

## Research Article

# Financial Hemorrhaging (Bankruptcy) of Entities Involved in the Production and Sale of Narcotic Drugs as a Direction of National Security: Foreign Experience and Legal Regulation of Asset Confiscation and Countering Money laundering

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### Abstract

**Aim:** The article examines the problem of financial bloodletting of illegal drug producers and dealers as an element of national security.

**Methods:** The study is conducted using a set of general scientific and special methods that ensure the objectivity, reliability and completeness of the results obtained. Dialectical method: Used to analyze the dynamics and contradictions in the processes of combating drug crime, in particular the relationship between the production/sale of drugs, money laundering and asset confiscation. Allows you to consider these phenomena as interdependent elements of a single system. System analysis: Used to consider the system of combating drug crime as a set of interrelated elements (legislation, law enforcement agencies, financial institutions, international cooperation). This makes it possible to identify key factors that affect the effectiveness of this system. Comparative legal method: Used to analyze the legislation and law enforcement practice of different countries (for example, the USA, Great Britain, EU countries) regarding asset confiscation and combating money laundering. This allows us to identify commonalities, differences and best practices that can be adapted.

**Results:** Foreign experience in the introduction of mechanisms for confiscation of assets and combating money laundering is analyzed. Civil instruments of preventive confiscation, such as the British Proceeds of Crime Act (POCA2002) and the Irish Criminal Assets Bureau model, as well as American sanction mechanisms such as the Kingpin Act, are separately considered.

**Conclusion:** Special attention is paid to financial instruments for combating crime, in particular asset confiscation and combating money laundering. The experience of individual countries is analyzed, as well as the main international conventions and recommendations regulating this area are considered. The study aims to identify the most effective practices and suggest ways of their implementation in national legislation.

**Keywords:** Bankruptcy; Entity; Asset forfeiture; AML/CFT; Illicit proceeds; National security

### Introduction

Drug crime is one of the most serious threats to national and international security. It not only destroys human lives, but also undermines economic and political institutions, financing other types of crime, including terrorism. The fight against this phenomenon requires a comprehensive approach, which includes not only law enforcement measures, but also economic ones. The main goal is to “bleed out” the financial basis of the drug business, which is key to its existence and development [1].

Drug crime is one of the most destructive threats to modern civilization, undermining the foundations of national security, public health, economic stability and law and order. Its impact goes far beyond individual crimes, forming powerful transnational criminal groups that use the proceeds to finance other types of criminal activity, including terrorism. Traditional methods of combating it, focused on the detention and criminal prosecution of individuals, have proven to be insufficiently effective, since they do not destroy the economic basis of criminal networks.

In response to this threat, the international community and individual states have developed a comprehensive approach that combines law enforcement and financial instruments. A key element of this strategy is the prosecution not only of criminals, but also of their financial assets, which are the “oxygen” for the existence and development of the drug business. Effective “financial bleeding” of criminal

organizations is achieved through a two-way mechanism: confiscation of assets obtained through criminal means and countering money laundering, which allows legalizing illegal income.

The purpose of this study is a comprehensive analysis of foreign experience and legal regulation of asset confiscation and countering money laundering in the field of combating the production and sale of narcotic drugs. Through a comparative analysis of the legislation and law enforcement practice of leading countries, as well as the study of international standards, the article aims to identify the most effective approaches and tools. The results of the study will allow formulating practical recommendations for improving national mechanisms for combating drug crime, strengthening the legal framework and increasing the effectiveness of international cooperation in this critically important area [2].

## Materials and Methods

The study is conducted using a set of general scientific and special methods that ensure the objectivity, reliability and completeness of the results obtained.

### General scientific methods

**Dialectical method:** Used to analyze the dynamics and contradictions in the processes of combating drug crime, in particular the relationship between the production/sale of drugs, money laundering and asset confiscation. Allows you to consider these phenomena as interdependent elements of a single system.

**System analysis:** Used to consider the system of combating drug crime as a set of interrelated elements (legislation, law enforcement agencies, financial institutions, international cooperation). This makes it possible to identify key factors that affect the effectiveness of this system.

**Comparative legal method:** Used to analyze the legislation and law enforcement practice of different countries (for example, the USA, Great Britain, EU countries) regarding asset confiscation and combating money laundering. This allows us to identify common features, differences and best practices that can be adapted.

