Belkin L.M., PhD in Technical Sciences,
Senior Research Associate ♦

Efforts to combat the legalization of shadow income as a factor of economy shadowing (on the example of law enforcement in Ukraine)

Abstract: The experience of Ukraine in the enforcement of the means of combating the shadow income legalization is analyzed in the given article. The "backlinks" between the means of combating the shadow income legalization and economy shadowing are studied herein. The idealization of the positive influence of such measures is denied. The research proves that orientation of such measures towards the shadow noncriminal incomes, but not towards those of criminal origin, interferes with the economy legalization.

Keywords: economy shadowing; economy legalization; legalization (laundering) of the incomes; obtained by illegal means.

The problem of economy unshadowing, from one side, and counteracting the legalization of funds or other property, obtained by illegal means, from the other side, are especially acute both for the global community in general and for particular countries. As far as outside observer can judge, this problem is also widely discussed in Azerbaijan [2, 18, 24 etc.]. Herewith, the vast majority of publications on this issue are based on the idealization of the positive influence of combating the shadow incomes legalization measures (hereafter – "legalization") on the economy shadowing. Particular issues of this problem were studied by the author [4]. The given article is dedicated to the detailed analysis of the issues in focus.

The shadow economy is considered to be a direct source of "dirty" money [6].

♦ **Belkin Leonid Mikhaylovich -** Ph.D. in Technical Sciences,
Senior Researcher, Director of "Analitik" Consulting firm,
Donetsk region (Ukraine). E-mail: belkinleonid@list.ru

But it is a known fact [4] that shadow economy is not necessarily criminal. Indeed, Y. Latov, the famous Russian specialist in the theory and history of shadow economy, believes that in the countries with transition economy the organized criminal groups' incomes make up only a small percent from the total amount of shadow income [12]. As a result of inappropriate government administration, it is not only and not as much criminal economy that is in the shadow, but noncriminal, "underground" economy, which can be easily legalized. It appears to be evident, that the counteracting measures to such legalization, even of noble intent, interfere with the shadowing level decreasing. Here the question of the limits and effectiveness of such measures appears.

Historically, as well as according to its importance, the problem of legalization (laundering) counteraction of the criminal incomes was for the first time mentioned in the context of combating the drug trafficking. Thus, in 1912 the International Opium Convention (de La Haya Convention) was signed, and in 1931 this Convention was superseded by the new Narcotics Manufacturing and Distribution Limitation Convention (Geneva) (came into force since 1933, USSR joined the Convention on 29.01.1936) [7]. The next steps in combating the drug trafficking, as well as the "laundering" were the Single Convention of the UNO on Narcotic Drugs (New York, 30.03.1961), the Convention on Psychotropic Substances (Vienne, 21.02.1971) and the UNO Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienne, 20.12.1988).

The beginning of moving the issue of "laundering" beyond the range of drug trafficking was laid down by the adoption of the UNO Convention against Transnational Organized Crime (Palermo, 15.11.2000) and the European Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Strasbourg, 08.11.1990). Thus, Palermo Convention has fixed wider list of crimes, including more than just drug trafficking, the legalization of incomes from which should be criminalized ("predicate offence"), namely: a) penal with imprisonment for maximum term of not less than four years or more strict penalty, sec. 2 of the

Convention (but not optional imprisonment, as for example, in the Criminal Code of Ukraine or Russian Federation); b) committed in the membership of organized criminal group (sec. 5); c) corruption-related crimes (sec. 5); d) offences against public justice (sec. 23).

The extension of the scope of people who are under the influence of legalization ("laundering") measures demanded the simultaneous implementation of the human rights protection measures, in the spirit of the European law tradition. Thus, the Strasbourg Convention is based on the combination of strict measures of counteracting "laundering" crime and people that have committed such crime (violation), from one side, and the negation of the idealization of such measures through observance of those people's or third parties' rights, inter alia through the means of judicial protection. It is expressly highlighted in the Directive 2005/60/EU of the European Parliament and Council "On the prevention of the use of the financial system for the purpose of money laundering and terrorist financing" (20.10.2005) that this Directive respects fundamental rights, which is based on the principles, defined particularly in the European Union Fundamental Rights Charter. Nothing in the given Directive is to be interpreted and applied in the way which is not in compliance with the European Convention on Human Rights.

