



Finding new measures to counter benevolent money laundering by international banks

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Issue: Finding new measures to counter benevolent money laundering by international banks

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Introduction

Money laundering is a serious global problem that poses a significant threat to the integrity and stability of the international financial system. The ability of criminals and terrorist organizations to use the financial system to launder the proceeds of their illicit activities undermines the trust and confidence in this very system and can have severe economic, social, and political consequences.

Benevolent money laundering, also known as “white-collar money laundering,” is a form of money laundering that is carried out by international banks and other, mostly international, financial institutions. Benevolent money laundering is money laundering by which the bank or financial cooperation is actively turning a blind eye so that they can make more profit.

The international community has taken significant steps to combat traditional money laundering but has paid less attention to the problem of benevolent money laundering. The absence of comprehensive regulations and effective enforcement mechanisms has created a gap in the global anti-money laundering (AML) framework, making it difficult to detect and prevent benevolent money laundering. In addition, these are often very powerful people, with many resources at their disposal that can cause confusion. When the bankers themselves are actively creating a smoke screen, things can get way more complicated.

This research report aims to explore the phenomenon of benevolent money laundering and propose new measures to counter this problem. The research report will begin by providing a brief overview of the current state of the AML framework and the challenges it faces in dealing with benevolent money laundering. Next, the research report will propose new measures to counter benevolent money laundering. This will include a focus on enhanced regulatory oversight, greater international cooperation, and the use of new technologies such as artificial intelligence and blockchain. The research report will also discuss the importance of strengthening the capacity of financial institutions and law enforcement agencies to detect and prevent benevolent money laundering.

The research report will conclude by highlighting the importance of addressing benevolent money laundering and the need for a comprehensive and coordinated approach to combat this problem. The proposed measures will contribute to the strengthening of the global AML framework and the protection of the integrity and stability of the international financial system.

It is important to note that the goal of this research report is not to criminalize legitimate financial activities, but rather to prevent the abuse of the financial system for illicit purposes. The measures proposed in this report will help to ensure that the international financial system is not used as a tool for tax evasion, sanctions evasion, and other illicit activities. By addressing the problem of benevolent money laundering, the Group of Twenty (G20) can help to create a more transparent and fair financial system for all.

Definition of Key Terms

Anti-Money Laundering (AML)

A set of laws, regulations, and procedures designed to detect and prevent money laundering.

Benevolent money laundering

A type of money laundering in which the bank or financial institution turns a blind eye when it sees illicit transactions in order to get more profit.

Know Your Customer (KYC)

A process of verifying the identity of a customer through various means such as identification documents, facial recognition, fingerprint scans, and financial statements.

Customer Due Diligence (CDD)

A banking control process that evaluates a customer's information for potential terrorist funding or money laundering risk.

Financial Intelligence Unit (FIU)

A national agency, responsible for receiving, analyzing and disseminating financial intelligence related to money laundering and terrorist financing.

Beneficial Owner

The natural person(s) who ultimately own or control a legal entity or legal arrangements, such as a company or trust.

General Overview

HSBC is one of the world's largest banks and it has been involved in a notable benevolent money laundering case. The bank was accused of facilitating money laundering by Mexican drug cartels and violating U.S. sanctions against Iran, Sudan, and Cuba. The bank was also accused of failing to properly monitor transactions and failing to maintain an effective anti-money laundering program. As a result, HSBC had to pay a fine of \$1.9 billion to U.S. authorities to settle the case in 2012. The case against HSBC revealed that the bank had allowed drug traffickers to launder billions of dollars through its U.S. subsidiary. The bank had also failed to adequately monitor thousands of

suspicious transactions, some of which were linked to drug cartels in Mexico and Colombia. HSBC also admitted to violating U.S. sanctions by doing business with countries such as Iran, Sudan, and Cuba, which were under U.S. sanctions at the time. The bank was also found to have provided services to banks in Saudi Arabia and Bangladesh that were linked to terrorist organizations.

The HSBC case highlights the need for enhanced regulatory oversight and stricter enforcement of anti-money laundering laws. The case also highlights the challenges that financial institutions face in detecting and preventing money laundering. The complexity of benevolent money laundering, particularly in the context of international banks, makes it difficult for financial institutions and law enforcement agencies to detect and investigate.