**Analysis and synthesis method:** Used to study individual aspects of the problem (for example, specific articles of laws, international conventions, court decisions) and further generalize the data obtained to form a holistic view of the subject of research.

**Historical method:** Allows us to trace the evolution of legislation and approaches to combating drug crime and money laundering in different countries, starting from international conventions of the 20<sup>th</sup> century to modern directives [3].

### Special methods

**Formal-legal method:** Used to study and interpret the norms of international and national legislation governing the confiscation of assets and combating money laundering. Allows us to identify legal gaps, contradictions and

opportunities for improvement.

**Sociological method (content analysis):** Used to analyze scientific publications, reports of international organizations (UNODC, FATF), statistical data and publications in the media, which allows to identify current trends, problems and the effectiveness of the application of existing mechanisms.

**Statistical method:** Used to process and analyze quantitative data (for example, the number of confiscated assets, the amount of laundered money), which allows to assess the dynamics and scale of the problem [4].

### Stages of research

**Theoretical analysis:** Study and systematization of scientific literature, international and national regulatory legal acts, as well as reports and analytical materials.

**Comparative analysis:** Study of the experience of individual countries (USA, Great Britain, EU countries) in the legal regulation of asset confiscation and combating money laundering related to drug crime.

**Identification of problems:** Identification of weaknesses, gaps and contradictions in current legislation and practice.

Formulation of conclusions and recommendations: Development of proposals for improving national legislation and law enforcement practice based on the results obtained.

This methodology will allow for a deep, comprehensive and objective study that will have both theoretical and practical value [5].

## Results and Discussion

Confiscation of criminal assets is one of the most powerful tools in the fight against drug-related crime. It not only punishes criminals but also deprives them of the economic benefits, making this type of criminal activity less attractive.

**International legal norms:** The basic principles of asset confiscation are enshrined in international conventions, such as the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention). It obliges States Parties to adopt legislative and other measures necessary to confiscate the proceeds of drug-related crime.

**US experience:** The United States is one of the countries with the most developed asset confiscation system. The Controlled Substances Act and the Civil Asset Forfeiture Reform Act allow law enforcement agencies to seize property that was used to commit a crime or was obtained as a result of it. A feature of the American system is the possibility of civil forfeiture, when property can be confiscated without bringing criminal charges against its owner. This allows for effective combating of assets that are difficult to directly link to a specific person [6].

**Experience of the United Kingdom:** The United Kingdom has the Proceeds of Crime Act 2002, which allows for the confiscation of property if the court is satisfied that it was

obtained as a result of a crime. This law also provides for a mechanism for the so-called “Unexplained wealth order”, which allows law enforcement agencies to demand an explanation from a person of the origin of their wealth if there are suspicions that they were obtained through criminal means.

Various countries have developed effective legal models for confiscation that can serve as examples.

**United States:** American law allows for two main types of confiscation: criminal and civil. Criminal confiscation is applied after a person has been convicted and is part of the sentence [7].

Civil confiscation is a unique tool that allows the government to bring legal proceedings directly against the property, rather than against its owner. This means that property can be confiscated if there is sufficient evidence linking it to illegal activity, even if criminal charges have not been brought against the owner or have not resulted in a conviction. This model is often criticized for its potential infringement of property rights, but it is also a powerful

tool for combating organized crime.

**United Kingdom:** The key instrument in this country is the Proceeds of Crime Act 2002. This law allows the confiscation of property based on a civil claim if the court is satisfied that it was obtained through a crime. In addition, the “Unexplained Wealth Order” (UWO) tool allows law enforcement authorities to require a person to explain the origin of their wealth if there is a suspicion that it was acquired through criminal means. This mechanism shifts the burden of proof to the owner of the assets [8].

**European Union:** The EU is actively working to improve confiscation mechanisms, in particular through the adoption of directives. For example, Directive 2024/1260 aims to strengthen the ability of authorities to identify, freeze and manage assets derived from crime. It also provides for the possibility of confiscation when a person cannot be sentenced due to their illness, absconding or death. The new directives aim to simplify cross-border cooperation and establish common rules, which is crucial in the fight against transnational drug crime (Table 1) [9-11].

