.[11], Yushuk E.L., Malseva A.A., Yakovets Yu.V., Kuzik B.N., Kushlin V.I., Gubernatorov A.M., Koretskaya L.K., Belova O.A., Sergeeva I.A., Stepchenko T.S., Dovbish V.E. and others separately studied the organizational aspects of ensuring the economic security of enterprises and competitive intelligence.

In Uzbekistan, the theoretical and methodological foundations of ensuring the economic and financial stability of enterprises are widely covered in the works of domestic scientists A. Burkhanov, S. Gulyamov, P. Pardayev, T. Shodiev, N. Makhmudov, B. Berkinov, B. Khasanov, and others. In the scientific works of the above-mentioned authors, insufficient attention is paid to the study of the practice of ensuring the economic stability of industrial enterprises. Therefore, a deeper study of the practice of ensuring the economic stability of chemical industry enterprises, which are considered strategic sectors of the economy, is one of the urgent tasks.

In this paragraph, a model for ensuring the economic security of industrial enterprises based on the use of competitive intelligence tools is proposed.

3. METHODOLOGY

Currently, in the era of global financial globalization, financial management, in particular, as an important part of financial control to combat the legalization of proceeds from criminal activities, is significantly activated under the influence of the requirements for increasing the effectiveness of financial monitoring. The issue of combating corruption through the introduction of a compliance control system in the banking system has become relevant for the Central Bank of the Republic of Uzbekistan, the Ministry of Justice, the Prosecutor General's Office, the UNDP Anti-Corruption Project, and KPMG. [12]

It was attended by employees of the Central Bank, heads and specialists of commercial banks operating in the compliance control system. In the process of introducing this system into the banking sector, measures are being taken to introduce a compliance control system, foreign experience and international standards. The goal is to increase the legal literacy and legal knowledge of employees of the Central Bank and commercial banks in the field of compliance control.[6] The main factors contributing to the increase in the role of financial monitoring of secondary banks in managing the risks associated with the legalization of criminal proceeds are: - the increase in threats to financial security, especially in the modern conditions of the expansion of shadow, illegal activities; - the growth of high-tech financial innovations that have unique opportunities for the realization of various interests of business entities; - large-scale liberalization of capital movements; - the presence of offshore zones for money laundering in the global financial market, in particular, for dishonest business entities [1].

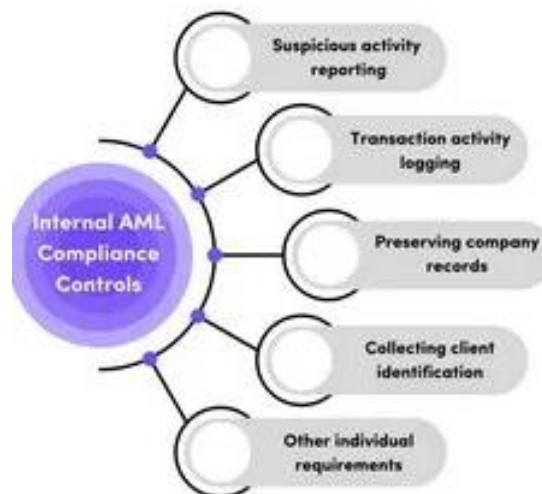
An important tool for the development of financial monitoring is compliance control in the security system in commercial banks. Let's consider the main concepts of compliance control in secondary banks. Compliance (eng. compliance — agreement, compliance; comes from the verb to comply — to comply) — means action in accordance with a request or instruction; obedience [2]. “Compliance” is compliance with any internal or external requirements or regulations. Compliance is understood as part of the management/control system in an organization that is associated with the risk of non-compliance with legal requirements, norms and standards of regulatory authorities, industry associations and self-regulatory organizations, codes of conduct. etc. Such non-compliance risks can ultimately manifest themselves in the form of legal or regulatory sanctions, financial or reputational damage as a result of non-compliance with laws, generally accepted rules and standards [3]. Compliance control, as a corporate ideology, acts as a propaganda tool aimed at promoting the requirements for compliance with the internal standards of the enterprise and generally accepted social values. The implementation of such an ideology of compliance involves creating conditions for company representatives to adhere to standards that provide for compliance control when performing certain actions. While the ideology of corporate compliance is still in its infancy in our country, in most developed countries various areas of compliance control are firmly established in all areas of business and economic activity.[6]



Compliance with laws, regulations, and compliance standards usually concerns issues such as maintaining appropriate standards of market behavior, managing conflicts of interest, treating clients fairly, and ensuring integrity in advising clients. The scope of compliance also includes specific areas, such as: combating money laundering and terrorist financing; developing documents and procedures to ensure compliance of the company's activities with applicable laws; protecting information flows, combating fraud and corruption, establishing ethical standards of employee behavior, etc. [4].

