

**EAG WORKING GROUP ON TYPOLOGIES****Report on the research topic****«Risks of using non-banking financial institutions in money laundering schemes»****(November 2010, Moscow)****Introduction**

In accordance with the decision made during a meeting of EAG Working Group on Typologies, taking place in December 2009 in the framework of the 11<sup>th</sup> Plenary Session of EAG, in 2010 Russia is heading the handling of the typological research under the topic of “Risks of using non-banking financial institutions in money laundering (legalization of criminal profits) schemes”.

The goal of having this research done is:

- revealing of vulnerable spots in the activity of non-banking financial institutions requiring extra attention from the point of view of performing transactions, related to money laundering, and definitions of such features;
- development of recommendations to take actions geared towards prevention of the appearance of such risks or their elimination.

The necessity to perform this kind of research has been supported by all the participants of the working group.

In the framework of research Russia forwarded an associated questionnaire to all EAG member states and observers taking part in the research.

The research was carried out using the information submitted as answers to the aforementioned questionnaire by the following countries:

- the Republic of Armenia (EAG observer);
- the Ukraine (EAG observer);
- Turkey (EAG observer);
- the Republic of Belarus (EAR member);
- Kyrgyz Republic (EAG member);

- Uzbekistan Republic (EAG member).

### **General provisions**

Banks, professional members of the securities market or insurance agencies are not taken into account in this research.

Speaking about non-banking financial institutions it is important to pay special attention, in our opinion, to the following points:

1. Non-banking organizations that can perform services for individuals and corporate entities on issuing credits, loans, and borrowings, for example:

- upon the security of tangible property (pawn-shops);
- volunteer unions of people who invest money for a share in a share-based financial institutions that work for the profit of their shareholders (consumer credit cooperatives of people, credit unions),

2. Organizations performing money orders.

The peculiarity of the aforementioned organizations is based on the fact that their clientele is mostly (in some of the organizations completely) individuals and the majority of their transactions are cash-based, which by all means, creates the conditions for the appearance of risks of using the noted institutions in order to legalize the profits from criminal activity.

Based on the opinions and experience of the countries which provided the answers to the questionnaire, the active use of non-banking financial institutions is most of all explained by the following:

- low cost services compared to banks;
- no need to supply a full document dossier to receive services compared to banks procedures (for organizations that issue credits, loans, borrowings);
- timely document execution and payment;
- ability to provide small and short-term loans;

- territorial proximity to the client (services of these institutions are relevant to people living in remote areas);

- results of advertising campaigns.

Based on the evaluation of this sector activity in different countries it is possible to make a conclusion that the volume of the sector is constant or, in specific cases, has a tendency to grow on account of appearance of new participants as well as on account of growth in the branch network of the existing organizations.

The main concentration of these organizations is usually seen in capitals or big cities, at the same time either branches or agency-based territorial networks are developed.

In order to regulate the activity of non-banking financial institutes in all of the countries, that have supplied the answers to the questions to Russia, special and profile-based legislation was developed and exists now. In a number of countries the activity of these institutions is subject to licensing, besides, there are limitations on performing this kind of activity by individuals.

In all of the countries that have supplied the information, activities of non-banking financial institutions are subject to anti-money laundering and terrorism financing regime; a variety of consequences is used (civic rights based, civil and criminal) for the violation of requirements set in this field, in particular these are the following:

- a warning;
- an injunction to eliminate the detected violations and shortcomings;
- fine-based sanctions;
- an administrative arrest;
- a temporary suspension of activities or a license for the corresponding activity cancellation;
- loss of rights to be involved in a certain activity;

- disqualification of the head (leadership) of financial institution management;

- deportation;

- confiscation and fines based on the cost of the subject of the administrative violation;

- incarceration, etc.

As the results of the research show, the control over the activity of these organizations is usually performed by national banks and/or corresponding state regulating authorities.

At the same time, unlike the available practice in other countries of providing regulating rights of the participants of one and the same market segment to the self-regulating organizations, the rights to control non-banking financial institutions, according to the results of this research, are not provided to self-regulating organizations in case if those exist in the corresponding field of activity.

The main goals of the self-regulating organizations, in particular, are the following ones:

- creation and providing conditions for professional activity;

- coordination of the activity of its members;

- development and implementation of the rules of behavior in the market, establishing standards, making provisions for effective activity;

- presentation and defending the interests of its members;

- realization of joint programs;

- observation of standards of professional ethics;

- supporting the high level of professionalism of the members of self-regulating organization.