**Table 1:** Key ECtHR cases involving health-related violations of the European convention on human rights

Indicator	2023 (data for 2023)	2024 (preliminary data)	Source
Number of people using drugs in the world	316 million	Not available	UNODC, World drug report 2025
Illegal production of cocaine	3708 tons	Not available	UNODC, World drug report 2025
Amount of funds blocked by the state financial monitoring service of Ukraine	Unavailable	7.3 billion UAH	Report of the state financial monitoring service of Ukraine for 2024
Number of criminal offenses under the SEP (Ukraine)	8139	Not available	Report of the Zaporizhzhia National university for 2023
Number of convicted persons to whom special confiscation was applied (Ukraine)	6	Not available	ISM DAP
Amount of special confiscation of funds (Ukraine)	121.749 million UAH	Not available	ISM DAP

### Examples of effective use

**International operation “the spirit”:** This operation, coordinated by Eurojust, led to the dismantling of an international money laundering network operating in over 20 countries. Thanks to close cooperation between law enforcement agencies from different countries, accounts were frozen and significant amounts of funds originating from the drug trade were confiscated.

**Cooperation with interpol:** Interpol uses special “Silver Notices” to exchange information between countries on assets that can be confiscated. These notices help governments to track and seize funds crossing borders, which is crucial in the fight against the global drug trade.

These examples confirm that effective asset confiscation requires a solid legal framework as well as active international cooperation [12-15].

### Countering money laundering as a tool to combat drug

### crime

Money laundering is an integral part of the drug trade, as it allows the legalization of illegally obtained income. Effectively combating this phenomenon is a key factor in the fight against organized crime.

**International standards:** The main international body that sets standards in the field of combating money laundering is the Financial Action Task Force (FATF). Its 40 recommendations are the basis for the national legislation of many countries. These recommendations concern customer identification, monitoring of suspicious transactions, cooperation between financial institutions and law enforcement agencies [16-18].

**EU practice:** The European Union has adopted several Anti-Money Laundering Directives (AML Directives) that require Member States to implement strict rules on Know Your Customer (KYC), suspicious transaction reporting and the establishment of national Financial Intelligence

Units (FIUs): These measures allow the tracing and freezing of drug-related funds.

**The role of financial intelligence:** Financial Intelligence Units (FIUs) play a key role in the fight against money laundering. They collect, analyse and disseminate information on suspicious financial transactions. Cooperation between FIUs in different countries is essential, given the transnational nature of the drug trade [19].

Conducting an in-depth analysis of statistics on combating money laundering in the field of drug crime for 2023-2025 is an extremely difficult task, since complete and final data for this period have not yet been published by international organizations. Reports are usually released with a certain delay, analyzing the previous reporting period. Nevertheless, based on available data, in particular reports from the United Nations Office on Drugs and Crime (UNODC) and the State Financial Monitoring Service of Ukraine, a general picture of the situation can be formed.

The available statistics allow us to draw several important conclusions, although with certain limitations due to incomplete data.

**The scale of the problem:** According to UNODC, the number of drug users in the world is growing. This indicates an increase in the volume of the drug trade and therefore the volume of illegal income that needs to be laundered. Record figures for cocaine production in 2023 emphasize the growing power of drug cartels and, accordingly, the need to strengthen financial measures to combat it.

**Activities of the state financial monitoring service of Ukraine:** The report of the State Financial Monitoring Service of Ukraine for 2024 shows significant results in blocking financial transactions. The amount of blocked funds of UAH 7.3 billion is evidence of active work to identify suspicious transactions. Although these data do not relate exclusively to drug crime, they demonstrate the potential of using financial instruments in the fight against organized crime in general.

**Effectiveness of confiscation:** Data from the ISM DAP on the use of special confiscation in Ukraine (UAH 121.749 million in 2023) indicate that the mechanism for seizing criminal proceeds is used, but its scale may be much larger, given the volume of the drug trade. The small number of convicted persons to whom this measure was applied also indicates the possibility of improving law enforcement practice.

### **Interaction between confiscation and anti-money laundering**

Confiscation of assets and anti-money laundering are complementary tools. The goal is not only to seize the proceeds of crime, but also to prevent their legalization. Thanks to effective mechanisms for combating money laundering, law enforcement agencies can identify assets

that are then subject to confiscation.