On the other hand, cartels are one of the main examples of benevolent money laundering in the world. Cartels are organizations that are dedicated to the production, distribution, and sale of illegal drugs. They often use shell companies, offshore accounts, and trade-based money laundering to launder their proceeds. Cartels often inflate the value of goods in trade transactions to move large sums of money across borders. They also use trade-based money laundering, where they inflate the value of goods in trade transactions to move large sums of money across borders. The case of the cartels is a clear example of how the abuse of the financial system can lead to significant social and economic problems. Cartels use money laundering to conceal the true ownership of their assets and make it difficult for law enforcement agencies to trace the origin of the money. This, in turn, allows them to continue their illegal activities and undermines the stability of the countries affected by their activities. The case shows that bankers get involved even with drug criminals. Morality is far away and so stricter rules matter.

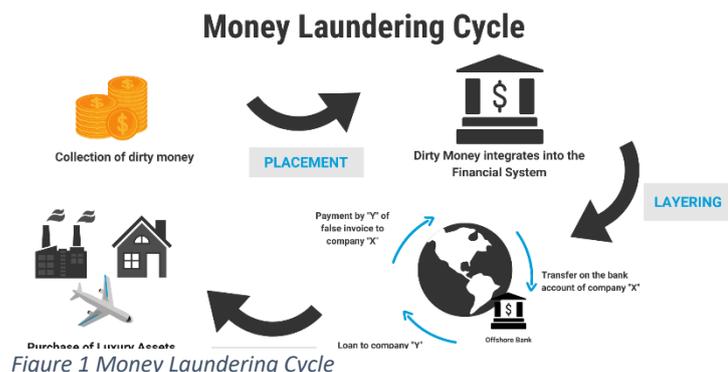
Short history

Money laundering is the process of disguising the proceeds of illegal activities as legitimate funds. The history of money laundering by banks and financial institutions dates back to the early 20th century. Initially, money laundering was primarily associated with organized crime, with the proceeds of illegal activities such as drug trafficking and gambling being laundered through banks and other financial institutions.

In the 1970s, the United States passed the Bank Secrecy Act, which required banks to report suspicious transactions and maintain records of financial transactions. This was the first major legislation aimed at combating money laundering. However, it wasn't until the 1980s and 1990s, with the rise of drug trafficking and other organized criminal activities, that money laundering became a major concern for governments and international organizations.

The 1990s saw the introduction of the "Know Your Customer" (KYC) regulations, which required financial institutions to verify the identity of their customers and monitor their transactions for suspicious activity. In 2001, the Financial Action Task Force on Money Laundering (FATF) was established, with the goal of developing and promoting international standards to combat money laundering.

Despite these efforts, money laundering continued to be a major problem for the banking and financial sector. Especially Swiss and European banks seem to be involved in the laundering of illegal money, although last year, for example, it also came out that Dutch Rabobank turned a blind eye.



And it is important to realize that turning a blind eye also means active cooperation. The global financial crisis of 2008 also highlighted the role of banks and financial institutions in money laundering. Many banks were found to have engaged in fraudulent activities, including money laundering, in an effort to boost their profits. This led to increased scrutiny of the banking and financial sector and the introduction of new regulations such as the U.S Dodd-Frank Act, which aimed to increase transparency and accountability in the financial sector.

In recent years, there has been a growing concern about the use of new technologies such as cryptocurrency and blockchain in money laundering. These technologies provide new opportunities for money launderers to conceal the proceeds of their illegal activities. Financial institutions and governments are now taking steps to address this problem, including the introduction of new regulations and the use of new technologies such as artificial intelligence and blockchain to detect and prevent money laundering.

Steps of money laundering

Money laundering is the process of making illegally obtained money appear legal. It is a crucial activity for criminal organizations that want to use their illegal proceeds efficiently. Dealing with large amounts of illegal cash is both inefficient and dangerous. Criminals need a way to deposit money in legitimate financial institutions, but they can only do so if it appears to come from a legitimate source.

