

# Electronic Customs as a Currency Control Authority

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## ABSTRACT

The article discloses the functionality of the recently created electronic customs from the position of currency control. The author identifies the specific features of electronic customs and their capabilities for the most efficient performance of currency control functions, in particular, control of filling in declarations for goods in order to ensure the proper functioning of automatic customs and banking currency control. The author’s arguments for the distribution of currency control powers are based on an analysis of the practice of customs authorities.

**Keywords:** *Electronic customs, customs of actual control currency control, declarations for goods in electronic form*

## 1. INTRODUCTION

For the first time, the World Customs Organization specifically announced the need to create electronic or digital customs in 2016. The message of the Secretary General of the WTO declares the year of 2016 the year of digital customs. The global customs community was invited to actively introduce and use digital technologies, exchange experience in this direction in order to determine ways to further develop the digitalization of customs. Therefore, 2016 can rightfully be considered the beginning of the digitalization of customs authorities.

Herewith, in 2016, the Russian Federation implemented the next stage of the reform of the executive authorities, as a result of which the customs authorities, among other things, received the status of a currency control body.

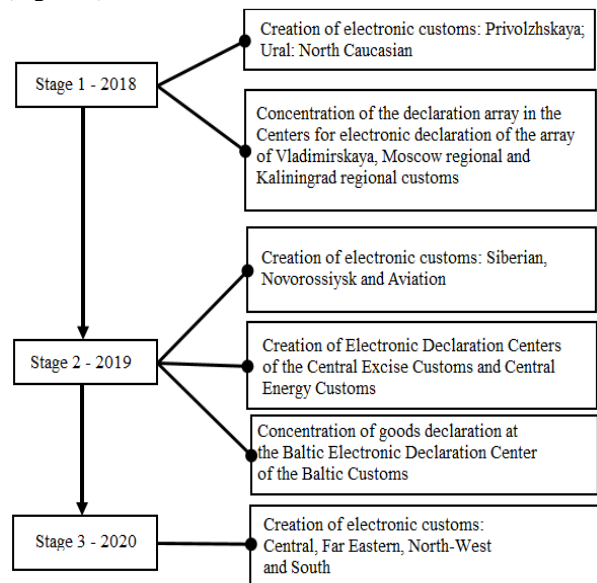
## 2. RESEARCH METHODOLOGY

When preparing the article, the author analyzed the regulations governing the issues covered, studied the current publications of scientists, moreover, used statistical and reporting data from the official websites of the customs authorities. The research of the topic was performed using the methods of system analysis and synthesis.

## 3. RESEARCH RESULTS

The implementation of the concept of creating an electronic custom in Russia was planned for the period 2018-2020. In accordance with the order of the FCS of Russia on the decision of the board of the FCS of Russia dated May 29, 2018, “On the Creation of a Unified

Network of Electronic Customs and Electronic Declaration Centers. Problems and Ways to Solve Them”, the work on the creation of electronic customs included three stages (Figure 1).



**Figure 1:** Stages of creation of network of electronic customs

In accordance with the General Regulations on Customs, as well as in accordance with the Model Regulations on the Currency Control Units of the Customs Authorities, formally, the functionality of the Currency Control Units of the Customs is general and does not have any exclusive powers or functions (Table 1).