Therewith, the acts connected with the drug trafficking are still among the most widespread "predicative offences" (major offences). For instance, Y. Latov [11, p. 59-60] presents information about the structure of international mob (mafia) at the beginning of 1990th (according to the report of German Federal Agency, 1993) and criminal organizations in Japan (yakuza) in 1980, summarized in the Table 1. We can see that that the income from drug trafficking has the highest level (up to 50%) among shadow incomes. Typically, that in the Criminal Code of the Azerbaijani Republic the legalization of funds or other property, obtained through the drug and psychotropic substances trafficking is criminalized (sec. 241 CC).

Table 1

The incomes of international mafia at the beginning of 1990th
(according to the report of German Federal Agency, 1993)
and yakuza (Japan) in 1980 [11, p. 59-60]

The main kinds of incomes, from:	International mafia		Yakuza	
	Total amount, Bln. $	Percent, %	Total amount, Bln. $	Percent, %
Drug trafficking	250	50	458	44,1
Embezzlement	40	8	-	-
Smuggle	40	8	-	-
Prostitution (porn trade)	30	6	66	6,4
Trade in arms	30	6	-	-
Gaming	25	5	244	23,5
Racket	10	2	72	7,0
Danism	-	-	30	2,9
TOTALLY	500	100	1038	100,0

In Ukraine the standardization of combating the "laundering" began at the end of 1990th – the beginning of 2000th. The aforementioned standardization was implemented under the pressure of international organizations, which did not take into account the Ukrainian realities, without proper economic conditions and legal securement. Thus, from one side the level of shadow economy in Ukraine reached 43% (the average European level was up to 15-18%) [4], from the other side FATF (Financial Action Task Force) sanctioned Ukraine [17]. Thus, FATF forced the Ukrainian government to fight with almost the half of its economy and infringe its own laws.

The amnesty of shadow funds of noncriminal origin could allow decreasing the level of shadow economy. In the Letter of The President of Ukraine from 27.02.2004 "On the domestic and international condition of Ukraine in 2003" the Head of the State offered the government and Parliament to envisage the possibility of passage of the amnesty in the current year due to the legalization of shadow incomes. As the President marked, apart from financial effect, the amnesty of shadow funds can become the step to the formation of "trust economy".

The researches, conducted by "Tsentr Razumkova" sociological service [13], attest to the fact that, according to the condition for 31.03.2004, the legalization of shadow funds was considered as necessary by 61,4 % of citizens. The majority (57,6 %) expressed their confidence in the fact that the conditions should be created, when funds transferred abroad could be legally returned to Ukraine and invested into the development of the Ukrainian enterprises. Almost a half (45,9%) of the respondents think that the previous infringements of law should be forgiven for businessmen who are ready to move their funds "out of shadow" or return them back from abroad and invest into the economy of Ukraine.

Thus, the implementation of legalization (amnesty) of shadow funds and incomes would definitely find understanding and support of the Ukrainian society.

The issue of shadow funds amnesty and legalization viability is also raised in Russia. Thus, prof. M. Talan [22] gives reasons for the necessity to relief from criminal responsibility those, who voluntarily returned the funds, transferred from Russia. The Swiss economist Dieter Kassel, pointing out the positive functions of shadow economy in the market economy, esteems shadow economy as an "inbuilt stabilizer" – it feeds the legal one by its resources (nonofficial incomes are used to purchase goods and services in the legal sector, the "laundered" criminal funds are taxed, etc.). Thus, the natural floating of funds from the shadow economic sector into the legal one is pointed out, the obstruction to which is unviable, as well as a positive influence of such floating into the tax collection [12].

It should be mentioned that the famous world expert in unshadowing through legalization Hernando de Soto pointed out on this issue [19], that the lessons of complete legalization of private property are not in the technical details, but in the orientation of the changes in political and legal sets. When adopting laws that give the adequate place in life to the illegal groups of people, the American politicians expressed a revolutionary idea that law institutes has their future and right for survival, but only if they conform to the social needs.