The process of money laundering typically involves three steps: placement, layering, and integration. Placement involves surreptitiously injecting dirty money into the legitimate financial system. Layering conceals the source of the money through a series of transactions and bookkeeping tricks. In the final step, integration, the now-laundered money is withdrawn from the legitimate account to be used for the criminals' intended purposes. However, in real-life situations, this process may differ, and some stages may be combined or repeated multiple times.

There are many ways to launder money, from simple to complex methods. One common technique is to use a legitimate, cash-based business owned by a criminal organization. For example, a criminal organization might inflate the daily cash receipts of a restaurant they own to funnel illegal cash through the restaurant and into the restaurant's bank account. The funds can then be withdrawn as needed. These types of businesses are often referred to as "fronts."

Banks are required to report large cash transactions and other suspicious activities that might indicate money laundering. Some common forms of money laundering include smurfing (also known as "structuring"), where the criminal breaks up large chunks of cash into multiple small deposits, often spreading them over many different accounts to avoid detection. Money laundering can also be accomplished through the use of currency exchanges, wire transfers, and "mules" - people who sneak large amounts of cash across borders and deposit them in foreign accounts where money-laundering enforcement is less strict.

Other money-laundering methods include investing in commodities such as gems and gold that can be moved easily to other jurisdictions, discreetly investing in and selling valuable assets such as real estate, cars, and boats, gambling and laundering money at casinos, counterfeiting, and using shell companies (inactive companies or corporations that essentially exist on paper only).

The Internet has also put a new spin on the old crime of money laundering. The rise of online banking institutions, anonymous online payment services, and peer-to-peer transfers with mobile phones have made detecting illegal money transfers more difficult. Moreover, the use of proxy servers and anonymizing software makes the integration stage of money laundering almost impossible to detect. Money can be transferred or withdrawn with little or no trace of an Internet protocol address.

Money can also be laundered through online auctions and sales, gambling websites, and virtual gaming sites, where ill-gotten money is converted into gaming currency and then back into real, usable, and untraceable "clean" money. The newest frontier of money laundering involves cryptocurrencies, such as Bitcoin. While not totally anonymous, they are increasingly being used in blackmail schemes, the drug trade, and other criminal activities due to their relative anonymity compared with normal financial transactions. Still, normal transactions are mostly possible because certain people within the international financial system look the other way when illicit transactions are being made. In more extreme cases, like the HBSB one, the bank actively works together with a criminal organization, although those cases are rare.

Negative effects of benevolent money laundering

Money laundering has a wide range of adverse effects on a country's economic, political, and social structures. It undermines legitimate private sector efforts by allowing front companies access to substantial illicit funds, which allows them to offer products and services at levels below market rates and quote prices below production cost. This makes it difficult for legitimate businesses to compete and can lead to the crowding out of legitimate private-sector businesses by criminal entities. Additionally, money laundering can result in loss of control of economic policy due to the proceeds dwarfing government budgets, as well as affecting currencies and interest rates. It can also lead to economic distortion and instability, as launderers invest in activities that are not necessarily economically beneficial to the country and can redirect funds from sound investments to low-quality investments. It also leads to loss of revenue and risks to privatization programs, as money launderers have the financial power to outbid legitimate investors and use privatization initiatives as a way to launder funds. Furthermore, money laundering can expose a recipient country to reputation risk, as it erodes confidence in financial markets and diminishes legitimate global opportunities, thereby slowing sustainable economic growth. It appears that underdeveloped countries have the greatest risk of being exposed to money laundering. This especially stems from their greater efforts to attract foreign capital.

Anti-Money Laundering (AML)

Anti-Money Laundering (AML) is a set of laws, regulations, and procedures aimed at identifying and preventing the concealment of illegal funds as legitimate income. It is a response to the growth of the financial industry, the lifting of international capital controls, and the ease of conducting complex financial transactions. The United Nations estimates that money laundering flows amount to \$1.6 trillion annually, accounting for 2.7% of global GDP. AML regulations require financial institutions to conduct customer due diligence to assess money laundering risks and detect suspicious transactions. Banks and brokers are required to verify the identity of new clients, understand the nature of their activity, and verify that deposited funds are from a legitimate source. They must also screen new customers against lists of crime suspects, individuals and companies under economic sanctions, and "politically exposed persons." The Know Your Customer (KYC) process aims to stop money laundering schemes at the first deposit window.

