جامعة مدينة السادات

The Impact of Accounting Disclosure on Moral Risks in Light of Digitization on Financial Reporting Quality in Egyptian Commercial Banks

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ملخص البحث:

يهدف البحث إلي التعرف على أثر الإفصاح المحاسبي عن المخاطر الأخلاقية فى ظل رقمنة العمليات المصرفية على جودة التقارير المالية بالبنوك التجارية المصرية مما قد يؤثر على مستوى فاعلية القطاع المصرفي ككل، وذلك بالتطبيق علي فئتين من البنوك العامة والخاصة من خلال توزيع ١٣٠ قائمة إستقصاء بالإدارات العليا والمالية والمخاطر وإدارة الإلتزام والحوكمة وخلصت الدراسة الى مجموعة من النتائج أهمها لا توجد فروق ذات دلالة معنوية بين آراء المستقصي منهم بشأن ضوابط وآليات الإفصاح المحاسبي عن المخاطر الأخلاقية في ضوء المعايير الرقابية، كما توجد علاقة ذات دلالة معنوية بين آراء المستقصي منهم حول إنعكاسات الإفصاح المحاسبي عن المخاطر الأخلاقية في ضوء رقمنة العمليات المصرفية على جودة التقارير المالية في المؤسسات المصرفية وأوصت الدراسة بضرورة زيادة مستوي الإفصاح عن المخاطر للوصول الى الشفافية الأمر الذي يؤدى إلي زيادة جودة التقارير المالية بشكل عام والحد من المخاطر الأخلاقية، وكذلك عقد دورات لموظفي البنك للتدريب على التقنيات المستحدثة نتيجة التحول الرقمي ومنح حوافز للموظفين الذين يطبقون مدونة السلوك الأخلاقى للبنك وأخيراً ضرورة قيام البنوك بتطوير آليات دولية متوافقة مع التطور التقني اليوم لمكافحة غسيل الأموال.

الكلمات المفتاحية: المخاطر الأخلاقية، غسيل الأموال، جودة التقارير المالية.

Abstract:

The research aims to determine the impact of accounting disclosure about moral risks in light of the digitization of banking operations on FRQ(financial reporting quality) in Egyptian commercial banks, which may affect the banking sector's overall effectiveness, by distributing 130 questionnaires lists for senior, financial, risk and compliance & governance management to two categories of public and private banks, The study concluded a set of results, the most important of which are there are no statistically significant differences between the respondents' opinions

regarding the controls(the rules or regulating rules) and mechanisms of accounting disclosure of moral risks in the light of the regulatory standards, Also, there is significant relationship between the respondents' opinions about the implications of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions. The study recommended increasing risk disclosure to achieve transparency, which leads to improved FRQ and a reduction in moral risks, as well as organizing courses for bank employees to learn about new technologies developed as a result of digital transformation and rewarding employees who follow the bank's code of ethics. And finally, the necessity for banks to develop international mechanisms compatible with today's technical development to combat money laundering.
Keywords: Moral Risks, Money Laundering, Financial Reporting quality (FRQ).

First: Research Framework

1. Introduction

The global banking sector in the twenty-first century witnessed a great and rapid development in the level of technological progress, which helped the existence of many modern tools and means in the financial and banking field and the occurrence of a great openness to the financial markets so that became dealing with each other as one market, and competition among them increased (Al-Wabil, 2019).

So, Commercial banks' use of information technology in completing their transactions has become necessary to face competition and maximize market share and thus maximize profitability, but despite the many advantages achieved by using information technology in commercial banks, it is surrounded by many internal and external risks that may affect performance and competitiveness. Which requires new mechanisms to secure information and manage risks related to it, in the same context, information technology governance is one of the mechanisms whose application may lead to managing the risks of electronic banking operations in commercial banks, as it is an integrated set of procedures, policies, processes and organizational structures required for effective control of electronic banking operations (Abdullah, 2021).

Banking activity is considered one of the most risk-prone activities, as these risks have varied and their nature has changed in light of the challenges of globalization and developments in banking work and the exposure of the global economy to many financial crises. As a result, international financial institutions such as the World Bank, the International Monetary Fund, the Bank for International Settlements, the Basel Committee and others have studied the causes and consequences of these crises, as it was found that the main reason behind their occurrence lies in the increase and diversity of the corresponding risks facing banking activity in general at the present time, and the inability to manage them well and reduce them (Khalifa, 2019).

Banks today face a number of major economic challenges globally, and moral risks within the banking sector represent one of the most important of these challenges, as these risks include multiple types, including those related to the administrative aspect or the nature of banking transactions (Al-Hashemi, 2019).

The term "moral risk" first appeared in the late 1800s, when it was primarily used by English insurance companies to describe insurance fraud or unethical behaviour on the part of the insured. (Rudolph, 2020).

Users of banks' financial reports need appropriate, comparable and reliable information to help them assess the bank's performance, financial position, and rationalizing their various economic decisions due to the fact that users of banking information are concerned with liquidity, solvency and integrity risks (Al-Khalayla, 2021).accounting disclosure is also linked to many issues of importance to stakeholders, as the lack of credibility of financial reports and cover-up of violations of international accounting standards lead to many risks for both the bank and clients.

2. Research Problem

The banking sector is extremely important at the national level of any country's economy, owing to the fact that banks and financial institutions are essential factors in sustaining economic growth and stability. If these crises arise, they will have negative consequences on all levels of the economy and society. As a result, banking governance was one of the most significant public instruments for the banking sector's safety and the preservation of all parties' interests (Khanfar, 2019). Electronic accounting systems and their computerized application programs assist companies in the financial reporting process, but their emergence has been linked to an increase in information security risks, such as penetration of information systems, attempts to manipulate accounting information, or the ability to add or delete data, especially in The banking sector, which witnessed many accidents that greatly damaged the reputation of these organizations (Al-Hasnawi, 2020). this technology also contains a set of applications and services that allowed the economic sectors in general, and the banking sector in particular, to develop their work, which was incorporated in the concept of digital financial services, which were defined as those financial products and services, such as payments, transfers, savings, credit, insurance, that are delivered via electronic digital technology, such as electronic money, credit cards, and regular bank accounts(World Bank and CCAF,2020).

In light of the digitization of banking operations, and as a result of the development of information and communication technology, tremendous transformations emerged in the field of banking work, which resulted in the emergence of electronic payment methods as models for electronic banking services, which banks resorted to keep pace with to improve their performance towards their customers and to meet the challenges of sustainable development, in order to reach new markets and gain the satisfaction of their clients as a result of the advantages achieved by these means, in addition to raising their market share, especially in light of competition(Al-Ashi, 2018). One of the most important developments in the technological environment is the dependence of most banks in general and commercial banks in particular on completing their transactions using information technology means.the banking industry has recently witnessed significant progress in the field of allowing bank customers to conduct banking operations through the electronic communication network, and it is expected that these services will spread widely in the next period, especially in light of the continuous development in the field of information technology in the banking sector (Abdullah, 2021).

