

# Evaluation of Supply Chain Planning by Currency Control Bodies in the Russian Federation

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**Abstract**— The article determines the effectiveness of currency control body activities in the Russian Federation by supply chain management. Currency regulation and currency control, the methodology of international calculations for export-import transactions is one of financial policy trends in the Russian Federation. The instruments of currency regulation and currency control affect the balance of payments, the rate of national currency, the level of foreign exchange reserves, provide the necessary dynamics of foreign trade development. The main problem in this case is the issue of balancing the freedom of foreign economic activity and government control over its subjects. In such conditions, the role of currency regulation and currency control increases sharply in the state. It should be noted that, despite the increase of imposed penalty collection and the increase of currency control body work efficiency, one cannot say that currency control was ineffective in 2015-2017. Ideally, the effectiveness of control activities should be reflected in violations and imposed penalties volume reduction, which in turn would mean the control effectiveness increase. Let's note that the identification of suspicious transactions should be carried out at the banking level; therefore, their elimination can be achieved only through the effective work of currency control agents.

**Keywords**— *currency control, supply chain planning, currency regulation, currency control bodies and agents, capital flight, legal transfer of capital, illegal capital outflow, effectiveness of currency control, approaches to currency control evaluation efficiency.*

## 1. Introduction

Foreign economic activity is an important factor in the development of the country economy and its maintaining at a stable level. Global supply-chain management is defined as the distribution of goods and services throughout a trans-national companies' global network to maximize profit and minimize waste. And the state of foreign economic activity largely depends on its regulation by the state. Therefore, some conclusions can be made about the state of currency control by the indicators of the country foreign economic activity [1].

Currently, in the conditions of the Russian economy instability, due to the deterioration of foreign policy relations with a number of European countries, they recorded the highest capital outflow abroad. In order to establish and develop a stable economy, Russia needs to prevent the outflow of capital abroad.

Currency control is aimed at state control over external (export and import) and internal (interregional) currency transactions, as well as over the situation in the domestic foreign exchange market to maintain the balance of payments and the stability of the national currency.

Currency regulation and currency control, the methodology of international calculations for export-import transactions is one of the financial policy trends in the Russian Federation. The instruments of currency regulation and currency control affect the balance of payments, the rate of national currency, the level of foreign exchange reserves, provide the necessary dynamics of foreign trade development.

## 2. The Degree of Set Issue Development

The works of leading economists, such as [1-10], are devoted to the issues of currency control efficiency. The Global Commerce Initiative established the Global Upstream Supply Initiative (GUSI) in order to provide a standard framework for consumer goods manufacturers and their suppliers of ingredients, raw materials and packaging to better integrate across a number of supply chain processes.

[11-27] made a significant contribution to the study of currency control organization issues.

One of the most important tasks of the control measures should be the timely detection, suppression and prevention of the currency regulation rule violations established by the legislation, and designed to ensure the stability of the Russian Federation national currency.

We will assess the effectiveness of currency control according to the data of the FCS of Russia, presented in Table 1 [28].

**Table 1.** The dynamics of the verification activities of the Federal Customs Service of Russia and the initiated cases on currency legislation violations by Russian Federation citizens and organizations in 2015-2017.

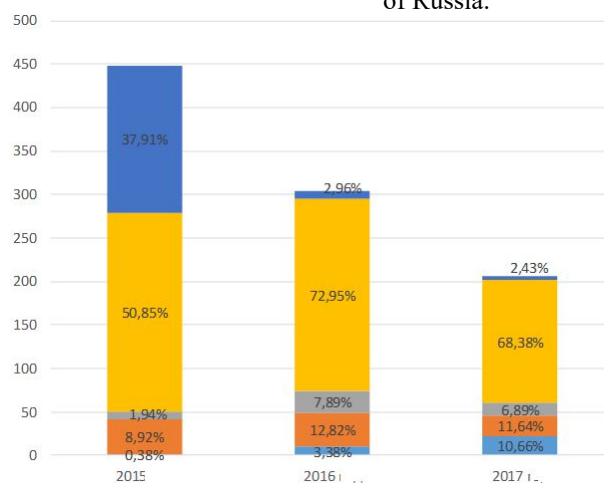
Indicator name	Periods			Increment rate, %	
	2015	2016	2017	2016/2015	2017/2016
Number of verification activities	4500	5100	9737	13,3	90,92
Number of initiated cases on AV	5300	6000	14300	13,21	138,33
The total amount of initiated cases on AV, billion rubles	180,1	165	81,5	-8,38	-50,61
Number of initiated criminal cases	226	304	303	34,51	-0,32
The share of criminal cases initiated in the total volume of inspections, %	5,02	5,96	3,23	18,73	-45,81

Based on the data of Table 1. one can conclude that the number of verification measures in the field of currency control increases during the analyzed period, the growth rate amounted to 13.3% in 2016, and to 90.92% in 2017.

