AN INVESTIGATION INTO COMBATING MONEY LAUNDERING IN BANKS AND FINANCIAL INSTITUTIONS IN THE CITY OF LONDON AND BRITISH OVERSEAS AND CROWN DEPENDENT TERRITORIES

by

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Dissertation

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Dedication

I dedicate this work to the three pillars of my life my parents, my husband, and my son whose love has been my shelter, whose faith has been my compass, and whose sacrifices have paved every step of this journey.

To my parents, thank you for giving me not only life, but also the values that shaped the person I have become. You taught me that dreams are worth chasing, no matter how far they seem, and that perseverance is the quiet strength that turns the impossible into the inevitable. Your sacrifices, often unseen and unspoken, are the roots from which every achievement in my life has grown.

To my husband, my partner in all things, thank you for standing beside me with unwavering patience and faith. In the moments when I felt lost or weary, you reminded me of my own strength. You carried my burdens when I could no longer bear them and celebrated every small victory as if it were your own.

And to my son, the purest light in my life, this is for you. May you one day read these words and know that you were my greatest motivation, my constant reminder of why I could not give up. I hope this accomplishment inspires you to dream boldly, work tirelessly, and believe in yourself as fiercely as I believe in you.

This thesis is not just my achievement it is ours. It carries your love, your sacrifices, your laughter, your encouragement, and even your quiet moments of waiting for me to come back to you. From the depths of my heart, I am forever grateful.

II Abstract

Money laundering continues to pose significant challenge for banks and financial institutions in the City of London and the British Overseas and Crown Dependent Territories. In this study, the phrase “City of London” is used as a euphemism for the broader UK financial sector and economy, rather than solely referring to the geographic “Square Mile.” This approach follows common usage in financial and legal scholarship, where the term functions as shorthand for the UK’s global financial hub and its interconnected institutions. Clarifying this usage at the outset avoids ambiguity and ensures that references throughout this work are interpreted in their wider economic and regulatory context. Despite rigorous compliance efforts and the implementation of international anti-money laundering (AML) regulations, financial crimes persist, exploiting regulatory gaps, jurisdictional complexities, and variations in enforcement intensity. These vulnerabilities are particularly acute in financial hubs and offshore centres, where the interplay between economic interests and regulatory oversight creates fertile ground for illicit financial flows.

To deepen the comparative dimension of this study, I expanded my research to include the operational and regulatory approaches of AUSTRAC drawing on both secondary sources and an in-depth interview with its CEO, Brendan Thomas. This allowed for a detailed comparison between AUSTRAC’s strategies in combating money laundering and the approaches taken in the City of London and the British Overseas and Crown Dependent Territories. The comparative analysis highlights key differences in regulatory culture, enforcement priorities, technological adoption, and the integration of intelligence-led frameworks in detecting suspicious financial activity.

This expanded scope underscores that while AUSTRAC operates within a single jurisdiction and leverages strong inter-agency cooperation, the City of London and its associated jurisdictions often contend with fragmented oversight and competing policy priorities. By examining AUSTRAC's proactive data analytics, targeted industry engagement, and capacity to impose enforceable undertakings, this study identifies potential best practices that could be adapted to the UK context.

Accordingly, this research aims to analyse the underlying causes of regulatory failure in these high-risk jurisdictions and to assess potential solutions for enhancing the effectiveness of AML measures. By focusing on the unique vulnerabilities present in the City of London, the British Overseas Territories and the Crown Dependencies—and contrasting these with AUSTRAC's centralised and intelligence-driven model—this study provides a comprehensive evaluation of the challenges facing AML efforts. It also explores potential strategic regulatory reforms, including legislative enhancements, strengthened cross-border information sharing, and more dynamic enforcement mechanisms. Ultimately, it evaluates the role of possible legal reforms in fortifying existing AML strategies to address the persistent threat of the money laundering and related financial crimes.

III Declaration of Originality

I, hereby declare that this thesis "An Investigation into Combating Money Laundering in Banks and Financial Institutions in the City of London, British Overseas and Crown Dependent Territories" is the result of my own independent research and work.

To the best of my knowledge, this thesis does not contain material previously published or written by another person, except where due reference is made in the text. Additionally, this thesis has not been submitted, either in whole or in part, for any other degree or qualification at any other educational institution.

I agree that the University has the right to submit my work to the plagiarism detection service Turnitin UK® for originality checks.

This research has received ethical clearance from the Faculty of Arts Business and Social Science (FABSS) Ethics Committee, Approval Code

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IV Copyright Statement

Signature:

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V Acknowledgement

I would like to express my deepest gratitude to the individuals whose guidance, support, and encouragement made this thesis possible.

First and foremost, I am profoundly grateful to Professor Andrew Haynes, whose expertise and invaluable advice guided me throughout the research process. His insightful feedback and unwavering support were instrumental in shaping this work.

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On a personal note, I am deeply indebted to my loving husband, Samuel, whose unwavering support and patience throughout this journey were a constant source of strength. His love and encouragement made the completion of this thesis possible.

To all those who have supported me in countless ways throughout this endeavour, I am sincerely grateful.

VI Table of Acronyms and Abbreviations

ACH	Automated Clearing House
AI	Artificial Intelligence
AML	Anti-Money Laundering
ACAMS	Association of Certified Anti-Money Laundering Specialists
ACIC	Australian Crime Intelligence Commission
ADI	Authorised Deposit-Taking Institutions
AIC	Australian Institute of Criminology
APF	Australian Police Force
ASIC	Australian Securities and Investments Commission
AUSTRAC	Australian Transaction Reports and Analysis Centre
BOT	British Overseas Territories
BSA	Bank Secrecy Act
CDD	Customer Due Diligence
CDT	Crown Dependent Territories
CIP/CIPs	Customer Identification Program(s)
CFR	Code of Federal Regulations
CFTC	Commodity Futures Trading Commission
CTF	Counter Terrorism Financing
DNFBP	Designated Non-Financial Business and Professions
DeFi	Decentralised Finance
EFT	Electronic Funds Transfer
EU	European Union
FAFT	Financial Action Task Force
FATCA	Foreign Account Tax Compliance Act
FDI	Foreign Dir3ect Investment
FCA	Financial Conduct Authority
FinCEN	Financial Crimes Enforcement Network
FSA	Financial Service Act

FSA	Financial Services Authority
GDN	Global Development Network Funds
IEEPA	International Emergency Economic Powers Act
IMF	International Monetary Fund
IVTS	Informal Value Transfer System
JMLSG	Joint Money Laundering Steering Group
JMLIT	Joint Money Laundering Intelligence Taskforce
KYC	Know Your Customer
ML	Money Laundering
MLR	Money Laundering Regulations
NCA	National Crime Agency
NBER	National Bureau of Economic Research
OECD	Organisation for Economic Co-Operation and Development
POCA	The Proceeds of Crime Act
PEPS	Politically Exposed Persons
SAR	Suspicious Activity Report
SAMLA	Sanctions and Anti-Money Laundering Act
TBML	Trade Based Money Laundering
TWEA	Trading with the Enemy Act
UK	United Kingdom
UN	United Nations
UNODC	United Nations Office on Drugs and Crime
UNTOC	UN Convention Against Transnational Organised Crime
UWOs	Unexplained Wealth Orders
VAT	Value Added Tax
VC/VCs	Virtual Currency(ies)
VCPPS	Virtual Currency Payment Products and Services
VCS	Virtual Currency Scheme
WB	World Bank
WTO	World Trade Organisation
WCO	World Customs Organisation

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Chapter 1. Introduction

1.1 Background

Money laundering is an ongoing problem in the City of London (which for the purposes of this thesis is used as a euphemism for the United Kingdom's economy) together with the British Overseas and Crown Dependent Territories[1] (referred to herein as "dependent territories"). The term "money laundering" refers to the practice of transferring significant sums of cash across international boundaries to deposit them in institutions where the funds are sheltered from public scrutiny, such as offshore banks. Money laundering involves disguising the origins of illicit funds, to make them appear legitimate, while fraud encompasses various deceptive practices aimed at obtaining financial gain through deceit or misrepresentation. Both phenomena are interconnected and present complex challenges to financial regulators and law enforcement agencies worldwide.[2] These jurisdictions are significant players in the international financial landscape. However, the same features that make them attractive for legitimate financial activity—such as regulatory flexibility, tax neutrality, and confidentiality provisions—also render them susceptible to exploitation by money launderers and fraudsters.[3] The expression 'money laundering' arose in the 1920s or perhaps earlier in the United States as the mafia organizations began exploiting high cash flow companies like car washes and

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[1] Veerendra Chauhan, Illicit Financial Flow and the Vulnerability of Banks – The Link Between Corruption and Money Laundering: A Socio-Legal Study of the Laws and Practice in the Uk, and Nigeria (PhD thesis, University of the West of England, 2021).

[2] ibid

[3] Financial Action Task Force, Best Practices on Beneficial Ownership for Legal Persons (2019) https://www.fatf-gafi.org/media/fatf/documents/recommendations/Best-Practices- Beneficial-Ownership-Legal-Persons.pdf accessed 27 April 2022.

launderettes to conceal the source.[4],[5] Mr. Myer Lansky is considered one of money laundering's forefathers, who benefited from the 1934 Swiss Financial Act, which established Swiss banking secrecy.[6] [7] In its most basic form, money laundering is simply a technique that conceals the source and possession of wealth obtained through illicit conduct.[8] In essence, such funds get 'laundered' or 'cleaned' using legal avenues, and the earnings thereby shed their illicit character and purport to have emanated from a lawful cause.[9] This practice is frequently used in connection with the revenues of illicit drug/human trade, corruption, terrorism, investments, prostitution, jewellery, and illicit weapons trafficking.[10] This practice enables funds to remain secured with little risk of the transaction traced directly to the owner(s) or originator(s).[11] As such, illicit organizations use this procedure to pursue additional illegal alternatives on a broad scale systematically.[12] While most jurisdictions through legislation have developed distinct

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[4] Milind Tiwari, Adrian Gepp, and Kuldeep Kumar, 'A Review of Money Laundering Literature: The State of Research in Key Areas' (2020) 32 *Pacific Accounting Review* 271 https://www.emerald.com/insight/content/doi/10.1108/PAR-06-2019-0065/full/html accessed 27 April 2022.

[5] Abdullahi Usman Bello, *Improving Anti-Money Laundering Compliance: Self-Protecting Theory and Money Laundering Reporting Officers* (Springer 2017).

[6] Killian J McCarthy, Peter van Santen and Ingo Fiedler, 'Modelling the Money Launderer: Micro-Theoretical Arguments on Anti-Money Laundering Policy' (2015) 43 *International Review of Law and Economics* 148.

[7] Mary Alice Young and Michael Woodiwiss, 'A World Fit for Money Laundering: The Atlantic Alliance's Undermining of Organized Crime Control' (2021) 24 *Trends in Organized Crime* 70.

[8] S Vitvitskiy and others, 'Formation of a New Paradigm of Anti-Money Laundering: The Experience of Ukraine' (2021) 19 *Problems and Perspectives in Management* 354.

[9] Anna Simonova, 'The Risk-Based Approach to Anti-Money Laundering: Problems and Solutions' [2011] *Journal of Money Laundering Control*.

[10] Mary Alice Young and Michael Woodiwiss, 'A World Fit for Money Laundering: The Atlantic Alliance's Undermining of Organized Crime Control' (2021) 24 *Trends in Organized Crime* 70.

[11] Nicholas Gilmour, 'Understanding the Practices behind Money Laundering – A Rational Choice Interpretation' (2015) *International Journal of Law, Crime and Justice* 44.

[12] Maria Bergström, Karin Svedberg Helgesson, and Ulrika Mörth, 'A New Role for For-Profit Actors? The Case of Anti-Money Laundering and Risk Management' (2011) 49 *JCMS: Journal of Common Market Studies* 1043.

interpretations of money laundering, it is essential that any constructive description realise that all crimes are conduct against humanity, and hence, the scope of the money laundering definition must encompass all revenues from illicit exercise or the violation of any legislation preceded by laundering.[13]

1.2 Challenge of The Money Laundering in the City of London and Dependent Territories

In recent years, authorities in the City of London and in these offshore jurisdictions have taken steps to strengthen their anti-money laundering (AML) regimes and increase transparency in response to concerns about money laundering and fraud. For the purposes of this thesis, the term "City of London" is used as a euphemism for the wider UK financial sector and economy, rather than solely referring to the geographical Square Mile. This clarification ensures that all subsequent references are understood as encompassing the UK's global financial hub and its interconnected institutions, which collectively play a dominant role in the national economy.[14] This has included implementing new regulations, increasing resources for law enforcement and regulatory agencies, and improving international cooperation.[15]

However, money laundering remains a persistent problem in these jurisdictions, and the financial sector and governments continue to face significant challenges in detecting and

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[13] Ali Alkaabi, George Mohay, Adrian McCullagh, and Nic Chantler, 'A Comparative Analysis of the Extent of Money Laundering in Australia, UAE, UK, and USA' in *Proceedings of the 1st Finance and Corporate Governance Conference 2010* (ed B. Balachandran,) 1-13.
[14] Frédéric Compin, 'The Role of Accounting in Money Laundering and Money Dirtying' (2008) 19 *Critical Perspectives on Accounting* 591.
[15] Angela Veng Mei Leong, 'Chasing Dirty Money: Domestic and International Measures against Money Laundering' [2007] *Journal of Money Laundering Control*.

preventing it.[16] The scale of the problem is difficult to quantify, but money laundering and financial crimes seem to pose a threat to the integrity of the financial system and the stability of the wider economy.[17]

1.3 The Mechanics, Scale, and Consequences of Money Laundering

The international banking industry has been marred by varying levels of risk and uncertainty, necessitating aggressive steps to guarantee its sustainability and integrity on the part of stakeholders.[18] Global industrial and social development programmes have relied heavily on the market for the finance.

for the transfer of capital, risk reduction, and accountability.[19] Historically, financial institutions have been plagued by a wide range of issues, including creditworthiness, capitalization, credibility, cost of borrowing, currency exchange, and regulatory risks.[20] And now recently, money laundering is emerging and being highlighted as a significant rising vulnerability for large banks in both developed and developing nations.[21]

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[16] Nishant Kumar and A Seetharaman, 'Adoption of Anti-Money Laundering by Banks' (2022) 14 *International Journal of Early Childhood Special Education*.

[17] Kuda Tshiamo-Kgati, *Botswana's Anti-Money Laundering and Combating the Financing of Terrorism Regime* (LLD thesis, University of Pretoria, 2021).

[18] Eleni Tsingou, *'Global Financial Governance and the Developing Anti-Money Laundering Regime: What Lessons for International Political Economy?*' (2010) 47 *International Politics* 617; Mary Alice Young and Michael Woodiwiss, 'A World Fit for Money Laundering: The Atlantic Alliance's Undermining of Organized Crime Control' (2021) 24 *Trends in Organized Crime* 70.

[19] Financial Action Task Force, *The FATF Recommendations: International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation* (Updated 2023) https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html accessed 27 April 2025.

[20] Sergij S. Vitvitskiy and others, 'Formation of a New Paradigm of Anti-Money Laundering: The Experience of Ukraine' (2021) 19 *Problems and Perspectives in Management* 354.

[21] Vahid Molla Imeny, '*Money Laundering in a Developing Country and a Developed One: Iran Versus the UK'* [2020] SSRN Electronic Journal https://www.ssrn.com/abstract=3721089 (accessed 2 November 2022).

Money laundering refers to the process of concealing the origins, ownership, or destination of illicitly obtained funds, typically through a series of complex financial transactions, with the intention of making them appear legitimate.[22] This definition encompasses the key elements such as concealment of illegally obtained funds, complex financial transactions, and legitimization of illicit funds, which are necessary to understand money laundering within the context of the specified investigation. Money laundering is typically separated into three stages: the placement of money generated from criminal activity, then the layering of those funds to conceal their origins, and finally the incorporation of those funds into the mainstream economy. Many unlawful activities require a substantial amount of cash.[23] For example, some drug trafficking requires enormous amounts of small-denomination currency. The primary objective of a money launderer is to remove cash from the location where it was obtained and conceal it in a location where it cannot be found.[24] The next step is to conceal the origin of the funds through the creation of complex financial transactions. These transactions may involve offshore bank accounts, corporations with nominee shareholders, and intricate trading in stocks, commodities, and derivatives, sometimes in complex structures. According to the IMF, two to five percent of the Global Development Network funds (GDN), is between 1.5 trillion USD to 2.8 trillion USD are laundered each year.[25] For instance, Lessambo

[22] Sanjay Sharma, 'Dirty Money: How the UK Securities and Derivatives Markets Are Used to Launder Money' (2001) 4 *Journal of Money Laundering Control* 309 https://www.emerald.com/insight/content/doi/10.1108/eb027281/full/html accessed 3 November 2022.
[23] Milind Tiwari, Adrian Gepp, and Kuldeep Kumar, 'A Review of Money Laundering Literature: The State of Research in Key Areas' (2020) 32 *Pacific Accounting Review* 271 https://doi.org/10.1108/PAR-06-2019-0065 accessed 2 November 2022.
[24] Ibid.
[25] Rehana Parveen, 'Impact of Anti-Money Laundering Legislation in the United Kingdom and European Union' (2020) 5.

discusses how many banks rely on technology to trillion USD aid in BSA/AML compliance and, therefore, the scoping and planning process should include developing an understanding of the bank's information technology sources, systems, and processes used in the BSA/AML compliance programme.[26]

Money laundering has the potential to cause harm to the security, economy, and international reputation of Britain (UK) and the dependent territories.[27] It has undoubtedly brought a great deal of overseas capital into the country, so clear evidence would be needed to claim that it has damaged the state economically or from a security point of view. Due to the importance of the financial industry to the UK's economy, money laundering poses a threat to the country's security and prosperity, as well as its financial system and international standing.[28] Authorities in the UK, the European Union (EU), and the United States can impose criminal and regulatory sanctions if substantial amounts of illicit funds, pass through the country or if the bank's activities are caught by long-arm jurisdiction measures.[29] This can result in heavy fines, disciplinary measures, or potentially in the exit or possible collapse of a major financial institution in the UK.[30] Due to the identification of the City of London and its dependent territories as tax havens

[26] Felix I. Lessambo, 'AML/CFT Compliance and Audit' in Felix I. Lessambo (ed), *Anti-Money Laundering, Counter Financing Terrorism, and Cybersecurity in the Banking Industry: A Comparative Study within the G-20* (Springer Nature Switzerland 2023) https://doi.org/10.1007/978-3-031-23484-2_27 accessed 7 January 2024.
[27] Sanjay Sharma (n. 11).
[28] Leila Simona Talani, 'Globalisation, Money Laundering and the City of London' in *The Palgrave Handbook of Criminal and Terrorism Financing Law* (Springer 2018).
[29] Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing [2018] OJ L156/43 (Fifth Anti-Money Laundering Directive, AMLD5).
[30] Ana Isabel Canhoto, 'Barriers to Segmentation Implementation in Money Laundering Detection' (2008) 8 *The Marketing Review* 163.

facilitating money laundering and tax evasion, financial institutions and businesses involved in such activities are increasingly facing civil litigation. This litigation not only stems from regulatory enforcement but also from victims seeking compensation for the damages caused by illicit financial practices, highlighting the severe operational and reputational risks for companies complicit in laundering.[31] Unexplained Wealth Orders (UWOs), introduced in the UK by the Criminal Finances Act 2017, are a legal tool that allows authorities to seize assets from individuals suspected of the money laundering if they cannot provide a legitimate explanation for the source of their wealth. Failure to do so typically leads to civil recovery proceedings, where civil litigation may follow, ultimately resulting in the confiscation of the assets.[32] In 2020, the UK's National Crime Agency (NCA) successfully defended its use of UWOs against a wealthy businessman suspected of laundering illicit funds, through property in London. The court ordered the confiscation of his assets, leading to civil litigation proceedings.[33] The National Crime Agency (NCA) has used civil recovery orders to seize millions of pounds worth of assets linked to money laundering and organised crime, leading to civil litigation between the state and the individuals or entities holding the assets. Financial institutions in the UK have faced civil litigation related to money laundering allegations, especially in cases where they failed to comply with anti-money laundering (AML) regulations. In 2020, Deutsche Bank was fined £163 million by the UK's Financial Conduct Authority (FCA) for failing to prevent money

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[31] Raymond W Baker and others, *Financial Havens, Banking Secrecy and Money Laundering* (United Nations Office on Drugs and Crime and Global Financial Integrity 2022) https://gfintegrity.org/wp-content/uploads/2022/06/UN-FINANCIAL-HAVENS-laundering.pdf accessed 7 January 2024.

[32] *Criminal Finances Act 2017*, Part 1 (Unexplained Wealth Orders); see *Zamira Hajiyeva v National Crime Agency* [2020] EWCA Civ 108.

[33] *Proceeds of Crime Act 2002* ss 240–242 (Civil Recovery Orders); see eg National Crime Agency, 'Civil Recovery Orders' https://nationalcrimeagency.gov.uk/what-we-do/crime-threats/money-laundering-and-illicit-finance/civil-recovery accessed 17 April 2022.

laundering, which exposed the bank to further civil litigation from stakeholders and clients affected by the breach.[34] Under the Proceeds of Crime Act 2002 (POCA), authorities can use civil courts to seize assets obtained through unlawful means. Liquidation is extremely unlikely in this country. The issues resulting from the closure of BCCI thirty years ago created significant challenges, leading to the perception that rescue is a cheaper option. Conversely, strict adherence to anti-money laundering legislation enhances the bank's credibility.[35] It also imposes significant financial overheads. It certainly does not attract clients. They tend to be put off by banks that ask more questions because it takes time and involves the client in more bureaucracy. By demonstrating their commitment to compliance and their ability to prevent financial crimes, banks can build trust with their customers and potential customers, which can help them grow their business.[36] However, it is important to note that there may be factors, such as effective risk management, efficient operations, and successful investments influences, a bank's earnings.[37] Strict AML compliance is just one of many factors that can contribute to a bank's success because it helps to protect them from financial crime, reputational damage, regulatory fines, and legal sanctions[38]

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[34] Financial Conduct Authority, 'FCA Fines on Financial Institutions for AML Breaches' (including Deutsche Bank fine 2020) https://www.fca.org.uk/news/news-stories accessed 17 April 2022.

[35] Ester Herlin-Karnell, 'The Robustness of EU Financial Crimes Legislation: A Critical Review of the EU and UK Anti-Fraud and Money Laundering Schemes,' [2016] SSRN Electronic Journal, http://www.ssrn.com/abstract=2816980, accessed 17 April 2022.

[36] Karen Anne Cooper, 'A Critical Examination of the Anti-Money Laundering Legislative Framework for the Prevention of Terrorist Finance with Particular Reference to the Regulation of Alternative Remittance Systems in the UK' (PhD thesis, University of Leeds, 2018).

[37] Leila Simona Talani, *Globalisation, Hegemony and the Future of the City of London* (Springer 2012) ch 4, 'Dirty City: Money Laundering and the City of London'.

[38] William C Gilmore, 'International Efforts to Combat Money Laundering' (1992) 18 *Commonwealth Law Bulletin* 1129.

1.4 Existing AML Frameworks, Technological Sophistication, and Research Gaps

Measures have been taken by several regulatory institutes to prevent and combat money laundering and fraud. Several frameworks have been put in place in City of London to prevent money laundering and fraud.[39] The three main measures that have been taken are (i) the Proceeds of Crime Act of 2002 (POCA), (ii) the Terrorism Act of 2000, and the (iii) Money Laundering, Terrorist Financing and Transfer of Funds Act of 2017. These regulations govern the City of London's anti-money laundering legislation.[40] Moreover, (iv) the Money Laundering Regulations 2019 were enacted to govern industries and there are changes in the way consumer due diligence is handled. Also in 2018, the United Kingdom passed (v) the Sanctions and Anti-Money Laundering Act (SAMLA), whose primary purpose was to lift and apply sanctions in accordance with international responsibilities and devise new methods for sanctioning money launderers.[41] Despite these frameworks aimed at curbing money laundering and fraud, actors are using more sophisticated ways such as cryptocurrency, to perpetrate the act.[42]

Although there are measures in place that aim to combat and prevent money laundering, the adverse impact of it puts banks and financial institutions in a situation where they are to adhere to risk management strategies and mechanisms, including anti-money laundering regulations, to identify, avoid, minimise, and manage the possibility of financial

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[39] Jane Bourne, 'Money Laundering: What Is Being Done to Combat It—A Comparative Analysis of the Laws in the United States of America, the United Kingdom and South Africa' (2002) 14 *South African Mercantile Law Journal* 475.

[40] Dionysios S Demetis, 'Fighting Money Laundering with Technology: A Case Study of Bank X in the UK' (2018) 105 *Decision Support Systems* 96 https://www.sciencedirect.com/science/article/pii/S0167923617302178 accessed 25 October 2022.

[41] Talani (n 16).

[42] Ioana Deleanu, *Anti-Money Laundering Efforts — Failures, Fixes and the Future* (PhD thesis, Utrecht University, 2015).

fraud and related vulnerabilities that may influence their operations.[43] While researchers have studied the impact of the money laundering on the City of London's economy and the process on which financial institutions can use to limit the act, little research has been done combating money laundering fraud factors in banks and financial institutions in the City of London and dependent territories.[44]

Also, Le-Khac and M. Tahar Kichadi refer to money laundering as any strategy aimed at transforming unjustly and unlawfully obtained revenues into genuine revenues.[45] This conceptualization details that money laundering involves operations aimed at hiding the worth of revenues obtained via illicit activity and the acquisition, issuance, and distribution of elements such as cash, equities, and jewellery to make such look legitimate.[46] Money laundering, being illegitimate financial transactions are classified into two types: traditional laundering, that involves shifting fraudulently acquired monies aimed at concealing their source and disguising them as legally acquired wealth[47] [48]. For instance, narcotics smugglers lodge financial earnings in accounts and gradually redistribute until the money appears to be legitimate. Then, there is terrorist finance, which involves the movement of

[43] JCT Chuah, 'Money Laundering Considerations in Blockchain-based Maritime Trade and Commerce' (2023) 14(1) *European Journal of Risk Regulation* 49-64.

[44] Michael Levi, 'Money Laundering and Its Regulation' (2002) 582 *The Annals of the American Academy of Political and Social Science* 181.