Thus, the urgent measures, connected with counteracting the funds legalization, mainly of noncriminal origin, did not have an economic background. In other words, the laborious preparation had to precede the measures of the implementation of legislation, aimed against the legalization of shadow funds, though it did not happen.

In 1995 Ukraine joined the Strasbourg Convention 1990, which became the part of Ukrainian legislation. As a result, the notions "illegally obtained incomes" and "predicative offences" became legally enforced in Ukraine. However, some acts should be defined exactly by the national legislation, such as laundering of illegally obtained incomes; the responsibility for such acts; predicative offences; the system of financial monitoring and its subjects; the attributes of dubious operations, etc. The aforementioned norms were not present in the Ukrainian legislation at that time, as a special law on "laundering" was not adopted.

There was an attempt to implement proper measures under the veil of combating the concealment of non-taxable income in the Decree of the President from 22.06.2000 № 813/2000 "On the additional measures to enhance combating the concealment of non-taxable income and laundering the illegally obtained income", which generally conformed to the Strasbourg Convention 1990.

The initial norms for prevention of illegally obtained money legalization in the banking system were established by the Act of Ukraine (hereafter AU) "On banking and bank operations" (came into force on 17.01.2001). This act: a) established the notion of "illegally obtained money"; b) banks became obliged to prevent from using banking system for the legalization of funds; c) banks were prohibited to enter

contractual arrangements with the anonymous persons, to open anonymous accounts; d) banks were obliged to identify all the bodies performing significant and/or shady operations; e) the act established the definition for the significant operation (the sum is more than the equivalent of 50 000 euro on clearing settlement, equivalent of 10 000 euro cash according to the official exchange of gryvnya to the foreign currency, established by the National Bank of Ukraine (hereafter NBU)); f) the act established the definition of shady operation.

With the adoption of given provisions on the legislation level, the law basis appeared for the realization of the international organizations requirements on the counteracting the legalization of illegal income, at least in the banking system. However, this act did not solved the issue of criminalization of acts connected with the legalization, did not created the system of financial monitoring, and did not solved the questions of counteracting the legalization through nonbanking financial institutions. Yet, the sec. 64 of the Act made provisions for the information about personal identification to be given by the banks to the correspondent bodies, according to the Ukrainian legislation, which controls the issues of combating the organized crime, in order to prevent crime. Though, it is still obscure, if this norm can conform to the requirement of preserving the banking secrecy.

According to the Decree of the President of Ukraine from 19.07.2002 № 532/2001 "On the additional measures to combat the illegally obtained income laundering", the Cabinet of Ministers of Ukraine (hereafter CMU) was obliged to take immediate measures to create a complex system of combating the illegally obtained income laundering, i.e.: a) to enhance the work on forwarding the adoption of the Act on prevention and counteraction the legalization (laundering) of the illegally obtained income; b) to take measures, as established by law, connected with exchanging the general information, information on shady operations, carried out by business entities, and providing law assistance to other countries in cases connected with "laundering"; c) analyze in a month term and present information about the

fulfillment of warranties, applied on Ukraine in accordance with the Strasbourg Convention 1990.

There are all reasons to think, that the requirement to the exchange of information in shady operations, carried out by the business entities, was at that moment obviously illegal, as the notion of "shady operation" was settled exclusively by the banking legislation, information was concentrated in banks, thus, CMU did not have powers to give directions to the banks. Likewise, "the exchange of information about shady operations, carried out by business entities" was not envisaged by the banking legislation, so that it would break bank secrecy.

With the joint resolution from 28.08.2001 № 1124 "On the forty recommendations of the Financial Action Task Force (FATF)" CMU and NBU bound the executive authorities, banks and other financial institutions to follow these recommendations in their operation. Approximately at the same time NBU sent a letter from 15.10.2001 № 18-111/3896-6356, in which it obliged banks to use the Resolution № 1124 in their operation. The letter bound the institutions of NBU, commercial banks to pay special attention to the observance of recommendations, given in section C of the 40 FATF recommendations, according to the current legislation of Ukraine.

