

ANTI-MONEY LAUNDERING REGIME IN THE
ONLINE CENTURY: AN INTERNATIONAL
PERSPECTIVE

Ashwin Singh

Student of Symbiosis Law School, Pune

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ABSTRACT

Money Laundering has been one of the core issues in India and most of the developing countries around the world. In simple terms, Money Laundering could be described as the conversion of money earned from illegitimate sources into legitimate income and thus legalize a blatantly illegal activity. . The term originated from Mafia Groups in the United States, however now it has become a buzzword in almost all the countries around the world. IMF estimates 3% to 4% of the world GDP to consist of laundered money.⁶

To prevent the money laundering mechanisms in the world, various anti-money laundering regimes have been established. However, now, with the rise of technology, new methods of money laundering, and various other issues are plaguing the anti-money laundering regime, therefore, it becomes important to understand the lacunas in the regime and suggest specific reforms to prevent money laundering.

Thus,, it becomes extremely crucial to develop understanding and raise awareness towards the issue of money laundering at the global level. The paper firstly analyses the innovative ways of money laundering being used, alongside discussing other challenges posed by money laundering . Subsequently, the current lacunas in the

international anti-money laundering regime have been examined and concludingly, emerging trends and solutions for the anti-money laundering regime have been explored.

Keywords: *Online Century, Money Laundering, International Framework, Lacunas, Effective Anti-Money Laundering Mechanisms, etc.*

Research Objectives

The researcher in the present paper, have the following objectives which form the backbone of the present research:

- The Current Situation of Anti Money Laundering regime at the International level.
- The new methods of money laundering via virtual mode & their effectiveness.
- Understanding the Challenges being faced by the Banks and other financial institutions in the Anti Money laundering regime, with a special focus on online strategies of money launders.
- To propose feasible solutions which could be utilized by banks and financial institutions in the long term for effective implementation of the Anti-Money Laundering regime.

Research Questions

The present research is a sincere attempt the answer the following questions which form the core of the present study are:

- How money laundering is being done via money mode and what are the challenges being faced by the banks and financial institutions.
- Addressing the new for the adoption of new strategies for the Anti Money Laundering Regime.
- What are the challenges and other issues in the anti-money laundering regime in the international world?

⁶ IMF (2021). World Economic Outlook Update, January 2021: Policy Support and Vaccines Expected to Lift Activity. [online] IMF. Available at: <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>. [Accessed 20 Sep. 2021].

Research Methodology

The study about the critical paper has been conducted with the use of the dynamic research method including Bibliometric research and analytical and doctrinal methods. Various research papers, reports, and articles related to the subject have been thoroughly analyzed by the researcher to add something to existing knowledge of the law.

Literature Review

The present paper is a multi-disciplinary work that combined the work done in various disciplines to present an effective solution to problems in the online money laundering regime. The following papers have been reviewed for this:

- I.** Money Laundering in India: Concepts, Effects, and Legislation⁷: The paper analyzed the overall money laundering regime with a special focus on the Indian scenario.
- II.** White Paper on Anti-Money Laundering: Challenges and Trends⁸: This paper analyses the Anti Money Laundering challenges being faced by the banks and other financial institutions with the technological rise and the new techniques being implemented by the money launderers.
- III.** Money Laundering and its Fallout⁹: This paper focused upon the fallout from the money laundering mechanism and its numerous effects on the economic situation of the nation and other international communities.

⁷ Praveen Kumar, Money Laundering in India: Concepts, Effects and Legislation, RET Academy for International Journals of Multidisciplinary Research (RAIJMR) [online] Available at: http://www.raijmr.com/ijrhs/wp-content/uploads/2017/11/IJRHS_2015_vol03_issue_07_11.pdf [Accessed 20 Sep. 2021].

⁸ Vani Muppayanamath, Anti-Money Laundering: Challenges and Trends - White paper, Tata Consultancy Services 2017 [online] Available at: <https://www.tcs.com/content/dam/tcs/pdf/Industries/Banking%20and%20Financial%20Services/Anti-Money%20Laundering%20-%20Challenges%20and%20Trends.pdf> [Accessed 20 Sep. 2021].