[45] Nhien An Le Khac and M-Tahar Kechadi, 'Application of Data Mining for Anti-Money Laundering Detection: A Case Study', *2010 IEEE International Conference on Data Mining Workshops* (IEEE 2010).

[46] Martin Saunders and Chris Stott, 'Tough on Money Laundering … and on the EU: UK Authorities Chart Their Course on AML Policy' (2012) 13 *Journal of Investment Compliance* 14 https://www.emerald.com/insight/content/doi/10.1108/15285811211284083/full/html accessed 27 April 2022.

[47] Anna Simonova (n 76).

[48] John Heathershaw and others discuss the UK's kleptocracy problem on page 60.

mainly legal revenues for criminal reasons.[49] Legal charitable contributions, for example, are being used to support terrorist activities.[50]

It is worth noting that recent technological advancements have enabled money launderers worldwide to conceal their illegal monies.[51] There are several sophisticated tactics available to assist them in effortlessly laundering unlawful gains, including new payment methods for money laundering, notably prepaid cards, and online payment systems.[52] Money laundering sophistication is at the heart of the crime, since it is a necessary condition for hiding transactions and obfuscating the money trail.[53] Thus, in money laundering, many forms of sophistication drive and utilise the fundamental patterns of systemic complexity.[54] In this instance, sophistication represents a necessary modus operandi for the money laundering ecosystem as a whole, opposed to only a backdrop for something to be controlled or restrained.[55] Hence, criminals purposefully introduce layers of sophistication into anti-money laundering, such as rapid modifications and unorthodox money laundering schemes.[56]

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[49] Killian J McCarthy, Peter van Santen and Ingo Fiedler (n 73).

[50] Muhammad Akram, Asim Nasar and Abid Rehman, 'Misuse of Charitable Giving to Finance Violent Extremism: A Futuristic Actions Study amidst the COVID-19 Pandemic' (2021) 4 *Social Sciences & Humanities Open* 100140.

[51] Anusha Aurasu and Aspalella Abdul Rahman, 'Forfeiture of Criminal Proceeds under Anti-Money Laundering Laws: A Comparative Analysis between Malaysia and United Kingdom (UK)' [2018] *Journal of Money Laundering Control*.

[52] M Abel Souto, 'Money Laundering, New Technologies, FATF and Spanish Penal Reform' (2013) 16 *Journal of Money Laundering Control* 266.

[53] Zhiyuan Chen and others, 'Money Laundering Techniques for Anti-Money Laundering (AML) Solutions in Suspicious Transaction Detection: A Review' (2018) 57 *Knowledge and Information Systems* 245.

[54] Maria Bergström, Karin Svedberg Helgesson and Ulrika Mörth (n 79).

[55] Anusha Aurasu and Aspalella Abdul Rahman (n 87).

[56] Dennis Cox, *Handbook of Anti-Money Laundering* (John Wiley & Sons 2014).

The present anti-money laundering framework in the City of London consists of criminal law, civil law, and regulatory legislation.[57] The government works to promote the primary legislation, characterises terrorist offences, and makes the money laundering regulations (MLR). The Financial Conduct Authority (FCA) makes regulatory (non-criminal) rules to combat money laundering, and Joint Money Laundering Steering Group (JMLSG).[58] It is important therefore, to use these existing legislations to combat money laundering.

1.5 Conceptual Framework

By establishing that money laundering, while an ancient practice, became a global focus after the 9/11 terrorist attacks. It is a concept with no single, universally accepted definition, but all interpretations centre on concealing the illicit origins of funds. Scholars like Barone and Masciandaro define it as financial transactions used to conceal the true source of money, or an illicit process to separate criminals from their illegal acts. Barone & Schneider describe it as "masking the illegitimate source of criminally obtained revenues to make them look legal." The foundational Vienna Convention of 1988, focused on drug trafficking, defined money laundering as the conversion or transfer of property known to be derived from a drug offence. It established three key features: moving funds to avoid suspicion, concealing the source of wealth, and using wealth obtained illicitly. Initially, this definition was limited to drug profits. However, the Palermo Convention of 2000 broadened the definition significantly to include the proceeds of all serious crimes, such as corruption and participation in organized crime. The UK takes a unique approach

[57] Kishore Singh and Peter Best, 'Anti-Money Laundering: Using Data Visualization to Identify Suspicious Activity' (2019) 34 *International Journal of Accounting Information Systems* 100418.
[58] Mark Gregory, 'Stashing the Cash: Banks, Money Laundering and the Battle against Illegal Logging – Reflections from Fern' 27.

with its Proceeds of Crime Act 2002 (POCA), which does not provide a single narrative definition but instead criminalizes specific money laundering activities. It establishes three primary offences: concealing, disguising, converting, transferring, or removing criminal property (Section 327); entering or becoming concerned in an arrangement to facilitate the acquisition, retention, use, or control of criminal property for another person (Section 328); and acquiring, using, or possessing criminal property (Section 329). The scope of these offences is determined by the definition of "criminal property" in Section 340, which adopts an "all crimes" approach. Subsequent acts, like the Criminal Finances Act 2017 and the Economic Crime and Corporate Transparency Act 2023 (ECCTA), have amended POCA to expand liability. Notably, ECCTA explicitly classifies crypto assets as property for confiscation purposes and introduces corporate liability for failing to prevent fraud.

The primary objective of the money laundering is to sever the link between illicit revenue, such as that from drugs, fraud, or corruption, and its criminal source. By successfully laundering money, criminals achieve several goals. They can reinvest illegal income into the legitimate economy and financial sector, thereby integrating themselves into mainstream society and gaining a veneer of legitimacy. A key goal is also to avoid the seizure of assets by law enforcement, which is far more difficult once funds are successfully laundered. Furthermore, laundering allows criminals to accumulate and enjoy their wealth, potentially gaining social and political influence.

The classic model divides money laundering into three distinct stages. The first is Placement, which is the initial introduction of illicit cash into the financial system. Methods include making small, structured deposits (smurfing) to avoid reporting thresholds, smuggling currency to jurisdictions with weak oversight, or using cash-intensive businesses like laundromats or car washes to commingle illegal funds with legitimate earnings. The second stage is Layering, which involves creating complex layers of financial transactions to obscure the audit trail and distance the funds from their source. Techniques here include wire transfers through multiple accounts and jurisdictions, converting cash into monetary instruments, using shell companies, and engaging in currency swaps. The final stage is Integration, where the laundered funds are reintroduced into the legitimate economy. They appear as normal business earnings, real estate investments, or funds from loans or trusts, allowing criminals to use the money without arousing suspicion.

Banks are central to the financial system and, consequently, a primary target for money launderers, who employ several key techniques. Deposit taking and structured deposits involve criminals breaking down large sums of cash into smaller deposits to avoid reporting requirements. In more extreme cases, criminals have been known to purchase or collude with banks to launder money. Commingling illicit funds, with legitimate business earnings is another common placement method. Electronic Money Transfers, or wire transfers, are a preferred method for layering due to their speed, reliability, and ability to move money across borders instantly, with the complexity of using multiple intermediary banks obscuring the audit trail. Private Banking is vulnerable because wealthy clients are offered a high degree of discretion, which criminals and Politically Exposed Persons (PEPs) may exploit to manage and legitimize illicit wealth. Correspondent Banking, where domestic banks use accounts held with foreign banks to facilitate cross-border transactions, relies heavily on trust, and weak due diligence by a respondent bank can allow illicit funds, to enter the global system. The compliance of employees is also a factor; insiders within financial institutions, including bankers and accountants, can be complicit in laundering schemes, whether motivated by profit or through negligence. Finally, shell companies, which are legally registered companies with no significant assets or operations, are used to create a layer of anonymity between the criminal and the illicit funds. By using nominee directors and complex ownership structures, the true beneficial owner is hidden, a practice famously exposed by the Panama Papers scandal.

When financial institutions fail in their AML duties, the consequences are severe and multifaceted. The most immediate repercussion is often massive financial penalties imposed by regulators. The document cites NatWest's £264 million fine in 2021 for failing to monitor nearly £400 million in illicit funds, and Deutsche Bank's £163 million penalty in 2020 for a "mirror trading" scheme. Beyond fines, both institutions and individuals can face criminal liability under POCA 2002 and the Money Laundering Regulations 2017. However, reputational damage is often the most devastating consequence. The HSBC 2012 scandal and the Danske Bank 2018 scandal, involving €200 billion, led to a loss of investor confidence, executive resignations, and long-term damage to their brand. Following such a breach, banks face years of heightened regulatory scrutiny, forced to implement stricter AML policies, upgrade monitoring systems, and potentially hire independent compliance monitors, as was the case with Standard Chartered. This places a significant and costly operational burden on the institution, demonstrating that the consequences of AML failures can threaten a bank's very survival.

The UK has a comprehensive legal and institutional framework to combat money laundering. The principal legislation is the Proceeds of Crime Act 2002 (POCA), which, as detailed, is the cornerstone of UK AML law. This is supported by the Financial Services and Markets Act 2000 (FSMA), which established the regulatory framework, and the Money Laundering Regulations 2017, which set out detailed requirements for customer due diligence and risk assessment for regulated firms. The key regulatory and enforcement bodies include the Financial Conduct Authority (FCA), the primary regulator for financial services responsible for ensuring AML compliance and enforcing POCA; the National Crime Agency (NCA), which serves as the UK's Financial Intelligence Unit (FIU), receiving and analysing Suspicious Activity Reports (SARs); and the Crown Prosecution Service (CPS) and Serious Fraud Office (SFO), which are responsible for prosecuting offences. The UK has also actively sought to regulate emerging assets. The Crypto Assets Taskforce, established in 2018, led to FCA guidance and the extension of AML regulations to cover crypto asset exchange providers and custodian wallet providers under the Money Laundering and Terrorist Financing (Amendment) Regulations 2019. It is also important to note the historical significance of the Drug Trafficking Act 1986. While innovative for its time in allowing the confiscation of assets from convicted drug traffickers, its narrow focus on drug offences and reliance on a criminal conviction for confiscation limited its effectiveness. Its principles, however, laid the groundwork for the broader "all crimes" approach later adopted in POCA.

The global fight against money laundering is shaped by a network of key international conventions and bodies. The Vienna Convention of 1988 was a landmark treaty that criminalized drug-related money laundering and mandated international cooperation. The Council of Europe Convention of 1990 broadened the scope beyond drugs and crucially brought Switzerland into the international framework. The European Union has progressively strengthened rules through a series of Money Laundering Directives. The First Directive (1991) focused on the financial sector, while the Second (2001) broadened predicate offences and extended obligations to non-financial professions. The Third Directive (2005) introduced a risk-based approach to Customer Due Diligence (CDD) and formally included terrorist financing and Politically Exposed Persons (PEPs). The Fourth Directive (2015) emphasized national risk assessments and beneficial ownership transparency. The Fifth Directive (2018) responded to new threats by increasing transparency and bringing virtual currency platforms under regulation. The Basel Committee Statement of Principles (1988) set out core principles for banks, such as "know your customer," though it is not legally binding. The most influential global standard-setter is the Financial Action Task Force (FATF), established in 1989. Its 40 Recommendations provide a comprehensive framework covering the criminalization of money laundering, the implementation of AML programmes by the private sector, and the promotion of a risk-based approach and international cooperation. Finally, the Palermo Convention of 2000 further broadened the definition of money laundering and strengthened international cooperation against transnational organized crime.

Established in 1923, Interpol facilitates global police cooperation among its member countries. It assists in investigating and sharing intelligence on serious crimes, including money laundering, through tools like its notification system and encrypted communication network. This allows for the coordination of cross-border pursuits of criminal suspects. However, the document notes that Interpol's effectiveness can be limited because its red notices, which seek the location and arrest of wanted persons, are not universally recognized as binding arrest warrants by all member states, including the UK, which can hinder the extradition process.

1.6 The Research Problem

The need for criminals to launder their illegitimate income has outpaced efforts to curb money laundering. Launderers are always finding new ways to circumvent restrictions that inflict a significant cost on the formal sector, despite the development of mass compliance and acceptance of the relevant legislation.[59] Attempts to combat money laundering in the last decade have mostly been outwitted. While London and British Overseas and Crown Dependent Territories have implemented robust AML measures and regulatory frameworks, criminals continue to exploit vulnerabilities in the financial system to launder illicit funds.[60] There are a wide range of methods for laundering money, including trade based laundering, relying on offshore tax havens with weaker disclosure requirements, exploitation of cryptocurrencies and informal value transfer systems.[61] These approaches have been demonstrated to be efficient in respective applications, as existing money laundering legislation is incapable of detecting the movement of unlawful funds in the digital or covert economy.[62]

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[59] Richard John Lowe, 'Anti-Money Laundering – the Need for Intelligence' (2017) 24 *Journal of Financial Crime* 472.

[60] Joras Ferwerda and others, 'Estimating Money Laundering Flows with a Gravity Model-Based Simulation' (2020) 10 *Scientific Reports* 1.

[61] Martin Saunders and Chris Stott, 'Tough on Money Laundering … and on the EU: UK Authorities Chart Their Course on AML Policy' (2012) 13 *Journal of Investment Compliance* 14; Ali Obaid Alkaabi and others, 'A Comparative Analysis of the Extent of Money Laundering in Australia, UAE, Uk, and the USA' [2010] *SSRN Electronic Journal* http://www.ssrn.com/abstract=1539843 accessed 16 April 2022; Abdullahi H Wario, *An Assessment of Adherence and Effectiveness of the Anti-Money Laundering Regulations among Banking Institutions in Tanzania* (Dissertation, Open University of Tanzania 2013) 113.

[62] Muhammad Ridha Haykal Amal and Arie Kartika, 'Beneficial Ownership Arrangements in Saving Loan Cooperative as a Preventive Attempt to the Crime of Money Laundering' (2021) 6(2) *European Journal of Social Sciences Studies* 163-177.

The UK is one of the countries with robust regulatory regimes in the world regarding money laundering.[63] Notwithstanding that corruptly acquired capital does not merely flow to 'havens' in Europe and the United States but also increasingly to British Overseas Territories and Crown Dependencies.[64] Anti-money laundering (AML) regimes are aimed at preventing and enforcing certain measures directed at curbing money laundering.[65] Preventive measures are mostly done by banks to shield them from the infiltration of criminal proceeds, and where they fail, law enforcement steps in to implement other enforcement measures such as the prosecution of the lawbreakers.[66]

London's status as a major international financial centre in the United Kingdom plays a significant role in deciding and supporting anti-money laundering and counter-terrorist funding tactics.[67] It also issues extensive guidance notes on the meaning and application of the money laundering regulations (MLR).[68] The issue of whether or not to provide public access to beneficial ownership information in the City of London is a subject of contention, with divergent viewpoints held by different stakeholders. Several scholars have posited that the public availability of beneficial ownership data can augment transparency within corporate frameworks. The provision enables individuals, media personnel, non-

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[63] Kishore Singh and Peter Best, 'Anti-Money Laundering: Using Data Visualisation to Identify Suspicious Activity' (n 30).

[64] Alessio Faccia and others, 'Electronic Money Laundering, the Dark Side of Fintech: An Overview of the Most Recent Cases', *Proceedings of the 2020 12th International Conference on Information Management and Engineering* (2020).

[65] Ismail Koto, 'Kewenangan Jaksa Dalam Melakukan Penggabungan Perkara Korupsi Dan Money Laundering (Studi Kejaksaan Tinggi Sumatera Utara)' (2021) 2 *IURIS STUDIA: Jurnal Kajian Hukum* 156.

[66] Ashwini Kumar and others, 'Analysis of Classifier Algorithms to Detect Anti-Money Laundering', in *Computationally Intelligent Systems and their Applications* (Springer 2021)

[67] Jane Bourne (n 24).

[68] Martin Jullum and others, 'Detecting Money Laundering Transactions with Machine Learning' (2020) 23 *Journal of Money Laundering Control* 173.

governmental organizations, and additional interested parties to examine and impose responsibility on corporations for their ownership frameworks, thereby deterring unlawful practices such as financial fraud, tax avoidance, and unethical conduct.[69] Also Beneficial Ownership Registers that are accessible to the public can serve as a valuable instrument in combating money laundering.[70] The disclosure of information to law enforcement agencies, financial institutions, and regulatory bodies can facilitate the identification and investigation of potentially illicit transactions and networks, thereby enhancing anti-money laundering (AML) endeavours. The implementation of publicly accessible registers may potentially violate the privacy rights of individuals and subject beneficial owners to various hazards, including but not limited to identity theft, extortion, and personal safety concerns. Achieving equilibrium between transparency and privacy is imperative to effectively tackle these concerns.[71]

This lack of openness has been exploited by those attempting to conceal the proceeds of crime, making it easier for them to launder money through the City of London's' banking system. For instance, the recent Unexplained Wealth Order (UWO) case involving a foreign official's acquisition of an expensive UK home showed how the absence of beneficial ownership transparency might facilitate money laundering.[72]

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[69] Stefan D Cassella, 'Establishing Probable Cause for Forfeiture in Federal Money Laundering Cases' (1994) 39 *New York Law School Law Review* 163.

[70] Peter Yeoh, 'Enhancing Effectiveness of Anti-Money Laundering Laws through Whistleblowing' (2014) 17 *Journal of Money Laundering Control* 327 https://www.emerald.com/insight/content/doi/10.1108/JMLC-06-2013-0020/full/html accessed 3 November 2022.

[71] Paul Barnes, 'Economic and Social Effects of Money Laundering: The UK Case'.

[72] Ali Shalchi, 'Unexplained Wealth Orders' https://commonslibrary.parliament.uk/research-briefings/cbp-9098/ accessed 16 March 2023.

The efficacy of anti-money laundering and fraud regulations is related to the regulations, but also the implementation and monitoring of these rules. With all the legislation in place to fight money laundering and fraud, there are challenges in implementation and enforcement of the anti-money laundering policies in the City of London and the Dependent Territories.[73] While the UK has established regulatory entities such as the Financial Conduct Authority (FCA) and the National Crime Agency (NCA) to implement AML requirements. Authors have contended that inadequate resources are provided, and very minimal enforcement action is taken against individuals who violate AML regulations.[74] In a report released by Transparency International UK in 2019 titled "Faulty Towers: Understanding the impact of overseas corruption on the London property market" It was found that between 2014 and 2018, only four individuals were convicted of money laundering out of a total of 3,749 suspicious activity reports filed by banks.[75]

The battle against money laundering has also been heavily affected by continual violations of the AML laws by banks either unintentionally or knowingly, such as contravening preventive measures such as reporting obligations or even facilitating the money laundering process.[76] A typical example was the HSBC profits from Mexico which largely appear to have emanated from laundering the proceeds of drug sales. [77] HSBC

[73] Martin Jullum and others (n 41).

[74] Milind Tiwari, 'Money Laundering: Facets Associated with Detection and Magnitude of the Problem' 272.

[75] Transparency International UK, *TIUK Faulty Towers August 24* *https://www.transparency.org.uk/sites/default/files/pdf/publications/TIUK_Faulty_Towers_August_24.pdf accessed 16 March 2023.*

[76] Rajeev Nedumaran, 'The Social Impact of Money Laundering' (tic company, 13 November 2020) https://www.ticcompany.com/the-social-impacts-of-money-laundering/ accessed 4 November 2022.

[77] 'HSBC Holdings Plc. and HSBC Bank USA N.A. Admit to Anti-Money Laundering and Sanctions Violations, Forfeit $1.256 Billion in Deferred Prosecution Agreement | United States Department of Justice' (Office

forfeited $1.256 billion for the violations of the Bank Secrecy Act (BSA), the International Emergency Economic Powers Act (IEEPA) and the Trading with the Enemy Act (TWEA).[78].

Additionally, regulations such as those affecting Politically Exposed Persons (PEPS) regimes in the UK stipulate that enhanced due diligence must be carried out on clients from high-risk jurisdictions, and on transactions between parties based in such countries.[79] However, it has been argued by some scholars that countries found in these high-risk jurisdictions are highly politicised[80] which potentially results in weak enforcement. The lack of independence of law enforcement agencies is a common issue in politicized money laundering jurisdictions. Political pressures and influences can undermine the autonomy of these agencies, preventing them from carrying out their duties effectively.[81]

The increasing sophistication of financial crime, which includes the use of new technology such as cryptocurrencies, has caused difficulties for AML regulators. Several critics say that the AML system in City of London has not kept up with these advances.[82] For instance, research by the Financial Action Task Force (FATF) discovered that the country's AML legislation was inadequately adapted to handle the dangers posed by

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of Public Affairs, 11 December 2012). https://www.justice.gov/opa/pr/hsbc-holdings-plc-and-hsbc-bank-usa-na-admit-anti-money-laundering-and-sanctions-violations accessed 14 July 2023.

[78] ibid

[79] Raffaella Barone and Donato Masciandaro, 'Cryptocurrency or Usury? Crime and Alternative Money Laundering Techniques' (2019) 47 *European Journal of Law and Economics* 233.

[80] Valeriia Dyntu and Oleh Dykyi, 'Cryptocurrency in the System of Money Laundering' (2018) 4 *Baltic Journal of Economic Studies* 75.

[81] Rajeev Nedumaran, 'The Social Impact of Money Laundering' (tic company, 13 November 2020) https://www.ticcompany.com/the-social-impacts-of-money-laundering/ accessed 4 November 2022.

[82] Alla Semenova and L Randall Wray, *The Rise of Money and Class Society: The Contributions of John F. Henry*, Levy Economics Institute Working Paper No 832, 2015.

virtual assets, and that firms and regulators lacked an understanding of how to manage these risks.[83] How reliable are FATF opinions? This is something worth briefly dealing with. The opinions and assessments provided by the Financial Action Task Force (FATF) are generally considered reliable and influential in the global efforts against money laundering and terrorist financing. The FATF comprises experts from various countries and international organizations with extensive experience in combating financial crimes.[84] The organization has been active for over three decades and has built a solid reputation as a global standard setter in anti-money laundering and counter-terrorism financing efforts. Also, FATF's recommendations and assessments are widely recognized and endorsed by international organizations, such as the United Nations, World Bank, and International Monetary Fund. The organization also collaborates closely with other regional and international bodies to promote consistent and coordinated actions against money laundering and terrorist financing.[85] Despite the implementation of stringent anti-money laundering (AML) regulations and measures, banks and financial institutions in the City of London, British Overseas, and Crown Dependent Territories continue to face significant challenges in effectively combating money laundering and fraud. These challenges include the persistent sophistication of criminal tactics, evolving regulatory landscapes, technological advancements, and the complexities associated with international financial transactions. Furthermore, the interconnectedness of global

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[83] Financial Action Task Force (FATF), *Follow-Up Report United Kingdom 2022* (FATF, June 2022) https://www.fatf-gafi.org/media/fatf/documents/reports/fur/Follow-Up-Report-United-Kingdom-2022.pdf accessed 4 November 2022.

[84] Abdulaziz Al-Hassan, *Money Laundering and Terrorism Financing: Does the Saudi Arabian Financial Intelligence Unit Comply with the International Standards of Combating Money Laundering and Terrorism Financing* (2011) (Victoria University of Wellington thesis) https://vuir.vu.edu.au/19945/1/Abdulaziz_Al-Hassan.pdf accessed 4 November 2022.

[85] Bourne (n 24).

financial markets and the presence of offshore jurisdictions exacerbate the difficulties in detecting and preventing illicit financial activities. As a result, there is a pressing need for a comprehensive investigation to analyse the effectiveness of existing AML frameworks, identify gaps in regulatory oversight and enforcement, assess the impact of technological innovations on money laundering and fraud detection, and propose actionable recommendations to strengthen the integrity of the financial system in these jurisdictions.

1.7 Aim of the Study

The purpose of the study is to assess the adequacy of the current legislation and regulations designed to combat money laundering and fraud detection in banks and financial institutions in the City of London and dependent territories. The study will evaluate the effectiveness of existing laws and regulations in preventing, detecting, and prosecuting money laundering and fraud because money laundering and fraud are essential elements of the wider financial crime's ecosystem. The proceeds obtained through fraudulent operations frequently require laundering to legitimise the cash and incorporate them into the lawful economy. Money laundering, in this sense, functions as a method to conceal the illegal sources of monies obtained through fraudulent activities.

1.8 Research Questions

This study builds upon the foundational work of Ebikake, whose examination of the money laundering through a soft law lens identified critical gaps in enforcement mechanisms within high-risk jurisdictions[86]. The research questions in this thesis aim to expand upon Ebikake's findings by addressing both the regulatory shortfalls and the practical

[86] Ebikake, Emmanuel. International Anti-Money Laundering and Soft Law: Approaches to Regulation. The Law of Financial Crime. London: Routledge, 2024. doi:10.4324/9781003375432.

challenges faced by financial institutions and law enforcement agencies in the City of London and dependent territories.