The number of cases on administrative offenses initiated in the framework of inspections during 2016 for a total amount of 165 billion rubles, which is 8.38% less than in 2015. In 2017, the total amount of initiated cases on AV amounted to 81.5 billion rubles, which is 50.6% less than in 2016.

The number of criminal cases initiated by the fact of inspections was increased by 34.5% in 2016. And it was slightly reduced by 0.32% in 2017 as compared to 2016. This may indicate the number of violations increase in the field of foreign currency repatriation to the territory of the Russian Federation or the currency of the Russian Federation in 2016 and a slight decrease of such violations in 2017.

It should be noted that in spite of imposed penalty collection increase and the increase of the currency control authority efficiency, one can't say that currency control was effective in 2015-2017. Ideally, the effectiveness of control activities should be expressed not in detected violation number and imposed fine increase, but on the contrary in the reduction of these indicators. Since currency control will be effective only when the participants of foreign economic relations stop violating currency laws, and currency control bodies and agents play an important role here. It is worth noting that the effectiveness of currency control increases in 2016, as the amount of violations decreases and the share of fine collection imposed by currency control authorities increases, which indicates the effectiveness of their work. Figure 2 shows the structure of currency legislation violation identified by the Federal Customs Service of Russia.

**Figure 2.** The structure of currency legislation violations identified by the Federal Customs Service of Russia in 2015-2017

### 3. Results

The following conclusions can be drawn: throughout the entire analyzed period, the largest

share in the structure of currency legislation violations is represented by the illegal movement of cash and monetary instruments. Often, the persons moving cash currency across the customs border,

fearing that during customs control, the cash currency will be withdrawn by the customs authorities as illegally transferred, do not provide the customs authorities with information about the cash transferred. At that, the smallest share is represented by the operations associated with the illegal movement of goods across the customs border of the EAEU. Such operations are achieved through the movement of goods across the customs border outside the established places or at an unspecified time of customs work in these places, or using the documents containing inaccurate information about the goods, and (or) using fake or other product identification means.

The data of table 2 indicate that the number of violations have a negative trend in the field of currency control. In 2016, the total amount of revealed violations decreased by 32.14%, and by

32.24% in 2017. At that, the transactions related with the illegal movement of goods across the customs border of the EAEU are increased during the analyzed period. This suggests that they increase the number of goods that are moved across the customs border of the EAEU using forged documents, or indicating incorrect goods in the accompanying documents. The remaining violations in the field of currency legislation are reduced.

Non-return of funds is reduced by 2.5% in 2016, and by 38.46% in 2017. This suggests that the residents of the Russian Federation began to fulfill their obligations more faithfully to repatriate currencies to their accounts. The transfer of funds to the accounts of non-residents using forged documents was increased by 175.86% in 2016, and was reduced by 40.83% in 2017.