⁹ Money Laundering and Its Fall-out. (n.d.). [online] Available at: <https://www.resurgentindia.com/pdf/1210062877Money-Laundering-and-its-fallout.pdf> [Accessed 24 Sep. 2021].

IV. Money Laundering: Concept, Significance, and its Impact¹⁰: This paper discussed in detail the impact of money laundering and the situation of regulatory bodies and other financial institutions with concern to that.

V. Cybercrime and Money Laundering¹¹: This paper focused on the interdisciplinary study of cybercrime and money laundering. Furthermore, the paper suggested various recommendations and suggestions which could be implemented.

Lacuna in the present research

Multiple research papers have worked on the individual aspect of money laundering and cybercrimes, some have also aimed at connecting the two and tried to suggest some viable solutions to the same. However, as of now, there is a lacuna in research in the international money laundering regime for the same. The paper is specifically focused on that area and addresses the issue through its conclusion

INTRODUCTION

Money Laundering could be stated as the process of converting money obtained from crimes into legitimate money.¹² The process of Money Laundering is used by individual criminals and criminal organizations around the world to hide and validate their illegally earned money. The Process of Money Laundering Consists of three stages:

- I. Placement Stage:** The first stage of the money laundering process is called the placement stage, in this stage, the money is disposed of and the launderer introduces the money into the financial system. Generally, this money is introduced in small shops, businesses, and banks in small amounts, this is done to make the appearance that the money is legitimate money and not illegal.

¹⁰ Kumar, V. (n.d.). Money Laundering: Concept, Significance and its Impact. [online] Available at: <https://core.ac.uk/download/pdf/234624157.pdf>.

¹¹ Cybercrime and Money Laundering. (n.d.). [online] Available at: https://eurasiangroup.org/files/Typologii%20EAG/Tipologiya_kiber_EAG_2014_English.pdf.

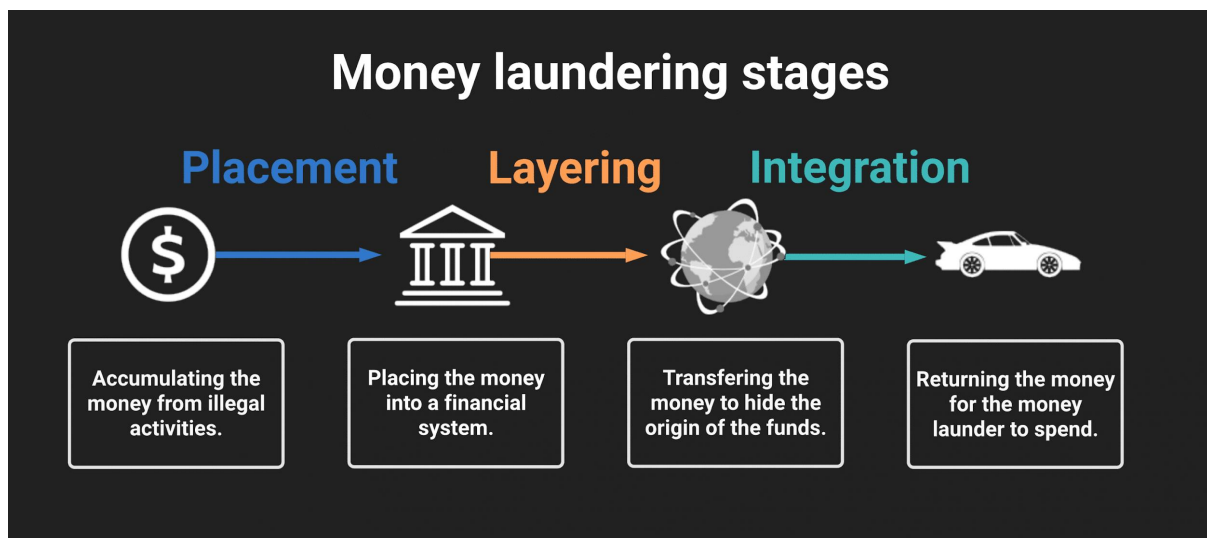
¹² Levi, M. and Reuter, P., 2006. Money laundering. Crime and justice, 34(1), pp.289-375.