The Basel Committee on Banking Supervision's 2005 document "Compliance and its Functions in Banks" addressed the following key points, for example, noting the special status of the compliance function in banks; compliance risk management should be in place in each bank. in accordance with the specific characteristics of the banking business [5].

Measures to combat money laundering and terrorist financing help the bank solve several problems at once. In particular, collecting data on a systematic basis during identification and verification of clients, which allows you to: create a database for future risk forecasts, identify transactions subject to mandatory control and identify suspicious transactions; determine the main areas of development of the financial monitoring mechanism and document the above measures; store information and data obtained as a result of internal control to combat money laundering and terrorist financing; constantly improve compliance control and develop its tools; continuously train and improve the skills of bank employees who carry out compliance control. One of the main elements of managing compliance risks (primarily the risk of losing legal and business reputation) of a credit institution is the principle of "Know Your Customer" (hereinafter referred to as KYC). To comply with the KYC principle, a credit institution is recommended to develop appropriate policies and procedures for conducting banking and other operations, customer identification programs, identification and identification of beneficiaries, monitoring cash flows through the bank. accounts and bank risk management. A credit institution is recommended to comply with the KYC principle to ensure compliance with the legislation of the country, including on combating the legalization (laundering) of proceeds from criminal activities and the financing of terrorism, to operate in accordance with the principles of business ethics and professional conduct, as well as to ensure the stability of the financial condition of the credit institution. The KYC principle, like many other best banking practices, came to us from abroad.



In 1999, after reviewing the results of an internal study of transnational bank transfers, the Basel Committee found that the "know your customer - KYC" policy in credit institutions in a number of countries was not sufficiently effective. The committee's research has shown that in a large number of countries, KYC policies have significant shortcomings, and in others they are not implemented at all. Even in countries with well-developed financial markets, the level of KYC effectiveness has been proven to be different. In this regard, the Basel Committee commissioned the Working Group on Cross-Border Banking to study the current KYC procedures and develop recommended standards acceptable to banks in all countries. The results were published as a consultation document in January 2001.[7] In modern competitive conditions, the issue of the quality and reliability of a bank providing its services in the market is very acute. Compliance control is an effective way to reduce risks in a bank, as well as an effective means of attracting customers and investors. Thus, the main directions of developing compliance control as a financial monitoring mechanism to neutralize the risk of money laundering in commercial banks are an approved monitoring mechanism

for measures to combat money laundering; analyzing the information provided by the client during his identification and verification, including information on financial stability and entrepreneurial activity; monitoring, as well as identifying client transactions subject to mandatory control and storing information obtained as a result of this information and control; as well as regularly improving the qualifications of bank employees.

4. CONCLUSIONS

Implementing compliance control is especially vital as banking reforms continue and international financial integration deepens. Inadequate compliance mechanisms could lead to financial isolation, loss of foreign investment, and regulatory sanctions. Furthermore, with the growth of digital banking and cross-border transactions, new compliance challenges such as cybercrime and data protection demand updated frameworks and qualified personnel.

To address these needs, commercial banks must adopt a risk-based compliance approach that identifies, evaluates, and mitigates specific risks in various operational areas. This includes establishing independent compliance departments, training personnel, deploying automated monitoring tools, and conducting regular audits and stress tests. Management should foster a compliance-oriented corporate culture where ethical conduct is prioritized, and violations are swiftly addressed.

In conclusion, compliance control is not merely a regulatory obligation—it is a strategic necessity. Its effective implementation strengthens economic security by safeguarding commercial banks against legal risks, enhancing stakeholder trust, and supporting long-term operational resilience. As financial systems become increasingly interconnected and complex, compliance will remain a cornerstone of sustainable and secure banking.

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