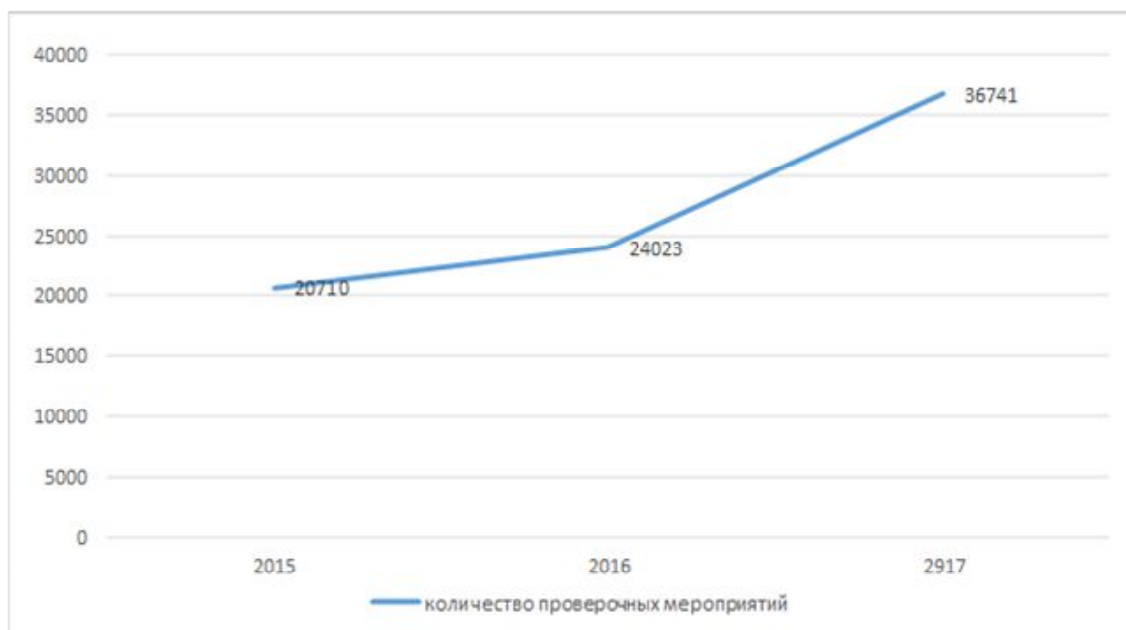
**Table 2.** The dynamics of currency legislation violations identified by the Federal Customs Service of Russia in 2015-2017. In billions of rubles, %

Indicator name	Periods			Growth rate, %	
	2015	2016	2017	2016/2015	2017/2016
The total amount of revealed violations	448,4	304,3	206,20	-32,14	-32,24
Illegal movement of goods across the EEU customs border	1,7	10,3	22,00	505,88	113,59
Non-refund in foreign currency	40,00	39,00	24,00	-2,50	-38,46
Transfer of funds to non-resident accounts using fake documents	8,7	24	14,2	175,86	-40,83
Illegal movement of funds and money tools	228	222	141	-2,63	-36,49
Questionable operations using CCD	170	9	5	-94,71	-44,44

The transfer of funds to the accounts of non-residents using forged documents increased by 175.86% in 2016, and it is reduced by 40.83% by 2017. This means that they increased the commission of currency transactions to transfer money in foreign currency or the currency of the Russian Federation to non-resident accounts with a credit institution that has the authority of the currency control agent, the documents related to such operations and containing deliberately inaccurate information about the grounds, objectives and purpose of transfer, regardless of payment in 2016. But at the same time it decreased by 2017, which may be due to the more efficient work of currency control agents represented by credit institutions.

The illegal movement of funds and money tools was also reduced by 2.63% in 2016 and by 36.49% in 2017. The reduction of this indicator suggests that the movement of large amounts of cash without the necessary declaration is reduced. The volume of suspicious transactions with CCD was reduced by 94.71% in 2016, and by 44.44% in 2017. Thus, one can say that there is the volume of operations using counterfeit GD or indicating in the goods that do not correspond to the actually imported ones.

In addition to the FCS of Russia, the currency control authority is FTSI. Let's consider the effectiveness of the tax service control functions. Figure 2 shows the dynamics of the verification activities conducted by the Federal Tax Service of Russia in 2015-2017 [19].



**Figure 2.** Dynamics of inspections carried out by the Federal Tax Service of Russia in 2015-2017

According to the data of Figure 2, the following conclusions can be made: the number of inspections was 24,023 in 2016, which is 15.9% more than in 2015. In 2017, the number of inspections was 36,741, which is 52.94% more than in 2016.

Following the results of inspections conducted in 2016, 16824 protocols on administrative offenses

were drawn up, which is 113.42% more than in 2015. In 2017, the amount of cases on administrative offenses increased by 257.19% as compared with 2016, which amounted to 60095 of initiated cases in absolute terms.

Let's consider the dynamics of penalty recovery by the Federal tax service of Russia in the sphere of currency control, presented in table 3.