Customer due diligence is an ongoing process that requires the constant assessment of money laundering risks posed by each client and closer due diligence for those at higher risk. In the US, the four core requirements of customer due diligence are: identifying and verifying the customer's identity, identifying and verifying the identity of beneficial owners, understanding the nature and purpose of customer relationships, and conducting ongoing monitoring to identify and report suspicious transactions. Some AML requirements also apply to individuals, such as the requirement to report receipts of more than \$10,000 in cash to the Internal Revenue Service. Financial institutions are required to develop and implement written AML compliance policies, which must be approved by senior management and overseen by a designated AML compliance officer.

Anti-money laundering (AML) efforts have a long history, but the term "money laundering" is relatively new, only coming into widespread use in the last 50 years. The first major piece of U.S. AML legislation was the 1970 Bank Secrecy Act, which was passed to combat organized crime and required banks to report cash deposits of over \$10,000, identify individuals conducting transactions, and maintain records of transactions. The U.S. Supreme Court upheld the constitutionality of the act in 1974. Additional legislation was passed in the 1980s to fight drug trafficking, in the 1990s to expand financial monitoring, and in the 2000s to cut off funding for terrorist organizations. In 1989, a group of countries and international organizations formed the Financial Action Task Force (FATF) to devise international standards to prevent money laundering and promote their adoption. In 2001, following the 9/11 terrorist attacks, FATF expanded its mandate to include combating terrorist financing. The International Monetary Fund (IMF) has also played an important role in the fight against money laundering. The United Nations included AML provisions in its conventions addressing drug trafficking, international organized crime, and corruption. The Anti-Money Laundering Act of 2020, passed in early 2021, was the most sweeping overhaul of U.S. AML regulations since the Patriot Act of 2001. The legislation included the Corporate Transparency Act, making it harder to use shell companies to evade anti-money laundering and economic sanctions measures, and also subjecting cryptocurrency exchanges and arts and antiques dealers to the same customer due diligence requirements as financial institutions.

Notorious Cases

The Bank of Credit and Commerce International (BCCI) was one of the world's largest banks in the early 1980s, but investigations into the bank's practices uncovered a range of crimes, including money laundering, fraud, arms trading, and prostitution. As a result, BCCI was shut down and around \$20 billion in value was lost. Wachovia, a large independent bank, was also caught in a money laundering operation conducted by Mexican drug gangs. The bank eventually settled the case, paying the US government \$110 million in asset forfeiture. It is estimated that the amount of money laundered through Wachovia was over \$350 billion, equivalent to one-third of Mexico's GDP. Standard Chartered has also faced multiple fines for money laundering from international agencies, with the most recent allegations from Singapore authorities alleging the bank failed to prevent money laundering by terrorist groups. Nauru, a small island nation near Australia, was also designated a money launderer in the 1980s when it became a haven for the Russian mob and al-Qaida to launder money. At its peak, it is estimated that at least \$70 billion in Russian mob money flowed through Nauru in a single year. These cases have shown that despite the increasing regulations and efforts to combat money laundering, it remains a prevalent issue in the banking industry.

Timeline of Key Events

Date	Event
1920s	In the US, money laundering took off in the 1920s during the prohibition era to disguise the origin of money earned from illegal alcohol sales.
1930s	Laws against money laundering were created to use against organized crime during the period of Prohibition in the United States.
1980s	The war on drugs leads governments to turn to money laundering rules in an attempt to track and seize the proceeds of drug crimes.