The given documents were obviously illegal and inapplicable. In the first place, even if the Act of Ukraine "On banks and banking operations" envisaged certain measures to counteract illegally obtained funds legalization, but these requirements did not cover "other financial institutions", as it was pointed out in the Resolution № 1124. In the second place, even in case of applicability of the sec. 63-65 of AU "On banks and banking operations", the requirements items 10-29 of the FATF Recommendations were inapplicable without the legal determination of the comprehensive grounds for ignoring the bank secrecy, without the financial intelligence subdivisions, and without the legally fixed status of bodies which exercise financial control, etc. That is why, it was impossible to satisfy the FATF requirements without the given legal regulation.

On 12.07.2001 the Act of Ukraine “On the financial services and government regulation of the financial services markets” was adopted (became effective on 22.08.2001), which contained sec. 18 “The prevention of illegally obtained funds legalization”, that established the obligation of financial institutions to identify the consumer of the financial services. It described the procedure of such identification, but did not envisage the notion “shady operation” establishment and its criteria. The financial institutions obligation to inform the correspondent competent government bodies about doubtful and unusual operations of their clients was envisaged, but the absence of the definition of “shady operation” and ambiguity of the notion “competent government body” made this obligation inapplicable and merely declarative.

The attempt to compensate for the absence of a special law on “laundering” was made in the Decree of the President from 10.12.2001 № 1199/2001 “On the measures to prevent the legalization (laundering) of illegally obtained income”, which provided for: a) initiating from 01.01.2002, before adopting proper legislative act, compulsory financial control over all the financial operations, defined by the law as substantive or shady, and are carried out on the territory of Ukraine by individuals or legal entities; b) to establish the obligatory financial control as that exercised: primary – by banks and other financial institutions – legal entities, that according to the law provide services on payment, transfer, remittance, exchange, deposit of funds and registration of the rights for property or emit licenses, receive income and property declarations; governmental – exercised by state bodies which, according to the law ensure the monitoring and control over the operation of organizations carrying out financial operations; c) to create the State Department of Financial Monitoring, as a part of the Ministry of Finance of Ukraine, functioning as a governmental body of state administration; d) for the CMU jointly with the NBU: to affirm till 01.01.2002 the procedure for exercising the obligatory financial control over the financial operations, laid down in the Decree; to analyze within a month the reasons which caused the

recognition of Ukraine as a country that insufficiently cooperates with FATF, and take measures for their elimination.

In spite of the benign intentions to satisfy the demands of FATF, the given Decree in its main parts was illegal. In particular, out of the provisions of law the financial control couldn't be imposed over the financial operations, carried out by non-banking financial institutions, and the procedure of such control couldn't be established. This is the obvious reason, why the Decree was not implemented into practice.

In this context the adoption of the AU "On the prevention and counteraction to the legalization (laundering) of the illegally obtained income" (entered into force on 10.06.2003) has become the most crucial event. This act virtually conformed to all the requirements of FATF. In particular, it defines: specific actions, which are classified as "illegally obtained money laundering", and the responsibility for these actions; major offences; the system of financial monitoring and its subjects; the key element of this system, its coordinating authority – first as the State Department, then also as the Financial Monitoring State Committee; the characteristics of shady operations, common for all the subjects of the financial market etc.

Thus, the implementation of any measures for combating the "laundering" was accompanied by the Ukrainian law violation and did not reflect its economic realities. There are all the grounds to believe, that the implementation of such measures and in such a way has negatively influenced the process of the Ukrainian economy unshadowing. In the aforementioned Letter of the President of Ukraine from 27.02.2004 the dynamics of changes in the level of shadow economy in Ukraine is presented on an annual basis (fig. 1; left part – information from the Letter). According to this data, we can see that in the period of 1991-1997 the shadow economy rate was increasing, and then, till the year 2003, it was gradually decreasing. In the research [4] these tendencies has found the correspondent explanation from the point of view of state administration quality: negative – in 1991-1997, and with some improvements – from 1997 on. In particular, in the Letter of the

President some hopes about further shadowing rate decreasing were put on the implementation of the acts on reducing the individual income taxes, adopted in 2003.