The fight against drug crime requires a comprehensive approach and a key element is the pursuit of financial assets, which are the source of criminal networks' livelihood. The interaction of asset confiscation and anti-money laundering creates a powerful mechanism for the "financial hemorrhaging" of the drug trade. These two tools complement each other: anti-money laundering identifies illicit financial flows and confiscation ensures their seizure.

**Statistics and analysis (2023-2025):** Data for this period show that the global drug trade continues to grow, which makes financial measures even more critical.

**Market growth:** According to data from the United Nations Office on Drugs and Crime (UNODC) for 2023, cocaine production reached a record 3,708 tons, which is 34% more than in 2022. These statistics indicate the huge amount of illicit proceeds that need to be laundered.

**Low confiscation rates:** While precise global statistics on the confiscation of drug-related assets for 2023-2025 are limited, general estimates, including from Interpol, indicate that up to 99% of criminal assets remain unrecovered. This highlights the huge scope for improvement.

**Combating money laundering:** Financial Intelligence Units (FIUs) continue to play a key role. For example, in Albania, \$43 million in assets were confiscated in 2023 as a result of increased financial investigations. This example demonstrates how the focused work of FIUs can lead to tangible results in the fight against crime.

### **Foreign experience and legal frameworks**

Various countries have developed effective mechanisms that serve as models for international cooperation.

**United States:** The United States pioneered the use of civil asset forfeiture. This mechanism allows assets to be confiscated if there is evidence of a connection to criminal activity, even without a criminal conviction against the owner. This model is used to combat assets that are difficult to directly link to a specific individual.

**United Kingdom:** The United Kingdom has the Proceeds of Crime Act 2002, which provides for an "Unexplained Wealth Order" (UWO). This mechanism allows law enforcement agencies to require an individual to explain the origin of their wealth if there is a suspicion that it was obtained through criminal means. This approach shifts the burden of proof to the owner of the assets.

**International cooperation:** The Financial Action Task Force (FATF) sets international standards that oblige member countries to criminalize money laundering and establish effective confiscation mechanisms. The FATF Recommendations form the basis for national legislation in over 200 jurisdictions. Eurojust and Europol play a key role in coordinating cross-border investigations, enabling financial flows to be traced and assets to be seized across

borders.

### Examples of interaction

The effective interaction between confiscation and anti-money laundering is best demonstrated in coordinated international operations.

**Operation the spirit:** This operation, coordinated by Eurojust, led to the dismantling of a large money laundering network operating in over 20 countries. Law enforcement authorities discovered that the network was using a sophisticated system of financial transactions to launder the proceeds of drug trafficking. The joint efforts resulted in the arrest of key figures, the freezing of accounts and the seizure of significant amounts of money [20,21].

**Co-operation with Interpol:** Interpol actively uses so-called “Silver Notices” to facilitate international cooperation in the tracing and confiscation of assets related to organized crime. These notices allow countries to exchange information about financial assets, which facilitates the process of their seizure.

These examples demonstrate that to successfully combat drug crime, it is necessary not only to apprehend criminals, but also to dismantle their financial empires through close cooperation between financial investigations and confiscation measures at the international level.

### Conclusion

Effectively combating the production and sale of narcotics requires a comprehensive approach that includes not only law enforcement but also financial instruments. Foreign experience shows that asset confiscation and combating money laundering are powerful tools for undermining the economic basis of the drug trade. Implementation of international standards, strengthening cooperation between law enforcement and financial authorities, as well as adaptation of best practices of foreign countries are key to increasing the effectiveness of the fight against this phenomenon.

Despite the active activities of international and national authorities, the global drug market continues to grow, which makes the task of combating money laundering even more urgent.

Available statistical data, although fragmentary, demonstrate that financial instruments such as account freezing and confiscation are being used and are producing some results. However, to achieve a significant effect, it is necessary to strengthen legal mechanisms, expand international cooperation and improve the qualifications of specialists.

Given the transnational nature of drug crime, it is important to have access to global statistics and reports from international organizations that will be published in the coming years in order to have a complete picture of the situation.

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### Conflicts of Interest

Authors have no conflict of interest to declare.

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