The research question is:

> *To what extent is existing legislation insufficient to combat money laundering and fraud in financial institutions in the City of London, the British Overseas and Crown Dependent Territories?*

To answer this, the following questions will be discussed:

1. What is the definition and background of the money laundering and fraud in the United Kingdom's legislation?
2. What is the legal City of London framework to combat money laundering and fraud?
3. How are law enforcement agencies in the City of London, British Overseas and Crown Dependent Territories addressing the detection and prevention of the money laundering criminals attempting to infiltrate banks?
4. What are the shortfalls of current regulation on combatting money laundering in the City of London, British Overseas Territories and Crown Dependencies? [87]

1.9 Rationale for the Research

The reason of conducting this research is that is not clear to what extent current anti-money laundering and fraud legislation is sufficient in the City of London and dependent

[87] E Ebikake, *Money Laundering: An Assessment of Soft Law as a Technique for Repressive and Preventive Anti-Money Laundering Control* (PhD thesis, Liverpool John Moores University 2022) 35–42, 73–89, 102–115, 120–135.

territories.[88] Backed by empirical evidence, policymakers and regulators have grown more dedicated to implementing policies and regulations aimed at thwarting the efforts of motivated money launderers amidst the increasing opportunities for money laundering. Nevertheless, criminals have capitalized on technological advancements and neglected opportunities to streamline the money laundering process, thus substantially reducing the time required to launder money.[89] The ability to creatively guarantee systems capable of effectively preventing or identifying money laundering activities may no longer exist as shrinking financial budgets continue to overwhelm business and financial sectors, in particular those with responsibility for the prevention of money laundering.[90]

To detect and prevent money laundering, financial institutions must have AML programmes. However, these pursuits come with their own set of difficulties, which in turn have led to significant monetary expense imposed through risk perception and the fear of reputational damage during implementation and on an on-going basis.[91] AML is an intellectual challenge that necessitates methods with enough scalability to deal with emerging money laundering opportunities as criminals find ways to circumvent legislation, compliance, and specialized law enforcement efforts.[92] There is still a lot of mystery around the process of money laundering, which is ultimately determined by the specifics

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[88] Xiangrui Chao and others, *'Behavior Monitoring Methods for Trade-Based Money Laundering Integrating Macro and Micro Prudential Regulation: A Case from China' (2019)* 25 Technological and Economic Development of Economy 1081.
[89] Maryam Imanpour and others, *'A Microeconomic Foundation for Optimal Money Laundering Policies' (2019)* 60 International Review of Law and Economics 105856.
[90] Mark Eshwar Lokanan, *'Data Mining for Statistical Analysis of Money Laundering Transactions' (2019)* 22 Journal of Money Laundering Control 753.
[91] Nasir Sultan and Norazida Mohamed, *'Financial Intelligence Unit of Pakistan: An Evaluation of Its Performance and Role in Combating Money Laundering and Terrorist Financing' [2022]* Journal of Money Laundering Control.
[92] Fabian Teichmann, *'Recent Trends in Money Laundering' (2020)* 73 Crime, Law and Social Change 237.

of the offender's situation. Because of this, the final result of efforts to prevent or detect money laundering is no longer the conviction of criminals and their imprisonment.[93] Instead, due to the vastness of the problem, it is now more suitable to explore a holistic approach that can supplement existing risk management tactics based on tracking down those involved in money laundering with fresh information.

This thesis also builds upon earlier academic attempts to examine soft law instruments in AML contexts, including work such as Loga Devi Balla Soupramanien, which will be further addressed in the methodology chapter.

1.10 Significance of the Research

This research will contribute to the existing knowledge on money laundering in the City of London and the dependent territories. Additionally, the study will serve as a valuable resource for central banks worldwide, offering insights into the challenges of the money laundering and strategies for combating it in diverse contexts. Above all, the study sort to bring to bear the following insight to the policy makers, regulators and other stakeholders.

1. **Addressing Global Financial Crime**: The study tackles the critical issue of the money laundering and fraud, which pose significant threats not only to the financial stability of the City of London but also to the integrity of the overseas territories. By investigating these phenomena, the study contributes to global efforts to combat financial crime.

[93] Peter Yeoh, *'Banks' Vulnerabilities to Money Laundering Activities' [2020]* Journal of Money Laundering Control.

2. **Enhancing Regulatory Effectiveness**: By analysing the effectiveness of existing anti-money laundering (AML) regulations and fraud prevention measures, the study can provide insights into areas of improvement. Recommendations stemming from the investigation may lead to enhancements in regulatory frameworks, thereby strengthening the resilience of banks and financial institutions against illicit activities.

3. **Protecting Financial Institutions**: Financial institutions play a vital role in the economy and safeguarding them against money laundering and fraud is paramount. The study's findings can help banks and financial institutions in the City of London and dependent territories better understand and mitigate the risks associated with financial crime, ultimately protecting their integrity and reputation.

4. **Informing Policy Decisions**: Policymakers rely on empirical evidence and research to inform their decisions. This study can provide policymakers with valuable insights into the nature and scope of the money laundering and fraud in the specified regions, enabling them to develop targeted policies and initiatives to address these challenges effectively.

5. **Facilitating International Cooperation**: Given the global nature of financial crime, international cooperation is essential for combating money laundering and fraud. By shedding light on the specific issues faced in the City of London and dependent territories the study can foster collaboration among domestic and international stakeholders, leading to more effective strategies for tackling financial crime on a global scale. This can enhance the effectiveness of

regulatory measures in preventing and identifying instances of the money laundering and fraud. Stakeholders, such as banks and law enforcement organisations, might utilise the results to improve their risk mitigation methods. Understanding typical trends and weaknesses can help financial organisations enhance their internal controls, while law enforcement authorities can gain advantages by comprehending the most vulnerable regions to financial crimes. This will assist policymakers in analysing the financial crime situation in the City of London and dependent territories. This will empower them to formulate policies that are specifically designed to address the unique issues present in this region.

Also, banks in the City of London and dependent territories are likely to gain from the research, which aims to analyse industry wide adherence with anti-money laundering (AML) rules and pinpoint economic transactions and industries which are particularly at potential of the money laundering operations. Making enlightened decisions about adhering to AML regulations would be easier with this information at hand. The thesis will offer a thorough examination of the regulatory strengths and weaknesses, allowing regulators to improve current frameworks and introduce new measures that effectively tackle the identified vulnerabilities. This can enhance the effectiveness of regulatory measures in preventing and identifying instances of the money laundering and fraud. Stakeholders, such as banks and law enforcement organisations, might utilise the results to improve their risk mitigation methods. Understanding typical trends and weaknesses can help financial organisations enhance their internal controls, while law enforcement authorities can gain advantages by comprehending the most vulnerable regions to financial crimes.

Furthermore, several authors have examined the issue of fraud and money laundering in the financial industry in the City of London and British Overseas Territories and Crown Dependencies. The efficiency of the existing AML/CFT framework, the difficulties regulators and financial institutions confront in identifying and stopping fraud and money laundering, and the effect of new technology on financial crime are a few of the topics that have been studied.[94] However, a geographical gap exists within the aforementioned context, underscoring the significance of this study. It will contribute valuable literature addressing money laundering and fraud within this specific geographic scope. The closest research to this has been the PhD theses of Ebikake, focusing on "Money Laundering: an assessment of soft law as a technique for repressive and preventive anti-money laundering control."[95]

The geographical focus of this study is primarily on the City of London and its interactions with the dependent territories. The research evaluates money laundering and fraud challenges within London's financial institutions, given its status as a global financial hub. While the Crown Dependencies and British Overseas Territories are examined for their regulatory and enforcement frameworks, the central emphasis remains on London as the focal point of financial crime activity and anti-money laundering measures

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[94] Isabel Canhoto (n 18).

[95] E Ebikake, *Money Laundering: An Assessment of Soft Law as a Technique for Repressive and Preventive Anti-Money Laundering Control* (PhD thesis, Liverpool John Moores University 2022) https://researchonline.ljmu.ac.uk/id/eprint/16216/ accessed 14 July 2023.

This research focused on how effectively laws and regulations on money laundering and fraud are being implemented, rather than on the corporate governance failings of banks in London and the dependent territories. This is because AML measures may have little to do with the internal workings of a company and its management, which is where the focus of corporate governance lies.

1.11 Research Methodology

This study advances a robust, dual-stranded methodological framework, integrating doctrinal and comparative legal analysis with grounded empirical research using qualitative interviews. This approach ensures a richly contextualized understanding of both the law and its operational realities, as applied to AML implementation across the City of London and dependent territories. The framework not only clarifies the distinctiveness and shared features of each regulatory regime but also enables the identification of pressing gaps and effective harmonization strategies. Ultimately, this approach supports not only academic inquiry but also delivers actionable insights for policymakers, practitioners, and compliance professionals facing the complex, evolving risks of international financial crime. By systematically bridging legal theory and practical application, the study contributes meaningfully to the evolving field of AML scholarship and informs efforts across these jurisdictions to protect the integrity of global finance. The academic works, particularly those focusing on anti-money laundering (AML) frameworks and regulatory analysis.[96] [97] methodological approach adopted in this study aligns with practices demonstrated in recent.

In contrast, this research adopts a dual-method approach combining doctrinal legal analysis with empirical field data gathered through interviews. This approach allows for a deeper understanding of how AML regulations are applied in practice across the City of London and dependent territories. By moving beyond normative discourse and integrating jurisdiction-specific data, this thesis expands the methodological framework and delivers a more grounded, practice-oriented contribution to AML scholarship.

Additionally, the methodologies employed in this current work on financial crime and AML strategies underscore the importance of integrating qualitative analysis with a doctrinal approach. This work highlights how empirical evidence and legal interpretation converge to provide actionable recommendations, a goal that this study seeks to achieve within the specified geographic and thematic scope.

Therefore, this methodology is justified by well-established research principles in social science which includes the following.

Triangulation where multiple data sources (legal documents + academic literature + interviews) are used to cross-verify findings and ensure validity. If both the legal analysis

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[96] E Ebikake, *Money Laundering: An Assessment of Soft Law as a Technique for Repressive and Preventive Anti-Money Laundering Control* (PhD thesis, Liverpool John Moores University 2022) https://researchonline.ljmu.ac.uk/id/eprint/16216/ accessed 14 July 2023.

[97] LDB Soupramanien, *The Failure of Conventional Anti-Money Laundering in Curtailing Emerging Money Laundering Typologies* (unpublished PhD thesis, Open University of Mauritius, n.d.).

and the interviews with compliance officers' point to the same enforcement challenge, the finding is robust. The work of Norman K. Denzin[98] on triangulation is foundational here.

Semi-Structured Interviews were adopted which perfectly is suited for the research goals. It uses a guide (ensuring all key topics are covered with all participants for consistency) but allows for flexibility to probe interesting answers and follow unique lines of inquiry that emerge during the conversation. This balances structure with the depth required for exploratory research. Texts like interviewing as qualitative research by Irving Seidman[99] provide a strong justification for this approach, emphasizing its power for understanding lived experience.

The research goals described (exploring challenges, strategies, perceptions, collaboration) are inherently complex and process-oriented, making in-depth interviews the more appropriate tool. Methodologists like John W. Creswell[100] and Robert K. Yin[101] consistently detail how the nature of the research question should dictate the choice of method.

In conclusion, the basis for participant selection is purposive sampling to capture expert, firsthand expertise from all key stakeholder groups involved in the AML ecosystem. The basis for the questions is a systematic process rooted in prior research (to identify gaps) and designed to elicit experiential data that doctrinal analysis cannot provide.

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[98] Norman K Denzin, *The Research Act: A Theoretical Introduction to Sociological Methods* (McGraw-Hill 1978).

[99] Irving Seidman, *Interviewing as Qualitative Research: A Guide for Researchers in Education and the Social Sciences* (4th edn, Teachers College Press 2013).

[100] John W Creswell, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (4th edn, SAGE Publications 2014).

[101] Robert K Yin, *Case Study Research: Design and Methods* (5th edn, SAGE Publications 2014).

This approach is not just justified but is considered a gold standard for this type of qualitative, exploratory policy research, as it aims to provide a nuanced, triangulated understanding of how complex legal and regulatory systems function in the real world.

1.12 Research Philosophies

Legal research philosophies are the underlying theoretical frameworks that guide the approach, design and interpretations of legal research. There are several legal research philosophies, including positivism, natural law, critical legal studies, feminist legal theory, and pragmatism. This study will only focus on Positivism, Natural Law and critical legal studies. Positivism supports the requirement for empirical examination of current legal structures, legislation, and legal precedents. It enables a methodical analysis of legal documents to comprehend the precise clauses and their practical consequences in addressing financial offences. In addition, the inherent objectivity of legal positivism makes it very suitable for analysing the precisely delineated legal dimensions of the money laundering and fraud. It offers a methodical and organised structure for examining rules and regulations, while minimising the impact of subjective interpretations. Natural Law theory asserts that legal systems are founded on intrinsic moral principles. Opting for a natural law framework for this research has several advantages. The ethical implications of the money laundering and fraud extend beyond their legal dimensions. The philosophy of Natural Law enables the examination of fundamental ethical principles and moral factors that might have an impact on legal systems. It aids in assessing both the legality and morality of legal regulations. The concept of Natural Law frequently highlights the importance of human rights and the pursuit of justice. Considering the potential consequences of financial crimes on both persons and society, this philosophy promotes a thorough analysis of how legal structures correspond to overarching ideals of justice and safeguarding individual rights. Critical Legal Studies (CLS) questions conventional legal ideas and aims to expose concealed power dynamics and disparities within the legal system. The selection of a CLS viewpoint for this research is warranted based on the following factors: Money laundering and fraud entail intricate power relations among regulatory organisations, financial institutions, and people. The study of Critical Legal Studies (CLS) offers a perspective to analyse these systems of authority, scrutinising how legal institutions may either sustain or contest prevailing disparities.

Overall, the combination of Positivism, Natural Law, and Critical Legal Studies as research philosophies offers a comprehensive and multidimensional approach to investigating and addressing the complex challenges of combating money laundering and fraud in banks and financial institutions. These research philosophies enable researchers to blend empirical analysis with normative critique, thereby illuminating both the empirical realities and normative implications of AML and fraud prevention efforts in the specified geographic areas.

1.13 Research approach

Legal research is a systematic process of finding, evaluating and using information to assist in making legal decisions and solving legal problems. Legal research methods can be divided into two types: doctrinal and non-doctrinal research. In legal studies, there are three categories of research: descriptive, explanatory, and exploratory. Descriptive research simply explains and evaluates existing laws or principles. Explanatory research questions the existence of legal issues and principles. Exploratory research devises problems and hypotheses based on literature review, expert views, or case studies.[102]

Doctrinal research is concerned with legal problems and principles analysed through legal reasoning and interpretation. It mainly involves pure theoretical research or rigorous study of legal concepts and doctrines. This type of research is built on sound foundations, so the researcher must first verify the authority and status of the legal doctrine being examined. This is achieved by using the doctrinal legal research method, which is a two-part process of locating the sources of the law and then interpreting and analysing the text.

The objective of qualitative legal research is to examine phenomena within their authentic contexts, comprehend and interpret their societal realities, and contribute insights on many facets of social existence. The subject matter of this study is around the emotional states, cognitive interpretations, and personal encounters of individuals. There are distinctions between quantitative research and other forms of study in terms of the kind of data, theoretical foundations, and the types of methods used for data gathering.

This study will use both comparative legal analysis approaches and doctrinal research approach to gain deeper understanding of the money laundering in the City of London and British Overseas and the Crown Dependent Countries.

[102] W Bradley Wendel, 'Explanation in Legal Scholarship: The Inferential Structure of Doctrinal Legal Analysis' (2010) 96 *Cornell Law Review* 1035.

1.14 Population of the study

The term population means a group of people inhibiting a specific geographical area.[103] To assess the adequacy and effectiveness of AML and fraud detection frameworks, the study targets individuals who are directly involved in the implementation, oversight, or compliance of these regulations. These include financial institutions operating within the City of London, as well as related institutions in the Crown Dependencies and British Overseas Territories. The selection of the City of London is deliberate, given its reputation as a leading international financial centre, and its pivotal role in shaping anti-money laundering (AML) regulations. The study also considers institutions in the Crown Dependencies (e.g., Jersey, Guernsey, Isle of Man) and British Overseas Territories (e.g., Cayman Islands, Bermuda), which maintain financial ties to London and share AML challenges. This purposive sampling ensures that the data reflects practical insights and jurisdiction-specific challenges, rather than abstract or uninformed opinions.

1.15 Data collection

The study employs qualitative research, with data drawn from legal statutes, case law, regulatory frameworks, and academic literature focusing on the City of London and its connections to Crown Dependencies and British Overseas Territories. Interviews were conducted with key stakeholders, including compliance officers and law enforcement officials, to gain insights into the challenges and strategies specific to London's financial institutions. Comparative legal analysis highlights how the AML frameworks in these jurisdictions align or diverge from the standards and practices employed in London.

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[103] Maduekwe, A. N. (2011). *Research Procedures in Education: A Practical Guide* (1st ed.) Nigeria: Pumark Nigeria Limited

In collecting semi structured interviews, with individuals such as regulatory authorities, law enforcement officials, compliance officers, financial institution executives, and legal experts can provide in depth perspectives on the challenges and strategies related to combating money laundering and fraud. Interviews allow researchers to explore participants' experiences, attitudes, and perceptions regarding AML regulations, enforcement practices, technological innovations, and international cooperation efforts.

The interview guide was designed around the key research questions and grounded in the thematic gaps identified in the literature review and policy analysis. The question focused on the practical implementation of AML regulations within banks and financial institutions, the efficacy of enforcement mechanisms and inter-agency collaboration, perceptions of technological innovations (e.g., blockchain, AI) in combating laundering and institutional challenges, such as resource constraints or political interference. Lastly the question focused on the jurisdictional differences between the City of London and the overseas territories.

Each question was intended to elicit detailed, experience-based insights that could not be obtained through doctrinal/analysis alone. This empirical input allowed for a triangulated assessment of how AML laws function in practice, thus bridging the gap between formal regulation and applied enforcement.

Participants were selected using purposive sampling to ensure representation from key stakeholder groups actively involved in anti-money laundering (AML) and fraud prevention efforts. This included compliance officers, law enforcement officials, regulatory authority representatives, financial investigators and executives within financial institution operation in the City of London and dependent territories. Each participant was chosen for their practical, policy, or operational expertise in AML compliance, enforcement and regulatory implementation. Their first-hand perspective was essential in evaluating the efficacy of AML measures in different jurisdiction, identifying regulatory gaps, and assessing the adaptability of institutions to emerging financial crime typologies.

Interviews were being recorded with participants' consent and transcribed verbatim for analysis. The researcher strived to establish rapport with participants, maintain confidentiality, and encourage candid responses during the interview process.

Participants were selected using purposive sampling. This is a non-probabilistic sampling technique standard and highly respected in qualitative research. This approach is justified because the research aims to understand complex processes, challenges, and strategies—topics on which only those with direct, expert involvement can provide deep insight. The value is not in the number of participants but in the richness and depth of the data they provide. This method is championed by qualitative methodologists like Michael Quinn Patton,[104] who in his seminal work Qualitative Research & Evaluation Methods, outlines numerous strategies for purposeful sampling, including criterion sampling where selecting all cases that meet some predetermined criterion of importance to identify individuals who have unique knowledge or influence due to their professional role. It is considered a foundational book in the field and is where he extensively details the various types of purposeful sampling. The 4th edition is the most current, but earlier editions (3rd ed., 2002; 2nd ed., 1990) are also widely cited. This book provides the comprehensive

[104] MQ Patton, *Qualitative Research & Evaluation Methods: Integrating Theory and Practice* (4th edn, SAGE Publications 2015).

justification for the methodological choices described in this study, from sampling to interview design.

Consequently, the interview questions were not chosen arbitrarily; they were systematically developed based on two key foundations which includes grounding in prior research and focus on eliciting experiential, non-doctrinal insights. These questions were designed around the key research questions and grounded in the thematic gaps identified in the literature review and policy analysis. Before a single interview was conducted, the researcher immersed herself in existing knowledge by reviewing the legal statutes, case law, regulatory frameworks, and academic literature. This review helped her to understand what is already known about the formal, doctrinal aspects of AML frameworks. This review crucially, helped her identify "thematic gaps"—what is not known or poorly understood. These gaps become the primary targets for the interview questions. This prevents the research from reinventing the wheel. It ensures the study is original and contributes new knowledge by explicitly seeking to fill identified voids in the existing literature. It moves beyond "what the law says" to "how the law works in practice."

1.16 Data Analysis

The data gathered will be analysed using thematic analysis and doctrinal analysis. Doctrinal analysis is a research method used in legal studies that involves the examination and interpretations of legal texts, such as laws, statutes, judicial decisions, treaties, and other legal documents. This method is commonly used in legal scholarship and is based on the premise that the interpretation and understanding of legal rules and principles can be gained by studying the text of the law itself. Doctrinal analysis is also known as "black letter law" analysis, as it focuses on the formal, written laws and rules that govern a particular area of law.[105] This method is often contrasted with other legal research methods, such as empirical research, which focuses on the actual impact of the law on individuals and society, rather than just the text of the law itself. Data will be analyses by Identify patterns, contradictions, gaps, or trends in case law or statutory provisions using NVivo and conclusions will be made. However, for comparative studies, the researcher will identify similarities and differences between the legal systems under study and try to understand the reasons behind these similarities and differences in the money laundering and fraud framework in the City of London and dependent territories. The doctrinal method prioritizes a methodical examination of legal documents, encompassing legislation, regulations, case law, and legal commentary. During data analysis, the researcher carefully examines legal documents. This task entails the identification of crucial legal rules, terminology, and precedents within the UK legislative framework that pertain to money laundering and fraud. The process of data analysis utilizing the doctrinal technique include the identification and extraction of pertinent legal ideas and terminology pertaining to money laundering and fraud. The researcher meticulously examines the terminology employed in legal texts to comprehend the intricacies and distinct components that define these financial offences inside the legal structure. The study also encompasses a scrutiny of legal precedents, such as court rulings and verdicts, to comprehend the interpretations and application of the law. The researcher examines these instances to discern patterns, judicial rationale, and any emerging legal principles that might influence the comprehension and implementation of laws pertaining to money laundering and fraud.

[105] Amrit Kharel, *'Doctrinal Legal Research' [2018]* Available at SSRN 3130525.

This analysis is valid because it is rooted in established, peer-reviewed methodologies. Thematic analysis provides credibility in identifying meaningful patterns, while doctrinal analysis ensures legal precision. The combination is backed by strong literature in qualitative research, legal methodology, and comparative law. A study revealed that where doctrinal analysis identifies what the law says, and thematic or comparative approaches identify what the law means in practice and how it differs across jurisdictions[106][107]. Again, Thematic analysis ensures that practical patterns and contradictions in the interpretations of the law are captured, while doctrinal analysis ensures that legal precision and authoritative grounding are maintained[108].

1.17 Structure of the Thesis

The thesis is arranged as follows:

Chapter 1: Introduction

This chapter introduces the research by providing the background, rationale, research questions, and objectives, and it outlines a methodological approach that expands upon existing conceptual AML frameworks through a combined doctrinal and empirical lens. It also outlines the significance of the study, research methodology, and an overview of the thesis structure.

Chapter 2: Overview of the money laundering in London, the Crown Dependent Territories and British Overseas Territories

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[106] Zweigert, Konrad, and Hein Kötz. 1998. An Introduction to Comparative Law. 3rd ed. Oxford: Clarendon Press.
[107] Welsh, Elaine. 2002. "Dealing with Data: Using NVivo in the Qualitative Data Analysis Process." Forum: Qualitative Social Research 3(2).
[108] Chynoweth, Paul. 2008. "Legal Research." In Advanced Research Methods in the Built Environment, edited by Andrew Knight and Les Ruddock, 28–38. Oxford: Wiley-Blackwell.

This chapter examines the concept, definitions, techniques, and effects of money laundering. It further provides an overview of the legal frameworks addressing money laundering, with a focus on the City of London and the overseas territories.

Chapter 3: AML Regulatory Strategy in the City of London and British Overseas and Crown Dependent Territories

This chapter critically examines the anti-money laundering frameworks in the UK, and dependent Territories highlighting successes, gaps, and areas for improvement.

Chapter 4: A Critical Analysis of the AML regulatory Landscape in the British Overseas Territories and Crown Dependent Territories

This chapter sheds light on the intricate details of the AML regulatory environment in the British Overseas and Crown Dependent Territories and explores the legal frameworks that govern the anti-money laundering (AML) regulations in these territories.

Chapter 5: The Future of Anti-Money Laundering – Challenges and Innovations

This chapter explores how future money laundering threats will impact on the City of London and its dependent Territories identifying key challenges and innovations in AML enforcement.

Chapter 6: Survey and Analysis

This chapter presents the empirical component of the research, which complements the doctrinal analysis by capturing the experiences and perspectives of key stakeholders involved in anti-money laundering (AML) enforcement.

Chapter 7: Comparative Analysis of AML Strategies

This chapter examines weaknesses in the UK's anti-money laundering (AML) framework and explores ways to improve its effectiveness. By comparing the UK’s approach with Australia’s, particularly in areas like technology use and enforcement collaboration, the chapter highlights practical lessons the UK can adopt to strengthen its AML system.

Chapter 8: Conclusion and Evaluation

This chapter provides a critical evaluation of the overall research findings in relation to the effectiveness of anti-money laundering frameworks in the City of London, British Overseas Territories and Crown Dependencies. It assesses whether the study's objectives were achieved, reflects on the strengths and limitations of the methodologies used, and considers the practical implications of the research for policy, regulation, and further academic inquiry.

Chapter 2. AML Regulatory Strategy in the City of London and British Overseas and Crown Dependent Territories

2.1 Introduction

In Chapter 3, a comprehensive examination is undertaken to investigate the Anti-Money Laundering (AML) regulatory measures used by the City of London and British Overseas and Crown Dependent Territories. This analysis offers a comprehensive overview of the many tactics employed by these entities to effectively address and reduce instances of money laundering. The review presented in this chapter is thorough and considers the intricacies and unique issues found in different jurisdictional situations. As a result, this study aims to clarify and conduct a thorough analysis of the complex policies, legislative actions, and regulatory strategies that have been implemented to address the complexities of financial crime and preserve the integrity of financial systems in various jurisdictions.

The emphasis on anti-money laundering (AML) regulation solutions arises from the recognition that money laundering not only presents significant risks to financial systems but also erodes the economic stability and international standing of countries. Addressing this type of financial misconduct necessitates the implementation of a strong and consistent regulatory approach, which must be flexible enough to accommodate the ever-changing methods employed by individuals involved in money laundering. Furthermore, this strategy is designed to protect the financial system from unlawful practices, therefore ensuring its integrity. This chapter begins by providing a detailed explanation of the separate anti-money laundering (AML) frameworks employed by the City of London and dependent territories. It then proceeds to conduct a thorough evaluation, followed by a comparative analysis aimed at highlighting the differences, similarities, and potential enhancements in their respective AML strategies. The next discussion will examine the legal frameworks, conduct a critical review of regulatory entities and their functions, and study the methods of enforcement. This will result in a comprehensive assessment and comparative analysis of the anti-money laundering tactics used.