- 1988 The Basel Committee on Banking Regulations and Supervisory Practices adopted a Statement of Principles on "Prevention of Criminal Use of the Banking System for the Purpose of Money Laundering."
- 1988 The UN Vienna Convention against drugs trafficking stipulated the criminalization of money laundering in the context of anti-drugs trafficking and laid a basis for the confiscation of criminal proceeds.
- 1988 The United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances mentioned money laundering as one of the crimes to be covered by the signatory State's legislation and set out the need for Financial Intelligence Units (FIUs) to be established in each UN Member State.
- 1989 The Financial Action Task Force (FATF) was established to analyze money laundering trends and evaluate the efforts of global governments to prevent it.
- 1995 A group of representatives of Financial Intelligence Units (FIUs) met at the Egmont Arenberg Palace in Brussels and established an informal group, now known as the Egmont Group, whose goal would be to facilitate international cooperation.
- 2000 The UN Palermo Convention of 2000 mentioned money laundering as one of the crimes to be covered by the signatory State's legislation and set out the need for Financial Intelligence Units (FIUs) to be established in each UN Member State.
- 2001 The Patriot Act, passed after 9/11, directed financial institutions to expand their AML programs and increase due diligence on foreign bank accounts.
- 2002 Governments around the world upgraded money laundering laws and surveillance and monitoring systems of financial transactions.
- 2006 Australia sets up the AUSTRAC system which requires the reporting of all financial transactions.
- 2011-2015 Major banks face increasing fines for breaches of money laundering regulations, including HSBC (\$1.9 billion in 2012) and BNP Paribas (\$8.9 billion in 2014)

Major Parties Involved

Switzerland

Switzerland, known for its banking secrecy and stability, has been involved in several international money laundering cases in recent years. The country has been home to several companies that have been found guilty of bribing foreign officials or failing to prevent their staff from engaging in corrupt activities. In the past decade, several corruption cases connected to Switzerland have come to light, with companies headquartered in Switzerland paying bribes to foreign officials. The first company to be convicted of criminal charges due to non-prevention of bribery abroad was Alstom Network Schweiz AG. Since then, seven more companies have been convicted by the Attorney General of Switzerland.

In addition to these cases, Switzerland has also been the subject of foreign sanctions, particularly from the United States, on Swiss companies for acts of corruption. For example, in 2020, Novartis reached a settlement of \$345 million with the US Department of Justice and Securities and Exchange Commission for breaches of the US Foreign Corrupt Practices Act. The company was also accused of breaching the False Claims Act and the FCPA by getting doctors to prescribe Novartis cardiovascular and diabetes medication by paying for excursions and visits to gourmet restaurants or even by making cash easily available. In this trial, Novartis committed to paying \$642 million.

Commodities trader Vitol has also been involved in money laundering scandals, having reached a Deferred Prosecution Agreement with the Department of Justice in December 2020. Vitol had bribed or failed to prevent bribes being paid to foreign officials in Brazil, Ecuador, and Mexico in connection with trades in oil and petroleum products; the company had to pay US \$135 million to the US authorities, part of which went to Brazil. It emerged from the trial that Vitol was still involved in bribery in Ecuador and Mexico in 2020.

Furthermore, investigations are ongoing in Brazil into the commodities traders Trafigura and Glencore due to suspicions of bribery concerning the investigations into the 'Lava Jato' scandal. Glencore is being investigated by US law enforcement agencies, the UK's Serious Fraud Office, and the Swiss Office of the Attorney General. Switzerland's reputation as a financial hub is being damaged by these corruption cases, and it is clear that the country needs to take more proactive steps to prevent money laundering and bribery in the future.

United States of America (USA)

The United States has long been a leader in the fight against international money laundering. The government, through various agencies such as the Federal Reserve, the Office of the Comptroller of the Currency, and the Financial Crimes Enforcement Network (FinCEN), has implemented strict regulations and guidelines to prevent money laundering and other financial crimes.

One of the most notable examples of the U.S. government's efforts to combat money laundering is the Bank Secrecy Act (BSA), which was passed in 1970. The BSA requires financial institutions to report suspicious activity and maintain records that can be used to track money laundering activities. The Act has been updated over the years to include stricter regulations such as the USA PATRIOT Act, which increased the regulatory and enforcement powers of the BSA.

Despite these efforts, some U.S. banks have been accused of facilitating money laundering activities. Most of the notorious cases of benevolent money laundering were cases in which US banks were involved.