II. Layering Stage: After the placement of money, the second stage of layering the laundered money starts. In this stage the money is separated into various sources, the funds are then moved and shifted to create distance from the source of origin. Furthermore, this is done keeping in mind the auditing of money to be done by any government agencies, therefore necessary safeguards for that are also looked upon by the money launderers.

III. Integration Stage: Concludingly the money is re-entered into the financial market as simple funds of the business. After the integration of money is completed, the money could be used by the launders in any form which they might choose to invest, leading examples of the same could be real estate, luxury assets, or new business ventures.

the emperors would simply snatch the money of the merchants and seize the same. With the passage of time and globalization, the process of money laundered exploded into a global phenomenon, and terms such as “offshore industry” and “tax heavens” come into the picture, only to be added with secret bank accounts among other things.

The mafia groups in the modern United States presents to us the modern era of money laundering, wherein they used Laundromats to hid the real ownership of money and subsequently whitewash it. The most famous of these criminals is *Alphonse Gabriel "Al" Capone*. The mafia used various illegal and legal methods to whitewash their illegitimate money. It is important that various legal methods owing to the legal loopholes were also present back then and some are even present now, especially with the rise of the online world.



HISTORY OF MONEY LAUNDERING

Money laundering has been an age-old concept being followed around the world, with its modern origin in the United States. The oldest record of money laundering is from Sterling Seagrave's book titled “Lords of the Rim”¹³, wherein the author explained how in ancient China, merchants used to hide their money from the emperors, as

¹³ Seagrave, S. (1995). *Lords of the Rim: The Invisible Empire of the Overseas Chinese*. [online] Google Books. Putnam’s Sons. Available at: https://books.google.co.in/books/about/Lords_of_the_Rim.html?id=UtK2AAAAIAAJ&redir_esc=y [Accessed 25 Sep. 2021].

INTERNATIONAL RESPONSE TO MONEY LAUNDERING

Money Laundering is a major issue at both the international level and national levels, therefore to tackle the same, communities around the world have established various organizations and groups to tackle the same.

The prime organization established in response to money laundering is the *Financial Action Task Force on money laundering (FATF)*, which has been established in the G-7 Summit in Paris in 1989, which was done as a global

response to tackle the issue of international money laundering. The prime task of the FATF since its inception was to provide recommendations for implementation of effective. Therefore, in light of this, FATF had issued Forty Recommendations and Nine Special Recommendations of FATF targeted at providing a complete set of measures against the money laundering regime which was prevalent.¹⁴ FATF constantly releases new guidelines and other booklets showcasing the ways and methods to combat money laundering. Furthermore, it maintains a list of all the nations around the world, divided according to their actions and reactions to money laundering.

Additionally, various other organizations have been created for the regional cooperation and prevention of money laundering that work in close coordination with other organizations from time to time provide reports and measures against money laundering, some of these organizations are as follows:

- Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL)
- Eurasian Group (EAG)
- The Middle East & North Africa Financial Action Task Force (MENAFATF)
- Asia/Pacific Group on Money Laundering (APG)
- Caribbean Financial Action Task Force (CFATF)
- Basel Committee on Banking Supervision
- Egmont Group of Financial Intelligence Units
- United Nations Office on Drugs and Crime (UNODC)
- International Organization of Securities Commissions (IOSCO)
- United Nations Counter-Terrorism Committee and Executive Directorate (UNCTED)

¹⁴ Kumar, A. and Kharole, H. (2020). Impact of Money Laundering Cases on Indian Economy and Business. *International Journal of Innovative Science and Research Technology*, [online] 5(5). Available at: <https://www.ijisrt.com/assets/upload/files/IJISRT20MAY119.pdf> [Accessed 24 Sep. 2021].

However even after a dedicated international organization combined with various specific and non-specific international & regional organizations, the anti-money laundering regime on an international level is not a good performer on the cost-benefit scale and now with the rise of the internet and allied services, it's only going down.