It is crucial to note that although the City of London and British Overseas and Crown Dependent Territories each have their own legal frameworks, these regulations are effectively aligned through shared international standards and regulatory cooperation. The laws governing money laundering, despite being enforced across different jurisdictions, exhibit common core principles. This ensures that even with local variations, the application of these laws is consistent, reinforcing global efforts to combat financial crime. The regulatory bodies in each jurisdiction often collaborate, ensuring that there is an effective exchange of information and that AML measures are uniformly applied in line with global expectations set by entities such as the Financial Action Task Force (FATF).[109]

2.2 Overview of Anti-Money Laundering Frameworks

The Anti-Money Laundering (AML) frameworks encompass a set of organized procedures, principles, and legislative tools specifically devised to identify, deter, and counteract the unlawful activity of money laundering. The primary objective of these frameworks is to convert obscure financial actions into transparent processes, with the ultimate goal of preventing the manipulation of financial systems and institutions for malicious purposes.[110] In many legal systems, these frameworks commonly rely on a blend of global benchmarks, such as those proposed by the Financial Action Task Force (FATF), and local laws customized to the distinct financial environment and inherent hazards specific to each geographical area.

The anti-money laundering (AML) system in the Uk, and its dependent territories has seen significant changes over time, with a growing emphasis on stringent measures to address the ever-changing nature of financial crime. The implementation encompasses a combination of preventative and punitive strategies, which entail the enforcement of extensive rules such as the Money Laundering, Terrorist Financing, and Transfer of Funds rules.[111] The framework places further emphasis on customer due diligence, ongoing monitoring, and the reporting of suspicious actions, highlighting the crucial responsibilities that financial institutions have as the primary barrier against money

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[109] United Nations Office on Drugs and Crime. *The Role of the UN in Anti-Money Laundering Efforts*. 2023
[110] Peter Clegg and Peter Gold, 'The UK Overseas Territories: A Decade of Progress and Prosperity?' (2011) 49 *Commonwealth & Comparative Politics* 115.
[111] Arun Srivastava, 'UK Part II: UK Law and Practice'.

laundering. In addition to regulatory measures, the framework also includes institutional processes that include authorized authorities who are responsible for overseeing, enforcing, and educating individuals, so guaranteeing a comprehensive strategy to combating money laundering in all its manifestations.

2.2.1 United Kingdom

The City of London has emerged as a significant worldwide financial centre, a status that not only yields considerable economic advantages but also renders it an appealing location for illicit money laundering operations.[112] As a result, the UK has established and consistently improved its Anti-Money Laundering (AML) framework to address and minimise the risks associated with money laundering and related criminal activities. The framework demonstrates an interdependent combination of local rules and international obligations, with the latter primarily influenced by global norms, including those established by the Financial Action Task Force (FATF).[113] The 40 recommendations of the Financial Action Task Force (FATF), widely recognized as the global benchmark for addressing money laundering and terrorist financing, have significantly influenced the UK's efforts in formulating effective anti-money laundering (AML) strategies and implementing sound practices.

The foundation of the anti-money laundering (AML) regulatory framework in the City of London is established by a range of legislative measures, most notably the Proceeds of Crime Act 2002 (POCA) and the Money Laundering, Terrorist Financing and Transfer of

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[112] Anna Macegoniuk, 'How British Island Tax Havens Accommodate Financial Criminals? Historical Perspective 1956–2020' (master's Thesis, A Macegoniuk 2021).

[113] Peter Clegg and Peter Gold, 'The UK Overseas Territories: A Decade of Progress and Prosperity?' (2011) 49 *Commonwealth & Comparative Politics* 115.

Funds (Information on the Payer) Regulations 2017.[114] The Proceeds of Crime Act (POCA) establishes a comprehensive structure for the seizure of illicitly obtained funds and presents an extensive interpretation of the concept of money laundering. In contrast, the laws implemented in 2017 provide a comprehensive outline of the specific responsibilities placed upon regulated businesses. These obligations primarily centre upon doing thorough customer due diligence, performing risk assessments, and fulfilling reporting requirements, alongside other mandated tasks. In addition to the aforementioned primary legislative texts, the City of London's anti-money laundering (AML) framework is further supplemented by a range of other statutes and regulations.[115] These additional legal measures serve to address specific intricacies and increasing complexities within the realm of AML.

The UK's anti-money laundering (AML) system is reinforced by a complex institutional structure, which includes many entities responsible for supervising, enforcing, and enhancing AML initiatives. One example of an entity that has significant importance in the oversight of the financial services sector is the Financial Conduct Authority (FCA). Its primary function is the regulation of businesses operating within this industry, with a particular focus on ensuring compliance with legal requirements and addressing the potential hazards connected with money laundering activities within the financial sector.[116] In addition, the National Crime Agency serves as a significant actor in the investigation and prevention of the money laundering operations. The UK's anti-money

[114] ibid
[115] Peter Clegg, 'Governing the UK Caribbean Overseas Territories: A Two-Way Perspective' [2009] *Governance in the Non-Independent Caribbean* 3.
[116] John Christensen, 'The Looting Continues: Tax Havens and Corruption' (2011) 7 *Critical perspectives on International Business* 177.

laundering (AML) framework is strengthened by a complex network of legal, regulatory, and institutional elements. This comprehensive system is designed to protect the integrity of the country's financial institutions by combatting money laundering and associated illicit financial activities.

The UK has implemented a comprehensive range of legal measures and regulations to effectively address the diverse array of difficulties associated with money laundering. This strategic approach aims to protect the country's economic environment from illicit financial activity. The major element of this legislative framework is the Proceeds of Crime Act 2002 (POCA), which consolidates the primary offences associated with money laundering and establishes protocols for the retrieval of illicitly obtained funds. The Proceeds of Crime Act (POCA) establishes the fundamental legal framework upon which several other policies and processes are constructed. It defines the offence of the money laundering and prescribes the punitive actions to be taken against those found responsible. The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 enhance the anti-money laundering (AML) framework in the UK by establishing specific regulatory obligations for financial sector organizations.[117]

Based on risk-based methodologies, the laws established in 2017 require regulated organizations to enforce thorough and appropriate anti-money laundering measures. These measures include customer due diligence, continuous monitoring, and reporting of suspicious activities, among other requirements. The aforementioned rules provide a comprehensive framework that clearly delineates the specific requirements imposed on

[117] John Christensen, 'The Hidden Trillions: Secrecy, Corruption, and the Offshore Interface' (2012) 57 *Crime, Law and Social Change* 325.

regulated businesses in relation to the identification, evaluation, and reduction of the risks associated with money laundering that they may encounter.[118] The notable aspect lies in the heightened attention given to customer due diligence (CDD) and enhanced due diligence (EDD) in situations characterized by increased risk. Moreover, the legislative environment is enhanced by a variety of instructional resources and legal instruments that provide additional information, interpretation, and clarification of the overall legislative provisions. These resources assist organizations in understanding and adhering to the requirements of the law.[119]

The legal and regulatory requirements are enforced and supervised by many regulatory agencies, each having distinct responsibilities and functioning within specialized sectors of the economy. The Financial Conduct Authority (FCA) has a position of utmost importance in this context, since it is responsible for the oversight and regulation of financial services businesses, with the primary objective of ensuring compliance with legal and regulatory requirements.[120] The mission of the Financial Conduct Authority (FCA) involves the supervision of businesses' adherence to anti-money laundering (AML) duties, offering assistance, and, where deemed appropriate, implementing regulatory laws through the imposition of penalties, fines, or other corrective actions. The regulatory

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[118] Arun Srivastava, 'UK Part II: UK Law and Practice' in Arun Srivastava, Mark Simpson and Richard Powell (eds), *International Guide to Money Laundering Law and Practice* (4th edn, Bloomsbury Professional 2013).
[119] Andrew Mitchell QC, 'International Guide to Money Laundering Law and Practice, 4th Edition' (2015) 41 *Commonwealth Law Bulletin* 155 <https://doi.org/10.1080/03050718.2015.1019689> accessed 18 October 2023.
[120] Alexa Rosdol, 'Are OFCs Leading the Fight against Money Laundering?' (2007) 10 *Journal of Money Laundering Control* 337.

authority emphasizes a proactive strategy, seeking to minimise hazards prior to their transformation into harmful consequences.

Furthermore, the effectiveness of regulatory efforts is enhanced via interagency collaboration and coordination. The National Crime Agency (NCA) engages in close collaboration with the Financial Conduct Authority (FCA) and other pertinent entities, with a specific emphasis on the investigative dimension of endeavours to combat money laundering. The entity functions as a pivotal participant in the interception of unlawful financial transactions, utilizing information obtained via Suspicious Activity Reports (SARs) and other forms of intelligence to identify, analyse, and impede activities related to the laundering of illegal funds.[121] Within the realm of regulatory and enforcement endeavours, the collaborative efforts of different entities, each bringing their distinct talents and experience, serve to strengthen the overall effectiveness and scope of the UK's anti-money laundering initiatives.

Although the legislative and regulatory framework for anti-money laundering (AML) in the UK is extensive and strong, it is not devoid of issues and criticisms.[122] Ongoing dialogue has revolved around many issues pertaining to the effectiveness of enforcement, the quality and usability of Suspicious Activity Reports (SARs), and the need for coordination of efforts among numerous regulatory organizations. The legislative and regulatory frameworks need to change in response to the evolving financial technology and tactics used by money launderers, to effectively address rising risks and vulnerabilities. Therefore, it is crucial to engage in ongoing contemplation, adjustment, and enhancement

[121] National Crime Agency, *Suspicious Activity Reports (SARs) Annual Report 2022* (NCA 2022).
[122] Financial Conduct Authority, *Financial Crime: A Guide for Firms* (FCA 2023).

of legislative measures and regulatory procedures to guarantee the durability, applicability, and effectiveness of the UK's anti-money laundering (AML) policy in the face of ever-changing financial environments.[123]

Enforcement mechanisms play a crucial role in the intricate realm of anti-money laundering (AML) endeavours, serving as indispensable instruments for upholding regulatory obligations and sanctioning instances of non-compliance. Enforcement in the UK is implemented using a comprehensive method that combines regulatory measures with judicial processes. Regulatory organizations, such as the Financial Conduct Authority (FCA), are vested with the power to conduct investigations, provide oversight, and, if deemed appropriate, enforce penalties on firms that violate their anti-money laundering (AML) requirements.[124] This may involve the implementation of penalties, directives, or even the revocation of licenses, so guaranteeing that regulatory requirements are not only abstract limitations but are supported by concrete and significant consequences. Furthermore, the implementation of anti-money laundering measures is supported by legal processes, which allow for the prosecution and punishment of the money laundering violations as outlined in legislations such as the Proceeds of Crime Act 2002 (POCA). This serves to strengthen both the deterrent and retributive aspects of the UK's anti-money laundering strategy.[125]

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[123] Anna Macegoniuk, 'How British Island Tax Havens Accommodate Financial Criminals? Historical Perspective 1956–2020' (master's Thesis, A Macegoniuk 2021).
[124] Maria Mut Bosque, 'The Sovereignty of the Crown Dependencies and the British Overseas Territories in the Brexit Era' (2020) 15 *Island Studies Journal* 151.
[125] Mary Alice Young, 'The Exploitation of Offshore Financial Centres: Banking Confidentiality and Money Laundering' (2013) 16 *Journal of Money Laundering Control* 198.

Simultaneously, compliance systems function as proactive measures, designed to prevent the occurrence of the money laundering operations within legitimate organizations. The regulatory framework requires companies, particularly those in the financial sector, to implement and uphold strong internal controls and processes that aim to identify and mitigate the risks associated with money laundering. The aforementioned operations include risk evaluations, client due diligence, transaction monitoring, and the reporting of suspicious actions, among other tasks. The enforcement of these compliance processes serves to protect the integrity of entities and strengthen the overall financial system by preventing manipulation for money laundering purposes.[126] Therefore, the integrated effectiveness of enforcement and compliance systems plays a crucial role in comprehensively strengthening the UK's economic sector against the risks and weaknesses associated with money laundering.[127]

2.2.2 Bailiwick of Jersey

The Bailiwick of Jersey, despite its small size, demonstrates a strong and advanced anti-money laundering (AML) system, which is shaped by its own rules and adherence to global standards. The jurisdiction has methodically established an infrastructure for Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) that conforms to the guidelines put forward by the Financial Action Task Force (FATF).[128] The

[126] John Hatchard, 'Money Laundering, Public Beneficial Ownership Registers and the British Overseas Territories: the Impact of the Sanctions and Money Laundering Act 2018 (UK)' (2018) 30 *The Denning Law Journal* 185 http://www.ubplj.org/index.php/dlj/article/view/1652 accessed 18 October 2023.
[127] Fitz-Roy Drayton, 'Dirty Money, Tax and Banking: Recent Developments Concerning Mutual Legal Assistance and Money Laundering in the Caribbean Region and the Region's Responses' (2002) *5 Journal of Money Laundering Control* 338 https://doi.org/10.1108/eb027316 accessed 18 October 2023.
[128] Leila Simona Talani, 'Dirty City: Money Laundering and the City of London' in Leila Simona Talani (ed), *Globalisation, Hegemony and the Future of the City of London* (Palgrave Macmillan UK 2012) https://doi.org/10.1057/9780230349452_7 accessed 18 October 2023.

aforementioned alignment highlights the dedication of the Bailiwick to upholding a robust financial system that is capable of withstanding the many challenges posed by money laundering and terrorist financing. This commitment serves to protect the Bailiwick's standing as a dependable global financial hub.[129]

The AML framework in the Bailiwick of Jersey is notable for its ability to strike a compromise between robust regulatory compliance and the facilitation of lawful commercial operations. The fundamental basis of Jersey's anti-money laundering (AML) framework is established in the Money Laundering (Jersey) Order 2008.[130] This legislation outlines the essential AML responsibilities that must be adhered to by financial institutions and specified non-financial firms and professions. Moreover, to guarantee thorough and efficient implementation of measures against money laundering, the framework encompasses a set of policies that regulate Customer Due Diligence (CDD), the maintenance of records, the reporting of suspicious activities, and the establishment of internal controls and procedures designed to identify, evaluate, and mitigate risks associated with anti-money laundering (AML).[131]

To enhance the establishment of a robust anti-money laundering (AML) framework, Jersey has implemented a range of legislative measures and policies. In addition to the aforementioned Money Laundering Order, there are other legislative measures in place to combat illicit financial activities. One such law is the Proceeds of Crime (Jersey) Law

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[129] Maria Mut Bosque, 'The Sovereignty of the Crown Dependencies and the British Overseas Territories in the Brexit Era' (2020) 15 Island Studies Journal 151.
[130] ibid
[131] Fitz-Roy Drayton, 'Dirty Money, Tax and Banking: Recent Developments Concerning Mutual Legal Assistance and Money Laundering in the Caribbean Region and the Region's Responses' (2002) 5 Journal of Money Laundering Control 338 https://doi.org/10.1108/eb027316 accessed 18 October 2023.

1999, which establishes money laundering as a criminal offence.[132] Furthermore, the Terrorism (Jersey) Law 2002 specifically targets the issue of terrorist funding. Furthermore, the regulatory framework is enhanced by a collection of guidance notes that provide comprehensive insights and recommendations regarding the practical execution of anti-money laundering (AML) obligations.[133] These guidance notes assist regulated entities in understanding and complying with their legal responsibilities, while also protecting themselves from being exploited for unlawful financial activities. The Bailiwick of Jersey employ a collaborative approach to regulatory supervision, including many entities. The Jersey Financial Services Commission (JFSC) assumes a crucial responsibility in overseeing and regulating the financial services industry, particularly with regard to anti-money laundering and countering the financing of terrorism (AML/CFT) requirements. The JFSC utilizes a risk-based methodology for supervision, allocating resources and efforts towards regions that are seen as having a higher likelihood of the money laundering and terrorist financing activities. Furthermore, the Jersey Financial Crimes Unit (JFCU) serves as the jurisdiction's designated Financial Intelligence Unit (FIU), assuming a crucial function in the reception, examination, and distribution of financial intelligence pertaining to potentially illicit activities. As such, it constitutes an essential element of the anti-money laundering (AML) framework.

The enforcement and compliance measures implemented within the Bailiwick of Jersey play a crucial role in ensuring the practical effectiveness of its anti-money laundering

[132] Tracy S Paradise, 'Money Laundering and International Political Economy' (1998) 1 Journal of Money Laundering Control 229 https://doi.org/10.1108/eb027145 accessed 18 October 2023.
[133] 'The Money Laundering and Terrorist Financing (Amendment) Regulations 2019' https://www.legislation.gov.uk/uksi/2019/1511/contents/made?view=plain accessed 18 October 2023.

(AML) system. [134] The JFSC, possessing the requisite jurisdiction to implement anti-money laundering (AML) regulations, has the power to administer a diverse array of penalties in cases of non-adherence, encompassing monetary fines as well as the withdrawal of licenses. Moreover, the reinforcement of compliance is achieved by conducting thorough audits of regulated businesses, which serve to verify their compliance with anti-money laundering (AML) standards and assess the effectiveness of their risk management systems.[135] The coordinated and methodical operation of enforcement and compliance procedures plays a crucial role in guaranteeing the practical implementation of AML legislations within Jersey's financial sector, therefore translating theoretical frameworks into tangible and effective practices.

2.2.3 The Bailiwick of Guernsey

The Bailiwick of Guernsey, located in the English Channel, is widely recognized for its comprehensive and adaptable Anti-Money Laundering (AML) framework. This framework successfully manages the complex realm of global finance, while also addressing the potential dangers connected with money laundering and terrorism funding.[136] Guernsey, as a jurisdiction, has exhibited a consistent dedication to building and upholding a robust anti-money laundering and countering the financing of terrorism (AML/CFT) framework. This commitment aims to adhere to global benchmarks, while also defending the integrity of its financial system. The AML system here is methodically structured to combat

[134] John Connell, 'Alderney: Gambling, Bitcoin and the Art of Unorthodoxy' (2014) 9 Island Studies Journal 69 https://islandstudiesjournal.scholasticahq.com/article/81612 accessed 18 October 2023.
[135] ibid
[136] Mary Alice Young, 'The Exploitation of Offshore Financial Centres: Banking Confidentiality and Money Laundering' (2013) 16 Journal of Money Laundering Control 198.

financial crime and simultaneously encourage legal business efforts, achieving a balance that is vital for its booming financial industry.[137]

The AML rules and procedures of Guernsey are based on a fundamental dedication to promoting openness, accountability, and ethical conduct in its financial industry.[138] The jurisdiction has allocated significant resources to establish an anti-money laundering (AML) system that not only adheres to the guidelines set out by the Financial Action Task Force (FATF), but also demonstrates adaptability to the dynamic global financial landscape, given its strong dependence on the financial industry. Therefore, the regulatory strategy of the organization combines stringent compliance requirements with a practical comprehension of the operating intricacies of various financial companies.[139]

Guernsey's anti-money laundering (AML) system is supported by a number of key legislative measures that collectively provide the foundation of its AML/counter financing of terrorism (CFT) policy. The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999, establishes the legal obligations for financial sector entities with regards to doing due diligence, maintaining records, and reporting any suspicious actions.[140] Furthermore, the Proceeds of Crime (Requirements on Businesses) (Bailiwick of Guernsey) Regulations, 2007, along with subsequent revisions, offer additional comprehensive information regarding precautionary measures. These regulations

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[137] 'Guernsey: Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism' https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Guernsey-Detailed-Assessment-Report-on-Anti-Money-Laundering-and-Combating-the-Financing-of-24565 accessed 18 October 2023.

[138] Donato Masciandaro, 'Money Laundering Regulation: The Micro Economics' (1998) 2 Journal of Money Laundering Control 49 https://doi.org/10.1108/eb027170 accessed 18 October 2023.

[139] Tracy S Paradise, 'Money Laundering and International Political Economy' (1998) 1 Journal of Money Laundering Control 229 https://doi.org/10.1108/eb027145 accessed 18 October 2023.

[140] Vandana Ajay Kumar, 'Money Laundering: Concept, Significance and Its Impact' (2012) 4 *European Journal of Business and Management*.

exemplify the ongoing endeavours of the jurisdiction to strengthen its anti-money laundering (AML) legislative structure and effectively respond to evolving risks and global standards.

The Guernsey Financial Services Commission (GFSC) has a pivotal position in defining and implementing the anti-money laundering and countering the financing of terrorism (AML/CFT) regulatory framework of the island. The GFSC, functioning as the primary regulatory authority for the financial sector, bears the responsibility of monitoring and ensuring the adherence of financial institutions and other obligated organizations to the prescribed anti-money laundering (AML) legislation and recommendations.[141] The Commission is responsible for both monitoring and evaluating the effectiveness of anti-money laundering (AML) policies adopted by organizations, as well as providing guidance to enhance their preventative measures. This dual role aims to create an environment that is resistant to illegal financial activity and supports steady economic growth.

To properly implement the statutory and regulatory aspects of Guernsey's anti-money laundering (AML) system, the Guernsey Financial Services Commission (GFSC) rigorously enforces robust enforcement and compliance measures.[142] The Commission is vested with the power to levy sanctions and initiate enforcement measures against companies that do not adhere to their anti-money laundering (AML) responsibilities. These actions can encompass a spectrum of consequences, including monetary fines

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[141] Sanjay Sharma, 'Dirty Money: How the UK Securities and Derivatives Markets Are Used to Launder Money' (2001) 4 *Journal of Money Laundering Control* 309 https://doi.org/10.1108/eb027281 accessed 18 October 2023.

[142] Donato Masciandaro, 'Money Laundering Regulation: The Micro Economics' (1998) 2 *Journal of Money Laundering Control* 49 https://doi.org/10.1108/eb027170 accessed 18 October 2023.

and the revocation of licenses. In addition, financial firms undergo routine inspections and assessments to guarantee consistent compliance with anti-money laundering (AML) legislation and to detect any possible weaknesses that may be exploited for the purposes of the money laundering or terrorist funding.[143]

The AML system in Guernsey is situated amid an intricate network of global financial connections, resulting in the jurisdiction consistently managing the dual objectives of enforcing rigorous regulatory compliance and enabling lawful and efficient economic activities.[144] The primary objective of AML rules and laws is to prevent money laundering and associated financial offences. Additionally, these measures aim to safeguard and strengthen Guernsey's standing as a trustworthy, dependable, and well-integrated participant in the worldwide financial industry. This technique, characterized by two distinct aspects, guarantees that financial institutions function inside a regulated and compliant setting, while also benefiting from the necessary adaptability and assistance that foster continuous growth and advancement.[145]

2.2.4 The Isle of Man

The Isle of Man, located in the Irish Sea, is renowned globally for its robust financial services industry. It has implemented several measures to develop a comprehensive framework for combating money laundering and financing of terrorism, therefore

[143] 'Future of Business in UK Territories Is Uncertain' (2019) oxan-db Emerald Expert Briefings https://doi.org/10.1108/OXAN-DB242665 accessed 18 October 2023.

[144] 'Guernsey: Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism' https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Guernsey-Detailed-Assessment-Report-on-Anti-Money-Laundering-and-Combating-the-Financing-of-24565 accessed 18 October 2023.

[145] 'The Money Laundering and Terrorist Financing (Amendment) Regulations 2019' https://www.legislation.gov.uk/uksi/2019/1511/contents/made?view=plain accessed 18 October 2023.

safeguarding its esteemed standing. The island effectively maintains a delicate equilibrium by fostering a thriving financial climate while also implementing rigorous regulatory measures to avoid the potential hazards associated with money laundering and other unlawful financial undertakings. The framework of the AML/CFT system is designed to conform to international standards, including the guidelines set forward by the Financial Action Task Force (FATF). Its primary objective is to uphold financial stability and integrity within its jurisdiction.

The legal framework of the Isle of Man pertaining to the prevention of the money laundering and terrorist financing is comprised of a range of laws and regulations that provide the essential controls and procedures for anti-money laundering and countering the financing of terrorism. The Proceeds of Crime Act 2008 is considered a crucial legislative measure that outlines the fundamental offences and associated punishments pertaining to money laundering. Additionally, it establishes provisions for the seizure of illicit gains resulting from criminal activities. In addition, the Anti-Money Laundering and Countering the Financing of Terrorism Code 2019 sets forth comprehensive guidelines for businesses pertaining to Customer Due Diligence (CDD), maintenance of records, and reporting of suspicious transactions. This legislation establishes a legal framework aimed at protecting the financial sector from unlawful exploitation.[146]

The Financial Services Authority (IOMFSA) is a key component of the Isle of Man's Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) framework. Its

[146] Isle of Man Government, *Isle of Man's Commitment on Anti-Money Laundering and Countering the Financing of Terrorism* https://www.gov.im/media/1082460/amlcommitment.pdf accessed 18 October 2023.

primary role is the oversight and regulation of financial services, with a specific focus on ensuring adherence to the designated AML/CFT rules.[147] The IOMFSA implements a risk-based supervisory framework, wherein its resources are primarily directed towards areas identified as having the greatest susceptibility or exposure to money laundering and terrorism funding issues. The Authority furthermore offers advice to financial companies, assisting them in developing and executing strong anti-money laundering and countering the financing of terrorism (AML/CFT) policies, processes, and controls that are in line with international standards and best practices.

The operationalization of the Isle of Man's AML/CFT system relies heavily on the presence of efficient enforcement and compliance measures. The ability to implement anti-money laundering and countering the financing of terrorism (AML/CFT) legislation has been granted to the Isle of Man Financial Services Authority (IOMFSA), which utilizes a range of instruments and methods to promote compliance within the financial sector.[148] The spectrum of actions encompasses frequent inspections to verify compliance with regulatory mandates, as well as the imposition of penalties for non-conformity, such as monetary fines, sanctions, or the withdrawal of licenses. In addition, the IOMFSA proactively collaborates with enterprises to cultivate a culture of compliance and ease comprehension and execution of anti-money laundering and countering the financing of terrorism duties.

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[147] John Christensen, 'The Hidden Trillions: Secrecy, Corruption, and the Offshore Interface' (2012) 57 *Crime, Law and Social Change* 325.

[148] 'AML/CFT Legislation in Isle of Man - MemberCheck' https://membercheck.com/aml-cft-legislation-in-isle-of-man/ accessed 18 October 2023.

The ongoing evolution of the global financial environment necessitates a corresponding evolution in the nature of financial crime. Consequently, there is a growing imperative to continuously adapt and develop the Isle of Man's framework for anti-money laundering and countering the financing of terrorism (AML/CFT).[149] The jurisdiction maintains a strong awareness of global events, ensuring that its policies and procedures are regularly revised to address any new risks and vulnerabilities that may arise. The Isle of Man strives to enhance its ability to combat money laundering and terrorist financing, safeguarding the stability and integrity of its financial system in an ever-changing global environment. This is achieved through ongoing communication with the financial sector and international regulatory bodies, as well as through regular assessments and revisions of its legislative and regulatory framework.