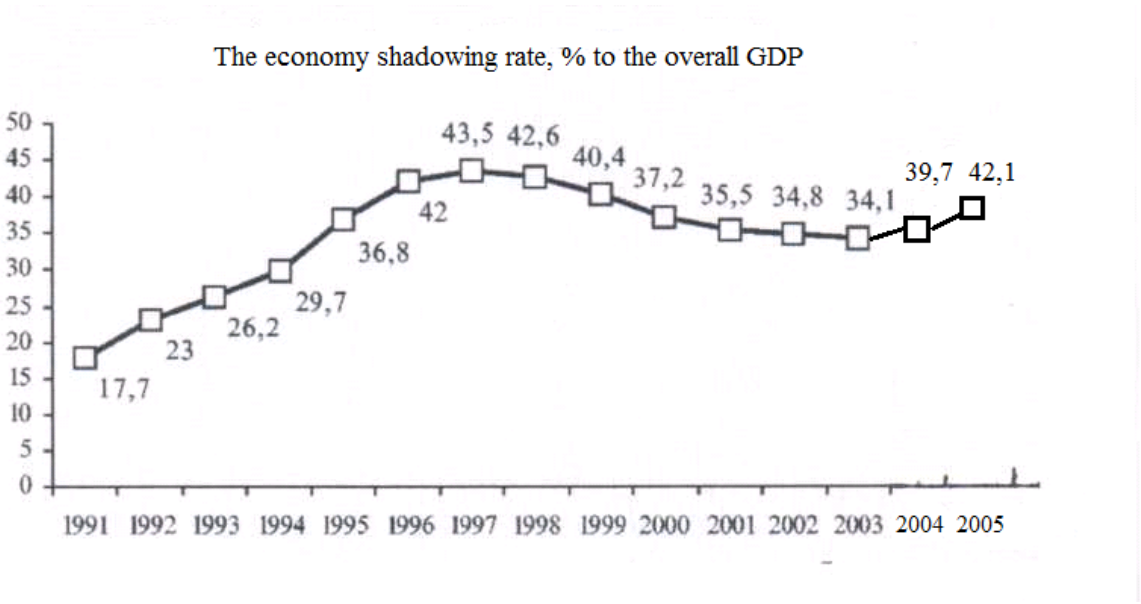

Fig. 1. The rate of shadow economy in Ukraine, % of the overall GDP (till the year 2003 – according to the data, presented in the Letter of the President of Ukraine from 27.02.2004, 2005, 2006 [21])

But the expectations were not justified. Thus, according to the calculations, accomplished in the research [21], the level of shadow economy in Ukraine was growing: in 2003 – to 36,4%, in 2005 – 39,7%, in 2006 – 42,1%. The approximate coincidence of the data from both sources for the year 2003 indicates the comparability of the applied methods. The indicated growth of the shadowing rate cannot be explained other than by the creation of artificial barriers to the legalization, so called “fight with the laundering”.

Firstly, in the aforementioned Letter from 27.02.2004 among the significant events, which were to influence the rate of economy shadowing from 2003 on, namely, the measures to counteract criminal income laundering were mentioned. There were no other legislative events at that moment to have been assessed as negative. Consequently, exactly the factor of legalization counteraction caused the emergence of obstacles to the legalization, and then the obstacles to decreasing the shadow economy rate.

Secondly, the abrupt rejection or negative attitude to the anonymous accounts in banks, open-faced securities, the liability of banks to independently uncover the information about the clients, which did not require any efforts for the bank secrecy disclosure from controlling authorities, considerably pulled down the credibility to the financial system of Ukraine, causing the flight of capital to the shadow and/or abroad, but not its legalization in any case.