**Table 3.** The dynamics of penalty recovery by the Federal Tax Service of Russia in the sphere of currency control during 2015-2017.  
In millions of rubles, %

Indicator name	Periods			Growth rate, %	
	2015	2016	2017	2016/2015	2017/2016
The amount of accrued fines, mln. rub.	186,4	282,8	846,3	51,72	199,26
The amount of fines imposed, mln. rub.	99,7	170,2	499,4	70,71	283,42
Recovery share, %	53%	60%	59%	13,2	-1,66

The amount of accrued fines amounted to 282.8 million rubles in 2016, which is 51.72% more than in 2015. The amount of fines imposed in 2016 amounted to 170.2 million rubles, which is 70.71% more than in 2015. The share of collection amounted to 60%, which is 13.2 percentage more than in 2015.

The amount of penalties imposed in 2017 amounted to 846.3 million rubles, which is 199.26% more than in 2016. 499.4 million rubles

were recovered, which is 283.42% more than in 2016. Thus, the level of recovery is 59%, which is less by 1.66 percentage points than in 2016. This may be due to the fact that, according to the Federal Tax Service of Russia, the main amount of the fines imposed was at the end of 2017. In this regard, it was not possible to recover the accrued amounts of fines until the end of the year.

Let's consider the main violations in the field of currency control, identified by the Federal Tax

Service of Russia and presented in Table 4 [15].

**Table 4.** Dynamics of currency legislation violations identified by the Federal Tax Service of Russia in 2015-2017

Indicator name	Periods			Growth rate, %	
	2015	2016	2017	2016/2015	2017/2016
Total of revealed violations	7 460	16 350	56 516	119,7	245,66
Violation of the procedure and deadlines for accounting and reporting form submission in respect of currency transactions	5 205	12 505	44 505	140,25	255,90
Violation of the period for a notice of account opening (closing) submission by a resident in a bank located outside the Russian Federation	1 725	3 245	9 016	88,12	177,84
Violations related to non-repatriation of funds	302	356	1 888	17,88	430,34
Violations related to illegal currency transactions	228	244	1 107	7,02	353,69

Table 4 presents the structure of currency legislation violations identified by the Federal Tax Service of Russia.

According to Table 5, it can be concluded that the total number of violations found in the area of currency control is growing in all indicators for the analyzed period. At that, the largest share in the revealed violations are the violations of the procedure and accounting and reporting form submission deadlines for foreign exchange transactions. In 2016, the number of violations increased by 140.25%, and by 255.90% in 2017.

These violations are related to the violation of the order and timing for supporting documents and

information provision during the implementation of foreign exchange transactions, as well as the violation of the established rules for transaction passport provision.

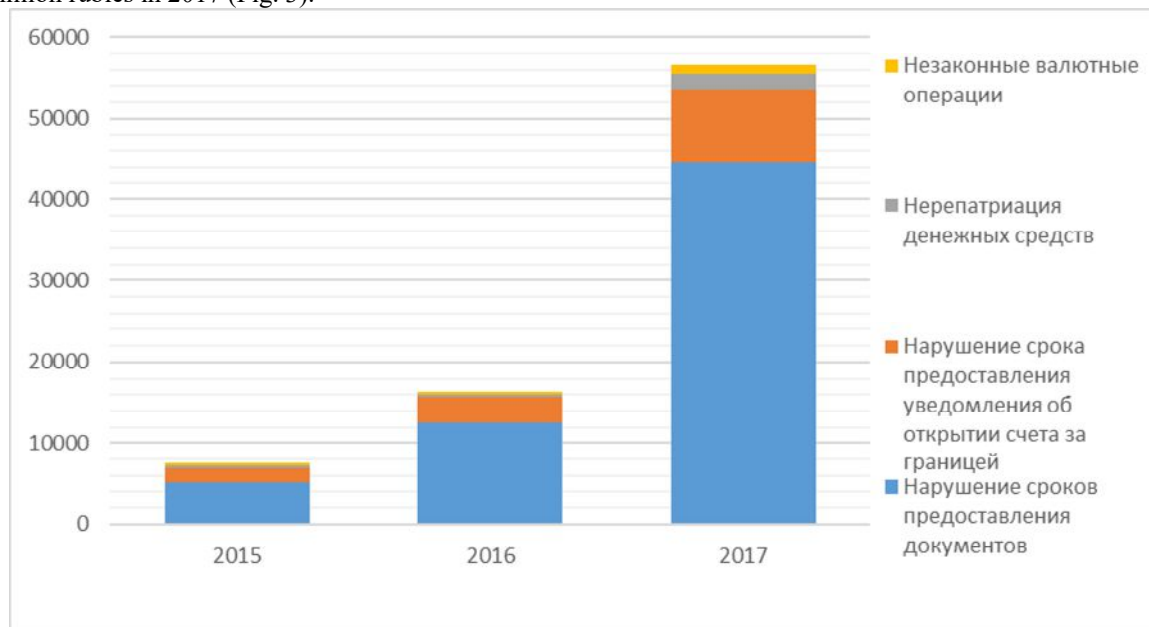
The violations of the deadlines for a notice of account opening (closing) submission, as well as the changes in the details of such an account at a bank located outside the territory of the Russian Federation, were increased by 88.12% in 2016 and by 177.84% in 2017. At that, the share of this indicator decreased from 23.12% in 2015 to 15.92% in 2017.