### **The examples of possible use of non-banking financial institutions in money laundering schemes**

Based on the existing material, specifically in Russian and Ukrainian practice, it is possible to cite several examples, attesting the presence of risks of money laundering of the profits from the activity of aforementioned organizations, features of suspicious transactions as well as the presence of risks from the participation of the aforementioned non-banking financial institutions in money laundering schemes.

Russian examples were found out based on the results of testing events that are performed taking into consideration a risk-oriented approach to the organization selection, based on finding the objects of control, requiring extra attention from the point of view of risks of performing transactions, that have some features of the connection with money laundering and terrorism financing, as well as based on the analysis of the information supplied to the federal authorities on financial monitoring from the organizations which were mandated to provide the information to the authorities in accordance with the legislation in the field of combating money laundering and terrorism financing.

Studying the existing data allowed to find out the facts of withdrawals of money from the non-cash system of transactions into non-transparent cash conversion, which is largely connected with the existence and reproduction of shadow sectors of the economics and allowed to take measures to combat these actions.

Cashing money represents a thread to normal functioning of the economics, and the money taken out of legal turnover is most of the time used for illegal, corrupt purposes.

Strict regulatory activity of non-cash transactions on bank accounts will make the current and further control over obeying the existing legislation more effective from the side of the executive authorities as well as banking institutions.

For this reason the price of cash turns out to be higher than the price of non-cash transactions first of all because the latter have to follow a lot of legislative rules and higher access of various kinds of control to them. The opportunity of using cash without any control on its own can be the goal of cash withdrawal transactions.

### **1. Possible risks of cashing the funds through pawnshops.**

A **pawnshop** is a corporate entity which is a specialized commercial organization, which main activity is providing short-term loans to people and storing things. A pawn-shop is allowed to take movable property as a pledge or to store; the property belongs to the person taking out a loan or storing it, and is for personal consumption.

Besides the main service of giving out financial credits pawnshops also offer additional services like:

- evaluation of the item pledged or given up for storage;
- insurance of the item taken by the pawnshop as a pledge or for storage;
- selling of the item not picked up.

In accordance with the Russian legislation, specifically according to a field-specific law “On pawnshops”, pawnshops are not allowed to be engaged in any other entrepreneurial activity, except providing short-term loans to people, storing of goods, as well as consulting and advisory services. There are similar limitations in the legislation of other countries.

## Example 1.

As a result of the conducted tests on compliance with the legislation on combating legalization (money laundering) of profits from criminal activity or terrorism financing, as well as the analysis of the information of money transactions, arriving into the database of the Russian Federal Financial Monitoring Service it was possible to reveal and stop the activity of several fake pawnshops which under the guise of popularity of the service of giving out loans have been in fact providing cash withdrawal services.

The scheme of using fake pawnshops to withdraw cash is quite simple. A corporate entity gets registered, and its formal goal is (as per the organization charter) to provide pawnshop services. Then non-cash money equivalents that are placed on the pawnshop's account from other corporate entities interested in receiving cash are withdrawn from the account without any trouble in order to be distributed as loans to individuals that is on the grounds of using typical pawnshop services (as per the organization charter activity), which does not make banks suspicious.

Hiding behind the activity of pawnshops such structures are trying to avoid compulsory control from the point of view of the servicing bank in connection with getting large loans and consequently withdrawing cash as funds necessary to give out the loan to the clients.

Typological features of cash-out schemes through fake pawnshops, which point to the suspicious character of the operations, are the following points:

- 1) impossibility to find out the actual physical location of the pawnshop;
- 2) large amounts of money that is regularly transferred onto the pawnshop accounts by multiple counteragents who also have some features of being fake (registered at the addresses of mass registration with minimal capital stock, not reporting to the tax authorities, etc);
- 3) the reasons to transfer the money onto their bank account do not correspond to pawnshop activity: payment for building materials, computer

equipment, consumer goods, etc, despite the fact that the legislation that regulates pawnshop activity prohibits any other activity other than giving out short-term loans to people, storing items, as well as providing consulting and advisory services;

4) pawnshop's profitability is less than 10% (average percent of profitability that allows monthly loan issuance);

5) the accounts of the pawnshop and the counteragents are open in the same credit organization, which sometimes can show the complicity of the bank to organization schemes.

#### Example 2.

Another example of using a pawnshop for money withdrawal is the following example.