It should be noted, that anonymous accounts and securities have always been considered the elements of doing safe business [3, 23]. It is especially inherent to modern Ukraine, where, as indicated below, under the veil of counteracting the "laundering", there is the fight not against the classic major offences and their financial consequences (drug-trafficking, trade in arms, human trafficking etc.), but against the business of non-criminal origin, leading a wretched existence and striving for the survival in the conditions of the modern inappropriate management. In this context it should be mentioned, that even the European countries and the USA, saying nothing of the developing countries, are very careful about the legalization of funds, especially, if it is not connected with the aforementioned grave offences (felonies). It is a known fact, that the FATF has made a list of countries which do not cooperate in the sphere of combating the legalization of illegally obtained income. At the present moment it is blank, but several years ago it included more than ten countries. The publication of this list gave rise to numerous comments, which pointed out the subjectivity of its creators. The so called "tax heaven" – the British island Jersey was not included in the FATF list. Out of political considerations China also wasn't enlisted, and under the pressure of the number of relevant countries, Monaco wasn't enlisted either. We shouldn't leave out the activity of the offshore zones and territories carrying out definite significant functions in the international trade, which nobody wants to restrict de facto. It is appropriate here to mention, that China is considered to be the illegal capital outflow leading country in 1994-2010 ($1,2 trillion), and the volume of funds kept on the undeclared offshore accounts by the rich of the world can reach $32 trillion [25]. Many of the developing countries pay

little attention to the “shady funds”, in order to attract investments, encountering the dilemma: whether to counteract the inflow of “dirty” money or accept the absence of funds inflow at all [28]. In particular, as noted in the report [29], the shadow funds are the huge unengaged investment resource for Ukraine and the stabilization resource for its financial system. Even the funds laundering counteraction system, created in the USA – the country, which was one of the first from those which paid attention to this problem, – following the results of the FATF audit in 2005-2006 conforms only to 36 recommendations in this sphere of 40 possible [28].

Besides this, the anonymous bank accounts are not rejected, for instance, in Austria (so called “sparbucher”). In Europe these accounts are periodically accused of “laundering” facilitation, still nobody is going to give them up [10]. The example of jurisdiction, where there are share warrants to bearers with the “complicated procedure of their emission”, is Switzerland [23]. As noted in the research [23], the technologies combining the advantages of settled instruments with the needs of the real counteraction to “laundering” can be developed, if desired. Why the Ukrainian government has not such a desire is another question.

Thirdly, the legislation, aimed against the criminal income legalization, in case of Ukraine did not become the instrument for combating the “laundering” in the context of international standards, but actually turned into the means of additional pressure on business. In particular, the criminal cases on sec. 209 CC of Ukraine “Illegally obtained income legalization (laundering)” are commenced even when there is no “laundering” [5]. Thus, in paragraph 10 of the Decree of the Plenum of Supreme Court of Ukraine (hereafter - SCU) from 15.04.2005 № 5 “On the practice of judicial application of legislation on criminal responsibility for the legalization (laundering) of illegally obtained income” it is pointed out that evasion of taxes (sec. 212 CC), smuggle (sec. 201 CC), financial resources fraud (sec. 222 CC) cannot be considered as predicate crime. Along with this, as a matter of practice, it is quite opposite in Ukraine. Thus, in the research [1, p. 350] it is explicitly stated that, in contrast to other countries, where the income obtained mainly from drug and arms

trafficking is considered as shadow, in Ukraine the main source of illegal income, according to the law enforcement agencies, are, namely: tax evasion, smuggle and financial resources fraud, i.e. that crimes, which are not envisaged as predicate for sec. 209 CC by the SCU. The SCU in its judicial practice has on several occasions pointed out, that if operations are carried out with legal funds and property, then they cannot be considered as those connected with the legalization (laundering), even if they are transferred to the illegal zone of usage [8]. Here one should understand that, in particular, the criminal and criminally remedial legislative system of Ukraine creates more advantageous possibilities for the implementation of imprisonment on the stage of prejudicial inquiry, from the point of view of the law enforcement agencies, even if the suspicion qualification is supplemented by sec. 209 CC, though even artificially.

At the same time, the law enforcement agencies intentionally ignore the characteristic features of the legalization (laundering) in the drug trafficking operations. The analysis of sentences in criminal cases 39.299, connected with the illegal drug trafficking, and in case 91 on human trafficking [8] allowed to establish that only in one case, the accusation, connected with the illegal drug trafficking, was associated with sec. 209 CCU prosecution, except but the sum of 125 (!) gryvnyas and the fact that it was cancelled by the court [8]. Besides this, according to the research of the International Migration Organization (IMO), divulgated in December 2006, beginning from the year 1991 almost 117 thousands of Ukrainians had become the victims of human trafficking [15].