Therefore, the governance of banks is gaining increasing importance in light of the current global economic changes, in which financial crises increase. Governance in banks adopts ethical foundations, guarantees all stakeholders their rights, and directs the institution towards compliance with the laws regulating its performance, through disclosure, transparency and audit. Therefore, the application of governance and its standards is considered important to ensure the protection of financial institutions from all crises and various risks. Among the most important characteristics of bank governance are discipline, transparency, independence, accountability, responsibility, justice and social responsibility (Nasr, 2019).

There is no doubt that banks play an important role in the economies of developed countries. Therefore, stakeholders' awareness and evaluation of these factors will primarily reflect their awareness of the value of the bank, which was formed by the reliability of the disclosure of the bank's results, the quality of those disclosures, and their ability to reduce information asymmetry, which prompted banks to increase the level of recent disclosure of non-financial information, especially information about risks, and an assessment of the level of banks' disclosure of such non-financial information (Al-Sayed, 2020). Also, accounting disclosure leads to the discipline of the banking market as it leads to improving market efficiency by putting pressure on some ineffective banks to become more efficient. Increasing discipline in the market reduces the moral risks of banks.

Hence, the research problem is the challenges that banks have faced in recent times, especially in light of digital transformation, which has led to the emergence of many financial and non-financial risks, the most important of which are the moral risks that emerged as a result of the complexity of banking operations and the failure to apply the code of ethical conduct for each bank, which necessitated the need for accounting disclosure of these risks.

In this context the research problem can be formulated in the following questions:

1-What are the nature and determinants of measuring moral risks in light of the digitization of banking operations in the Egyptian environment?

2- What are the controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards?

3- What are the determinants and indicators for measuring financial reporting quality in banking institutions?

4- What are the reflections of accounting disclosure for moral risks in light of the digitization of banking operations on financial reporting quality in banking institutions?

3. Literature Review

Literature review can be presented and analyzed in terms of their relation to the research variables in preparation for deriving its hypotheses and emphasizing its importance, through the following axes:

First group: Studies discussing banking and ethical risks in light of the digitization of operations in commercial banks:

Aryani & Hussainy (2017) dealt with the determinants of risk disclosure in unlisted Indonesian banks. The study used a descriptive approach, and the sample was a group of banks not listed in the stock exchange. **The results of the study** showed that the leverage and profitability have a negative correlation with the disclosure of risks, and the characteristics of the listed banks affect the unlisted banks in the stock exchange to disclose their risks.

Truant et al., (2017) showed the importance of expanding the scope of disclosure of ethical, social and environmental risks in financial reports, and institutional pressure increased significantly among organizations in preparing risk management tools to understand sustainability risks. Given these pressures, companies' response to providing more disclosure of sustainability risks calls for attention and scrutiny**. The study aims to** address such issues. The study used a sample of large Italian companies that issued sustainability disclosure in accordance with the GRI, and tested the relationship between the level of risk disclosure and other relevant variables. **The study concluded** that independents provide a large amount of disclosure, and that the quality of risk disclosure is positively affected by their international presence and experience in preparing reports. **The study recommended** that companies can improve their awareness of social and environmental issues by implementing and adhering to global initiatives for sustainability, and adopting codes of behavior.

Nahar et al., (2018) also analyzed the relationship between disclosure of corporate risks and the cost of equity capital and performance within banks in developing countries, where it is expected that disclosure of corporate risks reduces the cost of capital and improves performance, as investors obtain better information where they have confidence in business and that reducing risk disclosure may generate ambiguity for potential stakeholders, **through an applied study** on a sample of all thirty banks listed on the Stock Exchange in Bangladesh. The study used content analysis and descriptive statistics methods such as mean, minimum and maximum inference. The correlation coefficients matrix and regression analysis model were used, and the study found a negative relationship between the disclosure of company risks and the cost of equity capital, and an inverse relationship was found between risk disclosure and the bank's performance.

Gangi et al., (2019) aimed to determine how corporate social responsibility disclosure affects the financial performance of commercial banks in Europe, the study was based on (72) banks from (20) European countries from 2009 to 2015, and the study concluded that social responsibility disclosure has a positive impact on commercial bank performance, in addition to the fact that the implementation of social responsibility disclosure has a positive impact on the performance of commercial banks.

Al-Hashimi (2019) aimed to identify moral risks and money laundering operations in banks, their causes and risks in light of technical developments. The study concluded that money laundering operations increase in light of modern banking technologies.**The researcher recommended** the importance of developing international mechanisms that are in line with today's technical development, and keep pace with the increasing risks, especially with regard to financial technologies.

Al-Mabrouk (2019) also aimed to identify the impact of the organization's commitment to the ethics of workers in the means of protection and security for electronic banking services.**The researcher recommended** the need to give incentives to employees who act based on moral values and beliefs to encourage them to do so, and to hold training courses on electronic technology crimes and mechanisms of verification, in addition to educating all those interested in security means and informing them to the risks of attacks on information and the necessary protection means.

Finally, Ben-David et al., (2020) anticipated moral risks incentives for the bank safety net, and it was discovered that failing banks face greater risks because many factors, including document value and administrative incentives. The study used two separate periods, both of which included financial crises and were subject to various regulatory regimes, to give evidence on this issue (1985-1994, 2005-2014).**The study discovered that** failing banks reduce their leverage and risk-taking policies, contradicting the popular belief that moral risk incentives motivate financial leverage and risk-taking policies at failing banks.

Second group: Studies discussing financial reporting quality in commercial banks:

Mohammed et al., (2019) sought to evaluate the impact of the application of Basel III standards and International Financial Reporting Standards (IFRS) on the measurement and disclosure of risks in commercial banks to achieve harmony between these standards to protect banks from financial crises, as the Basel Committee discovered that capital requirements are not Sufficient in itself to achieve stability in the banking sector, therefore, a strong base must be built by increasing the capital adequacy ratio from 8% currently to 10.5%.**One of the most important findings of the research is that** the International Financial Reporting Standards (IFRS) is more appropriate than the International Accounting Standards (IASB), as it contributes to simplifying the accounting procedures for financial instruments and simplifying their disclosure in order to improve the ability of users of financial statements to prepare financial reports.

TRAN et al., (2020) investigated the impact of corporate governance on corporate social responsibility disclosure, with 31 Vietnamese commercial banks as the study sample from 2015 to 2019. The model was put to the test using time series. **The findings suggest that** the size, composition, and members of the board of directors and audit committee all have a favorable impact on CSR disclosure. Commercial banks should promote awareness about corporate social responsibility, according to the researchers, and the central bank of Vietnam should check information disclosure on a regular basis**.**

El-Sayed (2020) tested the impact of the level of disclosure of non-financial information on the value of commercial banks listed in the Egyptian stock exchange, and an indicator was developed to measure the level of disclosure of non-financial information based on a set of literature review, in addition to using the content analysis to determine the level of disclosure for non-financial information that is actually disclosed, whether in financial reports or banks' websites. Simple and multiple regression models were used to test the hypotheses of the study, **and the results indicated** that the level of disclosure of non-financial information for banks listed on the Egyptian stock exchange was relatively high, depending on the indicator proposed in the study, and that there was a significant impact of the level of this disclosure on the value of the bank.