The analysis of the financial activity of a pawnshop gave evidence of the existence of a scheme geared towards money withdrawals in the interests of a concerned group of people. The people who received the loans at the pawn-shop were a number of individuals who received money for car loans. In fact the cars have never been pledged at the pawnshop and the loan was registered to last one day on a minimal percent (for example, 0.005%).

In the future the loan received was paid for by promissory notes of various companies and the money that was made from the charges for these promissory notes was put onto the account of the pawnshop and then withdrawn as cash for the purposes of the organization which is in turn explained by the character of pawnshop activity.

In this case the scheme has all the features pointing to the suspicious character of the operations:

- 1) minimal length of time for the loan;
- 2) minimal percent on the loan;
- 3) actual absence of pledged cars;

4) paying off the debt with the promissory notes.

Example 3.

The main point of another example of cash withdrawals with the use of pawnshops is related to the use of large banks promissory notes with an expired date of redemption.

This way the accounts of two pawnshops received money based on loans from corporate entities. The head of these pawnshops was one individual.

The money, transferred onto the account after the pawnshops took it out of the bank to perform the activities as per the charter (pawnshop-type), was given to individuals on loan basis in the pledge of promissory notes with an expired date of redemption which was not more than one year.

The time of validity of these loan contracts was not more than 10 days. The promissory notes were not bought back. A limited circle of people was receiving loans in the pawnshops; these people were related to the head of the pawnshop.

At the same time in several cases one and the same promissory note according to the paperwork was the pledge in two pawnshops at the same time.

Based on the existing information in a number of cases the aforementioned promissory notes were cashed-out in credit organizations by the same director of fake pawnshops himself, and were taken as pledges next year.

The noted activity was related to receiving the profits by a person who organized it, as well as the executors who knew about it beforehand, by a transfer of money from the accounts of the noted organizations through a wire transfer or through a cash withdrawal from the account that could be used for making deals or taking part in legal economic activity.

The features that show the suspicious character of the operations used in this example are the following:

- 1) the minimal time for the pledge;
- 2) the items that haven't been bought out from being pledged;

- 3) the actual absence of the promissory notes as pledges;
- 4) the location of the pawnshops and banks that gave out the promissory notes was the same town, so there was no point in pledging the promissory note to the pawnshop because it was possible to cash the promissory notes in the bank itself;
- 5) the limited circle of the individuals, performing the transactions and the possible presence of the connection of the noted people and the head of the pawnshop.

The materials of the noted scheme were transferred to the investigative department of the State Institution of the Ministry of Internal Affairs financial responsibility center to resolve the issue of opening a criminal investigation.

In order to exclude the realization of such schemes the field-specific legislation of the Russian Federation, regulating the activity of pawnshops, was subsequently modified to state that the pawnshops receive pledges of property from people that should be just for personal consumption. The placement of securities into the pawnshop in order to receive a credit was considered for the reasons that even though securities are related to the movable property, they are not intended to be used for personal consumption.

#### Example 4.

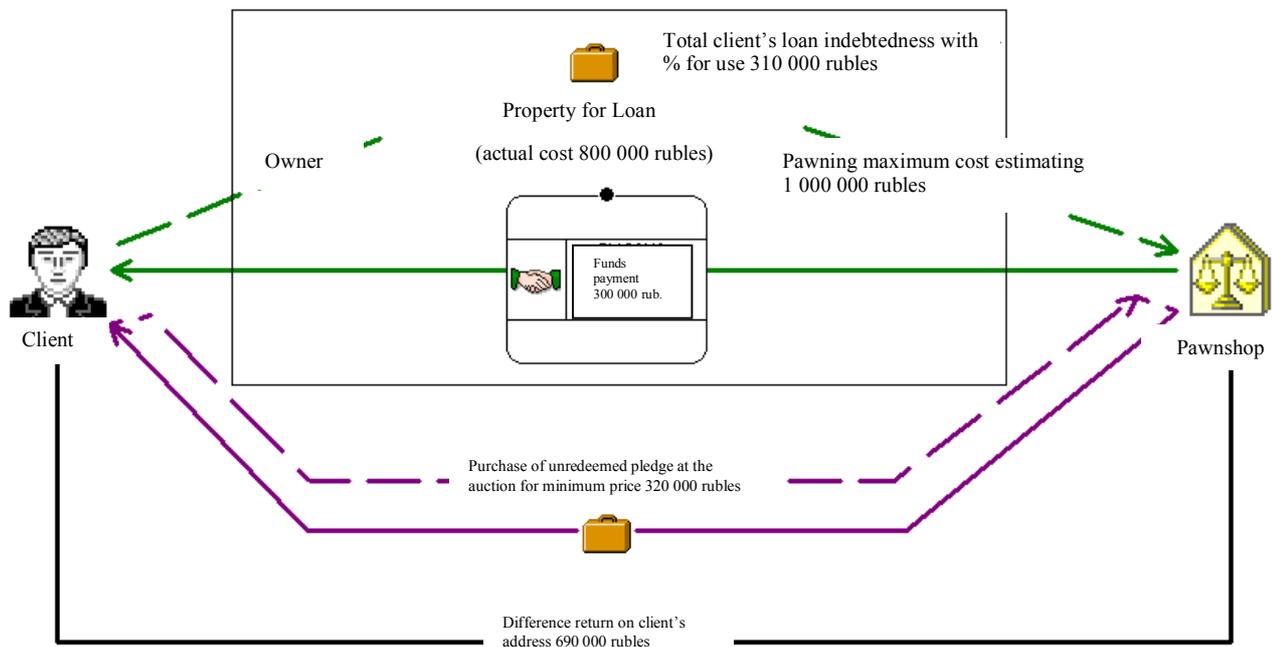
In accordance with the special legislation of the Russian Federation, regulating pawnshops, when the pledge that was collected is sold, the calculations are performed from the evaluation of the item and not the amount received by the pawnshop when the item is sold.