CURRENT SITUATION OF ANTI-MONEY LAUNDERING: AN INTERNATIONAL UNDERSTANDING

Before we embark on the present issues and challenges of the Money laundering problem, we first must shift our attention to the size of the problem. Money laundering is not a single alone problem but instead, the whole issue is supported by various other aspects also. Furthermore, the current anti-money laundering regime suffers from numerous lacunas from its functioning to its result.

The current situation of the Anti-Money laundering regime could be understood via the below headers:

Situation in Europe

The European policymakers in 2018 specified a need to fight against the money laundering regime.¹⁵ The primary aim of the same was to close the “loopholes”, “shortcomings” etc of the current anti-money laundering regime in Europe. This could be seen via the series of bank scandals in Europe as a response to whom the present solutions were presented.¹⁶

An extensive study was conducted by Europol in 2016, which described a very conservative amount of laundered money, around €110 billion annually.¹⁷ The Authorities in Europe state that they only confiscate around €1.2 billion of illicit funds annually, which is just 1.1 percent.¹⁸

¹⁵ European Commission. 2018. State of the Union 2018: Stronger Anti-Money Laundering Supervision for a Stable Banking and Financial Sector [press release]. <https://bit.ly/2OgSLBV>.

¹⁶ European Commission. 2019a. Commission Assesses Risks and Implementation Shortcomings in Fight Against Money Laundering and Terrorist Financing: Questions and Answers. Brussels: European Commission. <https://bit.ly/2S434xL>.

¹⁷ Europol. 2016. Does Crime Still Pay? Criminal Asset Recovery in the EU. The Hague: Europol. <https://bit.ly/2jMSuca>.

¹⁸ UNODC. 2011. Estimating Illicit Financial Flows Resulting from Drug Trafficking and Other Transnational Organized Crimes. Vienna. <https://bit.ly/1vb26h8>.

Global Efforts

The global efforts are no better than that of Europe. Using 2009 data, just 0.2 percent of the laundered money is recovered internationally.¹⁹ Moving forward according to 2017, the authorities confiscated around \$4.5 billion or \$2.7 billion of a total of \$2.9 trillion illicit funds which arose in 2017. Thus, the success rate on the international level is far more trivial at 0.16 or 0.09, respectively.²⁰ Furthermore, the majority of these funds are caught in North America.

Bourgeoisie Compliance Cost

One other aspect which presents a major challenge in the current anti-money laundering regime is the huge compliance cost. In 2017, the cost of anti-money laundering compliance for 4 leading European union nations was at \$81.4 billion.²¹ These countries represent around 52.2% of the European Union's GDP for the year 2017.²² Therefore another major issue in the current anti-money laundering regime is the huge compliance cost which in turn does not produce sufficient results. The same is true for the rest of the world also.

Other Government and international Agencies cost

Other than the private bodies, there are around 80 international and then thousands of government agencies in all across 205 jurisdictions of the world, whose efforts in the anti-money laundering regimes get unnoticed and further, the work being done by such authorities don't add up as a crucial component in any cost-benefit analysis, even from a complete conservative point of view. The same is the situation for the non-compliance costs.

¹⁹ UNODC. 2011. Estimating Illicit Financial Flows Resulting from Drug Trafficking and Other Transnational Organized Crimes. Vienna. <https://bit.ly/1vb26h8>.

²⁰ FATF and APG. 2016. Mutual evaluation report: Canada. Paris: FATF. <https://bit.ly/2d0pJo1>.

²¹ Anand, A. 2011. "Combating Terrorist Financing: Is Canada's Legal Regime Effective?" University of Toronto Law Journal 61 (1): 59-71. doi:10.3138/utlj.61.1.059. [Crossref], [Google Scholar]

²² World Bank 2017. GDP (Current \$US), 2017. <https://bit.ly/1Cd8EkQ>.

The shift of Penalization from the wrong to the correct entity

More often than not, the correct entities get penalized. The combined value of anti-money laundering penalties on banks stands at \$4.3 billion and \$8.1 billion, for the years 2018 & 2019 respectively.²³ The amount only increases when the same for a multitude of years is added up.

Digitalization & Globalization

With the digitalized world and the world becoming a global village, new issues and methods for money laundering are bound to rise and currently are rising. Furthermore, many nations across the world lack a proper online regulation system much less an online money laundering regulation mechanism.