Finally, Oudat & Ali (2021) looked at selected financial risks as well as the financial performance of commercial and investment banks listed on the Bahrain Bourse from 2015 to 2019, using data from the banks' annual financial reports. **The results showed that** there is an insignificant relationship between capital risks, liquidity risks and the exchange rate, and it was found that there is a significant relationship between risks and financial performance for both models, except for the liquidity risks of investment banks.

Conclusion of the Literature Review

- Most of studies (Aryani & Hussainy., 2017; Naher et al., 2018; Gangi et al., 2019) focused on presenting and analyzing requirements for measurement and disclosure of banking risks facing banks, especially financial risks such as credit risks and operational risks, while some studies such as (Truant et al., 2017; Ben-David et al., 2020 Al Hashemi, 2019; Al Mabrouk, 2019) deal with Moral risks, whether related to money laundering operations or the ethics of bank employees, and implemented either by conducting a questionnaire and distributing it to different departments in banks or by analyzing financial reports for several periods of time.

-Some studies (Oudat & Ali, 2021; TRAN et al., 2020; El-Sayed, 2020; Mohamed et al., 2019) discussed financial reporting quality in commercial banks, measurement and disclosure methods in light of banking governance, Basel III and International Financial Reporting Standards (IFRS), The application either by selecting a sample or using quantitative indicators to identify the quality of financial reports, or by using time series by applying to a sample of commercial banks.

Research Gap

A. In terms of the objective: Seeking to know the impact of accounting disclosure on moral risks on financial reporting quality in Egyptian commercial banks in light of information technology developments.

B. In terms of variables: The research variables are represented in the accounting disclosure of moral risks in light of the digitization of operations as an independent variable and financial reporting quality in commercial banks as a dependent variable.

4. Research objectives

The main objective of the research is to determine the impact of accounting disclosure about moral risks on financial reporting quality in Egyptian commercial banks in light of information technology developments.

Sub-objectives can be presented as follows:

1- Identifying the nature and determinants of measuring moral risks in light of the digitization of banking operations in the Egyptian environment.

2- Determining the controls and mechanisms for accounting disclosure of moral risks in light of the regulatory standards.

3- Revealing the determinants and indicators of measuring the quality of financial reports in banking institutions.

4- Studying and analyzing the implications of accounting disclosure on moral risks in light of the digitization of banking operations on the quality of financial reports in banking institutions.

5. Research Importance

1. Scientific importance:

• The issue of banking risks, especially moral risks, is one of the important topics, which has increased interest in recent years after the emergence of technological development as it is an essential source in the survival of financial institutions.

• Attempting to address the role of Egyptian commercial banks' professional and moral behaviors regulations in enhancing the protection and security of electronic banking services in Egyptian commercial banks.

• The scarcity of Arab studies that dealt with the lack of risk disclosure and thus the importance of adding a new dimension, by studying the impact of accounting disclosure on moral risks on the efficiency of financial reporting quality in Egyptian commercial banks.

• Keeping up with latest advances in accounting research that focuses on methods of risk measurement and disclosure in banks.

2. Practical importance:

• Accounting disclosure of risks, specifically the moral risks faced by banks, enhances confidence for users of financial statements and thus increases savings in banks.

• This study contributes to emphasizing the necessity of keeping pace with recent developments and pursuing modern systems, especially in light of the digitization of banking operations.

• The importance of the banking system, including its support, financing, and activating economic operations, as well as facilitating banking operations using electronic payment methods to keep up with technological development, is the main driver behind the research.

• The modernity of the concept of information technology governance, especially in light of the tendency of many banks to use electronic means, and to clarify the procedures that banks take to reduce these electronic banking risks.

6. Research Hypotheses

The first hypothesis: There are no statistically significant differences between the respondents' opinions about the nature and determinants of measuring ethical risks in light of the digitization of banking operations in the Egyptian environment.

The second hypothesis: There are no statistically significant differences between the respondents' opinions regarding the controls and mechanisms of accounting disclosure of moral risks in the light of the regulatory standards.

The third hypothesis: There are no statistically significant differences between the respondents' opinions about the determinants and indicators of measuring FRQ in banking institutions.

The fourth hypothesis: There is no statistically significant relationship between the respondents' opinions about the implications of accounting disclosure on ethical risks in light of the digitization of banking operations on the quality of financial reports in banking institutions.

7. Research Approach

The research will use both an inductive and a deductive approach to achieve its objectives, and test hypotheses:

Inductive approach:

In order to benefit from the accounting literature in Arab and international references connected to the disclosure of banking risks, the researcher used an inductive approach in reviewing it in order to formulate the theoretical framework of the research.

The deductive approach:

The deductive approach was used to investigate the elements that influence risk disclosure as well as the nature of the relationship between accounting disclosure and the quality of commercial bank financial reports.

8. Research Limitations:

The research focuses on studying the impact of accounting disclosure about moral risks on (FRQ), and that is only in Egyptian commercial banks in light of information technology developments without addressing the rest of the financial and operational risks.

9.Research plan: The research is divided into several points

The research was divided as follows in light of the research problem, in order to achieve its objectives, to reflect the test of its hypotheses, and to draw the most important results and recommendations based on its methodology:
First: the general framework of the research.
Second: Determinants of disclosure of moral risks.
Third: FRQ in accordance with standards and regulatory frameworks.
Fourth: The role of disclosure of moral risks in improving FRQ.
Fifth: The field study.
Sixth: Conclusion, results and recommendations.

The following is a detailed presentation of the rest of the research axes:

Second: Determinants of Disclosure of Moral Risks:

The term “moral hazard” began to be used in the field of insurance, and is used to denote fraud and deception, and it appeared some time ago. Moral risks represent the most important challenges faced by banks today, because of their negative impact on the reputation of banks, which led to the occurrence of moral risks in the capital market in the global financial crisis to the extent that some of them considered it the main reason behind the crisis (Al-Hashimi, 2019).

One of the major goals of financial sector restructuring is to reduce moral risk among financial agents, which refers to conditions that encourage borrowers to take risks in order to receive potential gains under current conditions, and moral risk occurs when a bank has a motivation to participate in risky credit operations (Sola et al., 2021).

Ibrahim et al., (2019) divided banking risks into four classifications that include: financial risks such as interest rates, exchange rates and liquidity risks, operational risks such as customer dissatisfaction or product or service failure, integrity risks such as illegal business and earnings management, and strategic risks such as Competitors and industry risks.

Based on the classifications provided by literature review of the banking risks that banks are exposed in light of the digital transformation processes, the researcher believes that among the most important of these risks are the moral risks that banks are exposed to as a result of the digitization of banking operations, which must be highlighted at the present time.