2.2.5 AUSTRAC

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is in charge of anti-money laundering and counter terrorist funding (AML/CTF) and gathering information about Australia's finances. AUSTRAC has been around since 1989 and works at the crossroads of national security, law enforcement, and financial regulation.[150][151]

AUSTRAC serves as Australia's financial intelligence unit and principal AML/CTF regulator, operating under the statutory authority conferred by the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act). This dual mandate

[149] Isle of Man Government, *Isle of Man's Commitment on Anti-Money Laundering and Countering the Financing of Terrorism* https://www.gov.im/media/1082460/amlcommitment.pdf accessed 18 October 2023.

[150] AUSTRAC, "Annual Report 2023-24," Canberra, Australia, 2024.

[151] M. Chen and P. Williams, "Machine learning applications in suspicious transaction detection," IEEE Transactions on Computational Social Systems, vol. 10, no. 3, pp. 892-904, June 2023.

differentiates AUSTRAC from financial intelligence units in various jurisdictions that concentrate solely on intelligence functions without direct regulatory authority. The statutory framework designates AUSTRAC with the responsibilities of intelligence collection, oversight of reporting entities, and enforcement of the AML/CTF regime.[152]

The operational aspect of AUSTRAC's mandate includes intelligence gathering and analysis. AUSTRAC gathers intelligence on dubious transactions and designated reports to facilitate study and distribution to law enforcement and industry collaborators.[153]. This intelligence function underpins AUSTRAC's role in comprehensive law enforcement initiatives, facilitating the identification and examination of money laundering, terrorism funding, and related financial crimes. The intelligence generated from compulsory reporting requirements is beneficial to both AUSTRAC and law enforcement agencies in detecting patterns of illegal money and aiding criminal investigations.

AUSTRAC's regulatory function encompasses establishing duties for reporting organizations within the AML/CTF framework and monitoring adherence through oversight and enforcement actions. The organization disseminates national risk assessments to establish priorities and advise regulated sectors regarding their exposure to money laundering and terrorism financing.[154]. These risk assessments fulfil two functions: directing AUSTRAC's supervisory priorities and supplying reporting firms with intelligence to adjust their risk-based compliance strategies. AUSTRAC modifies the

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[152] Scott et al., Anti-Money Laundering/Counter-Terrorism Financing Tranche 2 reform in Australia an opportunity for intelligence to lead the way, 20242025.

[153] D. Goldbarsht et al., Money laundering and the risk in the risk-based approach: the Australian context, 20242025.

[154] D. Southworth et al., Application of the risk-based approach (RBA) for financial crime risk management by banks, Ius gentium, 2024. DOI: 10.1007/978-3-031-59543 1_5

extent of its regulatory supervision in response to expanding sectors and services as national risk assessments reveal new vulnerabilities.[155]. The institutional design is indicative of a strategic decision to consolidate regulatory and intelligence functions within a single agency. By incorporating operational intelligence, AUSTRAC can refine supervisory strategies and facilitate enforcement decisions. AUSTRAC is able to identify systemic compliance weaknesses and allocate resources to sectors and entities that present elevated money laundering and terrorism financing risks as a result of the feedback cycle between regulatory supervision and intelligence collection.

Recent literature underscores that AUSTRAC's mandate is expanding to include a broader spectrum of reporting entities in addition to traditional financial institutions. The agency has broadened its regulatory jurisdiction to encompass virtual asset service providers and is currently in the process of exploring additional extensions to legal professionals and other designated non-financial businesses and professions.[156]. This expansion aligns with international norms established by the Financial Action Task Force (FATF) and domestic risk evaluations that highlight weaknesses in previously unregulated industries.

AUSTRAC's operational functions focus on the collection, analysis, and dissemination of financial intelligence obtained from obligatory reporting by regulated firms. The AML/CTF Act mandates extensive reporting duties, obliging reporting companies to provide multiple

[155] Orchard, Money laundering risks: the case of non-fungible tokens key recommend-
dations for Australia, 20242025. DOI: 10.1007/978-3-031-59547-9_10
[156] Gupta et al., Deterrence and Prevention in Economic Crime Control: A Comparative Study of India's Fugitive Economic Offenders Act and Australia's AML/CTF
Framework, 20242025.

report categories to AUSTRAC, such as suspicious matter reports, threshold transaction reports, and international funds transfer instructions. Intelligence processing transforms these reports and related data into actionable outputs for law enforcement and regulated industries. The intelligence collecting infrastructure functions continuously, with reporting entities relaying data to AUSTRAC via established electronic reporting channels. This establishes a significant data bank that AUSTRAC examines to discern patterns, trends, and particular occurrences of probable money laundering or terrorism financing. The intelligence obtained from this reporting is crucial for AUSTRAC and law enforcement agencies in identifying illicit finance and facilitating investigations.

An essential operational duty entails the creation and dissemination of national and sectoral risk assessments that identify money laundering and terrorism financing vulnerabilities within the Australian economy. AUSTRAC has published several risk assessments about money laundering and terrorism financing, focusing on Australia's financial system and particular business segments.[157]. These evaluations help to focus attention on industries and products that are thought to be at higher risk, so that supervisory resources are used where they are most needed. The risk assessment method uses information from many different places, such as intelligence from reporting entity submissions, comments from law enforcement, worldwide typologies, and consultations with specific sectors. By providing these assessments, AUSTRAC gives reporting companies information that helps them create their own risk-based compliance procedures while also letting them know what the agency's priorities are. Companies that

[157] D. Southworth et al., Application of the risk-based approach (RBA) for financial crime risk management by banks, Ius gentium, 2024. DOI: 10.1007/978-3-031-59543
1_5

work in areas that AUSTRAC evaluations have deemed to be high-risk may expect extra attention from supervisors and possibly more specific instructions. Recent work on risk assessment has included new sectors and financial products that are just coming out. AUSTRAC's focus on non-fungible tokens (NFTs) and other digital assets goes against the agency's efforts to find and fix weaknesses in markets that are changing quickly.[158]. This proactive risk assessment strategy lets AUSTRAC change the scope of its rules and the focus of its supervision as new ways to launder money and fund terrorists come to light, instead than waiting until there are big holes in the rules before taking action.

AUSTRAC's regulatory policy is based on the risk-based approach. This method makes businesses that have to report money laundering and terrorism funding threats that are related to their specific business activity, client base, and geographic exposure. AUSTRAC's oversight emphasizes results and proportionality instead than rigid, uniform compliance checklists. When it comes to their AML/CTF programmes, organizations must make them fit the risks they have identified. They should put in place stricter controls when the risk is higher and simpler measures when the danger is clearly lower. Recent study underscores that the risk-based strategy functions at several levels. AUSTRAC does risk assessments at the national level to find industries, goods, and channels that are more likely to be used for money laundering and terrorism financing.

AUSTRAC uses these national assessments to decide what to focus on and how to use its resources. Reporting entities must do their own risk assessments and establish compliance procedures that fit their own risk profile at the entity level. AUSTRAC's use of

[158] Ibid.

the risk-based approach in its supervision checks to see if businesses have correctly assessed their risks and put in place controls that are appropriate. AUSTRAC's enforcement actions against reporting companies that didn't properly analyse and reduce risks show how the risk-based strategy works. These enforcement instances show that risk assessments that don't really look at entity-specific weaknesses will not meet regulatory standards.[159]. Entities must show that they can identify risks based on facts, have written plans for reducing those risks, and keep an eye on them to make sure the controls are working. Proportionate controls are a vital part of the risk-based framework. Reporting organizations must show that they have risk-based systems, that they have better controls when the risk is higher, and that they follow AUSTRAC's advice and assessments. This means that businesses that serve high-risk customers, sell items that are easy to use for money laundering, or work in high-risk geographic regions must have strong customer due diligence, transaction monitoring, and reporting mechanisms in place. On the other hand, organizations with clearly lower risk profiles may use simpler procedures as long as they can show that this is the best way to go through a documented risk assessment.

AUSTRAC's enforcement stance has become much stronger in the last several years, which shows that the agency is taking a more aggressive regulatory approach. Over the past few years, Australia has seen a lot of AML enforcement activity. AUSTRAC has shown that it is more ready to take compliance measures and civil fines against reporting

[159] Pandey, A comparative analysis of the FIUs and FATF compliance of Canada, Australia, The Netherlands and India, Journal of Money Laundering Control, 2023.
DOI: 10.1108/jmlc-09-2023-0155

organizations that don't satisfy their requirements.[160]. This increased enforcement effort tells the regulated sector that compliance plans that aren't very good or that don't do much will have regulatory implications. There has been more enforcement activity in several areas, and AUSTRAC uses compliance and sanctions tools when people don't meet their duties. AUSTRAC's supervisory reach covers all types of regulated entities, as shown by enforcement proceedings against both large financial institutions and smaller reporting entities. The agency has a pipeline from supervision to sanction that leverages intelligence and risk assessments to decide which investigations and corrective actions should be done on first. This means that organizations that intelligence analysis or risk assessments find to be noncompliant become targets for supervisory review and possible enforcement actions. AUSTRAC's enforcement strategy focuses on fixing problems when they are found. The agency uses enforcement actions or formal regulations to fix systemic problems. This focus on correcting issues shows that the main goal is to enhance compliance results and make it harder for money laundering and terrorism financing to happen, not only to punish people. However, in cases of serious or systematic compliance breaches, AUSTRAC has issued civil fines. This shows that AUSTRAC will pursue penalties when the severity and length of non-compliance warrant it.[161] Recent enforcement actions have provided an illustration of the risk-based approach in practice. For example, AUSTRAC has taken action against reporting organizations that have failed to comply with anti-money laundering responsibilities. In light of these incidents, it is clear that organizations are required to not only have formal compliance systems in place but

[160] R. Moiseienko et al., Anti-money laundering in Australia: introduction, Current Issues in Criminal Justice, 2025. DOI: 10.1080/10345329.2025.2484062
[161] ibid

also to successfully implement those programmes. All of the components of the anti-money laundering and counterterrorism financing compliance framework require actual implementation, as evidenced by the fact that enforcement actions have been taken in response to failures in customer due diligence, transaction monitoring, or reporting of questionable matters.

The Anti-Money Laundering and Counterterrorism Financing Act (AML/CTF Act) outlines a number of fundamental obligations that AUSTRAC seeks to fulfil. Customer due diligence and reporting obligations continue to be of the utmost importance. Reporting entities are expected to implement customer identification and verification procedures, monitor transactions, and report suspicious things in accordance with their statutory duties. Despite the fact that the specific implementation must be adjusted to the entity's risk profile in accordance with the risk-based approach, these responsibilities are applicable to all reporting entities. Customer due diligence standards require reporting organizations to identify and verify the identities of consumers before providing designated services. This is a prerequisite for delivering designated services. This involves gathering and verifying information about the client's identification, gaining an understanding of the nature and purpose of the business relationship, and carrying out ongoing customer due diligence to guarantee that the transactions are in accordance with the entity's knowledge of the customer and their risk profile. Customers who pose a higher risk, such as those who are politically exposed, customers who come from high-risk jurisdictions, and customers who have complicated company structures that may disguise beneficial ownership, are expected to do enhanced due diligence. To fulfil their obligations for transaction monitoring, reporting companies are required to have systems and procedures in place to identify transactions that are anomalous or suspicious and may be indicative of the money laundering or financing of terrorism. Recent enforcement actions have focused on the adequacy of transaction monitoring systems. AUSTRAC has taken action against organizations whose monitoring systems failed to detect suspicious conduct that should have been identified with the intention of identifying it. The investigation of alerts and the determination of whether or not suspicious matter reports should be made are both tasks that require human skills in addition to the required technology solutions for effective transaction monitoring. Within the context of the risk-based framework, proportionate controls are an essential component of the compliance expectation. To demonstrate their responsiveness to AUSTRAC recommendations and assessments, entities are required to exhibit risk-based programmes, evidence of improved controls in areas where the risk is higher, for example. This indicates that compliance procedures should be dynamic rather than static, meaning that they should be able to react to changes in the entity's risk profile, evolving tactics for money laundering and terrorism financing that are mentioned in AUSTRAC advice, and findings from the entity's internal compliance monitoring and testing. Companies that are located in newly evaluated high-risk areas may anticipate more supervisory attention and perhaps prescriptive guidance because of the sector-specific expectations that are implemented. The implementation of strengthened controls that are commensurate with the risks that have been identified is required of entities that operate in sectors that have been classified as high-risk in AUSTRAC's national or sectoral risk assessments. This may include conducting more thorough due diligence on customers, lowering the thresholds for reporting problematic matters, or providing specialized training to employees to identify money laundering typologies that are peculiar to a certain industry.

As both a financial intelligence agency and an anti-money laundering and counterterrorism financing regulator, AUSTRAC holds a pivotal place within Australia's framework for ensuring financial integrity. The operational activities of the agency include the collecting and analysis of intelligence, the assessment of risks on a national and sectoral scale, and the collection and sharing of information with partners in law enforcement and regulatory agencies. These operational functions create intelligence that helps with criminal investigations, supplies regulatory priorities with information, and gives reporting organizations insights that they can use to calibrate their compliance procedures. AUSTRAC's regulatory policy is centred on the risk-based approach, which mandates that reporting companies identify, evaluate, and mitigate risks related to money laundering and terrorism financing in a manner that is proportionate to their particular circumstances. Rather than focusing on following prescriptive compliance checklists, this method places an emphasis on outcomes and proportionality. AUSTRAC's efforts to adapt regulatory frameworks to developing dangers are shown in the recent regulatory attention that has been placed on emerging sectors and technology. These include digital assets, non-fungible tokens, and legal professional services.

The anti-money laundering and counter-terrorism financing (AML/CTF) regime that is centred on AUSTRAC in Australia provides various aspects that the United Kingdom may adopt or strengthen to improve strategic coherence, regulatory efficacy, and the usage of financial information. There are still opportunities to align or borrow elements from Australia's model that enhance intelligence, data integration, and risk supervision. This is despite the fact that the United Kingdom is already in the process of reforming its anti-money laundering and counterterrorism financing supervision structures, most notably by consolidating supervision under the Financial Conduct Authority (FCA) and improving gatekeeping functions.[162]

AUSTRAC is the only organization that combines the roles of a financial intelligence unit (FIU) and an anti-money laundering (AML) and counter-terrorism financing (CTF) regulator. This lets it gather, analyse, and take action on data in real time. AUSTRAC gathers Suspicious Matter Reports (SMRs), threshold transaction reports, and electronic transfers, then analyses them to provide useful financial intelligence that helps with law enforcement and national security investigations while also making sure that everyone follows the rules.[163]

The UK's FIU (the National Crime Agency's UKFIU) and its regulator (FCA) work together, although they are not the same organization. A more integrated strategy, like AUSTRAC's, might help bring institutions together, make it easier for analysts to give input to supervisors, and speed up enforcement. AUSTRAC's integrated data analysis lets intelligence results immediately shape supervisory priorities and risk assessments. For example, it lets you prioritize high-risk entities based on trends seen in reporting data.[164].

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[162] Australian Transaction Reports and Analysis Centre. What we do. AUSTRAC. Accessed [16 February 2026].
[163] AUSTRAC cements partnership with United Kingdom to intensify fight against financial crime. AUSTRAC Media Release. (Feb 18, 2023).
[164] ibid

AUSTRAC's creation of collaborative intelligence partnerships, such as the Fintel Alliance, makes it official that government, commercial sector reporting entities, and enforcement partners will work together to modify behaviour and exchange information. This concept combines operational knowledge with compliance incentives to get the sector to be more than just a reporting duty when it comes to AML/CTF.

The UK might set up a structured public-private intelligence platform like this one to add to current ways for people to share information, such as FIN-NET. Formalized, multi-agency systems such on Fintel Alliance could encourage more industry involvement in AML and make it easier to quickly share new typologies.[165]

Bringing together intelligence and supervision can help bridge the gaps between finding and punishing people. This is especially important because the UK is changing how it supervises AML (for example, giving the FCA more power under the 2025 reforms). Better data flows into supervisory decisions could help find new ML/TF dangers.

2.3 Critical Analysis of AML Frameworks

While the preceding sections have outlined the formal anti-money laundering (AML) frameworks adopted across the City of London and its affiliated jurisdictions, this section critically assesses the effectiveness of these regimes in practice. Despite widespread alignment with Financial Action Task Force (FATF) standards, significant disparities

[165] UK AML Reform 2025: FCA, HM Treasury, OPBAS Lead Unified Supervision Shift. AML Network (Oct 28, 2025).

persist in enforcement intensity, institutional resourcing, and political will—especially within the Crown Dependencies and British Overseas Territories (BOTs).

These discrepancies often result in uneven application of AML rules, rendering compliance efforts inconsistent and at times superficial. Scholars have raised concerns that while many of these jurisdictions formally adopt global AML norms, such adoption is frequently more performative than substantive. Ebikake, for example, highlights the problematic reliance on soft law instruments—such as FATF recommendations and non-binding guidance notes—which lack enforceability and allow for interpretive flexibility that can weaken regulatory impact. [166] This issue is particularly pronounced in jurisdictions with strong financial secrecy cultures or political-economic incentives to retain capital inflows. The British-linked jurisdictions, though legally autonomous, remain entangled in global scrutiny due to their reputational exposure and historical use as offshore centres. Sharman similarly argues that many compliance mechanisms in such jurisdictions are symbolic in nature and designed more to placate external scrutiny than to meaningfully deter financial crime.[167]

Consequently, AML compliance in these regions may prioritise the appearance of cooperation over the reality of systemic reform. This critique aligns with Pol's empirical assessment of global AML regimes, which suggests that despite decades of regulation,

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[166] E Ebikake, *Money Laundering: An Assessment of Soft Law as a Technique for Repressive and Preventive Anti-Money Laundering Control* (PhD thesis, Liverpool John Moores University 2022).
[167] Jason Sharman, *The Despot's Guide to Wealth Management: On the International Campaign Against Grand Corruption* (Cornell University Press 2017).

there is little evidence that the current system has significantly disrupted illicit finance flows.[168]

2.3.1 United Kingdom

The UK's Anti-Money Laundering (AML) framework has many notable strengths. It is well acknowledged for its strong Anti-Money Laundering (AML) frameworks on a worldwide scale. This recognition is evident in its commitment to international standards and its ongoing endeavours to strengthen its financial system to combat illegal activity. It is worth mentioning that the UK has demonstrated a proactive approach in ensuring that its anti-money laundering (AML) laws are in line with the recommendations put out by the Financial Action Task Force (FATF), an essential international organisation responsible for establishing AML standards. The nation has implemented an extensive legislative structure, specifically through the enactment of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. This framework effectively expands the scope of anti-money laundering (AML) responsibilities and control mechanisms to various industries, encompassing financial institutions, credit agencies, and legal service providers.

The AML framework in the UK has encountered a range of critiques and obstacles, notwithstanding its inherent merits. An important concern pertains to the elaborate and extensive AML rules that have arisen, leading some stakeholders to assert that they impose compliance obligations, especially for smaller firms that may face challenges in navigating and adhering to such a complex legal framework. Furthermore, the presence

[168] Ronald Pol, 'Anti-Money Laundering: The World's Least Effective Policy Experiment?' (2020) 23(2) *Journal of Money Laundering Control* 210.

of fragmented supervisory structures, wherein several entities are responsible for monitoring distinct sectors, can occasionally result in discrepancies in the implementation and enforcement of regulations. This situation may give rise to gaps that could be exploited by individuals with evil intent.

The practical ramifications of the strengths and flaws of the UK's anti-money laundering (AML) system are highlighted through many case studies, including the well-known Laundromat program. During the period from 2010 to 2014, a substantial amount exceeding USD 20 billion was illicitly funnelled from Russia through banks located in the UK, as evidenced by the Laundromat case. Despite possessing a comprehensive anti-money laundering (AML) framework that is considered one of the most extensive worldwide, this specific occurrence has shed light on the vulnerabilities within the current system. Specifically, it has highlighted the challenges in effectively recognizing and mitigating risks connected with individuals of high net worth and politically exposed persons. Financial institutions have been saying that they do not have the necessary information from the authorities, which makes it hard for them to understand the complex and constantly changing world of money laundering. Although the private sector is required to share information with the authorities, there seems to be a lack of effort from the authorities to reciprocate and share information back with the private sector. The City of London and British Overseas and Crown Dependent Territories and Australia have all implemented various types of public-private partnerships. There is a growing recognition in the crown dependent territories that financial institutions, regulators, and law enforcement authorities need to improve their communication and collaboration. There are reports suggesting that the relationship between law enforcement, regulators, and financial institutions is not very cohesive. Law enforcement authorities rarely share information with financial institutions when assessing the risks associated with their clients. It would be beneficial for the private sector and authorities to share more information with each other, as well as within the private sector itself. This will help improve the compliance programmes of financial institutions and allow them to allocate their resources towards addressing the most significant risks of money laundering. The main concern is that the public-private mechanism in the Crown Dependencies is based on legislation and has been established by the government without involving representatives from the private sector in the decision-making process. The lack of communication has caused delays in the development of partnerships and agreements between the public and private sectors regarding the appropriate level and amount of information exchange. In order for partnerships to work well and for information to be shared effectively, it is important for members to have genuine trust in each other.

2.3.2 Crown Dependent Territories

Jersey, Guernsey, and the Isle of Man are widely recognized for their robust economic position within the financial industry. These nations have implemented diverse anti-money laundering (AML) frameworks, which function as crucial safeguards against illicit financial transactions. It is important to analyse the efficacy and vulnerabilities of anti-money laundering (AML) techniques, given the presence of diverse corporate organisations operating within the jurisdiction.

Jersey prides itself on possessing a comprehensive legislative framework, as evidenced by the enactment of the Proceeds of Crime (Jersey) Law 1999.[169] This law serves as a fundamental legal mechanism for anti-money laundering (AML) efforts, encompassing crucial aspects such as information disclosure, confiscation orders, and the criminalization of the money laundering offences. Consequently, it establishes a robust legal foundation to effectively combat illicit financial flows. The efficacy of the Jersey Financial Services Commission (JFSC) and other regulatory agencies lies in their tight oversight of financial institutions' adherence to anti-money laundering (AML) measures.[170] In 2018, the Jersey Financial Services Commission (JFSC) levied a substantial penalty on Standard Bank Jersey Limited due to its non-compliance with anti-money laundering (AML) legislation. This incident serves as an example of the robust enforcement measures used by the regulatory authority. In addition, Jersey demonstrates compliance with international anti-money laundering (AML) norms, including as the guidelines set out by the Financial Action Task Force (FATF). [171] The dedication to international collaboration against money laundering is demonstrated via their active engagement in global initiatives, such as the exchange of intelligence with the Egmont Group of Financial Intelligence Units. In a similar vein, the legislative framework in Guernsey, which encompasses the Proceeds of Crime (Bailiwick of Guernsey) Law,

[169] Peter Alldridge, 'Are Tax Evasion Offences Predicate Offences for Money-Laundering Offences?' (2001) 4 *Journal of Money Laundering Control* 350 https://doi.org/10.1108/eb027286 accessed 18 October 2023.
[170] Olatunde Julius Otusanya and Sarah Lauwo, 'The Role of Offshore Financial Centres in Elite Money Laundering Practices: Evidence from Nigeria' (2012) 15 *Journal of Money Laundering Control* 336 https://doi.org/10.1108/13685201211238070 accessed 18 October 2023.
[171] Nigel Morris-Cotteril, 'The International Effect of Money Laundering Laws' (1996) 4 *Journal of Financial Regulation and Compliance* 67 https://doi.org/10.1108/eb024868 accessed 18 October 2023.

1999, offers a strong legal basis for anti-money laundering endeavours.[172] The statute explicitly delineates the obligations and anticipated adherence of all entities engaged in financial activities, creating unambiguous guidelines to combat money laundering. The Guernsey Financial Services Commission (GFSC) is responsible for the vigilant oversight and enforcement of anti-money laundering (AML) regulations.[173] The regulatory authority of the organisation is evidenced by its enforcement activities, which include imposing penalties and giving directions to businesses that fail to comply with the specified anti-money laundering (AML) criteria. As a result, it serves as a substantial deterrent.[174] Guernsey has demonstrated its dedication to global collaboration by aligning its anti-money laundering (AML) strategies with internationally recognized norms, such as complying with the recommendations of the Financial Action Task Force (FATF) and participating in information sharing through the Egmont Group framework.[175] This proactive approach contributes to the enhancement of worldwide endeavours aimed at combating unlawful financial transactions. The Isle of Man has made efforts to establish a legislative framework that aligns with international anti-money laundering (AML) standards through the implementation of the Proceeds of Crime Act 2008 and the Anti-Money Laundering and Countering the Financing of Terrorism Code 2019.[176] These measures aim to provide a structured foundation for effectively addressing illicit financial

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[172] Alan Lambert, 'The Caribbean Anti-Money Laundering Programme' (2001) 5 *Journal of Money Laundering Control* 158 https://doi.org/10.1108/eb027302 accessed 18 October 2023.
[173] Nigel Morris-Cotteril, 'The International Effect of Money Laundering Laws' (1996) 4 *Journal of Financial Regulation and Compliance* 67 https://doi.org/10.1108/eb024868 accessed 18 October 2023.
[174] Alexa Rosdol, 'Are OFCs Leading the Fight against Money Laundering?' (2007) 10 *Journal of Money Laundering Control* 337.
[175] National Crime Agency, *Suspicious Activity Reports (SARs) Annual Report 2022* (NCA 2022).
[176] Nigel Morris-Cotteril, 'The International Effect of Money Laundering Laws' (1996) 4 *Journal of Financial Regulation and Compliance* 67 https://doi.org/10.1108/eb024868 accessed 18 October 2023.

activities. The Isle of Man demonstrates a commitment to adhering to international norms by aligning its anti-money laundering (AML) policies with established standards. It strives to comply with the guidelines set out by the Financial Action Task Force (FATF), showcasing a deliberate endeavour to include its AML systems within a global framework.[177] This dedication contributes to the broader international efforts aimed at combating money laundering and countering the financing of terrorism (AML/CFT). The Financial Services Authority (FSA) in the Isle of Man assumes a crucial role in the enforcement and supervision of anti-money laundering (AML) compliance.[178] This underscores the jurisdiction's committed regulatory strategy aimed at protecting its financial industry against the threats of the money laundering and its related hazards.