Therefore, *concludingly*, it would be correct to emphasize that the current regime suffers from several internal and external issues.

DIGITAL & ONLINE INNOVATIONS IN MONEY LAUNDERING

With the rise in technology and other developments around the world, the money laundering procedures being used by criminals are also on the rise. Cheap SmartPhones, Globalizations, exponential increase in worldwide trade, increasing inter culture exchange, increase in Multinational Corporations and other global conglomerates have opened up several new ways through which criminal elements could whitewash their money. Furthermore, with advanced technology and dedicated efforts, the numerical amount of transactions concerning money laundering is on the rise with the money being transferred in each transaction being low in terms of value thus, making it difficult for the banks and financial institutions to keep track. The use of the internet or cyber spaces concerning money laundering is termed as "*Cyber laundering*", generally this method is one wherein the money is laundered via the usage of digital cash, wherein the cash is transferred & rotated from the

²³ Burns, C. 2020. \$8.14 billion of AML Fines Handed Out in 2019, with USA and UK Leading The Charge. <https://bit.ly/36QoRO1>.

numerous online ways and concludingly whitewashed. Several methods and modes concerning the use of computers, cyberspace is being followed in this.

Some examples of usage of new technology being used to launder money throughout the world via various methods are as follows:

I. Online Banks: Although traditional banks understand the issues of money laundering and therefore have necessary safety procedures in place, the same is not true for online banks, which themselves are a new industry on the rise. As of now central banks around the world have warned about the issues with online banks and how there is a need for further regulation in the same.²⁴

II. E-Commerce: E-Commerce is one of the newest forms of business on the rise, with the increase in internet and mass availability of cheap smartphones, E-Commerce as an industry is on the rise. The foremost ventures in this industry such as online food delivery, money investment, cab hiring services provide ample opportunities for money laundering to invest their money. Furthermore, because of the novelty of this form of business and the lack of a proper anti-money laundering regime here, it becomes easy for the money launders to use their illegitimate money here.

III. Fake Identity: With the rise in technology, the era of fake identities has begun. Various Money Launderers create fake identities of various people and then use the same in both online and offline regimes. The fake identities are used to create credit cards, deposits, and loans, which are then paid of with illegitimate money.²⁵

²⁴ The National. (n.d.). Pandemic fuelling financial crime, says UAE Central Bank. [online] Available at: <https://www.thenationalnews.com/business/banking/2021/09/19/uae-central-bank-says-covid-pandemic-is-fuelling-financial-crime-risks/> [Accessed 20 Sep. 2021].

²⁵ NICE Systems. (n.d.). What Are the AML Implications of Identity Fraud? | NICE Actimize. [online] Available at: <https://www.niceactimize.com/blog/what-are-the-aml-implications-of-identity-fraud-624/> [Accessed 24 Sep. 2021].

IV. Other Online Payment Methods: Nowadays with the rise of services like gift cards, prepaid debit cards, and prepaid credit cards, the laundered money has found another way to be utilized. Money Launderers use their laundered money into the above-mentioned services, which are then in turn used by some other party, thus in this small transaction, the money is laundered.²⁶

V. Virtual Currencies: The rise of cryptocurrencies is another issue for the anti-money laundering regime in the world. These cryptocurrencies such as Bitcoin, Dogecoin, etc due to their inherent anonymity feature serves as the most convenient methods to wash laundered money and convert it to white money.²⁷ Furthermore, the constant rise and fall in the price of this cryptocurrency also serve as another area from wherein the money launders could earn.²⁸

VI. Online Casinos: With the rise of internet services, online casinos have become the next big thing. In this system, the money being laundered is in collusion with these casino websites put into the casino coffers. If the money is lost then it adds up to the revenue of the casino which is then sent to the money launders, if more money is won and that itself becomes legitimate money.²⁹

VII. Social Networks: Social Networking is also being used as a method for money laundering wherein the money launders distribute their money via various social network platforms such as

²⁶ Finextra Research. (2017). Online Payments-the Blind Spot in the AML Regime. [online] Available at: <https://www.finextra.com/blogposting/14298/online-payments-the-blind-spot-in-the-aml-regime> [Accessed 24 Sep. 2021].