Moral risks can be defined as the risk resulting from the failure of one of the parties to the transaction to act honestly, meaning that the moral risk occurs when the party protected from the risks acts differently than if it was exposed to those risks (Al-Auran, 2010). Furthermore, in line with the economic perspective of separating values from the economy, risk has taken on a new meaning. Morality is a word that describes a state of inadequacy (Al-Hashemi, 2019).

The researcher believes that moral risks are risks that arise as a result of unethical behavior by one of the parties to the transaction, whether the bank or the client, which causes risks to one of the parties as a result of the exchange parties enjoying more information than the other party, which may make him act irresponsibly sometimes.

Banks must take appropriate measures to verify the identity of their clients before dealing with them and to verify their various banking operations, such as opening accounts and transfers, conducting cash transactions of large size, and electronic transfers of money, especially since these transactions are based on trust and personal consideration(Al-Hashemi, 2019), and as a result, banks have taken care of developing their own code of ethical conduct and working to develop and update it continuously to suit technological developments and the digitization of banking operations.

The code of ethical conduct is one of the mechanisms for managing ethical risks, and it is the main strategic document of the bank on which all decisions are based. Compliance with the rules in banks is a commitment that the bank can undertake to ensure an ethical climate that helps in overcoming any moral risks. Examples of the codes of ethical conduct for Egyptian commercial banks are those of the national bank of Egypt, which contains a number of items as follows: (The National Bank of Egypt's Code of Ethical Conduct, 2020).

1- Interpreting the items of the code of conduct for the employees and senior management of the national bank of Egypt.
2- Create an appropriate work environment.
3- Compliance with laws, regulatory requirements and international best practices.
4- Protecting the bank's assets, equipment and clients.
5- Protecting the data of the National Bank of Egypt and its clients.
6- Financial accounting systems, insurance and safety of banking operations and preparation of financial reports.
7- Conflict of interest.
8- Implementing code of conduct and reporting violations.
9- Models.

It should be noted that at the end of the code of ethical conduct, the bank sets a personal commitment form to follow by the code of conduct for employees and senior management, in which the employee pledges to abide by the code of conduct for employees and senior management based on the highest ethical standards and integrity and in accordance with the bank's core values.

Moral risk arises, according to Jensen and Meckling (1976), when bank employees tend to derive private benefits from vested interests, i.e. when managers have vested interests in certain projects, which leads to investments in preferred projects and when owners of bank shares want to invest in high-risk loans and thus shift the burden to bank depositors, while the study (Neifar and Jarboui, 2018) provided practical evidence on the necessity of risk disclosure in overcoming moral risk problems that develop within the framework of the interaction between managers and owners by decreasing conflicts of interest from the perspective of agency theory.

Among the most important reasons for the exacerbation of banking risks are the following: (Rahmoun et al., 2018)

• The borrower’s lack of commitment to the ethics of the agreement concluded with the lender: one of the factors that expresses the borrower’s ethics problem regarding the loans granted to him by the bank is what is related to purely subjective factors, and other objective factors that may constitute for the borrower sufficient justification in not paying the debt dues, the investor at the company level, for example. Usually, he resorts to declaring earnings results with numbers that are not realistic, so as to allow him to avoid being obligated to pay the debt dues.

• Mismatch of the information available between the lender and the borrower, where there must be an information match between two parties dealing in a particular economic field, where the matching is that the available information is the same between the two parties.

• Technological developments: It is considered one of the positive factors on the risks of banking business as a result of the increased ability of banks to identify their risks and manage them in a better way, but this also resulted in negative effects represented by the risks of electronic commerce.

It should be noted that there are many factors affecting ethical risks, including the extent of the bank's board of directors has established an effective system of internal control and the extent of employees' commitment to implementing code of ethical conduct, especially in light of the complexity of banking operations as a result of digitization.

The researcher believes that the increasing speed of globalization and the openness of banking markets led to the development of new financial tools and the expansion of their use that has increased the size and diversity of banking risks, specifically moral risks, which required the use of new methods for banking risk management and disclosure and the development of new laws to maintain the integrity of the banking system, and this this led to an increase in the focus of attention on the application of corporate governance principles in banks and the need to develop an ethical code for each bank with mechanisms to help implement it in a clear and sound manner.

The agreement of bank workers to facilitate the process of depositing illegal funds represents one of the most important moral risks, and is one of the methods to legitimize these illegal funds (Al-Hashemi, 2019), as banks are among the sectors that have witnessed many developments, which contributed to a radical transformation of banking work patterns through the creation of new banking services and the development of methods of providing them to clients.

In light of the acceleration and development of modern technologies, we find that banks bear their moral responsibility and control and governance to prevent money laundering operations as one of the unethical practices, because banks represent the basis through which money laundering operations are often carried out (Al-Hashimi, 2019), and as a result crime money laundering is one of the most serious crimes faced by banks, as globalization has contributed to the increase in the spread of this type of crime by facilitating the flow of capital by exploiting banks to transfer illegal money to legitimate.

The researcher believes that money laundering is a process resorted to by those involved in illegal trade, to conceal the existence of income, to conceal its illegal source, or to use the income in an illegal manner, as well as disguising that income as if it were legitimate.

The phenomenon of money laundering in banks was generated for several reasons, including (Al-Hashimi, 2019):

• Moral risks arising from political, social and moral corruption in countries' systems, such as the prevalence of bribery, mediation in various activities, lack of transparency, and manipulation of financial reports.

• Lack of international agreement on a unified concept of money from illegal sources which constitutes an obstacle to international cooperation to overcome these operations.
• The absence of strict anti-money laundering laws in the banking sector and the provision of banking facilities, which encourages money laundering operations in it.
• Searching the owners of illegal money with hidden ways to legitimize their laundered money for fear of suspicion and legal follow-up.
The researcher believes that among the reasons for the emergence of the money laundering process in the recent times are digitization operations as a result of the development of information technology in the banking sector, the complexity of banking operations and the lack of sufficient interest in developing, amending and applying the code of ethical conduct for banks and competition between banks to attract deposits, which helped spread money laundering in the banking sector.

Money laundering operations are linked to banks, as banks represent one of the most important channels through which money laundering takes place through traditional methods and means or through modern technologies, in light of the digitization of banking operations due to technological progress such as the development of new payment methods based on the Internet and the transfer of funds through it.

Gbangou et al., (2016) also revealed the challenges that banks face in providing banking services, as the current situation of banks faces a number of challenges and obstacles that must be studied and considered in order to find solutions that make the process of developing banking work easier.

Money laundering methods can be divided into traditional and modern methods, which can be addressed as follows: (Al-Hashimi, 2019)

- The traditional methods of money laundering are as follows:
- ✓ Secret accounts: Owners of illegal funds often use secret accounts in banks to facilitate concealment of money laundering.
- ✓ Iron safes: They represent a safe for money laundering. These safes are only opened with the knowledge of the bank and the client.
- ✓ Deposit: by depositing money launderers' money gained from illegal activities in one of the bank accounts in different banks and countries, then transferring it to the country where the investment will be made.
- Modern methods of money laundering are as follows:
- ✓ Capital and electronic transfers: by depositing sums of money in foreign banks under the pretext of establishing a large investment project, then withdrawing or transferring this amount and depositing it in origin country, as the profits of an economic and commercial activity in another country, as well as electronic banks where they deal with their customers via the

internet, and provide their services through it as well, in addition to the use of credit cards, which include multiple types such as discount cards and smart cards (Al-Hashemi, 2019).