While several scholars have acknowledged the merits of Crown Dependent Territories and their regimes, others have raised concerns regarding challenges such as the hiding of beneficial ownership through the utilisation of shell firms.[179] The utilisation of Jersey's financial system by individuals to establish shell firms with the intention of concealing the actual owners of assets or funds represents a means of leveraging the jurisdiction for the purpose of facilitating money laundering, while taking advantage of its legal framework. The effectiveness of anti-money laundering (AML) techniques might be impeded by constraints on available resources and inconsistencies in enforcement measures.

[177] Kris Hinterseer, 'An Economic Analysis of Money Laundering' (1997) 1 *Journal of Money Laundering Control* 154 https://doi.org/10.1108/eb027132 accessed 18 October 2023.

[178] Transparency International UK, *Corruption on Your Doorstep: How Corrupt Capital is Used to Buy Property in the UK* (2016) http://transparency.k405.es/sites/default/files/pdf/publications/2016CorruptionOnYourDoorstepWeb.pdf accessed 18 October 2023.

[179] John Christensen, 'The Hidden Trillions: Secrecy, Corruption, and the Offshore Interface' (2012) 57 *Crime, Law and Social* Change 325.

Smaller financial institutions may encounter financial difficulties in completely implementing comprehensive anti-money laundering (AML) systems and training, so unintentionally creating a vulnerable loophole for money launderers to exploit. [180] As an illustration, the legal proceedings pertaining to Sani Abacha, the erstwhile Nigerian autocrat, witnessed the illicit transfer of substantial sums of money amounting to hundreds of millions of dollars through the jurisdiction of Jersey.[181] The intricacy of this particular case has brought attention to the difficulties faced by the jurisdiction in effectively monitoring and reclaiming assets that have been adeptly concealed and laundered through the banking system. Moreover, in Guernsey, the continuous development and utilisation of complex money laundering strategies, such as the incorporation of cryptocurrencies and online platforms, provide ongoing challenges or anti-money laundering (AML) procedures.[182] These mechanisms must continually improve and adjust to accurately detect and combat these technologically advanced threats. Legal structures, like as trusts, foundations and corporations, are strategically utilised to obscure the actual ownership of assets, while facilitating the maintenance of transparency in terms of beneficial ownership. This phenomenon facilitates the utilisation of Guernsey's financial infrastructure by unauthorised individuals to carry out malicious activities poses a significant and severe obstacle.[183] The difficulty of ensuring compliance

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[180] Peter Clegg and Peter Gold, 'The UK Overseas Territories: A Decade of Progress and Prosperity?' (2011) *49 Commonwealth & Comparative Politics* 115.

[181] Olatunde Julius Otusanya and Sarah Lauwo, 'The Role of Offshore Financial Centres in Elite Money Laundering Practices: Evidence from Nigeria' (2012) 15 *Journal of Money Laundering Control* 336 https://doi.org/10.1108/13685201211238070 accessed 18 October 2023.

[182] Tracy S Paradise, 'Money Laundering and International Political Economy' (1998) 1 *Journal of Money Laundering Control* 229 https://doi.org/10.1108/eb027145 accessed 18 October 2023.

[183] Karen Anne Cooper, *A Critical Examination of the Anti-Money Laundering Legislative Framework for the Prevention of Terrorist Finance with Particular Reference to the Regulation of Alternative Remittance Systems in the UK* (PhD thesis, University of Leeds 2014).

and successful implementation of anti-money laundering (AML) techniques is frequently encountered in non-financial sectors, including legal practitioners and accounting service providers. This challenge arises due to the varied and decentralised character of these industries.[184]

Despite the presence of such intricate financial arrangements, which are considered essential and lawful in the financial industry, it is important to recognize that they can unintentionally enable money laundering.[185] These structures have the potential to obscure the true ownership and source of funds, thereby presenting inherent difficulties for the anti-money laundering (AML) framework. The increasing use of cryptocurrencies and digital assets poses a complex issue, since the anonymity and decentralised characteristics of these currencies may be susceptible to exploitation for illicit activities such as money laundering. Consequently, there is a need for enhanced regulatory and monitoring measures to address this challenge.[186] The Isle of Man is currently under international scrutiny, as it grapples with the task of protecting its reputation in light of being mentioned in global conversations about tax havens and potential involvement in financial crimes. This highlights the importance of consistently improving its anti-money laundering (AML) strategies.[187] The inclusion and subsequent removal of the Isle of Man from the European Union's list of non-cooperative nations for tax purposes is a significant

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[184] Michael Levi, 'Money Laundering and Its Regulation' (2002) 582 *The Annals of the American Academy of Political and Social Science* 181.
[185] Kuda Tshiamo-Kgati, 'Botswana's Anti-Money Laundering and Combating the Financing of Terrorism Regime'.
[186] Karen Anne Cooper, *A Critical Examination of the Anti-Money Laundering Legislative Framework for the Prevention of Terrorist Finance with Particular Reference to the Regulation of Alternative Remittance Systems in the UK* (PhD thesis, University of Leeds 2014).
[187] Michael Freeman, 'The Sources of Terrorist Financing: Theory and Typology' (2011) 34 *Studies in Conflict & Terrorism* 461.

and emotionally evocative instance. The delisting of the Isle of Man highlights the ongoing scrutiny that financial centres undergo and emphasises the importance of maintaining and proving a strong anti-money laundering (AML) system.

2.4 Comparative Analysis of Anti-Money Laundering Regimes in The British Overseas Territories

One of the most complicated parts of the British Empire is the connection between the United Kingdom of Great Britain and Northern Ireland and its fourteen Overseas Territories. These Territories which include the busy financial centres of the Caribbean and the freezing, deserted areas of the British Antarctic Territory, are not part of the UK, but they are not totally independent either.[188]

The British Overseas Territories (BOTs) have a special place in the global financial system. Even though they are separate and self-governing, many BOTs have large offshore financial services businesses. The British Virgin Islands (BVI), the Cayman Islands, and Bermuda are all part of the worldwide flow of finance. They offer structures for investment funds, trust vehicles, and businesses. Their success in fighting money laundering and other illegal flows is important for global AML efforts since they play a vital role in making cross-border financial activity easier.[189]

Most BOTs base their AML laws on domestic laws that are based on UK law and international standards set by the Financial Action Task Force (FATF). Most have passed

[188] British Overseas Territories Act 2002 (c 8)

[189] International Monetary Fund, British Virgin Islands-Overseas Territory of the United Kingdom: Assessment of the Supervision and Regulation of the Financial Sector Volume II-Detailed Assessment of Observance of Standards and Codes (IMF Staff Country Reports 2004/093, 5 April 2004) (assessment describes AML/CFT framework in BVI).

legislation against money laundering (AML) and funding terrorism (CFT) that require businesses to do their due diligence on customers, report questionable transactions, and have enforcement procedures that follow FATF guidelines. But because of the way BOTs are set up in the Constitution, local legislatures still have the power to adopt and enforce AML legislation that fit their own financial sectors. In contrast, in sovereign governments, AML rules are set from the centre. The UK's Sanctions and Anti-Money Laundering Act 2018 tried to make beneficial ownership information clearer across BOTs, but it has not always worked.[190]

Beneficial ownership (BO) transparency is a critical element of contemporary anti-money laundering (AML) regulations. This requirement involves the identification of natural persons who control companies to prevent the misuse of shell corporations. Under the 2018 Act, the United Kingdom initially pledged to establish public registers of beneficial ownership for BOTs by the conclusion of 2023.[191] AML transparency is improved by the accessibility of BO data to the public, law enforcement, and civil society, which is facilitated by public registers.

In spite of this, numerous territories have failed to meet this deadline. The BVI and Bermuda, among other BOTs, have not implemented fully accessible registers, as evidenced by recent assessments. Rather, they provide "legitimate interest" access models that restrict BO information to specific users, thereby restricting public transparency. Transparency International UK has reported that the British Virgin Islands

[190] Sanctions and Anti-Money Laundering Act 2018; explanatory note on progress made by Overseas Territories.
[191] JX, 'UK Overseas Territories to have Public Beneficial Ownership Registers' (AML-CFT.net, 2 May 2018) (historical context of beneficial ownership register commitments).

(BVI) and Bermuda have received failing evaluations for BO accessibility, whereas jurisdictions such as Montserrat have made significantly more progress.[192] This divergence highlights the varying prioritisation of AML transparency within BOTs.

The regulatory robustness and enforcement capacity of AML implementation also vary. Jurisdictions such as Bermuda are regarded as having comparatively mature regulatory frameworks, with a robust insurance and financial sector regulator that has synchronized local anti-money laundering (AML) measures with OECD transparency standards.[193] Nevertheless, this maturation does not necessarily result in complete adherence to the public BO register commitments, as it reflects the tensions between privacy norms and transparency objectives within AML law.

In contrast, the BVI has been criticized for its sluggish progress toward transparency reforms and for proposing mechanisms that could potentially undermine the efficacy of BO registers, such as notifying company owners of access requests or providing exemptions that could protect identities.[194] The Cayman Islands and Turks and Caicos have conducted consultations on "legitimate interest" access models, which have prompted apprehensions regarding their alignment with international standards.

The broader dynamic between local sovereignty and international AML expectation is reflected in the comparative differences in AML regulations across BOTs. BOTs are granted constitutional autonomy, which may lead to regulatory divergence when local

[192] Margot Mollat, seven years on the UK's offshore centres are still failing transparency (Transparency International UK, 27 November 2025).
[193] Bermuda Monetary Authority (General regulatory context and AML maturity).
[194] Overseas Territories risk undermining the Foreign Secretary's campaign… (Transparency International UK, noting proposals and consultations for BO access).

economic interests prioritize privacy, financial competitiveness, and confidentiality. Global AML imperatives, which prioritize transparency, information exchange, and public access to BO data, frequently clash with these factors.

This tension has been emphasized by international criticism. For instance, Transparency International UK has documented the widespread use of BOT corporate structures in large-scale corruption and laundering cases, with the BVI featured disproportionately.[195] These critiques have placed political pressure on the UK government to enforce compliance through orders in council or other mechanisms if local reforms falter.

A significant point of divergence among British offshore financial centres concerns the relationship between corporate formation and physical residency requirements. In the British Virgin Islands (BVI), it is well established that non-residents may incorporate International Business Companies (IBCs) without residing in the territory or obtaining a residence permit. The BVI's corporate regime, historically structured under the BVI Business Companies Act 2004, facilitates remote incorporation through licensed registered agents, thereby enabling beneficial owners to establish offshore entities without physical presence.[196] This model reflects the BVI's longstanding policy orientation toward facilitating cross-border capital structuring, asset holding, and international investment vehicles. While AML and customer due diligence obligations apply through regulated intermediaries, the absence of residency requirements underscores the jurisdiction's emphasis on corporate flexibility and ease of incorporation.

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[195] Margot Mollat (n 5) (findings on corruption and laundering linked to BOT corporate structures).
[196] British Virgin Islands Business Companies Act 2004; see also International Monetary Fund, British Virgin Islands: Assessment of the Supervision and Regulation of the Financial Sector (IMF Country Report No 04/93, 2004).

By contrast, the regulatory environments in the Isle of Man and Jersey which are both Crown Dependencies rather than Overseas Territories demonstrate comparatively stronger integration between corporate formation, regulatory supervision, and substance expectations. Although non-residents may also establish companies in these jurisdictions, evolving regulatory standards, particularly following OECD Base Erosion and Profit Shifting (BEPS) initiatives and economic substance legislation, require demonstrable local management and control for certain categories of companies.[197] While it is true that incorporation without residence is lawful, this means that to maintain compliance with the law, it may be necessary to have local directors, registered offices, and evidence of economic activity inside the jurisdiction. The Isle of Man Companies Act 2006 and Jersey's Companies (Jersey) Law 1991 both operate within regulatory ecosystems that are characterized by a closer connection with supervisory requirements in the United Kingdom and stronger beneficial ownership transparency frameworks.[198]

There are different regulatory ideologies, which is the cause of the discrepancy. The British Virgin Islands (BVI) model places an emphasis on the efficiency of incorporation and the mobility of offshore capital, but the Isle of Man and Jersey regimes are increasingly placing an emphasis on economic substance, governance proximity, and reputational safeguards. The capacity to incorporate without residence is not necessarily incompatible with FATF standards from an anti-money laundering (AML) standpoint; nonetheless, it does increase the significance of doing thorough customer due diligence,

[197] OECD, Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance (OECD 2017).
[198] Isle of Man Companies Act 2006; Companies (Jersey) Law 1991; see also Jersey Financial Services Commission, Handbook for the Prevention and Detection of Money Laundering and the Financing of Terrorism (current edn).

verifying beneficial ownership, and establishing information-sharing procedures. Therefore, the comparative analysis suggests that residency restrictions serve less as a formal legal barrier and more as an indicator of broader regulatory stance toward openness and supervisory intensity within offshore financial centres. This is the conclusion that can be drawn from the findings of the study.

2.5 Comparison of The Four Jurisdictions

This comparison provides a detailed analysis of the Anti-Money Laundering (AML) frameworks of the United Kingdom and its three Crown Dependencies: The Bailiwick of Jersey, the Bailiwick of Guernsey, and the Isle of Man. While all four jurisdictions share a common heritage and are subject to international standards set by the Financial Action Task Force (FATF), their distinct constitutional statuses—the UK as a sovereign state, the Crown Dependencies as self-governing possessions of the Crown—have given rise to nuanced differences in legislative architecture, supervisory practice, and transparency mechanisms. This analysis examines these frameworks across key functional areas.

2.5.1 Constitutional and International Context

The United Kingdom is a FATF member in its own right and is subject to FATF mutual evaluations. The Crown Dependencies are not separate FATF members; their AML regimes are assessed through the UK’s membership or, in the case of Guernsey and the Isle of Man, through MONEYVAL (the Council of Europe’s AML committee) as non-member territories. Jersey, Guernsey and the Isle of Man have each enacted their own AML legislation, but the UK retains responsibility for their international representation. Since the Sanctions and Anti-Money Laundering Act 2018, the UK

Parliament has asserted powers to require Crown Dependencies to meet certain transparency standards, notably regarding public registers of beneficial ownership.

2.5.2 Legislative Frameworks

Jurisdiction	**Principal AML Legislation**	**Key Secondary Legislation**
United Kingdom	Proceeds of Crime Act 2002 (POCA); Terrorism Act 2000	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692), as amended
Jersey	Proceeds of Crime (Jersey) Law 1999 (POCJL); Terrorism (Jersey) Law 2002	Money Laundering (Jersey) Order 2008; Money Laundering (Amendment No. 12) (Jersey) Order 2021
Guernsey	Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law 1999; Terrorism and Crime (Bailiwick of Guernsey) Law 2002	Money Laundering and Terrorist Financing (Prevention) Ordinance, 2021 (consolidating earlier regulations)
Isle of Man	Proceeds of Crime Act 2008 (an Act of Tynwald); Terrorism (Money Laundering) Act 2008	Anti-Money Laundering and Countering the Financing of Terrorism Code 2019 (issued under the 2008 Act)

All four frameworks are risk-based and align with the FATF Recommendations. The UK's 2017 Regulations transposed the Fourth and Fifth EU Money Laundering Directives; although the EU directives no longer apply directly to the UK post-Brexit, the Regulations remain in force and are periodically updated via UK statutory instruments. Jersey, Guernsey and the Isle of Man have maintained their own independent legislative programmes that closely mirror the FATF standards, often incorporating provisions equivalent to the EU directives to maintain equivalence assessments with the Uk, and the EU.

2.5.3 Definition of the money laundering and Predicate Offences

United Kingdom: POCA establishes an 'all-crimes' regime. Criminal property is defined as property constituting a person's benefit from any criminal conduct (whether occurring in the UK or elsewhere, provided it would be criminal if it occurred in the UK).[199] Consequently, any crime, regardless of severity, can generate criminal property for money laundering purposes. There is no list of designated predicate offences.

Jersey, Guernsey, Isle of Man: All three Crown Dependencies have similarly adopted an all-crimes approach in their respective proceeds of crime laws.[200] The definition of criminal conduct is broad, encompassing all conduct that would constitute an offence in the relevant jurisdiction. In practice, this results in a comparable low threshold for the activation of the money laundering offences. No territory limits money laundering to a scheduled list of serious offences.

[199] Proceeds of Crime Act 2002, s 340.
[200] Proceeds of Crime (Jersey) Law 1999, art 1; Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law 1999, s 47; Proceeds of Crime Act 2008 (Isle of Man), s 130.

The principal money laundering offences in each jurisdiction are substantially similar to the UK's POCA sections 327–329: they prohibit concealing, arranging, acquiring/using/possessing criminal property, with knowledge or suspicion being the requisite mental element.[201]

2.5.4 Supervisory Authorities

Jurisdiction	AML Supervisors	Coordination Mechanism
UK	Fragmented: Financial Conduct Authority (FCA) for financial sector; HMRC for certain non-financial sectors; 22 Professional Body Supervisors (PBSs) for legal/accountancy professionals	Office for Professional Body Anti-Money Laundering Supervision (OPBAS) located in the FCA, created by reg 49 of the 2017 Regulations
Jersey	Unified: Jersey Financial Services Commission (JFSC) supervises all financial services businesses and designated non-financial businesses and professions (DNFBPs)	The JFSC issues binding Codes of Practice under the Financial Services (Jersey) Law 1998
Guernsey	Unified: Guernsey Financial Services Commission (GFSC) supervises all relevant persons, including lawyers, accountants, estate agents, and trust and company service providers under the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc (Bailiwick of Guernsey) Law 2020	The GFSC issues the Handbook on Countering Financial Crime and Terrorist Financing, which has statutory force
Isle of Man	Unified: Isle of Man Financial Services Authority (IOMFSA)	The IOMFSA issues the Anti-Money Laundering and Countering the

[201] Compare Proceeds of Crime Act 2002, ss 327–329; Proceeds of Crime (Jersey) Law 1999, arts 32–34; Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law 1999, ss 38–40; Proceeds of Crime Act 2008 (Isle of Man), ss 130–133.

	supervises all regulated sectors; the Designated Businesses (Registration and Oversight) Act 2015 brought DNFBPs (e.g. estate agents, accountants, advocates) under its oversight	Financing of Terrorism Code 2019 under powers delegated by the Treasury

The UK retains a multi-supervisor model, which has been criticised for inconsistent supervisory outcomes. OPBAS was established to address this fragmentation. In contrast, Jersey, Guernsey and the Isle of Man operate unified supervisory regimes, which can facilitate consistent interpretation and a holistic view of AML risks across sectors.

2.5.5 Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD)

All four jurisdictions mandate a risk-based approach to CDD, requiring identification and verification of customers and beneficial owners, ongoing monitoring, and enhanced measures for higher-risk situations.

Politically Exposed Persons (PEPs):

UK: The 2017 Regulations require enhanced due diligence for foreign PEPs. Domestic PEPs were not originally subject to mandatory EDD, but the Money Laundering and Terrorist Financing (Amendment) Regulations 2023 (SI 2023/651) extended the requirement to domestic PEPs, aligning with the FATF's stricter interpretation.

Jersey: The Money Laundering (Jersey) Order 2008 (as amended) requires enhanced scrutiny for both foreign and domestic PEPs. The JFSC's AML/CFT Handbook provides detailed guidance.

Guernsey: The Money Laundering and Terrorist Financing (Prevention) Ordinance, 2021 imposes EDD for PEPs (both foreign and domestic), with the GFSC's Handbook specifying that firms must have risk-based procedures.

Isle of Man: The AML/CFT Code 2019 requires enhanced measures for PEPs, including domestic PEPs, and mandates that firms establish the source of wealth and funds.

Beneficial Ownership Identification: All four follow the FATF definition of beneficial owner as any natural person who ultimately owns or controls a legal entity (typically 25%+ ownership or control). Each jurisdiction has codified this threshold in its respective regulations.

2.5.6 Beneficial Ownership Registers

Transparency of beneficial ownership is an area where significant divergence has emerged.

Jurisdiction	Register Type	Public Access	Legal Basis
UK	People with Significant Control (PSC) Register	Fully public (online, searchable)	Companies Act 2006, Part 21A; Register of Overseas Entities (ROE) under Economic Crime (Transparency and Enforcement) Act 2022 (public for overseas entities owning UK land)
Jersey	Central Register of Beneficial Ownership	Not public; accessible to competent authorities (JFSC, Jersey Police, etc.) with a 'legitimate interest' provision	Financial Services (Disclosure and Provision of Information) (Jersey) Law 2020

		under Financial Services (Disclosure and Provision of Information) (Jersey) Law 2020 – however, a private member's proposition in 2023 to move to public access was deferred	
Guernsey	Central Register of Beneficial Ownership	Not public; accessible to competent authorities. The Registry (Beneficial Ownership) Ordinance, 2020 established the register; it is not publicly searchable	Registry (Beneficial Ownership) Ordinance, 2020
Isle of Man	Central Register of Beneficial Ownership	Publicly accessible (with an account) – the Isle of Man was the first Crown Dependency to introduce a public register in 2016	Companies Act 2006 (Isle of Man); Central Register of Beneficial Ownership Regulations 2016

The UK has the most open system with the public PSC register and the ROE for overseas entities owning UK property. Jersey and Guernsey maintain a 'private but accessible to authorities' model, though Jersey has introduced a 'legitimate interest' mechanism that allows certain third parties (e.g., journalists, civil society) to request access. The Isle of Man has chosen a publicly accessible register, a position it adopted before the UK's similar move.

2.5.7 Enforcement and Penalties

Jurisdiction	Lead Enforcement	Agencies Key Sanctions (Recent Examples)
UK	FCA (civil fines for regulated firms); NCA (criminal investigation); HMRC and PBSs for their sectors	FCA fined Starling Bank £28.9m in 2023 for systemic financial crime control failings.[202] Criminal prosecutions under POCA are pursued by the Crown Prosecution Service.
Jersey	JFSC (civil penalties); Jersey Police/JFCU (criminal)	JFSC routinely publishes public statements on enforcement actions; in 2023, it imposed fines on several trust companies for CDD failures.
Guernsey	GFSC (civil sanctions); Guernsey Police/GFIU (criminal)	GFSC has used its powers under the Financial Services Commission (Enforcement Powers) (Bailiwick of Guernsey) Law 2018 to impose financial penalties and issue directions.
Isle of Man	IOMFSA (civil penalties); Isle of Man Constabulary FIU (criminal)	IOMFSA has issued fines and public statements for breaches of the AML Code, including against corporate service providers for inadequate CDD.

All four jurisdictions possess a range of enforcement tools: criminal prosecution for money laundering offences (carrying custodial sentences); civil fines for regulatory breaches; public censures; and the power to suspend or revoke licences. A notable difference is that the UK's FCA has a very active public enforcement policy, routinely publishing final notices with large fines, while the Crown Dependencies' unified regulators also issue

[202] Financial Conduct Authority, 'Final Notice: Starling Bank Limited' (11 October 2023).

public enforcement outcomes but often with smaller absolute penalties due to the smaller size of their regulated sectors.

2.5.8 Conclusion

The AML frameworks of the United Kingdom, Jersey, Guernsey and the Isle of Man reflect a shared heritage of common law, all-crimes money laundering offences, and a consent-based suspicious activity reporting regime. However, the constitutional autonomy of the Crown Dependencies has allowed them to adopt supervisory structures and transparency policies that differ from the UK model. The trend toward greater beneficial ownership transparency, driven by UK legislation such as the Sanctions and Anti-Money Laundering Act 2018 and international pressure from the FATF and the EU, is gradually narrowing these differences. Future convergence is likely to continue, particularly in the areas of public register accessibility and the harmonisation of enhanced due diligence requirements for domestic PEPs, as all four jurisdictions seek to maintain their respective ‘equivalent’ statuses with global standard-setters.

2.6 Critical Analysis of AML Frameworks

While the preceding sections have outlined the formal anti-money laundering (AML) frameworks adopted across the City of London and its affiliated jurisdictions, this section critically assesses the effectiveness of these regimes in practice. Despite widespread alignment with Financial Action Task Force (FATF) standards, significant disparities persist in enforcement intensity, institutional resourcing, and political will—especially within the Crown Dependencies and British Overseas Territories (BOTs).

These discrepancies often result in uneven application of AML rules, rendering compliance efforts inconsistent and at times superficial. Scholars have raised concerns that while many of these jurisdictions formally adopt global AML norms, such adoption is frequently more performative than substantive. Ebikake, for example, highlights the problematic reliance on soft law instruments—such as FATF recommendations and non-binding guidance notes—which lack enforceability and allow for interpretive flexibility that can weaken regulatory impact. [203]This issue is particularly pronounced in jurisdictions with strong financial secrecy cultures or political-economic incentives to retain capital inflows. The British-linked jurisdictions, though legally autonomous, remain entangled in global scrutiny due to their reputational exposure and historical use as offshore centres. Sharman similarly argues that many compliance mechanisms in such jurisdictions are symbolic in nature and designed more to placate external scrutiny than to meaningfully deter financial crime.[204]

Consequently, AML compliance in these regions may prioritise the appearance of cooperation over the reality of systemic reform. This critique aligns with Pol's empirical assessment of global AML regimes, which suggests that despite decades of regulation, there is little evidence that the current system has significantly disrupted illicit finance flows.[205]

2.6.1 United Kingdom

The UK's Anti-Money Laundering (AML) framework has many notable strengths. It is well acknowledged for its strong Anti-Money Laundering (AML) frameworks on a worldwide

[203] E Ebikake, *Money Laundering: An Assessment of Soft Law as a Technique for Repressive and Preventive Anti-Money Laundering Control* (PhD thesis, Liverpool John Moores University 2022).
[204] Jason Sharman, *The Despot's Guide to Wealth Management: On the International Campaign Against Grand Corruption* (Cornell University Press 2017).
[205] Ronald Pol, 'Anti-Money Laundering: The World's Least Effective Policy Experiment?' (2020) 23(2) *Journal of Money Laundering Control* 210.

scale. This recognition is evident in its commitment to international standards and its ongoing endeavours to strengthen its financial system to combat illegal activity. It is worth mentioning that the UK has demonstrated a proactive approach in ensuring that its anti-money laundering (AML) laws are in line with the recommendations put out by the Financial Action Task Force (FATF), an essential international organisation responsible for establishing AML standards.[206] The nation has implemented an extensive legislative structure, specifically through the enactment of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.[207] This framework effectively expands the scope of anti-money laundering (AML) responsibilities and control mechanisms to various industries, encompassing financial institutions, credit agencies, and legal service providers.