So this way if after the sale of the non-picked up item the amount that the item was pledged for at the pawnshop turned out to be less than the amount received from the sale of the item or the total of its evaluation, the pawnshop has to return to the person who placed the pledge:

- the difference between the total evaluation amount of the item not picked up and the amount the loaner was responsible for, if the total amount received from the sale of the non-picked up item is not over its evaluation value;

- the difference between the total from the sale of the item not picked up and the amount the loaner was responsible for, if the total amount received from the sale of the non-picked up item is over its evaluation value.

This way it is possible to have a collusion of a dishonest client with a dishonest pawnshop (including a fake one): the item is taken for a pledge with an inflated evaluation amount, the loan given out is small, then the loaner does not buy back the item, then the pawnshop sells the non-picked up item to the same borrower (pledger) for an extremely low price and in accordance with the legislation legally returns the difference between the evaluation amount and the amount received for the sale so there the laundered money appears.



Similar transactions can be performed multiple times; it is hard to find out about the collusion.

In this case even the scheme itself has all the features of a suspicious operation:

- 1) an elevated evaluation value of the item pledged and the minimal amount of the loan given out, that is there is a large difference between the evaluation value and the amount given out;
- 2) the fact that the item was not picked back up;
- 3) sale of the item for a minimal price to the same person who put it for a pledge before in order to receive a loan;
- 4) the appeal of the borrower to receive the money in the amount of the difference between the evaluation value and the borrowed amount, received by the pawnshop from the sale of the pledged item.

For the purposes of extinction the spread of cashing out schemes through pawnshops the government of the Russian Federation received offers on specific measures on how to change the legislation about pawnshops and add amendments to exclude the participation of pawnshops in the activity out of the scope of their sphere of work, as well as set up additional mechanisms of control. The noted offers have been prepared taking into consideration a possible use of pawnshops in cashing out schemes, noted in the aforementioned examples.

## **2. The possible risks of cashing out money through communication outlets (through mail communication operators).**

The scheme is performed the following way. A corporate entity (a corporate client) signs a contract with the local communication outlet to handle money orders received from the client addressed to the individuals.

Based on the signed contract various non-cash transfers are performed from the bank account of the corporate client to the bank account of the communication outlet with the following payment assignments:

- repayment of advertising expenses;
- payment for marketing services;
- business trip expenses;