- ✓ One of the recently developed methods for money laundering is digital currency services (electronic gold, electronic silver, and electronic platinum), where electronic gold is considered a digital gold coin and an electronic payment system managed by E-Gold Company, which allows the user to invest in gold and precious metals. Usually, an account is opened for the user with the company, through which he can convert the currency into electronic gold, and in return he pays the user what he is entitled by using various means such as checks, cash, money orders or bank checks, and the user can recover his balance of electronic gold in the form of a bullion Gold or to convert it to paper currency or to a bank account (Abdul Rahim et al., 2017).

Banks are developing many preventive mechanisms and strategies to limit money laundering operations, such as developing banking systems, keeping pace with information technology developments, and enhancing confidence and moral responsibility in bank employees to perform their tasks correctly. Among the most important of these mechanisms (Al-Hashimi, 2019):

1- Developing systems of internal control programs in banks, especially in light of contemporary technical developments.

2- Spreading the spirit of responsibility among the bank's employees to perform their duties, as trust is included within the moral risks of the bank and financial institutions, and putting this responsibility effectively contributes to preventing the risk of money laundering and detecting suspicious operations.

3- Adopting banking supervision programs that include mechanisms for reporting suspicious activities, preparing reports, and cooperating with the competent authorities in the same regard.

4- Monitoring withdrawal and deposit movements, especially those that are not relevant with the nature of the client's activity and have no economic justification, and the form of this type of activity is that more than one account is opened without justification for some clients.

The researcher believes that money laundering is one of the most important moral risks faced by banks, due to the presence of digitization of operations and the multiplicity of banking manipulation methods as previously mentioned.

Therefore, the researcher recommends the necessity for banks to have modern mechanisms and strategies that can limit the growth of money laundering operations, especially those that are characterized by ensuring confidentiality and secrecy, and to develop more mechanisms, especially in light of technical developments and the transformation of most financial transactions from their traditional status to digitization operations.

The economic development and the increase in the volume of financial and commercial transactions have led to the development of payment methods and their instability in a certain form, as they have taken many forms, starting with traditional money through checks, and reaching at the present time as a result of digitization processes to what is known as electronic payment methods.

Al-Ashi (2018) defines the electronic payment method as a means of transferring funds according to electronic technology, which facilitates the exchange process in a safe and fast manner and at the lowest possible costs through new technologies and means.

There are many factors that helped the development of payment methods and their transformation from the traditional form to the electronic form, the most important of which are (Rabeh, 2012):

1- The development of information technology: The use of modern technology has become an essential element in the work of banks, especially in light of the increasing competition in the banking industry locally and globally, which prompted the need to improve banking services and use electronic payment services.

2- The emergence of electronic banks and new banking services: they are banks and financial institutions based on electronic pillars, by employing recent developments in the field of information technology to provide all banking services to customers safely, at less cost, faster time and less effort.

3- Benefiting from security means via the Internet: where electronic payment methods are distinguished from traditional means of payment by newly innovative security means to be used over the Internet, to give confidence to banking and commercial transactions that take place through this network, to which electronic payment methods are a party.

In view of the role played by electronic payment methods, we find that among the most important types are as follows (Al-Titi, 2008):

1- Electronic money: It is a monetary value stored electronically on a magnetic card, used as a payment tool, where the process of deducting money is done automatically after making the purchase, and it is accepted as a payment tool.

2- Electronic wallet: It is a secure, encrypted and modern method that facilitates electronic payment, as the holder exchanges a certain value of classic money for the equivalent of electronic money.

3- Electronic money transfer: It is a process whereby the authority is granted to a bank to carry out debit and credit transfers electronically from one bank account to another bank account.

4- Bank cards: They are a magnetic card issued by banks, which the holder can use to purchase most of his needs or to pay in return for the services he receives, without the need to carry large sums that may be exposed to the risk of theft, loss or damage.

The researcher believes that despite the advantages achieved by electronic payment methods, the digital transformation in banks has led to the emergence of card crimes, as there are international gangs active on this network with the aim of collecting the largest possible number of card numbers, which has led to an increase in moral risks in banks and the need to educate them by taking measures and developing policies that help it overcome these risks, especially in light of the digitization of banking operations.

In order to implement the policies and procedures of means of protection and security, and to control the digitization of banking operations in banks, the following is required (Al-Mabrouk, 2019):

- ✓ Determine the personality of the person dealing with the systems.
- ✓ Ensure that no modifications are made to customer messages as they are transmitted through channels.
- ✓ Ensure that confidentiality of customer transactions is maintained.
- ✓ Ensure that the sender of the message does not deny it.
- ✓ Follow policies and procedures to secure communications to and from systems to prevent or limit unauthorized penetration or misuse of systems.
- ✓ Control of access to systems and identification of users' personalities.
- ✓ Protection of systems from the possibility of unauthorized practices by former, new or temporary employees of the bank.

Third: FRQ in Accordance with Standards and Regulatory Frameworks:

Financial reports represent one of the most important sources that the parties related to banks rely on it to obtain the information they need in making their decisions, and despite the importance of these reports, the global crisis has led to a lack of confidence in these reports.

Siriyama & Norah (2017) considers that quality means the set of characteristics that must be characterized for accounting information in order to be useful to meet the necessary needs of its users, such as understandability, credibility, relevance, comparability and appropriate timing, and is mainly related to the extent to which the disclosed information is to make a difference in decisions of users of those reports.

There are two directions for measuring the quality of financial reports, as mentioned in Literature review:

(Isabel & Emma, 2017; Siriyama & Norah, 2017; Qingliang & et al., 2016)

The first trend: measuring FRQ through the qualitative characteristics of accounting information such as relevance and faithful representation, and these characteristics are difficult to quantify to verify FRQ.

The second trend: Measuring FRQ through the quality of profits through the value of the accrual, or a set of financial indicators. The current study will focus on the first trend through the qualitative characteristics of accounting information.

Risk disclosure has received a lot of attention after the global financial crisis, and as a result, the demand for bank risk disclosure by stakeholders has increased. Where risk disclosure provides information to users of financial reports because it enables them to assess risks that affect the bank's economic performance in the future. AS the disclosure of risks is very important in the money market, as it provides investors with information about the risks associated with the strategic objectives and leads to asymmetry of information (Mensah, 2017). Therefore, accounting disclosure is considered one of the most important sources for communicating the results of the bank's business and financial position to the various authorities. Disclosure is done through financial reports, which include information about the bank's resources and obligations towards third parties. This information is useful in showing the strengths and weaknesses in the bank's financial position.