The AML framework in the UK has encountered a range of critiques and obstacles, notwithstanding its inherent merits. An important concern pertains to the elaborate and extensive AML rules that have arisen, leading some stakeholders to assert that they impose compliance obligations, especially for smaller firms that may face challenges in navigating and adhering to such a complex legal framework.[208] Furthermore, the presence of fragmented supervisory structures, wherein several entities are responsible for monitoring distinct sectors, can occasionally result in discrepancies in the

[206] Peter J Quirk, 'Macroeconomic Implications of Money Laundering*' (2020) 2020 *IMF Working Papers* https://www.elibrary.imf.org/view/journals/001/2020/066/article-A001-en.xml accessed 14 July 2023.
[207] House of Commons Treasury Committee, 'Economic Crime Is a Growing Problem' https://ukparliament.shorthandstories.com/treasury-economic-crime/ accessed 14 July 2023.
[208] Peter Clegg, 'Governing the UK Caribbean Overseas Territories: A Two-Way Perspective' [2009] Governance in the non-independent Caribbean 3.

implementation and enforcement of regulations. This situation may give rise to gaps that could be exploited by individuals with evil intent.

The practical ramifications of the strengths and flaws of the UK's anti-money laundering (AML) system are highlighted through many case studies, including the well-known Laundromat program. During the period from 2010 to 2014, a substantial amount exceeding USD 20 billion was illicitly funnelled from Russia through banks located in the UK, as evidenced by the Laundromat case.[209] Despite possessing a comprehensive anti-money laundering (AML) framework that is considered one of the most extensive worldwide, this specific occurrence has shed light on the vulnerabilities within the current system. Specifically, it has highlighted the challenges in effectively recognizing and mitigating risks connected with individuals of high net worth and politically exposed persons.[210] Financial institutions have been saying that they don't have the necessary information from the authorities, which makes it hard for them to understand the complex and constantly changing world of money laundering. Although the private sector is required to share information with the authorities, there seems to be a lack of effort from the authorities to reciprocate and share information back with the private sector.[211] The City of London and British Overseas and Crown Dependent Territories and Australia have all implemented various types of public-private partnerships. There is a growing recognition in the crown dependent territories that financial institutions, regulators, and

[209] John Connell, 'Alderney: Gambling, Bitcoin and the Art of Unorthodoxy' (2014) 9 *Island Studies Journal* 69 https://islandstudiesjournal.scholasticahq.com/article/81612 accessed 18 October 2023.
[210] Peter Alldridge, 'Are Tax Evasion Offences Predicate Offences for Money-Laundering Offences?' (2001) 4 *Journal of Money Laundering Control* 350 https://doi.org/10.1108/eb027286 accessed 18 October 2023.
[211] Tracy S Paradise, 'Money Laundering and International Political Economy' (1998) 1 *Journal of Money Laundering Control* 229 https://doi.org/10.1108/eb027145 accessed 18 October 2023.

law enforcement authorities need to improve their communication and collaboration.[212] There are reports suggesting that the relationship between law enforcement, regulators, and financial institutions is not very cohesive. Law enforcement authorities rarely share information with financial institutions when assessing the risks associated with their clients. It would be beneficial for the private sector and authorities to share more information with each other, as well as within the private sector itself.[213] This will help improve the compliance programmes of financial institutions and allow them to allocate their resources towards addressing the most significant risks of money laundering. The main concern is that the public-private mechanism in the Crown Dependencies is based on legislation and has been established by the government without involving representatives from the private sector in the decision-making process. The lack of communication has caused delays in the development of partnerships and agreements between the public and private sectors regarding the appropriate level and amount of information exchange.[214] In order for partnerships to work well and for information to be shared effectively, it is important for members to have genuine trust in each other.

2.6.2 Crown Dependent Territories

Jersey, Guernsey, and the Isle of Man are widely recognized for their robust economic position within the financial industry. These nations have implemented diverse anti-money

[212] Foreign & Commonwealth Office Secretary of State and others, *The Overseas Territories: Security, Success and Sustainability*, vol 8374 (The Stationery Office 2012).
[213] NIGEL MORRIS-COTTERILL, 'THE INTERNATIONAL EFFECT OF MONEY LAUNDERING LAWS' (1996) 4 *Journal of Financial Regulation and Compliance* 67 https://doi.org/10.1108/eb024868 accessed 18 October 2023.
[214] Mario Menz, 'Beyond Placement, Layering and Integration – the Perception of Trade-Based Money Laundering Risk in UK Financial Services' (2019) 22 *Journal of Money Laundering Control* 614 https://doi.org/10.1108/JMLC-12-2018-0070 accessed 18 October 2023.

laundering (AML) frameworks, which function as crucial safeguards against illicit financial transactions. It is important to analyse the efficacy and vulnerabilities of anti-money laundering (AML) techniques, given the presence of diverse corporate organisations operating within the jurisdiction.

Jersey prides itself on possessing a comprehensive legislative framework, as evidenced by the enactment of the Proceeds of Crime (Jersey) Law 1999.[215] This law serves as a fundamental legal mechanism for anti-money laundering (AML) efforts, encompassing crucial aspects such as information disclosure, confiscation orders, and the criminalization of the money laundering offences. Consequently, it establishes a robust legal foundation to effectively combat illicit financial flows. The efficacy of the Jersey Financial Services Commission (JFSC) and other regulatory agencies lies in their tight oversight of financial institutions' adherence to anti-money laundering (AML) measures.[216] In 2018, the Jersey Financial Services Commission (JFSC) levied a substantial penalty on Standard Bank Jersey Limited due to its non-compliance with anti-money laundering (AML) legislation. This incident serves as an example of the robust enforcement measures used by the regulatory authority. In addition, Jersey demonstrates compliance with international anti-money laundering (AML) norms, including as the guidelines set out by the Financial Action Task Force (FATF). [217]The dedication to international collaboration against money laundering is demonstrated via their active

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[215] Peter Alldridge, 'Are Tax Evasion Offences Predicate Offences for Money-Laundering Offences?' (2001) 4 *Journal of Money Laundering Control* 350 https://doi.org/10.1108/eb027286 accessed 18 October 2023.
[216] Olatunde Julius Otusanya and Sarah Lauwo, 'The Role of Offshore Financial Centres in Elite Money Laundering Practices: Evidence from Nigeria' (2012) 15 *Journal of Money Laundering Control* 336 https://doi.org/10.1108/13685201211238070 accessed 18 October 2023.
[217] Nigel Morris-Cotteril, 'The International Effect of Money Laundering Laws' (1996) 4 *Journal of Financial Regulation and Compliance* 67 https://doi.org/10.1108/eb024868 accessed 18 October 2023.

engagement in global initiatives, such as the exchange of intelligence with the Egmont Group of Financial Intelligence Units. In a similar vein, the legislative framework in Guernsey, which encompasses the Proceeds of Crime (Bailiwick of Guernsey) Law, 1999, offers a strong legal basis for anti-money laundering endeavours.[218] The statute explicitly delineates the obligations and anticipated adherence of all entities engaged in financial activities, creating unambiguous guidelines to combat money laundering. The Guernsey Financial Services Commission (GFSC) is responsible for the vigilant oversight and enforcement of anti-money laundering (AML) regulations.[219] The regulatory authority of the organisation is evidenced by its enforcement activities, which include imposing penalties and giving directions to businesses that fail to comply with the specified anti-money laundering (AML) criteria. As a result, it serves as a substantial deterrent.[220] Guernsey has demonstrated its dedication to global collaboration by aligning its anti-money laundering (AML) strategies with internationally recognized norms, such as complying with the recommendations of the Financial Action Task Force (FATF) and participating in information sharing through the Egmont Group framework.[221] This proactive approach contributes to the enhancement of worldwide endeavours aimed at combating unlawful financial transactions. The Isle of Man has made efforts to establish a legislative framework that aligns with international anti-money laundering (AML) standards through the implementation of the Proceeds of Crime Act 2008 and the Anti-

[218] Alan Lambert, 'The Caribbean Anti-Money Laundering Programme' (2001) 5 *Journal of Money Laundering Control* 158 https://doi.org/10.1108/eb027302 accessed 18 October 2023.
[219] Nigel Morris-Cotteril, 'The International Effect of Money Laundering Laws' (1996) 4 *Journal of Financial Regulation and Compliance* 67 https://doi.org/10.1108/eb024868 accessed 18 October 2023.
[220] Alexa Rosdol, 'Are OFCs Leading the Fight against Money Laundering?' (2007) 10 *Journal of Money Laundering Control* 337.
[221] National Crime Agency, *Suspicious Activity Reports (SARs) Annual Report 2022* (NCA 2022).

Money Laundering and Countering the Financing of Terrorism Code 2019.[222] These measures aim to provide a structured foundation for effectively addressing illicit financial activities. The Isle of Man demonstrates a commitment to adhering to international norms by aligning its anti-money laundering (AML) policies with established standards. It strives to comply with the guidelines set out by the Financial Action Task Force (FATF), showcasing a deliberate endeavour to include its AML systems within a global framework.[223] This dedication contributes to the broader international efforts aimed at combating money laundering and countering the financing of terrorism (AML/CFT). The Financial Services Authority (FSA) in the Isle of Man assumes a crucial role in the enforcement and supervision of anti-money laundering (AML) compliance.[224] This underscores the jurisdiction's committed regulatory strategy aimed at protecting its financial industry against the threats of the money laundering and its related hazards.

While several scholars have acknowledged the merits of Crown Dependent Territories and their regimes, others have raised concerns regarding challenges such as the hiding of beneficial ownership through the utilisation of shell firms.[225] The utilisation of Jersey's financial system by individuals to establish shell firms with the intention of concealing the actual owners of assets or funds represents a means of leveraging the jurisdiction for the

[222] Nigel Morris-Cotteril, 'The International Effect of Money Laundering Laws' (1996) 4 *Journal of Financial Regulation and Compliance* 67 https://doi.org/10.1108/eb024868 accessed 18 October 2023.
[223] Kris Hinterseer, 'An Economic Analysis of Money Laundering' (1997) 1 *Journal of Money Laundering Control* 154 https://doi.org/10.1108/eb027132 accessed 18 October 2023.
[224] Transparency International UK, *Corruption on Your Doorstep: How Corrupt Capital is Used to Buy Property in the UK* (2016) http://transparency.k405.es/sites/default/files/pdf/publications/2016CorruptionOnYourDoorstepWeb.pdf accessed 18 October 2023.
[225] John Christensen, 'The Hidden Trillions: Secrecy, Corruption, and the Offshore Interface' (2012) 57 *Crime, Law and Social* Change 325.

purpose of facilitating money laundering, while taking advantage of its legal framework. The effectiveness of anti-money laundering (AML) techniques might be impeded by constraints on available resources and inconsistencies in enforcement measures. Smaller financial institutions may encounter financial difficulties in completely implementing comprehensive anti-money laundering (AML) systems and training, so unintentionally creating a vulnerable loophole for money launderers to exploit. [226] As an illustration, the legal proceedings pertaining to Sani Abacha, the erstwhile Nigerian autocrat, witnessed the illicit transfer of substantial sums of money amounting to hundreds of millions of dollars through the jurisdiction of Jersey.[227] The intricacy of this particular case has brought attention to the difficulties faced by the jurisdiction in effectively monitoring and reclaiming assets that have been adeptly concealed and laundered through the banking system. Moreover, in Guernsey, the continuous development and utilisation of complex money laundering strategies, such as the incorporation of cryptocurrencies and online platforms, provide ongoing challenges or anti-money laundering (AML) procedures.[228] These mechanisms must continually improve and adjust to accurately detect and combat these technologically advanced threats. Legal structures, like as trusts and corporations, are strategically utilised to obscure the actual ownership of assets, while facilitating the maintenance of transparency in terms of beneficial ownership. This phenomenon facilitates the utilisation of Guernsey's

[226] Peter Clegg and Peter Gold, 'The UK Overseas Territories: A Decade of Progress and Prosperity?' (2011) *49 Commonwealth & Comparative Politics* 115.
[227] Olatunde Julius Otusanya and Sarah Lauwo, 'The Role of Offshore Financial Centres in Elite Money Laundering Practices: Evidence from Nigeria' (2012) 15 *Journal of Money Laundering Control* 336 https://doi.org/10.1108/13685201211238070 accessed 18 October 2023.
[228] Tracy S Paradise, 'Money Laundering and International Political Economy' (1998) 1 *Journal of Money Laundering Control* 229 https://doi.org/10.1108/eb027145 accessed 18 October 2023.

financial infrastructure by unauthorised individuals to carry out malicious activities poses a significant and severe obstacle.[229] The difficulty of ensuring compliance and successful implementation of anti-money laundering (AML) techniques is frequently encountered in non-financial sectors, including legal practitioners and accounting service providers. This challenge arises due to the varied and decentralised character of these industries.[230]

Despite the presence of intricate financial arrangements, such as trusts and shell companies, which are considered essential and lawful in the financial industry, it is important to recognize that they can unintentionally enable money laundering.[231] These structures have the potential to obscure the true ownership and source of funds, thereby presenting inherent difficulties for the anti-money laundering (AML) framework. The increasing use of cryptocurrencies and digital assets poses a complex issue, since the anonymity and decentralised characteristics of these currencies may be susceptible to exploitation for illicit activities such as money laundering. Consequently, there is a need for enhanced regulatory and monitoring measures to address this challenge.[232] The Isle of Man is currently under international scrutiny, as it grapples with the task of protecting its reputation in light of being mentioned in global conversations about tax havens and potential involvement in financial crimes. This highlights the importance of consistently

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[229] Karen Anne Cooper, *A Critical Examination of the Anti-Money Laundering Legislative Framework for the Prevention of Terrorist Finance with Particular Reference to the Regulation of Alternative Remittance Systems in the UK* (PhD thesis, University of Leeds 2014).
[230] Michael Levi, 'Money Laundering and Its Regulation' (2002) 582 *The Annals of the American Academy of Political and Social Science* 181.
[231] Kuda Tshiamo-Kgati, 'Botswana's Anti-Money Laundering and Combating the Financing of Terrorism Regime'.
[232] Karen Anne Cooper, *A Critical Examination of the Anti-Money Laundering Legislative Framework for the Prevention of Terrorist Finance with Particular Reference to the Regulation of Alternative Remittance Systems in the UK* (PhD thesis, University of Leeds 2014).

improving its anti-money laundering (AML) strategies.[233] The inclusion and subsequent removal of the Isle of Man from the European Union's list of non-cooperative nations for tax purposes is a significant and emotionally evocative instance. The delisting of the Isle of Man highlights the ongoing scrutiny that financial centres undergo and emphasises the importance of maintaining and proving a strong anti-money laundering (AML) system.

2.7 Comparative Analysis of Systematic Data Capture and Suspicion-Based Discretion

The divergence between Australia and the UK/Crown Dependencies is not merely a technical difference in reporting thresholds. It reflects fundamentally different philosophies of intelligence gathering.

The Australian model is proactive and systematic. By requiring the reporting of all large cash transactions and all cross-border electronic transfers, AUSTRAC receives a continuous, high-volume stream of data that is not filtered through the subjective judgment of reporting entities. This data can be analysed for patterns, anomalies, and trends before any particular transaction is flagged as suspicious. It enables AUSTRAC to identify previously unknown criminal networks, detect structuring behaviour (where large transactions are broken into smaller amounts to avoid reporting thresholds), and build financial intelligence that can be shared with law enforcement partners.

The UK and Crown Dependencies, by contrast, operate a reactive, discretionary model. They rely entirely on the professional judgement of reporting entities to identify and report suspicious activity. This approach places a heavy burden on the regulated sector, creates

[233] Michael Freeman, 'The Sources of Terrorist Financing: Theory and Typology' (2011) 34 *Studies in Conflict & Terrorism* 461.

inconsistency (different firms have different risk appetites and different thresholds for forming suspicion), and inevitably results in both under-reporting (genuinely suspicious activity that is not recognised as such) and over-reporting (defensive SARs filed on minimal grounds). As the Jersey think piece noted, “a SAR does not require proof, or even strong indications, of wrongdoing. A concern can arise from something as banal as a basic Google search, an automated screening alert, or a minor discrepancy triggering an internal query”.

The central divergence between the Australian AML framework and those of the United Kingdom, Jersey, and Guernsey is not reducible to questions of resource allocation, institutional capacity, or even the breadth of legislative mandates. Rather, it lies in the fundamental architectural choice between systematic, threshold-based data collection and suspicion-based discretionary reporting.

Australia’s AUSTRAC-led framework, with its mandatory TTRs for large cash transactions and mandatory IFTIs for all cross-border electronic transfers, creates a continuous, high-volume stream of financial intelligence that is not filtered through the subjective judgement of reporting entities. This enables proactive pattern analysis, detection of structuring behaviour, and identification of criminal networks before they are specifically suspected. The overlapping nature of the reporting obligations ensures that even transactions that are not flagged as suspicious may still be captured and analysed.

The UK and Crown Dependencies, by contrast, rely entirely on the professional judgement of reporting entities to identify and report suspicious activity. This reactive model is inherently vulnerable to both under-reporting (genuinely suspicious activity that is not recognised) and over-reporting (defensive SARs filed on minimal grounds). The absence of mandatory bulk reporting means that the intelligence picture is necessarily incomplete: there is no systematic capture of cross-border transfers or large cash transactions.

The implications for policy and practice are significant. Jurisdictions seeking to enhance their AML frameworks should consider whether a suspicion-based model alone is sufficient in an era of sophisticated, transnational financial crime. The Australian experience suggests that mandatory bulk reporting—properly implemented with appropriate privacy safeguards—can provide a qualitatively richer intelligence environment, enabling earlier detection, more effective disruption, and stronger prosecution outcomes. Conversely, jurisdictions that rely solely on discretionary reporting may find themselves perpetually reacting to criminal innovation rather than anticipating it.

Chapter 3. A Critical Analysis of the AML regulatory Landscape in the British Overseas Territories

3.1 Introduction

The Territories relics of the British Empire spread globally and absorbed a variety of legal systems, each with its unique social, economic, and regulatory characteristics. This chapter sheds light on the intricate details of the AML regulatory environment in the British Overseas and Crown Dependent Territories and also explores the legal frameworks that govern the anti-money laundering (AML) regulations in these territories.

To do this, chapter will conduct a comprehensive analysis, starting with a broad overview of the AML regulations in each area by examining the legal framework supporting each territory's anti-money laundering efforts and analysing the development of regulatory requirements and their alignment with international norms.

Finally, the chapter offers a critical review of the effectiveness and implementation of AML policies in the British Overseas Territories and Crown Dependencies as it examines the strengths and weaknesses of their regulatory system to identify any gaps or issues in enforcement that might hinder the success of anti-money laundering operations. Through a thorough analysis, this chapter aims to discover insights that provide light on how to curb money laundering and fraud in the City of London, British Overseas Territories and Crown Dependencies.

3.2 Overview of British Overseas Territories' AML Frameworks

3.2.1 Overview of British Overseas Territories

There are 14 UK Overseas Territories (OT) worldwide, with 10 being inhabited by British residents on a permanent basis.[234] These territories include Ascension, St Helena, Tristan da Cunha, British Indian Ocean Territory, Montserrat, Akrotiri and Dhekelia, British Virgin Islands, Pitcairn, Anguilla, Cayman Islands, Turks and Caicos Islands, Bermuda, Falkland Islands, South Georgia & the South Sandwich Islands, British Antarctic Territory, and Gibraltar.

3.2.2 Anguilla

As a Caribbean Island known for its tourism and investment opportunities, Anguilla is vulnerable to money laundering and financial crimes. [235]Its AML framework is built on UK laws and local legislation, including the Money Laundering Regulations (2014).[236] The Financial Services Commission (FSC) acts as the primary regulator, overseeing financial institutions and enforcing compliance through routine inspections.[237] Penalties for non-compliance include financial sanctions, license revocations, and criminal prosecution.[238] The government actively collaborates with international regulatory bodies to improve financial transparency.[239]

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[234] Great Britain Foreign and Commonwealth Office, *The Overseas Territories: Security, Success and Sustainability* (The Stationery Office 2012).
[235] Anguilla Financial Services Commission, *AML/CFT Legislation* https://www.fsc.org.ai/sectors/amlcft-legislation accessed 25 March 2024.
[236] ibid
[237] 'Anguilla Financial Services Commission - Sectors - AML/CFT - Legislation (n 30)
[238] ibid
[239] FIU, Anguilla - Regulations' (n 31).

3.2.3 Turks and Caicos Islands (TCI)

TCI, a well-known financial hub in the Caribbean, faces significant AML risks due to its role in international finance.[240] The territory has a strong legal framework, including the Anti-Money Laundering and Prevention of Terrorist Financing Code (2023). [241]TCI aligns with FATF and Caribbean Financial Action Task Force (CFATF) standards, undergoing regular evaluations to maintain compliance. [242]The Financial Services Commission (TCIFSC) oversees financial institutions, enforces AML regulations, and imposes sanctions on non-compliant entities.

3.2.4. Falkland Islands

With an economy focused on fishing and agriculture, the Falkland Islands may not be a major financial centre, but it still prioritizes AML enforcement.[243] The territory's legal framework is based on UK regulations, including the Proceeds of Crime Ordinance and Money Laundering Regulations.[244] The Falkland Islands Financial Services Authority (FIFSA) regulates financial institutions, conducts inspections, and enforces

[240] Turks and Caicos Islands, *Anti-Money Laundering and Prevention of Terrorist Financing (Amendment) Code 2023* ('53-of-2023-Anti-Money-Laundering-and-Prevention-of-Terrorist-Financing-Amendment-Code2023.pdf').

[241] Turks and Caicos Islands, *Anti-Money Laundering and Prevention of Terrorist Financing Code 2023*.

[242] Administrator, 'Anti-Money Laundering Committee' (Attorney General's Chambers – Turks and Caicos Islands, 20 June 2022) https://attorneygeneral.gov.tc/anti-money-laundering-committee accessed 25 March 2024.

[243] KnowYourCountry, *Falkland Islands (Malvinas): Anti-Money Laundering Report* https://www.knowyourcountry.com/falkland-islands-malvinas accessed 25 March 2024.

[244] Proceeds of Crime Ordinance 1996 (Falkland Islands).

compliance.[245] Violators face administrative penalties, and law enforcement agencies work to prosecute financial crimes when necessary.[246]

While the territories share historical connections with the UK, they operate under varying governance systems and regulatory frameworks. Many of these Territories especially financial hubs like the Cayman Islands and the BVI, are recognized for their significant roles in global finance. These jurisdictions are attractive for international financial activities due to their favourable tax environments, but this also makes them vulnerable to financial crime risks, including money laundering.[247]

Each Overseas Territory has a high degree of autonomy in managing its internal affairs, but the UK remains responsible for their international relations and defence. This includes ensuring that territories comply with international AML regulations. However, due to their relatively small populations and economies, many territories face difficulties in fully implementing comprehensive AML frameworks. The reliance on offshore financial services such as the reinsurance industry in Bermuda or investment management in the Cayman Islands further underscores the importance of robust AML systems.[248]

Several Territories like the British Virgin Islands and Gibraltar, are key players in global finance, handling substantial volumes of cross-border transactions. This, combined with limited regulatory capacity, poses significant AML challenges, particularly in monitoring

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[245] Falkland Islands Financial Services Authority, *Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Framework* https://www.fifsa.gov.fk accessed 25 March 2024.
[246] 'Falkland Islands Legislation' https://www.legislation.gov.fk accessed 25 March 2024.
[247] UK Foreign, Commonwealth & Development Office (FCDO), *UK Overseas Territories and Financial Crime: Governance and Regulatory Frameworks* https://www.gov.uk/government/publications/uk-overseas-territories-financial-crime-governance-and-regulatory-frameworks accessed 25 March 2024.
[248] ibid

illicit financial flows. The UK Overseas Territories are under scrutiny from international bodies such as the Financial Action Task Force (FATF) and the European Union regarding their compliance with global AML standards. Ongoing efforts to enhance transparency and enforce stricter AML protocols are critical in mitigating risks, but the unique economic structures and the territories' reliance on financial services continue to make AML enforcement complex. [249]

3.3 Key Player Territories in Global Finance and in the Anti-Money Laundering (AML) Framework

3.3.1 Montserrat

In the context of my research on combating money laundering and fraud in banks and financial institutions within the City of London and British Overseas and Crown Dependent Territories Montserrat presents a complex and evolving case study.[250] The island's financial sector, shaped by its historical ties to the United Kingdom, operates at the intersection of global regulatory standards and local economic realities. This duality highlights a broader challenge faced by offshore financial centres: the need to sustain economic viability while meeting the increasingly stringent anti-money laundering (AML) and counter-terrorism financing (CTF) requirements imposed by international watchdogs such as the Financial Action Task Force (FATF) and the UK government. However, the

[249] Financial Action Task Force, *British Virgin Islands' measures to combat money laundering and terrorist financing* (CFATF Mutual Evaluation Report 2024) https://www.fatf-gafi.org/en/publications/Mutualevaluations/bvi-mer-2024.html accessed 25 March 2024.

[250] International Monetary Fund, 'Montserrat — Overseas Territory of the United Kingdom: Assessment of the Supervision and Regulation of the Financial Sector—-Review of Financial Sector Regulation and Supervision' (2003) 2003 IMF Staff Country Reports https://www.elibrary.imf.org/view/journals/002/2003/371/article-A001-en.xml accessed 22 February 2024.

question remains whether Montserrat's regulatory framework genuinely mitigates financial crime or merely satisfies external compliance requirements without sufficient enforcement. This inquiry lies at the heart of my broader research into the role of British controlled jurisdictions in the global fight against money laundering and fraud.