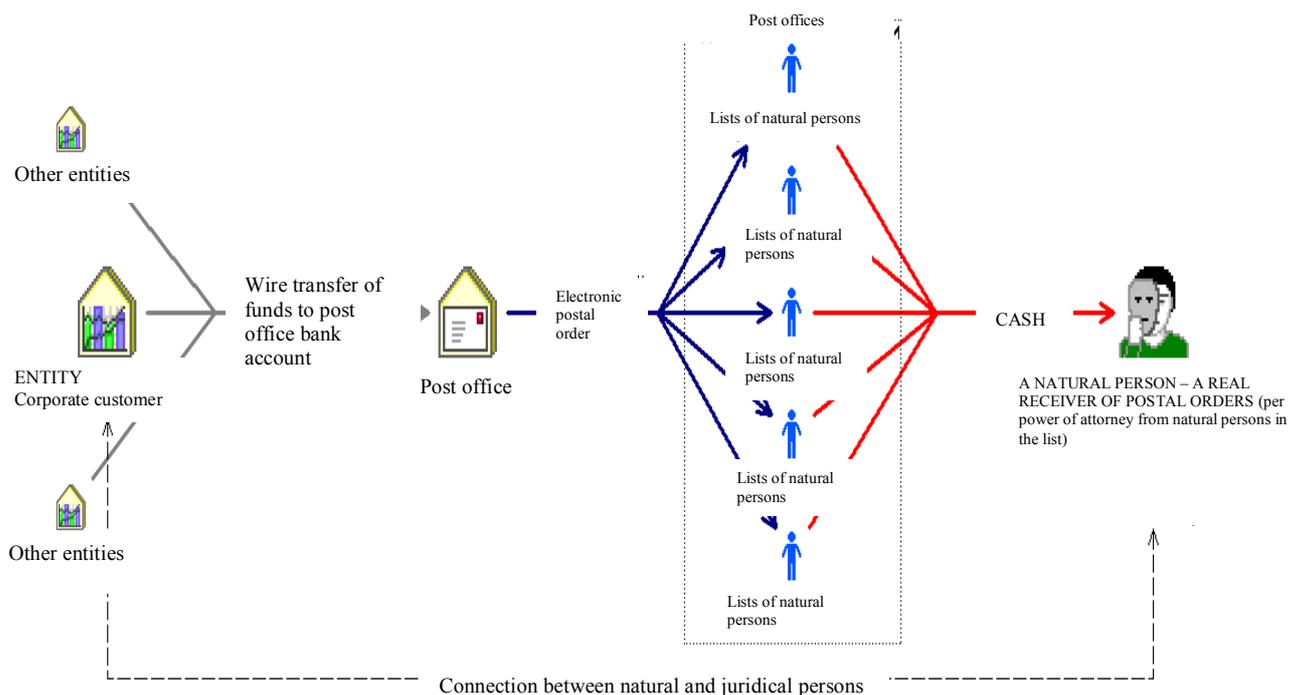
- purchases of farm produce, etc.

Besides there are some cases when the money is transferred by other corporate entities instead of the corporate client himself, to pay off mutual indebtedness based on additional agreements on the contract. Separate additional agreements also govern the increase of the total amount of money for the transfer.

A corporate client provides the communication outlet with the lists of individuals – recipients of cash money orders.

Based on the lists in accordance with the contract the communication outlet regularly performs electronic money orders to the address of the group of individuals, moreover the total amount of each transfer does not exceed the threshold amount, specified in the Russian legislation in the field of combating money laundering and terrorism financing. The specified Lists include several dozens of last names, names and patronymics of individuals, sometimes the individuals have the same last names.

In reality the cash is received by other individuals as per agreement. The circle of recipients is limited to 3-5 people. Usually, these people are closely related to the corporate client (for example, they are vice-presidents, etc.).



The scheme described above has a number of suspicious indicators:

1) corporate entities are corporate clients and third parties, taking part in the scheme through paying off their mutual indebtedness to the corporate client, have some features of being fake: they are registered in the same registration authorities (local tax authorities) (at the same time having consulted (signed agreements) with postal services outlets in different regions), they have minimal registered capital, and do not submit declarations in the tax authorities;

2) financial documents, drawn up in order to perform money orders and have the basis for subsequent receipt of cash (an agreement, additional agreements to it, trust deeds to receive money, lists of individuals – recipients of money orders), have been drawn up incorrectly (for example, the main agreement and additional agreements to it, entered into by a corporate client represented by its director (general director), contain different signatures (that is the documents were signed by different people), which questions the legal validity of the specified documents and consequently the legitimacy of performing the corresponding financial transactions.

3) other corporate entities, performing money transfers addressing them to the communication outlets to pay for the indebtedness to the corporate entity – corporate client at the moment of the formation of so-called indebtedness, stated in the additional agreements to the contract, and the corporate entities haven't even been registered as corporate entities. Besides, the stated corporate entities are serviced out of the same credit organization.

4) 2-3 notaries take part in the specified scheme, they document (often in one day) trust deeds for a narrow circle of individuals (3-5 people) to receive money orders in communication outlets in the names of several dozens of individuals living in different towns.