²⁷ Stokes, R., 2012. Virtual money laundering: the case of Bitcoin and the Linden dollar. Information & Communications Technology Law, 21(3), pp.221-236.

²⁸ CoinMarketCap. (2010). Cryptocurrency Market Capitalizations | CoinMarketCap. [online] Available at: <https://coinmarketcap.com/>.

²⁹ sanctionscanner.com. (n.d.). AML Regulations For Gaming and Gambling Industry | Sanction Scanner. [online] Available at: <https://sanctionscanner.com/blog/aml-regulations-for-gaming-and-gambling-industry-209> [Accessed 24 Sep. 2021].

Whatsapp, telegram, etc, and channels the money back to them.³⁰

CHALLENGES IN THE CURRENT ANTI-MONEY LAUNDERING MECHANISM

Banks, Enforcement Agencies and the government needs to realize that the traditional methods of prevention of money laundering are not going to effectively prevail in the modern world and therefore there is a huge lacuna in the current methods of prevention of money laundering.³¹ Furthermore, the enforcement agencies on the international and national levels need to shift their approach and make changes according to the demand in the world. Furthermore, the government, banks, and other financial institutions, who stay on top of the radar all the time and have constantly paid their fines, etc need to have relaxed guidelines and norms by Anti Money Laundering regulators and regimes, and the focus needs to shift from them.

Some of the prime challenges being faced by Governments, Banks, Financial institutions, and other regulatory bodies in playing a successful anti-money laundering role in their respective areas are as follows:

- I. Norms under FATF:** The norms being set under organizations such as the Financial Action Task Force (FATF), which have recognized an international framework of AML standards are also becoming another issue for the banks, as more and more money launders are becoming aware of the regulations and this consequently they are regulating their laundered money more effectively and in an aim to prevent being caught, whilst simultaneously the banks are wasting their resources to prevent follow the norms.
- II. Increased Governance:** Another important challenge being faced by the banks is that of

³⁰ Shaikh, A.K., Al-Shamli, M. and Nazir, A. (2021). Designing a relational model to identify relationships between suspicious customers in anti-money laundering (AML) using social network analysis (SNA). *Journal of Big Data*, 8(1).

³¹ Quantexa. (2020). The Biggest AML Compliance Challenges Facing Financial Institutions in 2020. [online] Available at: <https://www.quantexa.com/blog/aml-compliance-challenges-2020/> [Accessed 24 Sep. 2021].

increased governance. With the rise of the multipolar world in the 21st century, various nationals & international jurisdictions' financial institutions are finding it difficult to keep the due diligence in maintaining the requirements. Furthermore, due to the various levels of due diligence and other compliance mechanisms, various gaps in the Anti Money Laundering mechanism are also present, which often get used by the money launders.

- III. Absence of Skilled personnel:** Another issue in the Anti Money laundering regime is the absence of a skilled workforce to successfully implement the due diligence and compliance mechanism. Other issues in this aspect are the remuneration aspect of the workers, combined with the attrition and other issues.
- IV. Large Repository of Data:** Another major issue is the large repository of various types of data being combined for an effective Anti-Money Laundering Mechanism. Data Repository including the KYC data, bank data, other customer data, money trails, etc becomes an issue to be managed all together. Furthermore, cross-border transfer of this data and centralization of this data also becomes issues for the Anti Money laundering Mechanism.
- V. Other Issues:** various other issues, constantly threaten the Anti Money Laundering regime, usage of "online/virtual money mules", cross border online transactions, regulations & compliance mechanisms for an online world persists as other issues which are required to be solved by the Anti Money Laundering Mechanism for effective control on the money-laundering system in India and the world.