The European Union (EU)

The European Union plays a crucial role in the fight against international money laundering. The EU has implemented a number of legal measures to combat money laundering, with the Anti-Money

Laundering Directive (AMLD) being the keystone of the European system. The AMLD, adopted in 2015 and amended in 2018, requires financial institutions and certain non-financial institutions, known as "gatekeepers," to report any suspicious transactions to Financial Intelligence Units. The Directive reflects the Recommendations of the Financial Action Task Force (FATF), an international standard-setter in the fight against money laundering and terrorist financing.

In May 2020, the European Commission adopted an action plan for a comprehensive Union policy on preventing money laundering and terrorism financing. The plan proposed to establish a single rulebook directly applicable to private entities and an Anti-Money Laundering Agency that will strengthen EU-level supervision and support the work of Financial Intelligence Units.

The EU also criminalizes money laundering through the Directive on combating money laundering by criminal law. This directive closes loopholes in the definition and punishment of money laundering across the EU and translates into EU law the Council of Europe Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds from Crime and on the Financing of Terrorism.

In addition to these measures, the EU has also enhanced access to financial information by law enforcement through the Directive on laying down rules facilitating the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences. This directive gives law enforcement authorities direct access to information about bank account holders and improves information exchange between Financial Intelligence Units.

Europol, the EU's law enforcement agency, has also stepped up efforts to combat money laundering through the establishment of the European Financial and Economic Crime Centre (EFECC) in 2020. EFECC provides operational support to Member States in ongoing cases in the areas of tax crime, fraud, corruption, money laundering, asset recovery, euro counterfeiting, and intellectual property crime.

Despite these measures, there are still EU banks involved in major money laundering cases. In just six years, the EU anti-corruption agency EuroJust tracked down more than 3000 illicit transactions in which EU banks were involved. Like all other financial Hubs, the EU plays a crucial role.

Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) is a 26-member intergovernmental organization established in 1989 to guide the implementation of anti-money laundering measures. Its membership includes the major financial centres of Europe, North America, and Asia, and it has come up with 40 recommendations for member countries to adopt. These recommendations cover the criminal justice system, law enforcement, the financial system, and international cooperation.

Basel Committee of Banking Supervision

The Basel Committee of Banking Supervision is a group of leading bank supervisors who have come up with three guidelines for banks to combat money laundering. These include "The Prevention of Criminal Use of the Banking System for the Purpose of Money Laundering" (1988), "Core Principles of Effective Banking Supervision" (1997), and "Customer Due Diligence for Banks" (2001).

The Wolfsberg Principles

The Wolfsberg Principles are an industry response to the threat of money laundering. They are an agreement among eleven major international private banks (which account for at least a third of the world's private banking funds) to guide the conduct of international private banking. The principles seek to control money laundering by addressing the reputation damage caused by money laundering in the media.

Possible Solutions

In order to combat the problem, there are several possible solutions that banks, other financial institutions, and governments can implement.

Better compliance with Anti-Money Laundering (AML) Laws

The first step in combatting money laundering is to comply with AML laws and regulations. The Financial Action Task Force (FATF) is an international organization that was founded in 1989 and has since implemented AML laws and overseen member nations' compliance. Each country has its AML system that supervises national institutions. The United Nations, World Bank, and International Monetary Fund also have established anti-money laundering programs.

Companies must expect to play by the book and follow these AML practices for detecting suspicious activities. AML rules require obligated entities or other institutions that money launderers might target to be aware of red flags and carefully monitor their customers' activity.

Establishing better AML Policies

Frontline personnel should be instructed in anti-money laundering tactics and legally compelled to report suspicious behaviour. Companies may hire individuals whose primary responsibility is to strengthen AML policies. These security professionals are referred to as AML compliance officers. When creating AML policies, three critical rules underpin banking: identity checks, due diligence, and AML transaction monitoring.

Optimizing Know Your Customer (KYC) Verification Processes

Know Your Customer (KYC) is an initial step in any AML program and is mandatory for banks to flag suspicious transactions. KYC is the process of validating the identity of an individual who wants to gain access to your services. A robust KYC process enables easy verification of customer data and allows you to pinpoint if your clients are the people they claim to be.

This procedure is conducted through various means, such as identification documents, facial recognition, fingerprint scans, and financial statements. All in all, optimizing your customer verification processes will enable you to stay in line with the law while protecting all of your company's stakeholders.