In the same context, the requirements of the SEC confirmed the disclosure of various risks in financial reports, whether related to capital resources or risk in holding banks, speculative operations and activities that involve high risks, as these requirements represent an extension and development of the objectives of financial reports, so it is necessary to translate those the requirements to generally accepted accounting standards in order to extend their application to all companies, whether registered or not on the stock exchange (Al-Maghzom & Hussairey, 2017).

The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) have sought to make a joint interaction and come up with the qualitative characteristics of accounting information, and these characteristics have been classified into the following (Al-Bassiouni, 2014):

A- The basic qualitative characteristics of the quality of accounting information, including:

- ✓ Relevance: Financial information is appropriate if it has the ability to make a difference in decisions or is required to be influential in decisions taken by users of financial reports. If certain information does not affect the decision, it is not appropriate for this decision, and the financial information must be It has predictive ability and confirmatory value.
- ✓ Faithful Representation: In order for the financial information to be useful to the users of the financial statements, it should honestly express the financial operations and events that surround the company and its presentation in the financial statements and free of error.

B- Qualitative characteristics that enhance the quality of accounting information, including:

- ✓ Comparability: It means that the financial reports can be compared from one company to another by comparing the items of the financial reports for each element separately.
- ✓ Verifiability: It means assisting the users of the financial statements in making sure that the financial information is expressed truthfully. This

means that all informed controllers are convinced of what the financial statements contain truthfully.

- ✓ Timeliness: that information is available to decision makers at the time necessary to be able to give them an opportunity to take appropriate decisions.
- ✓ Understandability: This means that the information presented in the financial statements is easy for users and not difficult for the public to understand. That is, the information contained in the financial statements and reports should be presented in a way that makes them understandable to users.

Fourth: The role of Disclosure of Moral Risks in improving FRQ:

The financial crisis has resulted in an increase in some new risks that are not being properly monitored and managed, prompting the authorities to establish a new governance framework for the banking financial system. Technological advancements, digitalization, and changes in the regulatory framework have also a significant impact on banking institutions' governance framework (Niţescu & Cristea, 2020). As a result, various risks arose, particularly ethical concerns, making the application of banking governance standards a practical need and an active element in accordance with the changes and transformations that the world is witnessing as a result of globalization.

The purpose of control over banking operations is to maintain the integrity of the banking sector in terms of protecting the rights of depositors and protecting the interests of the bank, and as a result of the development of banking business, control has become highly complex, as is the case in the mechanization of banking work and making it electronic, which called for a change in the method of control.

FRQ overcomes the problem of moral risk and adverse selection (Rezaei and Ghanaeenejad, 2014), which contributes to deterring opportunistic management behavior by increasing transparency(Comrix et al., 2016), so banks are encouraged to work more ethically and socially in their financing investment activities to protect the legitimate interests of stakeholders (Chiu, 2014).

In order to enhance the concepts of accountability and transparency within the bank, as well as to emphasize the values of integrity, ethics and honesty, and to encourage employees to take the initiative to disclose any problems that may appear in the scope of work, the employees are required to disclose to the bank’s compliance about the following cases (Housing & Development Bank Code of Ethical Conduct), for example: :

- ✓ If a family member deals with the bank in any kind of business.
- ✓ If he has relatives who work in the bank or work under its supervision.
- ✓ If he has a power of attorney for any account of a family member.
- ✓ If he is a partner or shareholder in any company.

- ✓ If he grants or recommends granting loans or affiliation facilities to one of his family members or one of his relatives.

Banks are also currently obligating employees to inform the compliance sector of the following: (The Housing & Development Bank Code of Ethical Conduct)

- ✓ Non-compliance with the bank's internal policies and procedures, such as the bank's code of professional and ethical conduct.
- ✓ Violation of laws or instructions issued by supervisory authorities and harming the business interest by disclosing inside information and information that may cause financial or non-financial loss to the bank.
- ✓ Unsafe practices at work or causing environmental or health risks to the employee, which may endanger his safety.
- ✓ Any illegal use of the bank's funds or any behavior against the bank that causes a potential loss or damage to the bank's assets or reputation in any way or form, including the possibility of fraud internally and externally.
- ✓ Criminal offenses (corruption, theft, extortion, internal fraud, document forgery).
- ✓ Any information obtained from the media or from reliable sources that pertains to the reputation or integrity of the financial position of any employee or client.

Based on the foregoing, the researcher believes that commercial banks should make accounting disclosures about honesty and integrity by working to create an appropriate work environment that supports honesty, integrity and respect for all bank employees, which increases the bank's ability to accomplish its tasks and achieve its goals. Creating and maintaining a good work environment, which has a positive impact on the general appearance and reputation of the bank. The employee must conduct all his work with integrity and follow high ethical standards.

All the bodies and institutions concerned with governance have emphasized the importance of disclosure and transparency as a basic principle of governance and an important indicator for judging the effectiveness of its application. Among these bodies is the Organization for Economic Cooperation and Development (OECD), which affirmed that the principle of disclosure and transparency must include accurate disclosure of information, and inclusive of all matters. It is important, and all this information is issued in an appropriate time, and the proper application of corporate governance constitutes an important and effective entrance to achieving FRQ and increases the degree of accounting disclosure of the information contained therein, as the relationship is close between the application of governance rules and the quality of accounting information in financial reports (Khanfar, 2019).

In light of the escalation of banking risks, it began to think of mechanisms to confront those risks to which banks are exposed, by putting certain foundations in a manner that leads to transparency in dealings between these parties, which leads to the prevention of such financial collapses in the future. Among the governance mechanisms in banks (Siddiqi, 2019):

1- Discipline: Discipline is defined as an ethical behavior that follows the laws of the bank without an outside observer.
2- Disclosure and transparency: Transparency is defined as creating an environment in which information related to conditions and decisions is made available, visible and understandable by all market participants.
3- Independence: It is represented in the absence of any influences or pressures during work and thus provides a degree of freedom necessary to perform the work.
4- Accountability: It is the possibility of evaluating the work of the board of directors, holding them accountable for mistakes and assuming responsibility, as the board of directors is accountable to the shareholders.
5- Responsibility: defining the responsibilities of each of the parties within the bank, with the commitment of these parties to carry out the specific duties.
6- Justice: It is represented in respecting the rights of the various stakeholders in the bank, whether they are shareholders, lenders or others.
The researcher believes that governance provides in banks standards for developing financial performance, as the proper application of governance contributes to improving risk management. It is also considered one of the most important factors that contribute to detecting cases of fraud and corruption, and thus overcoming moral risks. Therefore, banks issue governance reports to reduce moral risks through the application of mechanisms governance as it represents an important source for protecting the funds of shareholders, clients, employees and other benefits holders.

Fifth: Field Study:

First: Study Methodology

The study methodology will be discussed in terms of defining the study population and sampling units, to which questionnaire will be distributed, as well as identifying appropriate statistical analysis tools for the purposes of analysis and testing hypotheses in light of the nature and types of study data.

1- Population and Sample:

The study population is represented in all employees of senior, financial, risk, and compliance & governance management in the home office the Egyptian commercial banks, where the number of commercial banks is 38 banks according to the central bank report for the year 2021, and the study sample is represented by three public banks, namely The National Bank of Egypt, Banque du Caire, Bank Misr, and three private banks are QNB, CIB, and Credit Agricole.