CRITICAL ANALYSIS OF CURRENT ANTI MONEY LAUNDERING REGIME

The present era is a time of change, from politics, technology, world powers everything is changing one by

one. The whole wide world is getting digitalized and transforming its expertise to a digital environment. The current money laundering mechanisms are not only limited to simply laundering money illegitimate money however it has expanded into various other regimes of protection and support of terrorist groups, drugs, human trafficking, sex trafficking, arms & wildlife trafficking, labor exploitation, and tax evasion on a global level. Some of the most critical aspects in the opinion of the researcher about the current anti-money laundering mechanism are as follows:

- I. Lack of Measuring mechanism:** The pertinent aspect of the money laundering mechanism on an international level is the lack of any systematic calculating mechanism for checking whether the anti-money laundering mechanisms are being successful or not.³² The modern methods of measurements are limited.
- II. Ineffective:** Using elements of a cost-benefit analysis it would be correct to state that the current anti-money laundering mechanism lacks a proper outcome in terms of the impact of the anti-money laundering scheme on the public coffers and policy intervention.³³
- III. Lack of Inter-Disciplinary Connection:** In the present regime even the most sticking similarities between the public policy and the anti-money laundering field are not interconnected with each other enough to have prompted much-needed cross-fertilization between the both.³⁴
- IV. Lack of Outcomes:** The premiere anti-money laundering agency, FATF has explained its last policy major as a “fundamentally different” intending to revolutionize the mechanism and to bring change, however, the overall design feature

³² Pol, R.F. (2020). Anti-money laundering: The world’s least effective policy experiment? Together, we can fix it. *Policy Design and Practice*, 3(1), pp.73–94.

³³ Verhage, A. 2017. “Great Expectations but Little Evidence: Policing Money Laundering.” *International Journal of Sociology and Social Policy* 37 (7/8): 477–490. doi:10.1108/IJSSP-06-2016-0076.

³⁴ Levi, M., P. Reuter, and T. Halliday. 2018. “Can the AML System Be Evaluated Without Better Data?” *Crime, Law and Social Change* 69 (2): 307–328. doi:10.1007/s10611-017-9757-4.

of the organization remains unhinged from its inception in the late 1990s.³⁵

- V. Jurisdictional and Compliance Issues:** Although FATF or any other organization may release some guidelines, norms against money laundering, however rarely, these norms are followed. Along with this, the jurisdictional issues play an important part, as in this multi-polar world, nation-states constantly get influenced by world politics, and thus an effective jurisdiction and control could not be maintained by a single entity.
- VI. Common Knowledge:** One more critical aspect of the current international money laundering regime is the fact that common people are not much aware of the same and therefore many times, they willingly help the money launders, not being able to grasp the effects of their actions, therefore this needs to be looked upon.
- VII. Online Transformation:** The online transformation of money laundering from the current physical one is an ongoing process and with the rise of technology and dedicated money-laundering mechanisms for online methods, there is a lack of proper anti-money laundering aspect.

Along with the issues mentioned above, several other issues have crop up in the Anti Money laundering world, with several new methods rising by the second with the technological advancement of the world. Therefore, in light of this, it becomes important to divert our attention to solving these issues.

EMERGING TRENDS & SOLUTIONS IN THE ANTI MONEY LAUNDERING WORLD

To solve the issue of online money laundering various new scientific-based disciplinary approach is required, which in turn would replace various inflexible rule-based solutions. In the shift to this new approach, it is important to

³⁵ FATF 2013b. *Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems*. Updated October 2019. Paris: FATF. <https://bit.ly/36Kitr8>.

understand that now money laundering can be done in minute insignificant amounts if the money launders so desire, and therefore a shift in the Anti Money Laundering mechanism is required.

Some new emerging trends in this field, which could be used to catch the Money Launderers, could be:

I. The shift of focus on digital payments: Seeing the potential for the digital transfer, the regulatory focus should shift towards new payment gateways which include e-payment applications, e-money applications, and mobile wallets. Furthermore, a regulatory focus on virtual currencies and their transfers could also be done.

II. Third-party utilities: Third-party utilities such as KYC compliance, services for transaction monitoring, commercial watch lists, etc could be leveraged to identify money launders.