Stricter Customer Due Diligence

Customer due diligence (CDD) is a banking control process to rate clients according to their risk of laundering money. While CDD processes differ by nation, they all have a common objective: risk detection. In this system, relevant information of a customer is evaluated for potential terrorist funding or money laundering risk. They are verified and screened against databases, including government records, sanctions screening, and watchlists.

More severe punishments and oversight

One way to deter money launderers is to increase the penalties for those caught engaging in this illegal activity. This could include harsher fines, longer prison sentences, and more severe consequences for financial institutions that fail to comply with anti-money laundering (AML) laws and regulations. This would send a strong message to would-be launderers that the risks of getting caught far outweigh the potential benefits of their illegal activities.

Additionally, increased oversight of banks and other financial institutions is essential in the fight against money laundering. This could include regular audits and inspections of financial institutions, as well as the implementation of strict AML laws and regulations that all banks must comply with. These measures would not only help detect and prevent money laundering, but they would also

create a culture of compliance within the financial industry, where institutions are held accountable for their actions and must take a proactive approach to prevent money laundering.

Improvement of technology

One of the most effective ways to prevent money laundering and keep international banks in check is through the use of advanced technologies such as artificial intelligence (AI) and machine learning. By utilizing these cutting-edge tools, financial institutions can gain a much deeper understanding of their customers and transactions and identify patterns and trends that may indicate money laundering activities.

One key benefit of using AI in this context is that it can quickly and efficiently process large amounts of data, which is often too time-consuming and resource-intensive for human analysts to handle. Additionally, AI algorithms are able to identify patterns and anomalies that may be difficult for humans to spot. This can help banks and other financial institutions to quickly identify and report suspicious activities to the appropriate authorities.

Another important technology that can be used to prevent money laundering is blockchain. By utilizing blockchain, financial institutions can create a tamper-proof and transparent ledger of all transactions, which makes it much harder for criminals to conceal their activities. Additionally, blockchain can be used to create smart contracts that automatically execute rules and regulations, ensuring that all transactions are compliant with AML laws and regulations.

In addition to these technologies, financial institutions can also implement robust security measures such as biometrics, multi-factor authentication and encryption to protect against cyber-attacks and data breaches. Overall, by utilizing these cutting-edge technologies, financial institutions can significantly improve their ability to prevent money laundering and keep international banks in check.

More international cooperation

One of the key ways to fight against money laundering is through international cooperation between financial institutions and law enforcement agencies. This includes sharing information and intelligence about suspicious activities, as well as coordinating efforts to investigate and prosecute those involved in money laundering.

International organizations such as the Financial Action Task Force (FATF) play an important role in this effort. The FATF is an inter-governmental body that sets standards and promotes the effective implementation of legal, regulatory and operational measures for combating money laundering and terrorist financing. It also monitors the progress of its member countries in implementing these measures.

Another important step is for countries to have similar laws and regulations in place to combat money laundering. This can be achieved through the implementation of international standards and guidelines, such as those set by the FATF. This allows for a more unified approach and makes it harder for criminals to exploit differences in laws and regulations between countries.

In addition, international cooperation can also include the sharing of best practices and technology between financial institutions. This includes the use of artificial intelligence and other technologies to detect and prevent money laundering. This can help to increase the efficiency and effectiveness of anti-money laundering efforts.

Overall, it is clear that more international cooperation is needed to effectively fight against money laundering. By working together, financial institutions and law enforcement agencies can better identify, investigate and prosecute those involved in this illegal activity.

Forcing banks and financial institutions to create more AML capacity

One way to increase AML capacity is by implementing stricter regulations and higher penalties for non-compliance. This will incentivize institutions to invest more resources into their AML programs, such as hiring more compliance staff and implementing advanced technologies like artificial intelligence and machine learning. Additionally, increasing the oversight and enforcement of AML regulations will ensure that institutions are held accountable for any failures in their AML efforts. Another way to improve AML capacity is through providing training and education to financial institutions staff and other stakeholders, such as customers and other businesses. This will help them identify and report suspicious activities and will ensure that they are well-equipped to handle AML-related issues.

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