2- Sample unit:

Sample unit is represented by 130 employees in senior, financial, risk, and compliance & governance management, due to their direct and main relationship with accounting disclosure about FRQ and moral risks, which emerged as a result of the digitization of banking operations, and because they are able to provide the required information accurately and objectively.

3- Data collection methods and sources:

The primary data necessary to discuss the analytical aspects of the study was collected through a questionnaire distributed to senior, financial, risk, and compliance & governance management in the banks under study, as well as giving weights to each of the paragraphs according to a scale Five likert are as follows:

Respondents' responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Coding	(5)	(4)	(3)	(2)	(1)

• The questionnaire has been distributed and collected from the officials of managements that fall within the scope of the study, and the following table reflects the response rate and the correct lists that are suitable for statistical tests.

Table No. (1)
A statement of the correct and distributed questionnaires

Statement	Number
Distributed Lists	130
Obtained lists	118
Excluded lists	4
Correct Lists	114
The percentage of correct listings is	88%

• It is clear from Table No. (1) That the number of correct lists that were entered and tested statistically is 114, where the percentage of correct responses represents about 88%.

Second: Results of the descriptive statistical analysis of the study variables:

In this regard, the researcher will present and analyze the results of the statistical treatments conducted on the primary data of the study, and then analyze and discuss these results in detail and completely for each of them.

Table No. (2)
Outputs of the Reliability Analysis for
The Impact of Moral Risks on FRQ

	No. of statements	Alpha Coefficient
1. Demographic variables.	3	0.649
2. Controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards.	10	0.946
3. Determinants and indicators for measuring FRQ in banking institutions.	10	0.952
4. Reflections of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions.	8	0.966
The entire variables	**31**	**0.973**

• The Alpha Correlation Coefficient (ACC) was used as the most significant method of reliability analysis in evaluating the degree of consistency between the items of the scale under test. Alpha Correlation Coefficient (ACC) was applied on the impact of moral risks on FRQ in total manner for the entire scale and each dimension of its related four dimensions separately. According to table (2), the results of reliability analysis revealed that ACC for all items within each dimension were above 0.40. In addition, alpha coefficient for the entire scale was about 0.973, which exceeds the acceptable level of reliability in social sciences and represents an indication of a very high degree of reliability.

Table No. (3)
Testing The Differences between variables According to Qualification using Kruskal Wallis

variables	The arithmetic mean of the responses according to the qualification				Kruskal Wallis Test	P-value
	Bachelor	postgraduate diploma	Master	PHD		
Controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards.	4.58	3.89	4.02	4.4	3.34	0.34
Determinants and indicators for measuring FRQ in banking institutions.	4.55	3.77	4.11	4.13	5.61	0.13
Reflections of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions.	4.47	3.7	4.02	3.96	2.63	0.45

• There are no significant differences between the respondents' opinions according to qualification regarding Controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards, determinants and indicators for measuring FRQ in banking institutions, and reflections of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions, that is mean there is an agreement opinion between them about variables.

Table No. (4)
Testing The Differences between variables According to Management using Kruskal Wallis

variables	The arithmetic mean of the responses according to the Management				Kruskal Wallis Test	P-value
	Senior management	Financial management	Risk management	Compliance and governance management		
Controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards.	4.35	4.63	4.12	3.91	4.37	.22
Determinants and indicators for measuring FRQ in banking institutions.	4.58	4.60	4.09	3.77	5.64	.13
Reflections of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions.	4.47	4.52	3.87	3.81	3.81	.28

• There are no significant differences between the respondents' opinions according to management regarding Controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards, determinants and indicators for measuring FRQ in banking institutions, and Reflections of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions, that is mean there is an agreement opinion between them about variables.

Table No. (5)
Testing The Differences between variables According to Experience Years using Kruskal Wallis

variables	The arithmetic mean of the responses according to Experience Years				Kruskal Wallis Test	P-value
	Less than 5 years	From 5 to 10 years	10 to 15 years	From 15 years and more		
Controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards.	4.53	3.94	4.14	4.32	3.48	0.32
Determinants and indicators for measuring FRQ in banking institutions.	4.51	3.9	3.94	3.34	6.97	0.07
Reflections of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions.	4.43	3.7	4.13	4.13	7.04	0.07

• There are no significant differences between the respondents' opinions according to experience years regarding controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards, determinants and indicators for measuring FRQ in banking institutions, and Reflections of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions, that is mean there is an agreement opinion between them about variables.

Table No. (6)

Variables	Beta	R	T-test	P-value
Controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards.	0.047	.918**	2.972	0.043
Determinants and indicators for measuring FRQ in banking institutions.	0.287	.948**	5.941	0.002
F value	256.282			0
R	0.951			
R^2	0.905			

• This table explains Correlation and Multiple Linear Regression Analysis Outputs of Reflections of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions on Controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards & determinants and indicators for measuring FRQ in banking institutions.

• Correlation Analysis was used to identify the direction and strength of the relationship between Reflections of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions on Controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards & determinants and indicators for measuring FRQ in banking institutions. In addition, multiple regression analysis was used to determine the significant impact and relationship of independent and independent variables. (see Table No.6).

• According to the results of correlation coefficient (R) shown in Table No (6), there is a significant positive and strong correlation between controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards and Reflections of accounting disclosure on moral risks in light of the digitization of banking operations.

• According to the results of correlation coefficient (R) shown in Table No (6), there is a significant positive and strong correlation between determinants and indicators for measuring FRQ in banking institutions and Reflections of accounting disclosure on moral risks in light of the digitization of banking operations.

• The goodness of fit of multiple linear model illustrated in Table No.(6) according to the value of R^2 equal 90.1% which means that independent variables(Controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards & Determinants and indicators for measuring FRQ in banking institutions) explained 90.1% of the dependent variable(Reflections of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions).

• The level of significance is less than 5 %, and therefore there are no significant differences.

Sixth: Conclusion, Results and Recommendations:

Conclusion & Results:•

The most significant development in the banking sector was the trend toward the application of various modern mechanisms as a result of digital transformation, which led to a new perspective on the various risks faced by banks, particularly moral risks, the most significant of which are money laundering operations, whose owners use modern technologies to achieve their goals of giving legitimacy to their money while ignoring all international norms and law , and these actions create a moral risk that affects the quality of banks' financial reports, urged banks to pay attention to the ethical aspect through the development of codes of ethical conduct and the accounting disclosure of morality risks in financial reports in order to overcome it and reduce its risk.

The most important results that the researcher reached as a result of testing the study's hypotheses were as follows:

1- The null hypothesis was accepted and the alternative hypothesis was rejected, where there is a statistically significant difference between the respondents' opinions about the nature and determinants of measuring moral risks in light of the digitization of banking operations in the Egyptian environment.

