

**Sanctions and financial risk: strategic approaches for the banking system****Keldiyorov Shohruh Ilyos o'g'li**

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**Abstract**

This thesis analyzes the prospects of utilizing artificial intelligence (AI) technologies in the banking sector to identify sanction-related risks and ensure the secure execution of international payments. The study examines approaches to securing transactions through compliance monitoring, real-time screening, counterparty due diligence, and algorithmic detection of connections to sanctioned entities. Practical recommendations are developed based on the realities of Uzbekistan's banking system.

**Keywords:** artificial intelligence, banking system, international payments, compliance, sanctions, risk monitoring, screening, SWIFT

In the 21st century, the global financial system continues to grow more complex under the influence of geopolitical events. Political conflicts, geo-economic confrontations, and sanctions policies between major nations pose increasing threats to the financial security of banks. International sanctions are mechanisms of financial and economic restriction imposed on certain states, organizations, or individuals, typically for achieving political objectives.

In the face of sanctions, financial risks affect banks' operational activities, assets, liquidity, currency operations, and international relationships. The main types of sanctions include asset freezing, suspension of payments via SWIFT, bans on banking relationships, export-import restrictions, and withdrawal of credit lines.

Although Uzbekistan is not directly subject to sanctions, its banking system is deeply integrated into the global financial network. Therefore, it remains exposed to indirect sanctions through international partners—foreign banks, corporations, or counterparties. For instance, if a client's foreign counterparty is sanctioned, the transaction may be frozen, harming the bank's reputation and client trust.

To manage sanction-related financial risks proactively, banks must implement the following strategic measures:

**Risk Assessment Systems** – classifying counterparties, countries, and clients by risk levels.

**Continuous Monitoring of Sanctions Lists** – including those of OFAC, UN, EU, and other jurisdictions.

**Strengthening Compliance Departments** – enhancing scrutiny of each transaction and imposing layered sanction checks.

**Real-Time Transaction Screening** – using automated systems to detect suspicious or blocked operations.

**International Information Sharing** – coordinating risk management through AML/CTF channels with global banking partners.

**Conclusion**

Sanction-related financial risks pose genuine and complex threats to the banking system today. Effective management requires the adoption of modern technologies, a robust compliance culture, and integration with global monitoring systems. For Uzbekistan's banking sector, this approach is fundamental to ensuring international financial reputation, stability, and attractiveness for investment.

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