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PROTECTION OF THE INTERESTS OF PRIVATE INVESTORS THROUGH COMPLIANCE CONTROL

***Abstract:** this article reveals the term “compliance control” and its role in protection interests of private investors. In the context of international cooperation, the anticipation of risks arising in the process of attracting investments becomes especially important.*

***Keywords:** compliance, investments, risk management.*

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ЗАЩИТА ИНТЕРЕСОВ ЧАСТНЫХ ВКЛАДЧИКОВ ПОСРЕДСТВОМ ВНУТРЕННЕГО КОНТРОЛЯ

***Аннотация:** в работе раскрыто понятие «внутреннего контроля» и его роль в защите интересов частных вкладчиков. В контексте международного сотрудничества, степень подготовленности к различным рискам в процессе привлечения новых вкладчиков становится особенно важной.*

***Ключевые слова:** внутренний контроль, вклады, управление риском.*

Compliance risk is an organization's potential exposure to legal penalties, financial forfeiture and material loss, resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices. Compliance risk is also known as integrity risk.

Qualitatively new standards of compliance control in the field of investor protection were established by US law «An Act to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities law, and for other purposes» (Sarbanes-Oxley Act) of 2002.

It applies to all issuers whose securities are registered with the US Securities and Exchange Commission (SEC). The law contains a number of standards necessary for the fair and ethical conduct of business, as well as requirements for information disclosure.

It is necessary to pay attention to the European standards for protecting the interests of investors, embodied in the second directive of the European Union «On Markets in Financial Instruments» (MiFID II), which entered into force on January 3, 2018.

The requirements of this directive are reflected in Russian companies providing financial asset management services. Thus, Russian companies that interact with EU companies will be required to comply with the provisions of MiFID II. Accordingly, compliance control will also play a significant role here.

In particular, Russian companies that provide investment services in the EU are required to register their branches on the basis of the permission of the competent authority of the state in whose territory this registration is planned.

These examples show that transactions with securities are characterized by a high level of multifaceted risks, therefore, investment risk management is a complex task [1].

The Basel recommendations on Compliance and the Compliance Function in Banks of 2005 define compliance risk as the risk of legal sanctions and, as a consequence, loss of reputation due to non-compliance with the rules and regulations related to banking [2].

These recommendations are focused on the creation of policies of interaction between the compliance service and other departments within the organization. Here we are talking about access to information necessary to perform the functions of the compliance unit, the right to initiate an internal corporate investigation.

In December 2020 the Bank of Russia launched an initiative to protect investors in the securities market. So, in accordance with the proposed amendments to the Federal Law «On the Central Bank of the Russian Federation», the regulator will have the opportunity to block the conclusion of any agreements by market participants with incomplete information about the product, or if the investor receives a yield of less than 2/3 refinancing rates [3].

Such changes will require the compliance departments of credit institutions to create conditions under which the risk of blocking an investment transaction in the market will be minimized.

Thus, within the framework of the requirements of national, extraterritorial, international legislation, as well as existing sanctions regimes, the main instrument of compliance control designed to minimize risks is analytical work, involving the collection and analysis of information on the conditions of investment activities.

Ignoring this kind of information and, as a result, blocking investor operations, significantly increases the risk of reputational damage to the company, which will negatively affect the further planning and implementation of activities, as well as entail the imposition of sanctions by public authorities.

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