III. Transfer to Enterprise level approaches: Enterprise-wide management would be done for an overall analysis of the risks at the enterprise level. Furthermore, central control could also be successfully utilized in this. This could assist the banks to detect both frauds and money laundering, concludingly resulting in operational synergies.³⁶

IV. Machine Learning: Machine Learning is the newest brainchild of modern science. It could help in the construction of algorithms for data analysis with a prediction nature. In the Anti Laundering Regime, machine learning if implemented successfully could revolutionize the whole system.³⁷

V. Implementation of Analytics: Banks and Financial Institutions could adopt analytics solutions for the Anti Money Laundering

Initiative³⁸, the following are some areas wherein the analytics could be included:

a. Fraud Detection: Analytics and other technology could be used for advanced filtering and other fraud detection; Furthermore suspicious activities could be easily tracked via this.

b. Screening: Analytics could be used to screen payments, individuals, etc would interact with the banking institutions. Via this potential fraudsters and money launders could be separated.

c. Rouge Activities: Rogue Activities could be detected via the method of Analytics. Anomalies, indicative patterns of laundering, suspicious activities could be monitored in real-time, with high speed of detection and catching up of the same.³⁹

d. Similarity Detection: Similarity could be detected, which could potentially lead to the identification of similar transactions. This would assist in financial crimes.

VI. Creation of Global Anti-Money Laundering Authority: An organization similar to Interpol under the guidance of the Financial Action Task Force could be created, which could be empowered to have cross-jurisdictional authority on money laundering issues etc. Since money laundering is a worldwide issue, the authority could either function under the supervision of the United Nations itself or could be created as an independent authority. Furthermore, since the offense of money laundering in a virtual environment does not concern much about physical work and application, which is done in

³⁶ Ardizzi, G., Petraglia, C., Piacenza, M., Schneider, F. and Turati, G., 2014. Money laundering as a crime in the financial sector: A new approach to quantitative assessment, with an application to Italy. *Journal of Money, Credit and Banking*, 46(8), pp.1555-1590.

³⁷ Jullum, M., Løland, A., Huseby, R.B., Ånonsen, G. and Lorentzen, J., 2020. Detecting money laundering transactions with machine learning. *Journal of Money Laundering Control*.

³⁸ Bahulkar, A., Baycik, N.O., Sharkey, T., Shen, Y., Szymanski, B. and Wallace, W., 2018, October. Integrative analytics for detecting and disrupting transnational interdependent criminal smuggling, money, and money-laundering networks. In 2018 IEEE International Symposium on Technologies for Homeland Security (HST) (pp. 1-6). IEEE.

³⁹ Chong, A. and Lopez-De-Silanes, F., 2015. Money laundering and its regulation. *Economics & Politics*, 27(1), pp.78-123.

normal police work, therefore the anti-money laundering regimes and authorities should be provided more leeway to deal with the money launders.

VII. Creation of Regional Authorities: On the lines of the above recommendation, regional authorities concerning financial laundering could also act as an effective solution that could specifically focus on their regional issues and solutions.

CONCLUSION

As of now, a big chunk of the old world is being uploaded into the drive, therefore it is natural that the practice of Money Laundering will also follow similarly, therefore the new Anti Money Regulation regime is of utmost importance. Similar to Climate Change, Money laundering research and the current regime ineffectiveness is clear from the 1990s itself, still overlooked by the larger narrative and this the demands for more effective regulations remain unheard by the public and policymakers.

Comparatively between the old and new methods of money laundering, the usage of “money mules”⁴⁰ remains the same therefore that is a connecting link from wherein the money laundering, virtual and physical methods of money laundering could be connected and systematically tracked also.

The proper identification and tracking of illegal cash flows in the Anti Money Laundering regime remain a challenge for the authorities and the agencies, however, a combined study on this aspect between the financial and cyber authorities could result in a potential change in the present situation.

Finally, the following conclusions could be drawn:

- **Firstly**, although the work of Anti Money Laundering is difficult, it is not impossible

- **Secondly**, The lacunas in the process are simple, a simple acknowledgment of the same and then concurrent development is the perfect solution.
- **Thirdly**. With the rise of globalization & digitalization, the system could be in turn used for a uniform anti-money laundering compliance system.
- **Concludingly**, Any Solutions need not be focused on the long run, instead of a simple focus on the modern issues one by one could result in a perfect solution.

⁴⁰ Europol. (2019). Money Muling. [online] Available at: <https://www.europol.europa.eu/activities-services/public-awareness-and-prevention-guides/money-muling>.