2- The null hypothesis was accepted and the alternative hypothesis was rejected, where there is a statistically significant difference between the respondents' opinions regarding the controls and mechanisms of accounting disclosure of moral risks in the light of the regulatory standards.

3- The null hypothesis was accepted and the alternative hypothesis was rejected, where there is a statistically significant difference between the respondents' opinions about the determinants and indicators of measuring FRQ in banking institutions.

4- The null hypothesis was rejected and the alternative hypothesis was accepted, as there is significant relationship between the respondents' opinions about the implications of accounting disclosure on ethical risks in light of the digitization of banking operations on the quality of financial reports in banking institutions.

Recommendations:

In light of the results that were extracted from the theoretical and field study, and in order to achieve the main objective of the study, the researcher discussed the study’s recommendations as follows:

1-The management of banks must establish code of conduct that regulates what is ethical and what is not, and set the mechanisms and controls that help to implement them in a clear and sound manner.

2-The necessity for commercial banks to implement the mechanisms and concepts of information technology governance as the means which can reduce the risks related to digital transformation, especially the moral risks and protect the security of accounting information.

3- Working on a regular evaluation of internal control mechanisms in banks to prevent data manipulation or an attempt to discover new ways of penetrating electronic systems.

4- Increasing the level of risk disclosure to reach transparency, which leads to an increase in FRQ in general and a reduction in moral risks in particular.

5-The need for banks to build international methods in keeping with today's technical development in order to combat money laundering and keep up with rising risks, notably in the field of financial technologies.

Holding training courses for bank employees on the technologies produced as a result of digital transformation to assist them make proper judgments based on ethical standards, as well as rewarding employees who follow the bank's code of ethical conduct as it should be.

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Appendices

Appendix No. 1

Questionnaire

Mr./……………………….

After Greetings,

This questionnaire represents one of the basic aspects of completing a research in the commercial sciences "specializing in accounting" entitled: "The Impact of Accounting Disclosure on Moral Risks in the Light of the Digitization on FRQ in Egyptian Commercial Banks".

The main objective of the research is to identify the impact of accounting disclosure about moral risks on FRQ in Egyptian commercial banks in light of information technology developments, by conducting a field study on Egyptian commercial banks.

To achieve the goal of the research, we are confident in your sincere cooperation to fulfill the questions contained in this questionnaire, and we assure you that your answers have a great impact on drawing conclusions and making recommendations and will only be used for scientific research purposes.

Thanking you for your kind cooperation with us,,,,,,,,,,,

The Most Important Terminologies Used:

• **Moral risks** are risks that arise as a result of unethical behavior by one of the parties to the transaction, whether the bank or the client, which causes risks to one of the parties as a result of the exchange parties enjoying more information than the other party, which may make him act irresponsibly sometimes.

• **Money laundering** is a process resorted to by those involved in illegal trade, to conceal the existence of income, to conceal its illegal source, or to use the income in an illegal manner, as well as disguising that income as if it were legitimate.

• General data for those who complete the questionnaire: please put a mark (√) in front of the degree of response that suits you.

Qualifications: Bachelor…………Postgraduate Diploma……Master's…...… PHD……….....

Management to which it belongs: Senior management……Financial management ….Risk management…….Compliance and governance management **Experience Years**: Less than 5 years….. From 5 to 10 years….. 10 to 15 years…. From 15 years and more……

First: What is the degree of relative importance of the following items that reflect the controls and mechanisms of accounting disclosure of moral risks in the light of regulatory standards.

•Please put a mark (√) in front of the extent to which you agree with the following statements from your point of view :

Controls and mechanisms for accounting disclosure of moral risks in light of regulatory standards.					
In your opinion, to what extent do you agree with the following statements:	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1- Employees must adhere to the bank's internal policies and procedures, such as the code of professional and ethical conduct.					
2- Compliance sector employees must be informed of who is disclosing internal information that may cause financial or non-financial loss to the bank.					
3- Employees of the Bank Compliance Sector must disclose unsafe practices or that may cause risks.					
4- Workers must be obligated to disclose quickly, accurately and confidentially any suspicious activity such as money laundering.					
5- Employees must disclose to the compliance and governance sector of the bank any information related to the reputation and integrity of the financial position of clients.					
6- Employees must inform the compliance sector of any information obtained from the media or from reliable sources that pertains to the reputation or integrity of the financial position of any employee or clients.					
7- The bank obliges employees to report criminal offenses to the compliance sector, such as corruption, theft, internal fraud and document forgery.					

8- The bank prohibits the disclosure of information related to clients as a result of digital transactions.					
9- Employees must disclose to the bank's compliance officer if he has a power of attorney for any account of a family member.					
10- The employees must disclose to the compliance officer of the bank if he is a partner or a shareholder in any company.					

Second: What is the degree of relative importance of the following items that reflect the determinants and indicators of measuring FRQ in banking institutions.

• Please put a mark (√) in front of the extent to which you agree with the following statements from your point of view:

Determinants and indicators for measuring FRQ in banking institutions.					
In your opinion, to what extent do you agree with the following statements:	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
11- Financial reporting information supports making a difference in decision-making in a manner that suits users of accounting information.					
12- The bank makes the financial reports available in a timely manner to assist them in making decisions.					
13- Banks' financial reports provide honestly expressive information.					
14- Banks' financial reports provide information resulting from using the same measurement methods and producing results similar to economic events.					
15- Financial reports provide banks with information that represents and expresses the essence of economic events.					
16- The bank complies with the standards of basel III committee and the instructions of the monetary authority regarding banking risks.					
17- There are disclosed banking risk control policies.					
18- The financial reports of banks enhance the possibility of comparing the financial statements for a certain					

period with the financial statements of previous periods or comparing them with other banks.					
19- The bank has an independent committee that sets a specific system for monitoring risks on a regular and stable basis.					
20- Banks' financial reports disclose information in a way that is easy for users and is not difficult for the public to understand.					

Third: What is the degree of relative importance of the following items that reflect the accounting disclosure of moral risks in light of the digitization of banking operations on FRQ in banking institutions.

• Please put a mark (√) in front of the extent to which you agree with the following statements from your point of view:

Reflections of accounting disclosure on moral risks in light of the digitization of banking operations on FRQ in banking institutions.					
In your opinion, to what extent do you agree with the following statements:	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
21- Financial reports are prepared in an accurate manner and in compliance with international accounting standards with commitment to the bank's ethical code of conduct.					
22- Accounting disclosure of moral risks supports the provision of information resulting from the use of the same measurement methods and results similar to economic events.					
23- Accounting disclosure of moral risks is reflected in making a difference in decision-making to suit users of accounting information.					
24- Accounting disclosure of moral risks contributes to providing honestly expressive information.					
25- Accounting disclosure of moral risks contributes to providing obvious and transparent financial reports.					

26- Accounting disclosure about moral risks increases the objectivity of the presentation of accounting information.					
27- Accounting disclosure of moral risks provides financial reports to banks with independent and objective information.					
28- Accounting disclosure of moral risks is reflected in providing financial reports with adequate and honestly expressive disclosures.					