**Table 1:** Main functionality of divisions of currency control of electronic customs and customs of the actual control

<b>Actual Customs Control (ACC)</b>	<b>Ural Electronic Customs (UEC)</b>
Control over the observance of the correctness of the statement in the goods declaration of the information necessary for the purposes of currency control when declaring goods in electronic form	
Identify information indicating a possible connection between financial transactions and illegal activities aimed at illegal withdrawal of funds from the jurisdiction of the Russian Federation and (or) causing harm to the credit and financial system of the Russian Federation, including information on the reasons and conditions conducive to the commission of violations currency legislation, or containing signs of legalization (laundering) of proceeds from crime and financing of terrorism, information on transactions that are confusing or unusual in nature, do not have an obvious economic sense or an obvious legal purpose, on the inconsistency of transactions with the goals of organizations' activities established by the constituent documents these organizations, as well as on the repeated performance of operations or transactions, the nature of which gives reason to believe that the purpose of their implementation is to evade automated control technologies.	
Analysis and systematization of information on transactions that are not subject to automated control technologies, which are within the competence of the division, based on the use of transaction passports, in order to identify information about suspicious transactions.	
Organization and conduct of inspections of compliance by residents and non-residents of foreign exchange legislation, as well as checks of the completeness and reliability of accounting and reporting on foreign exchange transactions of residents and non-residents in the performance of obligations under foreign economic transactions involving the movement of goods across the customs border of the Eurasian Economic Union, the import of goods into the Russian Federation and their export from the Russian Federation, regardless of the place and time of customs operations, the date of release (conditional release) of goods or in the absence of release (conditional release) of goods, as well as the timing of customs control.	
Execution of proceedings on cases of administrative offenses, issuance of orders to eliminate detected violations of currency legislation and control of their implementation.	
Development of draft risk profiles; collection and processing of information about objects of risk analysis, as well as risk assessment in the direction of currency control; development and organization of implementation of measures to minimize risks, accounting and analysis of the results of their application in the direction of currency control; formation of proposals for the development, updating or cancellation of risk profiles and target methods for identifying risks in the direction of currency control.	
Ensuring the application by subordinate customs authorities of measures to counter the legalization (laundering) of proceeds from crime and the financing of terrorism when exercising control over the movement across the customs border of the Eurasian Economic Union of currencies of the Eurasian Economic Union member states, securities and (or) currency values, road checks	

Meanwhile, an analysis of the practice of electronic customs and actual control customs can contribute to the most effective separation of functions of currency control units.

Based on the phased creation of electronic customs, to analyze the results of a full year of operation of the created customs, the reporting data of the Privolzhskaya Electronic Customs (hereinafter referred to as PEC) as part of the

Privolzhsky Customs Department (hereinafter referred to as PCD) and the Ural Electronic Customs (hereinafter referred to as UEC) were taken as part of the Ural Customs Administration (hereinafter referred to as the UCA) for 2019.

The results of 2019 of the work of the customs authorities of the Volga and Ural regions are systematized and presented in Table 2.

**Table 2:** Data on the issued electronic goods declarations

Customs Department	Number of declarations	Customs Department	Number of declarations
PCD	376,000	PEC	344,000
UCA	209,000	UEC	188,000

The table shows that the customs of actual control of the regions in 2019 passed 32 th declarations in the Volga region and 21 thousand in the Ural region, respectively. The above proportion is clearly shown in Figure 2.

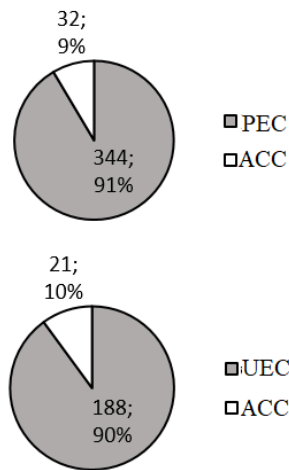


Figure 2: Share ratio of the number of declarations

#### 4. DISCUSSION OF RESULTS

In science, both the process of the formation of electronic customs and the digitalization of currency control are actively discussed.

With regard to the electronic customs, Alekhina O.V., Ignatieva G.V., Smirnova I.A. emphasize that the development and application of various digital technologies in the practical activities of the customs sphere are aimed at promoting the development of trade operations (by reducing the time of customs operations), at reducing the costs of participants in foreign economic activity, at introducing modern digital technologies that contribute to minimizing human factor and reduce the subjective approach. [1]

Kozhankov A.Yu., Babenko K.I., Bobrova O.G. note that electronic customs is the initial stage towards the formation of a digital customs. Electronic customs is designed to provide electronic processing, simplification, and dematerialization of documents, electronic payment of duties and taxes, customs declaration systems, preliminary additional information before loading goods, automation of customs work under the "24/7" principle, the electronic return of goods, etc. [2]