**Table 5.** The structure of currency legislation violations identified by the Federal Customs Service of Russia during 2015-2017.

Indicator name	2015		2016		2017	
	Amount	Specific weight, %	Amount	Specific weight, %	Amount	Specific weight, %
Total number of revealed violations	7 460	100	16 350	100	56 516	100
Violation of the procedure and the deadlines for accounting and reporting form submission in respect of currency transactions	5 205	69,77	12 505	76,48	44 505	78,75
Violation of the period for an account opening (closing) note submission by a resident in a bank located outside the Russian Federation	1 725	23,12	3 245	19,85	9 016	15,95
Violations related to non-repatriation of funds	302	4,05	356	2,18	1 888	3,34
Violations related to illegal currency transactions	228	3,06	244	1,49	1 107	1,96

The violations related to the repatriation of funds were increased by 17.88%, and by 430.34% in 2017. Despite the fact that the share of such violations is relatively low in the general structure, this type of violation is equated to capital outflow. At that, the amount of these violations recorded by the Federal Tax Service of Russia is equal to 89.75 million rubles in 2016, and it increased to 179.5 million rubles in 2017 (Fig. 3).

The violations related to illegal currency transactions were increased by 7% in 2016, and by 353.69% in 2017. These violations make the smallest proportion in the total volume of violations. At that, they include all operations prohibited by currency legislation. The amount recorded according to these violations made 115.7 million in 2017.



**Figure 3.** The structure of currency legislation violations identified by the Federal Tax Service of Russia in 2015-2017

#### 4. Conclusion

The effectiveness of currency control is a complex economic category. It is characterized by various criteria and indicators. Some key differentiators of these supply chains are cost-effective and time-efficient strategies.

For example, when they consider the issue of managerial performance, first of all, they refer to the adequacy of achieved results with the intended goals, the degree of result approximation to the goal while taking into account production costs (time, material and cash resources, labor resources, etc.). In this regard, the criterion of currency control body effectiveness can be the ratio of the result achieved by the control body compared with the goal. In accordance with the analyzed results of FTS activities and the Federal Customs Service of Russia, the following conclusions can be drawn:

- the number of verification measures increases;
- the number of detected currency control violations increases;
- the amount of imposed fines increases;
- the share of penalties increases.

These indicators suggest that the work of the currency control bodies of the Russian Federation can be called effective. But at the same time, the

increase of revealed violation number suggests that their volumes are growing. The positive dynamics of violation volume is associated with the work of currency control agents represented by authorized banks. The banks that are the intermediaries between a resident and a non-resident are obliged to prevent violations of currency legislation and suspend suspicious transactions.

From the standpoint of currency control effectiveness, this trend seems rather alarming, since it takes place mainly due to the non-return of funds owed to residents for goods transferred, work performed, services rendered, information transmitted and intellectual property, including exclusive rights to intellectual property and non-return of funds to the Russian Federation paid to non-residents for goods not imported into the customs territory of the Russian Federation, non-performed works, or unused services. This is a significant problem that requires serious measures. It should be noted that, ideally, the effectiveness of control activities should be reflected in revealed violation and imposed penalty volume decrease, which, in its turn, would mean the increase of control effectiveness. Note that the identification of suspicious transactions should be carried out at the banking level; therefore, their elimination can be

achieved only through the effective work of currency control agents.

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