At the same time, these were the drug trafficking and human trafficking that are those classic sources of shady money, which should be being combated by the law enforcement agencies at normal conditions (see table 1). Thus, if we take into account the fact that shadow funds in Ukraine make up 15 billion gryvnyas (about $2 billion) [26], according to the fixed global patterns drug trafficking covers up to 50% of shadow funds (see table 1), in case of Ukraine – up to $1 billion, then the only drug-related crime with “laundering” for the sum of 125 gryvnyas, but still unproven,

cannot reflect the true volume of necessary law enforcement in this sphere, which can indicate the "closing the eyes" policy of the Ukrainian law enforcement agencies. From the other side, from the personal evidence of the MIA of Ukraine, during the last years the number of people, who illegally take drugs and psychotropic substances has redoubled, and drug addiction captures wider and wider circles of the population and is becoming the hazard for the nation's development and welfare [9, 14]. Quite possible, that the law enforcement agencies use these facts to prove their importance, but we cannot see any results in practice, as well as their implementation. For instance, E. Gasanov [7] pays attention to the improvement of means for sheltering those, who take part in the illegal drug trafficking, by the corrupted officials with the promotion and increasing the number of the latter. D. Shestakov [27] pays attention at the fact that nowadays the issue of the self-interest of power structures and courts in crime is widely discussed in the world criminology. The reproduction of crimes from day to day to the known degree is instrumental in the population employment issue. Thanks to the crime, in the western countries not only police is provided with high salaries, but also other law enforcement bodies, judges in criminal cases, public prosecutors, solicitors, different social adaptation services: mediators, social workers etc. All these anti-criminal structures, formed around the crime, – both in Russia and other countries – function not only against crime, but also for the self-protection, according to the law of self-developing substructures [27].

The results of criminological researches, according to which up to 50% of drug-trafficking income is spent to organize the bribe of officials, including the acquisition of necessary information about them, should also be taken into account. In Russia the corrupted officials from the law enforcement agencies actively participate in the secondary trafficking of drugs, confiscated from the criminal organizations [16, p. 84-85]. There are no adequate grounds to believe that the situation is different in Ukraine.

We can take into account the fact that the recovery of income from the operations with drugs can also be qualified by the sec. 306 CC of Ukraine (the

analogue of sec. 241 CC of the Azerbaijan Republic). But according to the research data [20], in 2009 among 57 624 drug-related crimes, there were 101 facts registered as a use of funds, acquired through illegal drug trafficking. Herewith, the judicial practice of sec. 306 CC of Ukraine court application practice is very collisional: in many cases courts exclude the investigated prosecution norm because of the failure of evidence. Thus, the analysis of cases, brought into the court for the prosecution on sec. 306 CC of Ukraine, in the Judicial Decisions Unified State Register [8], shows that only 59 cases ended with the sentences, and in these episodes the sum was not more than 6000 gryvnyas, and the funds were not transferred to the legal flow, but continued to be used illegally for the purchase of some new consignments of drugs, i.e. the legalization, as defined by sec. 209 completely failed.

Conclusions

1. As well as any other social phenomenon, combating the "shady" money cannot be idealized; in many cases this "fight" causes further economy shadowing, or interfere with its legalization.

2. The implementation of measures to counteract the legalization of funds in Ukraine encountered with numerous infringements of the legislation by the authority, which can be particularly explained by the external pressure, as well as by the obvious economic unpreparedness. As a result of this, the authority declared war to almost the 50% of its economy, instead of making consistent and logical steps for the non-criminal funds legalization.

3. The Ukrainian practice of law enforcement in the sphere of combating the "shady" money laundering does not conform to the world standards; it is not implemented in the "classic" areas of laundering (drug trafficking, traffic in arms or human trafficking, officials corruption, or offences against public justice), but is just used as an additional means of exercising pressure on entrepreneurs. The given experience is advisable to be taken into account by the Azerbaijan legislators to avoid the aforementioned negative consequences.

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