

The Necessity of Implementing Compliance Control in the Activities of Commercial Banks

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Abstract:

This article focuses on a significant issue within the financial market of Uzbekistan, particularly in the activities of commercial banks. The thesis deeply analyzes the implementation of compliance control systems and their role and importance in combating corruption. The compliance control system is crucial for ensuring transparency and reliability in the financial sector. This system not only manages financial risks but also serves as a primary tool in preventing and detecting corruption.

Keywords: Compliance control, inspection, law, legal, corruption, financial accountability, transparency, ethics, safety, legality, banking activities, international standards, anti-fraud, ethical rules, legal oversight, financial audit.

After achieving independence, Uzbekistan set itself the goal of establishing a democratic legal state and a civil society. This process requires deep and consistent political and economic reforms. As emphasized in President Shavkat Mirziyoyev's speech, "Together with our brave and noble people, we will build a free and prosperous democratic state of Uzbekistan," highlights the necessity to combat corruption and other illegal activities, as well as to implement effective measures against crimes. This process not only ensures internal political stability but also enhances Uzbekistan's image on the international stage [1].

Corruption is a global issue that hinders the economic and political development of society. It not only wastes financial resources but also reduces the efficiency of government agencies and weakens the sense of justice. Therefore, strengthening measures against corruption, including fortifying internal control systems and developing international cooperation, is a pressing task in Uzbekistan.

International cooperation and the study of advanced practices from foreign countries, as well as their integration into national legislation and practices, can create more effective approaches to combating corruption [2]. This process involves collaborating with various international organizations, learning from their methodologies, and adapting them, thus enhancing the anti-corruption system further.

The "compliance control" system includes measures to detect and prevent corruption and conflicts of interest within state bodies, commercial entities, and banks, as well as to report on legal violations. This system is also aimed at ensuring the rule of law and increasing the transparency of government agencies.

In the fight against corruption, such systems not only prevent legal violations but also improve the quality of public services and enhance citizens' trust in government bodies. Moreover, they play a crucial role in enhancing Uzbekistan's reputation in financial transparency and international business community relations [3].

Currently, the compliance control system has been implemented in the banking sector of Uzbekistan, playing a crucial role in ensuring the stability of the financial system and combating negative phenomena like corruption. The main tasks of this system are outlined below:

1. Identifying corruption risks in banks: detecting potential corruption scenarios within banking activities and taking necessary measures to prevent them, using analytical methods and monitoring systems.
2. Enhancing legal awareness among bank employees: organizing various training seminars and preparation courses to increase the legal knowledge of bank employees, enabling them to better understand corruption and other legal violations and to prevent them.
3. Maintaining the confidentiality of service secrets and information: ensuring the security of bank data and guaranteeing the confidentiality of information about customers and banking operations.
4. Conducting and monitoring state purchases: ensuring transparency and fairness in the process of conducting state purchases, monitoring tender processes, and preventing corruption in these processes.
5. Improving anti-corruption efforts: developing and implementing strategies for combating corruption and regularly updating existing systems.
6. Preventing and combating legal violations related to corruption: implementing preventive measures to avoid legal violations and taking swift actions when necessary.
7. Preventing conflicts of interest: preventing situations of conflicts of interest among bank employees and management, and ensuring fairness in banking operations and state procurement processes.
8. Regulating the acceptance and giving of gifts: strictly controlling the practice of accepting and giving gifts in banking activities to prevent corruption.
9. Combating the legalization of proceeds from criminal activity: implementing effective measures to combat money laundering, financing of terrorism, and financing the proliferation of weapons of mass destruction.
10. Handling inquiries from communication channels: receiving and reviewing complaints and suggestions from customers and bank employees, and enhancing accountability and transparency [4].

Such systems enhance the reliability of the banking sector and ensure the stability of the financial system, while also helping to strengthen Uzbekistan's international reputation in the global fight against corruption [5].

The compliance control system in banking systems and other financial institutions is considered a primary tool for preventing corruption and conflicts of interest. This system's main goals and the corruption risks within the banking system can be detailed as follows:

1. Early detection and prevention of corruption cases: The compliance control system allows for the early detection of potential corruption cases within financial operations and banking activities and for taking the necessary measures. This process is facilitated through internal audits and continuous monitoring systems.
2. Elimination of causes and conditions leading to corruption: The system analyzes the root causes of corruption and helps eliminate them. For instance, strengthening control and reporting systems and automating processes can minimize conditions that allow corruption.
3. Prevention of conflicts of interest: Within the scope of compliance control, mechanisms for preventing and managing conflict of interest situations between employees and bank management are developed. This is especially important during tenders and state procurement processes.
4. Forming an intolerant attitude toward corruption: Shaping an intolerant attitude toward corruption within the bank culture, encouraging employees to take strict and prompt actions when encountering corruption cases [6].

Corruption risks in the banking system:

- Delaying credit terms: This refers to the practice of providing undue advantages to credit recipients.
- Hiring relatives: Employing employees' relatives without adhering to regulatory standards.
- Non-compliance with ethical principles in customer relations: Represents unfairness and bias in customer service.
- Allocating privileged credits: Providing unlawful privileges to certain individuals or organizations.
- Obtaining credits and loans out of turn: Illegally obtaining credits or loans.
- Benefiting from allocated credits: Situations of personal interest in the credit allocation process.

The compliance control system, as a crucial organizational measure implemented in Uzbekistan's banking system, plays a central role in combating corruption and conflicts of interest. Through this system, banks can detect corruption cases early, eliminate their causes, prevent conflicts of interest, and strengthen an intolerant attitude towards corruption.

The corruption risks in the banking system, such as delaying credit terms, hiring relatives, non-compliance with ethical principles in customer relations, and allocating privileged credits, manifest in various forms. These risks not only cause financial damage but also diminish the bank's reputation and the trust among customers.

Therefore, the effective operation of the compliance control system enhances the overall efficiency of the banking system by improving the legal awareness of bank employees, cultivating an intolerant attitude toward corruption, and increasing transparency and accountability. Additionally, adopting international cooperation and advanced practices can improve the country's legislation and practices in combating corruption. Consequently, the compliance control system significantly

contributes to stabilizing Uzbekistan's financial system and enhancing its competitiveness in the international financial market.

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