Among nominal recipients of money orders – individuals (in whose names the trust deeds are documented) there appear groups of people with the same last names (4-5 people), living at the same address, and, most likely, having familial relationships.

After finding out the fact about cash withdrawal of money with the use of mail operators, in order to exclude the possibility of selling similar schemes the Federal service on financial monitoring together with the supervisory authority in the field of communication a number of measures have been taken to set up barriers on the legislative level (they have been realized in the new issue of federal law “On postal connection services”).

Besides that FSUE «Russian Mail», the corporate entity that performs all money orders on the territory of Russia, has also accepted **organizational measures to prevent** the specified illegal activity, specifically:

- reorganized the system of internal control for the purposes of combating money laundering and terrorism financing from the point of view of getting rid of the disadvantages related to the execution of legislation in the field of combating money laundering and terrorism financing and excluding the possibility of using money orders to cash out;
- the relations with a number of clients were terminated, if there were features of the aforementioned scheme in the actions of the clients.

As per the opinion of the Ukrainian colleagues, the features that can show possible relation of non-banking financial institutions to fraudulent schemes, and schemes connected with legalization of criminal activity or other illegal activities, are the following:

- registration of non-banking financial institutions on false names (without a specific place of living, psychologically ill, students, foreigners, prisoners, dead people, using stolen or lost documents);

- registration of non-banking financial institutions at made-up address that does not correspond to their actual location;
- absence of attributes matching the activity specified in the charter, absence of staff;
- constant change of founders and owners;
- absence of moving money around bank accounts;
- business activity use of property rented from other parties, who do not have active business activity;
- providing money for business entities without proper guarantees of money return;
- compilation of legal documentation to have joint activity with other business entities and individuals with formal attributes of legal relationship without specific obligations;
- significant material expenses of business entities on the tools of office functioning (office appliances, communication tools, etc.), expensive cars, staff salaries, etc.

Out of the information provided by the FIU (Financial Intelligence Unit) of Ukraine it turns out that the most widely spread fraudulent schemes that are used by non-banking financial institutions, specifically credit unions, formed for giving out loans and saving money of their members – individuals, are:

- deception of investors: the investments from individuals are attracted on lucrative conditions; later on these investments are assigned to the credit union organizers;
- creation of fake credit unions, the activity of which does not have a special permission for it;
- creation of “financial pyramids”: at the beginning the percent is given out to the investors using the money raised from other members of the credit union. In the future all collected money is assigned to the union organizers;

- falsification of documents, using one's position improperly.

In accordance with the legislation of Ukraine a credit union provides loans to its members on conditions of their availability in price, urgency and availability in cash and non-cash forms. Farmers and private companies that are owned by farmers can also receive loans on behalf of members of the credit union.

The following services are referred to financial services provided by the credit unions:

- receipt of introductory and obligatory fees from the union members;
- providing credits to its members;
- contract-based solicitation of contributions (investments) from its members onto deposit accounts, cash as well as non-cash form;
- providing services of guarantors of fulfilling obligations to the third parties by the union members;
- placement of temporarily free money on deposit accounts of banks, united credit union, as well as buying federal security papers and cooperative bank shares;
- contract-based solicitation of bank credits, credits of a united credit union, funds from other institutions and organizations specifically to provide credits to its members;
- providing credits to other credit unions;
- membership in payment systems;
- payment for the price of goods, labor or services in the limits of the provided credit as per request of its members;
- performing charity work on the money collected specifically for these funds.

Performing other types of activity is not allowed.

**Examples:**

**1. Illegal expropriation of credit union investor funds as per the “financial pyramid” scheme.**

Several individuals created a credit institution – a credit union as a volunteer union of people.

Several branches of this credit union have been opened by the directors who were relatives with each other.

The goal of the credit union was attracting monetary funds from the population as membership fees.

The money was solicited on the conditions according to which the investors were to receive large profits as percent from the invested funds for a certain period of time.

At the beginning the credit union was timely paying elevated percent on deposit investments, and by doing so was encouraging new members to enter the credit union.

But subsequently the investors started having problems with receiving the deposits and percent on them.

As it was found out, the chairman of the board was in collusion with two individuals and was giving out loans to fictitious people.

It was found out that 23 load contracts totaling more than 2.5 million dollars US were guaranteed by one guarantor.