V.E. Ponomorenko notes about changes in currency control in the context of digitalization in terms of a shift in emphasis to a risk-based approach [3]. This topic is developed in his works by the author of this article, suggesting the use of a risk management system in the implementation of preliminary and current currency banking control and subsequent customs and tax currency control. [6.7]

Rostovshchikova E.E. examines the functions of foreign exchange control of customs authorities for conducting inspections of compliance by residents and non-residents of the foreign exchange legislation of the Russian

Federation in the execution of foreign trade contracts and control of the movement of cash and monetary instruments across the customs border of the EAEU. [4]

Salnikova A.V. notes that the electronic declaration system has become the fundamental basis of electronic customs, which allows to perform actions related to customs declaration in electronic form. As a result, it became possible to submit a declaration and documents necessary for customs purposes electronically via the Internet to the customs authority. [5]

The available publications on electronic customs reflect the features of work related to customs clearance and customs control, currency control is described from the standpoint of individual powers, while the functionality of electronic customs, as currency control bodies, is not covered.

The detailed action plan of the FCS of Russia on the creation of a network of electronic customs was approved on 05.02.2018. Pursuant to it, the legal registration of the first electronic customs was preceded by the approval of the FCS of Russia of the General Regulation on Customs, which for the first time fixed such types of customs authorities as "customs of actual control" and "electronic customs". As the main tasks of the customs of actual control, management of the activities of subordinate customs posts, and of electronic customs, respectively, management of the activities of posts that implement the functions of electronic declaration (centers of electronic declaration) are defined. Both in electronic customs offices and in actual control offices, the structure provides for currency control units. It is the coverage of the functionality of the currency control body that distinguishes this article from others. Based on the first practical experience of electronic customs, the author proposes areas of work, the development, and enhancement of which will contribute to the most effective work of customs in the field of currency control.

#### 5. CONCLUSION

From the data presented, it becomes obvious that the focus of control of declarations for goods (including for the purposes of currency control) has already been shifted in favor of electronic customs as a result of the first year of operation of the separated customs.

With such a distribution of the declaration array (considering that in the future, 100% registration of electronic declarations in electronic customs offices is expected), it seems appropriate to divide the general currency control functionality:

- 1) Leave the general powers to conduct inspections and proceedings on cases of administrative offenses under the authority of both electronic customs and actual control customs;
- 2) Separate the exclusive powers of customs (Table 3).

**Table 3:** Special powers of customs

<b>Exclusive powers of electronic customs</b>
Control over the observance of the correctness of the statement in the goods declaration of the information necessary for the purposes of currency control when declaring goods in electronic form
Analysis and systematization of information on transactions that are not subject to automated control technologies, which are within the competence of the division, based on the use of transaction passports, in order to identify information about suspicious transactions.
Development of draft risk profiles; collection and processing of information about objects of risk analysis, as well as risk assessment in the direction of currency control; development and organization of implementation of measures to minimize risks, accounting and analysis of the results of their application in the direction of currency control; formation of proposals for the development, updating or cancellation of risk profiles and target methods for identifying risks in the direction of currency control.
<b>Exclusive powers of the customs of actual control</b>
Identify information indicating a possible connection between financial transactions and illegal activities aimed at illegal withdrawal of funds from the jurisdiction of the Russian Federation and (or) causing harm to the credit and financial system of the Russian Federation, including information on the reasons and conditions conducive to the commission of violations of currency legislation, or containing signs of legalization (laundering) of proceeds from crime and financing of terrorism, information on transactions that are confusing or unusual in nature, do not have an obvious economic sense or an obvious legal purpose, on the inconsistency of transactions with the goals of organizations' activities established by the constituent documents these organizations, as well as on the repeated performance of operations or transactions, the nature of which gives reason to believe that the purpose of their implementation is to evade automated control technologies.
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