Besides, the monetary funds were transferred from the accounts of the credit union to the accounts of a number of companies as a payment for different goods and services. It is interesting to notice the fact that the founders of both companies were people who were relatives with each other.

The chairman of the board of the credit union and his accomplices used monetary funds belonging to the investors on purchasing property, expensive cars and other attributes of luxury.

This way the officials of the credit union were misusing the trust of people

and their positions at work, they were using money of the members of the union for their own profit.

Based on this fact the General Prosecutor of the Ukraine opened a criminal investigation regarding the officials of the credit union, and the results of the investigation were sent to court.

To provide for civil litigation the property of the accused in the amount of 900 thousand US dollars was arrested.

It should be noted that the financial pyramid represents such a scheme of an investment business organization where the profits from the solicited funds is not paid from the investment of the funds into profitable assets but is paid from attracting new investors and new monetary funds. At the same time potential investors are convinced to invest their funds by giving them promises and paying back large profits to the first investors from the funds of the subsequent investors. Therefore, in a pyramid scheme there are a lot of people “at the bottom” of the pyramid who pay money to the top few, and each new participant pays to get a chance to move higher up and receive profits from the investments of other people who joined later.

It is possible to specify several typical features of “financial pyramids”:

1) promises in ads and classifieds of guaranteed percent of payments for the invested amounts, based on the rate that is higher than an average market rate (over 20% per year), an accompanying declaration of minimal risks;

2) promises to invest money into new highly profitable projects and developments;

3) no warning about the possible risks, and assurance that the investments will bring fast profits;

4) hiding the names of the company directors and company requisites;

5) receiving a notice of non-disclosure of confidential business information;

- 6) absence of a special license;
- 7) mimicking legitimate financial institutions (giving the number of somebody else's license, using the names and symbols of well-known companies in the ads and classifieds), speculation of terms and somebody else's authority image;
- 8) the form of funds solicitation – the contract of loan that the client can see only in the office of the company or during a personal meeting. The contract has been signed in such a way that the investor cannot claim anything if he loses his money;
- 9) obligating to urgently provide the introductory fee;
- 10) absence of the organization in the members of self-regulating organizations – participants of the financial market;
- 11) inability of the company to confirm their activity – where they are placing the money and how to check the information about the money placement;
- 12) an invitation for cooperation to the agents who receive payments depending on their solicited investments;
- 13) using the systems of Internet payments as well as systems of money orders to receive payments for investment projects;
- 14) receiving money without giving out receipts or other accounting documents that would prove its receipt;
- 15) spreading advertising mainly in free newspapers and Internet sites;
- 16) the absence of the company's own website in the Internet or the existing site having mistakes;
- 17) rewarding the investor for new attracted participants.

It is necessary to note that financial pyramids represent one of the most widely spread and dangerous models of criminal behavior in the field of financial investments. Their activity can potentially carry large economic and social danger. As a result of financial pyramids fall usually the most socially vulnerable society layers suffer most. This breaks down trust of regular citizens to the financial sector as a whole, its institutions and tools specifically, reducing the saving potential of

the population, as well as formulates a negative attitude of people towards the government, which, according to the opinion of the sufferers investors did not provide the necessary defense of their rights and legal interests. In the end all this leads to reduction in the volume of investments playing an important role in the economic situation of any country. That is why in modern conditions a very close attention should be made to the issues of suppression of the activity of the structures having the attributes of financial pyramids.

## **2. Performing a credit function without a license.**

A special authority of market of financial services regulation has stopped the license of the credit union in connection with its violation of licensing obligations.

Besides that several employees of the credit union led by its chairman and vice-chairman continued to sign deposit contracts with individuals in reality not having rights for it.

The money received as deposits totaling 1.4 million US dollars was legalized and taken.

This fact has led to opening a criminal case and sending it to courts.

It is quite difficult to specify the attributes showing that execution of this activity illegally.

## **3. Legalization of profits received from criminal activity through credit unions.**

A number of individuals created a credit union.

The source of fees of the members of the credit union were profits received from illegal activity and stolen funds.

Besides, the members of the credit union registered companies in offshore jurisdictions.

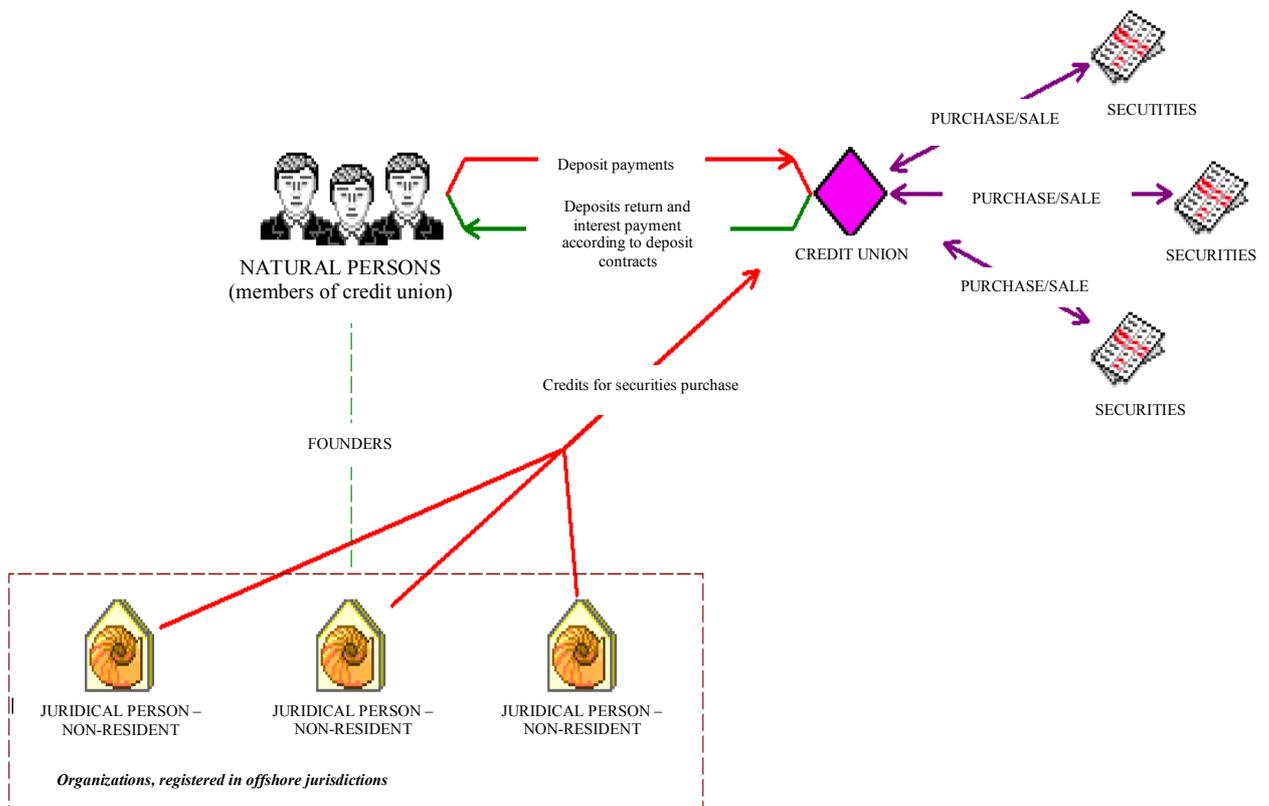
The credit union account would receive the money from offshore companies

with the payment specified with a destination – credits to purchase securities.

The brought in and received funds were used to buy and subsequently sell securities by the credit union.

The profits received from this kind of activity, were transferred on the accounts of credit union members as giving back their deposits and paying percent as per investment contracts.

This way the profits from illegal activity received by individuals were legalized.



### Conclusions and suggestions

Summing up the specified examples of various use of non-banking financial institutions in the money laundering schemes it is important to note that the reasons encouraging the creation of risks from money laundering in the activity of non-banking financial institutions are the following:

- imperfection of legislation to regulate the activity of non-banking financial institutions;
- simplified compared to the banking institutions way of receiving licenses to provide financial services or no licensing;
- insufficient informing of the regulating authorities about inadequate market participants (in the case of licensing the fact of denial or stopping of the license activity);
- insufficient quality of procedures of the internal control in the servicing bank.

The system of control set up in this or that financial sector is individual in every country, the sufficiency of the taken up measures is defined by each state separately based on the used practice economical, geographical, historical and other features of the state.

At the same time in order to exclude or warn about the development of these schemes it is possible to analyze the existing legislation of the country, to evaluate the sufficiency of the taken up regulating measures, the effectiveness of the mechanisms of control and, if necessary, to look at the possibility of their change and additions to them.

Besides, it is important to pay special attention to the fact that a quite effective tool from the point of view of the finding out and confirming the risk zones in different areas is the formation of constant partnership with the private sector.