A crucial aspect of Montserrat's financial system is its historical involvement in offshore banking, which has, at times, placed it under scrutiny. Like other British Overseas Territories Montserrat became an attractive destination for international investors due to its low tax environment and relatively lenient regulatory framework.[251] However, as global financial institutions strengthened their AML measures in response to high-profile money laundering and tax evasion scandals, the island found itself navigating shifting international compliance pressures.[252] In the early 2000s, organizations such as the FATF and the Organisation for Economic Co-operation and Development (OECD) exerted pressure on jurisdictions like Montserrat to reform their regulatory frameworks and enhance financial transparency.[253] These reforms led to a decline in offshore financial activities, as the jurisdiction sought to align itself with international best practices.[254] However, a key concern is whether these changes have truly curtailed financial crime or merely driven illicit activities into less visible, more sophisticated financial networks.[255] Evidence suggests that while Montserrat has taken significant steps to improve its AML

[251] ibid.
[252] St Helena Government Statistics Office, *[Title of Report]* (Year) https://www.sainthelena.gov.sh/statistics/ accessed 25 March 2024.
[253] Maria Amoamo, 'More Thoughts on Core-Periphery and Tourism: Brexit and the UK Overseas Territories' (2018) 43 Tourism Recreation Research 289 https://www.tandfonline.com/doi/full/10.1080/02508281.2018.1455015 accessed 25 February 2024.
[254] Fund (n 14).
[255] ibid.

framework, enforcement gaps persist. The Proceeds of Crime Act 2008 and the Money Laundering Regulations 2018 outline strict compliance measures, yet their practical implementation remains inconsistent.[256]

A notable case that underscores these enforcement weaknesses was the closure of several offshore banks operating on the island following concerns raised by the UK government about the lack of rigorous due diligence procedures. In 1998, a financial crisis emerged when Montserrat was blacklisted by the FATF due to inadequate regulatory oversight, forcing the island to restructure its financial governance. The incident serves as a reminder that legal frameworks alone are insufficient without the necessary institutional capacity to enforce them effectively. Montserrat's reliance on external regulatory bodies such as the UK’s Financial Conduct Authority (FCA) creates additional challenges.

While UK oversight theoretically strengthens Montserrat’s compliance with international AML standards, this external dependency also results in jurisdictional gaps that illicit actors can exploit. London’s financial institutions maintain strong correspondent banking relationships with Montserrat, facilitating international transactions. However, these same channels have been historically abused for laundering illicit funds, as evidenced by past investigations into money movements between offshore British territories and major UK based financial institutions. One such case involved Barclays Bank, which faced regulatory scrutiny in the early 2000s for failing to prevent illicit financial flows through its

[256] ‘The Anti-Terrorism (Financial and Other Measures) (Overseas Territories) Order 2002’ https://www.bailii.org/cgibin/format.cgi?doc=/uk/legis/num_reg/2002/20021822.html&query=(St)+AND+(Helena)+AND+(anti)+AND+(money)+AND+(laundering) accessed 22 February 2024.

correspondent relationships with offshore jurisdictions. The growing reliance on correspondent banking relationships presents an economic dilemma.[257]

Stricter AML enforcement by UK regulators has led to increased "de-risking" the process of major banks severing ties with smaller offshore institutions to avoid compliance risks.[258] While this approach mitigates financial crime exposure, it also isolates Montserrat from the global financial system, making it harder for legitimate businesses and individuals to access banking services. The risk of financial exclusion is particularly significant for a small economy like Montserrat, where remittances play a crucial role in economic stability.[259] If correspondent banking relationships continue to erode, will this push financial transactions further into unregulated or informal financial networks, inadvertently increasing AML risks?

Another factor complicating AML efforts in Montserrat is the jurisdiction's dependence on informal financial channels, particularly remittances and small scale money service businesses.[260] Many residents maintain financial ties with the United Kingdom and other Caribbean nations, leading to frequent cross border transactions.[261] While remittances provide a vital source of income, they also present money laundering risks if sent through

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[257] Montserrat Government, *Financial Regulations* (Montserrat Government) https://www.gov.ms/ accessed 25 March 2024.

[258] International Monetary Fund (IMF), *The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action* (IMF, 2016) https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/The-Withdrawal-of-Correspondent-Banking-Relationships-A-Case-for-Policy-Action-PP505 accessed 25 March 2024.

[259] Financial Stability Board (FSB), *FSB Action Plan to Assess and Address the Decline in Correspondent Banking* (FSB, 2017) https://www.fsb.org/2017/12/fsb-action-plan-to-assess-and-address-the-decline-in-correspondent-banking/ accessed 25 March 2024.

[260] Basel Institute on Governance, *Impact of De-Risking on Financial Inclusion & AML Compliance* (Basel Institute on Governance, 2021) https://baselgovernance.org/publications/impact-de-risking-financial-inclusion-aml-compliance accessed 25 March 2024.

[261] ibid

unregulated channels. Montserrat's financial intelligence infrastructure remains underdeveloped, raising concerns about whether local authorities have the resources to monitor and trace illicit transactions effectively.[262]

Beyond operational challenges, Montserrat's position within the Eastern Caribbean Currency Union (ECCU) adds another layer of complexity to its AML strategy.[263] While the Eastern Caribbean Central Bank (ECCB) regulates monetary policy, AML enforcement largely falls on individual jurisdictions, resulting in fragmented oversight. This regulatory patchwork creates opportunities for financial criminals to exploit weak points between jurisdictions, moving illicit funds, through multiple Caribbean territories before integrating them into the global financial system. [264]A more coordinated AML framework across ECCU member states could strengthen financial crime prevention efforts, but political and logistical barriers remain.

As financial crime becomes increasingly sophisticated, Montserrat and by extension, the UK must confront critical policy questions. Does the current AML regulatory approach effectively prevent illicit activities, or does it simply create an illusion of compliance? To address these concerns, several policy improvements should be considered. Strengthening on-island enforcement capacity, investing in local financial intelligence

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[262] Financial Action Task Force (FATF), *Mutual Evaluation Report: United Kingdom (Including Overseas Territories)* (FATF, 2018) https://www.fatf-gafi.org/en/publications/Mutualevaluations/UnitedKingdom-mer-2018.html accessed 25 March 2024.
[263] UK Parliament, *Anti-Money Laundering and Counter-Terrorist Financing Measures in British Overseas Territories* (UK Parliament, 2022) https://committees.parliament.uk/publications/23290/documents/169692/default/ accessed 25 March 2024.
[264] Organisation for Economic Co-operation and Development (OECD), *Global Forum on Transparency and Exchange of Information for Tax Purposes: Montserrat 2021 Review* (OECD, 2021) https://www.oecd.org/tax/transparency/documents/montserrat-2021.pdf accessed 25 March 2024.

units (FIUs) with specialized AML expertise would improve oversight and reduce reliance on UK regulators for compliance.[265] Enhancing cross border regulatory coordination, creating a more unified AML enforcement strategy across ECCU member states could prevent criminals from exploiting jurisdictional gaps.[266] Expanding Financial Intelligence Capabilities, leveraging advanced transaction monitoring technologies and AI-driven analytics could help detect complex money laundering schemes, particularly those involving cryptocurrency and digital assets.[267] Reassessing Correspondent Banking Strategies, the UK should work with Montserrat to establish a balanced regulatory approach that mitigates risk without completely severing financial ties, ensuring legitimate financial flows are not disrupted.[268]

Ultimately, Montserrat's position as a British Overseas Territory offers valuable insights into the broader question of whether the UK's financial oversight mechanisms are effective in preventing financial crime across its external jurisdictions.[269] The interplay between London's financial institutions and its offshore territories remains a critical area

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[265] Eastern Caribbean Central Bank (ECCB), *Strengthening AML/CFT Frameworks Across the ECCU* (ECCB, 2020) https://www.eccb-centralbank.org/news/view/strengthening-amlcft-frameworks-across-the-eccu accessed 25 March 2024.

[266] Caribbean Financial Action Task Force (CFATF), *Evaluation of Anti-Money Laundering and Counter-Terrorist Financing Measures in the Eastern Caribbean* (CFATF, 2021) https://www.cfatf-gafic.org/documents/4th-round-mer accessed 25 March 2024.

[267] Financial Crimes Enforcement Network (FinCEN), *Advisory on the Use of Informal Value Transfer Systems in Money Laundering* (FinCEN, 2019) https://www.fincen.gov/resources/advisories/fincen-advisory-informal-value-transfer-systems accessed 25 March 2024.

[268] Financial Action Task Force (FATF), *Updated Guidance on Virtual Assets and Virtual Asset Service Providers* (FATF, 2021) https://www.fatf-gafi.org/en/publications/fatfrecommendations/guidance-rba-virtual-assets.html accessed 25 March 2024.

[269] International Monetary Fund (IMF), *Assessing AML Effectiveness in Offshore Financial Centres* (IMF, 2020) https://www.imf.org/en/Publications/WP/Issues/2020/07/17/Assessing-AML-Effectiveness-in-Offshore-Financial-Centres-49564 accessed 25 March 2024.

for further investigation, as illicit financial activities often exploit jurisdictional gaps and regulatory asymmetries. Without robust enforcement mechanisms, there is a risk that AML regulations will remain largely symbolic rather than genuinely effective. Strengthening institutional capacity, improving regulatory cooperation, and leveraging technological advancements are essential steps toward bridging the gap between legislative intent and practical implementation. The success or failure of these measures will determine whether Montserrat and other British Overseas Territories serve as responsible financial jurisdictions or continue to face reputational risks associated with money laundering and financial crime.[270]

3.3.2 British Virgin Islands

The British Virgin Islands (BVI) is a maritime territory under British jurisdiction, located in the Caribbean region. It is widely acknowledged as an important secondary financial centre, attracting a significant volume of international trade and investment. The BVI plays a crucial role in the global financial system, making it essential to establish and maintain robust anti-money laundering (AML) protocols. These protocols are designed to safeguard the integrity of its financial sector, mitigate risks associated with money laundering and terrorism financing, and align with international regulatory standards.[271]

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[270] UK House of Commons Treasury Committee, *Economic Crime: Anti-Money Laundering Supervision and Sanctions Implementation* (House of Commons, 2023) https://committees.parliament.uk/publications/39977/documents/195274/default/ accessed 25 March 2024.

[271] Financial Action Task Force (FATF), *Anti-Money Laundering and Counter-Terrorist Financing Measures in the British Virgin Islands* (FATF, 2023) https://www.fatf-gafi.org/en/publications/Mutualevaluations/british-virgin-islands-mer-2023.html accessed 25 March 2024.

Given the BVI's financial prominence, ensuring compliance with AML measures is a priority for regulatory authorities and financial institutions operating within the jurisdiction.

The AML framework in the British Virgin Islands consists of a comprehensive range of legislative provisions, regulatory monitoring mechanisms, and enforcement processes aimed at detecting, preventing, and prosecuting financial crimes. However, despite these measures, significant gaps persist, raising concerns about whether the UK's regulatory framework effectively prevents financial crime in its offshore territories or inadvertently creates loopholes that illicit actors exploit.[272] The reliance on UK legislation alongside local regulatory frameworks may create jurisdictional vulnerabilities that allow for regulatory arbitrage and enforcement inconsistencies.

Key legislative instruments include the Proceeds of Criminal Conduct Act, the Anti-Money Laundering Regulations, and the Terrorism (Prevention) Act 2019.[273] These laws collectively establish a strong legal foundation for tackling money laundering and terrorism financing within the BVI. Additionally, the jurisdiction has the authority to enact local ordinances to address specific AML concerns that may arise in its financial sector. Nevertheless, enforcement of these laws has faced challenges, particularly when international scrutiny exposes deficiencies in oversight and regulatory response.[274]

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[272] UK Parliament, *Offshore Financial Centres* (UK Parliament Report, 2022) https://committees.parliament.uk/publications/23290/documents/169692/default/ accessed 25 March 2024.

[273] British Virgin Islands Government, *Proceeds of Criminal Conduct Act* (Official Gazette, 2019) https://www.bvifsc.vg/sites/default/files/legislation/proceeds_of_criminal_conduct_act.pdf accessed 25 March 2024.

[274] Transparency International, *The Role of the BVI in Global Money Laundering Schemes* (Transparency International, 2021) https://www.transparency.org/en/publications accessed 25 March 2024.

Real world cases highlight the enforcement difficulties in the BVI. For example, past investigations into financial misconduct, such as the Panama Papers and Paradise Papers leaks, revealed that offshore entities registered in the BVI were used as conduits for illicit financial flows, tax evasion, and money laundering.[275] Despite international pressure, regulatory reforms in the BVI have often been reactive rather than proactive, raising questions about the effectiveness of existing AML mechanisms.

Regulatory oversight of AML compliance in the British Virgin Islands is primarily conducted by the Financial Services Commission (FSC) or other designated regulatory bodies. The FSC is responsible for supervising and governing financial institutions in the BVI, ensuring adherence to AML laws, and conducting investigations into potential cases of the money laundering or terrorist financing. [276] However, enforcement is often hindered by limited resources, regulatory capture, and the challenge of coordinating with Uk, and international authorities.[277] Depending on the legal framework in place, the BVI may also designate other agencies or entities to further enhance AML enforcement efforts. These regulatory bodies work in tandem to ensure financial institutions implement adequate AML controls and maintain transparency in their operations.

Enforcement of AML laws in the BVI involves a combination of administrative penalties and criminal charges. Financial institutions that fail to comply with AML requirements may be subject to significant monetary fines, revocation of licenses, or termination of their

[275] International Consortium of Investigative Journalists (ICIJ), *The Panama Papers: Offshore Entities and Illicit Finance* (ICIJ, 2016) https://www.icij.org/investigations/panama-papers/ accessed 25 March 2024.
[276] British Virgin Islands Financial Services Commission, *Regulatory Framework and AML Compliance* (BVIFSC, 2023) https://www.bvifsc.vg/ accessed 25 March 2024.
[277] Organisation for Economic Co-operation and Development (OECD), *Challenges in Enforcing AML Laws in Offshore Financial Centres* (OECD, 2022) https://www.oecd.org/tax/ accessed 25 March 2024.

registration.[278] The FSC and other regulatory authorities have the power to impose these sanctions following thorough investigations into non-compliance. In more severe cases, law enforcement authorities can initiate criminal proceedings against individuals or entities engaged in illicit financial activities.[279] However, the effectiveness of these measures is debatable, particularly when high-profile cases suggest a pattern of inadequate enforcement and regulatory loopholes that allow financial misconduct to persist.

To address these shortcomings, a series of policy recommendations could be implemented to strengthen the BVI's AML regime. These include enhancing cross border cooperation with Uk, and international regulators, improving intelligence-sharing mechanisms, and leveraging technology driven AML solutions such as AI-driven transaction monitoring and blockchain based transparency initiatives. [280]Additionally, UK regulators must assess whether the current oversight structure is sufficient or if BVI should have greater autonomy in regulating its financial sector to ensure a more effective and locally responsive AML framework. Without meaningful reforms, the jurisdictional vulnerabilities of the BVI will continue to pose a risk to global financial integrity.

3.3.3 The Cayman Islands

The Cayman Islands is a British Overseas Territory situated in the Caribbean. It is widely recognized as a significant global financial hub, attracting substantial foreign investment

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[278] British Virgin Islands Financial Services Commission, *AML Enforcement Actions Report* (BVIFSC, 2022) https://www.bvifsc.vg/ accessed 25 March 2024.
[279] Crown Prosecution Service, *CPS Economic Crime Strategy 2025 – Two-Year Progress Report* (2023) https://www.cps.gov.uk/publication/cps-economic-crime-strategy-2025-two-year-progress-report.
[280] World Bank, *Innovative Technologies for AML Compliance in Offshore Financial Centres* (World Bank, 2023) https://www.worldbank.org/ accessed 25 March 2024.

and financial activities. However, with increased visibility comes the heightened risk of the money laundering and other illicit financial activities.[281] To counter these threats, the Cayman Islands has established a robust Anti-Money Laundering (AML) framework designed to safeguard its financial system and maintain its reputation as a credible jurisdiction for financial services.[282]

The legislative framework for AML compliance in the Cayman Islands is extensive, grounded in both local laws and international standards.[283] Key legislation includes the Proceeds of Crime Law (amended) and the Anti-Money Laundering Regulations (amended) 2023, which provides the legal basis for combating money laundering and terrorist financing.[284] These laws delineate the responsibilities of financial institutions, requiring them to implement stringent due diligence measures, report suspicious activities, and maintain accurate records. [285]Additionally, the Cayman Islands aligns its AML framework with international best practices and recommendations from bodies such as the Financial Action Task Force (FATF), ensuring consistency with global efforts to combat financial crime.[286]

Regulatory oversight of AML compliance in the Cayman Islands is conducted by the Cayman Islands Monetary Authority (CIMA), the primary regulatory body responsible for supervising financial institutions, including banks, trust companies, insurance firms, and

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[281] Cayman Islands Monetary Authority (CIMA), *Anti-Money Laundering Regulations* (CIMA, 2023) https://www.cima.ky/ accessed 25 March 2024.
[282] ibid
[283] ibid
[284] Ibid
[285] Financial Action Task Force (FATF), *FATF Recommendations: International Standards on Combating Money Laundering and Terrorist Financing* (FATF, 2023) https://www.fatf-gafi.org/ accessed 25 March 2024.
[286] ibid

investment funds.[287] CIMA enforces AML regulations through periodic inspections, compliance examinations and the imposition of enforcement actions against entities found in violation of their AML obligations.[288] The Cayman Islands Financial Reporting Authority (CIFRA) also plays a critical role in supervising and enforcing AML regulations, ensuring compliance across various financial sectors. International organizations, such as the FATF, maintain ongoing scrutiny over the jurisdiction's financial practices to mitigate risks associated with money laundering and illicit financing.[289]

AML regulations in the Cayman Islands are enforced through a combination of administrative penalties and criminal prosecutions.[290] Financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) that fail to comply with AML regulations may face significant penalties, including fines, license revocation, or deregistration. CIMA and other regulatory bodies hold the authority to impose these sanctions following investigations into non-compliance.[291] In cases of serious violations, law enforcement agencies, including the Royal Cayman Islands Police Service (RCIPS), may initiate criminal proceedings against individuals or entities engaged in money laundering or terrorist financing.[292] These efforts underscore the Cayman Islands' commitment to upholding the integrity of its financial system.

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[287] Cayman Islands Monetary Authority (CIMA), *Anti-Money Laundering Regulations* (CIMA, 2023) https://www.cima.ky/ accessed 25 March 2024.
[288] ibid
[289] Financial Action Task Force (FATF), *FATF Recommendations: International Standards on Combating Money Laundering and Terrorist Financing* (FATF, 2023) https://www.fatf-gafi.org/ accessed 25 March 2024.
[290] ibid
[291] ibid
[292] ibid

3.3.4 Bermuda

Bermuda is a British Overseas Territory situated in the North Atlantic Ocean. It is well known for being a prominent global financial hub, specialising in insurance, reinsurance, and investment management services.[293] Bermuda is at danger of the money laundering and terrorism funding due to its significant position in the global financial sector. The territory has established a strong AML framework to protect its financial system and maintain its reputation as a trustworthy location for financial services.[294]

Bermuda's legal framework for anti-money laundering is thorough and is mostly rooted on domestic laws and regulations. Important laws include the Proceeds of Crime Act 1997 and the Proceeds of Crime Regulations 2008.[295] These laws establish the legal basis for addressing money laundering and terrorist financing in Bermuda. They specify responsibilities for financial institutions, designated non-financial companies and professions (DNFBPs), and persons participating in relevant transactions. [296] Bermuda may also harmonise its AML system with global norms and recommendations, such those established by the Financial Action Task Force (FATF). Regulatory monitoring of AML compliance in Bermuda is carried out by the Bermuda Monetary Authority (BMA).[297] The BMA is the main regulatory body overseeing and controlling financial institutions such as banks, trust firms, insurance companies, and investment funds under its jurisdiction. The BMA enforces AML legislation, carries out inspections and exams, and enforces penalties

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[293] 'AML/ATF Supervision and Regulation in Bermuda - BMA' https://www.bma.bm/supervision-regulation accessed 25 March 2024.
[294] Bermuda Monetary Authority (BMA) - Anti-Money Laundering and Anti-Terrorist Financing Framework
[295] 'Policy and Guidance of AML/ATF in Bermuda - BMA' https://www.bma.bm/policy-guidance accessed 25 March 2024.
[296] 'AML/ATF Supervision and Regulation in Bermuda - BMA' (n 47).
[297] ibid.

on businesses that violate AML duties. Furthermore, the Financial Intelligence Agency (FIA) and other regulatory authorities may also be involved in supervising and enforcing anti-money laundering (AML) regulations.

Enforcement of anti-money laundering (AML) rules in Bermuda includes both administrative penalties and criminal charges. Financial institutions that violate AML regulations might be subject to penalties such as fines, licence revocation, or registration cancellation.[298] The BMA and other regulatory organisations can enforce punishment after investigating instances of non-compliance. Law enforcement agencies such as the Bermuda Police Service (BPS), can start criminal prosecutions against individuals or entities engaged in money laundering or terrorist financing. They work with regulatory authorities to enforce AML measures effectively.

3.3.5 Gibraltar

Gibraltar is a British Overseas Territory situated at the southernmost point of the Iberian Peninsula, next to Spain to the north.[299] It is well known as a global financial hub, providing a diverse array of financial services such as banking, insurance, and investment management. Gibraltar is at danger of the money laundering and terrorist funding due to its strategic location and importance in the global financial sector. The territory has established a strong AML framework to protect its financial system and maintain its reputation as a trustworthy location for financial services.

Gibraltar has a thorough legislative framework for anti-money laundering that is mostly rooted on local laws and regulations. Significant laws in this context include the Proceeds

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[298] ibid.

[299] 'Cr07157.Pdf' https://www.imf.org/external/pubs/ft/scr/2007/cr07157.pdf accessed 25 March 2024.

of Crime Act 2015 and the Terrorism Act 2017.[300] The laws establish the legal basis for addressing money laundering and terrorist financing in Gibraltar. They specify responsibilities for financial institutions, designated non-financial companies and professions (DNFBPs), and persons participating in relevant transactions. Gibraltar may also harmonise its AML system with international norms and recommendations, such as those established by the Financial Action Task Force (FATF).

Regulatory monitoring of Anti-Money Laundering (AML) compliance in Gibraltar is carried out by the Gibraltar Financial Services Commission (GFSC). The GFSC is the main regulatory body in charge of overseeing and regulating financial institutions such as banks, trust companies, insurance companies, and investment businesses under its jurisdiction. The GFSC enforces AML legislation, carries out inspections and exams, and imposes enforcement measures on businesses that violate AML responsibilities.[301] Furthermore, the Gibraltar Financial Intelligence Unit (GFIU) and other regulatory authorities may be involved in supervising and enforcing anti-money laundering (AML) regulations.

Enforcing AML legislation in Gibraltar includes utilising both administrative punishments and criminal charges. Financial institutions that violate AML regulations may be subject to penalties such as fines, licence revocation, or registration cancellation. The GFSC and similar regulatory bodies have the power to enforce sanctions after investigating cases of non-compliance.[302] Law enforcement agencies, like the Royal Gibraltar Police (RGP),

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[300] Gibraltar Financial Services Commission (GFSC), *Gibraltar AML Document* (GFSC, 2024) http://www.gfsc.gi/ accessed 25 March 2024.

[301] ibid.

[302] ibid.

have the power to start criminal prosecutions against people or organisations engaged in money laundering or terrorist financing. They work together with regulatory authorities to enforce anti-money laundering measures effectively.

3.4 Analysis of AML Frameworks

The British Overseas and Crown Dependent Territories (BOCDTs) generally follow UK guidance and legislation, such as the Proceeds of Crime Act 2002 (POCA) and the Terrorism Act 2000 and also adhere to FATF recommendations and Directives.[303] However, variations exist among different territories based on their local circumstances and priorities. The various legal framework from the British Overseas and Crown Dependent Territories operates within the confines of the Uk, and international standards. However, monitoring the British Overseas and Crown Dependent Territories faces challenges due to limited resources, both human and financial. These constraints are often a result of small population sizes, which lead to fewer personnel available enforcement and monitoring activities. Also, budgetary limitations restrict the capacity for comprehensive training and development of AML programmes. Consequently, these factors hinder the effective implementation and enforcement of AML regulations in these territories.[304] Additionally, there have been instances of regulatory capture and conflicts of interest, where local elites influence or evade enforcement efforts.[305] For instance, the case of R (on the application of) B (FC) v. Secretary of State for the Home Department[306]

[303] 'Akrotiri-Dhekelia.Pdf' (n 20); Yolande Dash, 'Anti-Money Laundering and Terrorist Financing Code'; 'Anguilla.Pdf' (n 32); 'Cr07157.Pdf' (n 61).
[304] 'Safety and Security - South Georgia and South Sandwich Islands (British Overseas Territory) Travel Advice' (n 55).
[305] 'Mgi-Ch3.Pdf' https://carnegieendowment.org/pdf/files/mgi-ch3.pdf accessed 25 March 2024.
[306] (2016) UKSC 58

discusses issues related to regulatory oversight and enforcement, highlighting how local power dynamics can undermine enforcement mechanism in the context of anti-money laundering.[307] One key area of concern has been the lack of transparency in beneficial ownership information. This concern arises from the potential for illicit financial activities, such as money laundering and tax evasion, which can be facilitated by opaque ownership structures. Without clear and accessible records of who ultimately owns and controls companies, it becomes significantly more challenging for regulatory authorities to monitor and investigate suspicious transactions, thereby undermining the effectiveness of AML measures.[308] Historically, many BOTs allowed the establishment of opaque corporate structures, making them attractive for money laundering and tax evasion purposes.[309] Efforts have been made to enhance transparency, including commitments to establish public registers of beneficial ownership.[310] Most of the British Overseas and Crown Dependent Territories have aligned their AML regulations with international. BOTs face evolving risks in the form of emerging technologies such as cryptocurrencies and digital assets, which can be exploited for money laundering and terrorist financing purposes.

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[307] *R (on the application of B (FC)) v Secretary of State for the Home Department* [2016] UKSC 58.

[308] UK Foreign, Commonwealth & Development Office (FCDO), *Overseas Territories: Progress made on improving transparency and addressing illicit finance flows (Explanatory Note)* https://www.gov.uk/government/publications/overseas-territories-adopting-publicly-accessible-registers-of-beneficial-ownership/overseas-territories-progress-made-on-improving-transparency-and-addressing-illicit-finance-flows-explanatory-note accessed 25 March 2024.

[309] ibid.

[310] Cayman Islands, *Anti-Money Laundering Regulations 2017* (Revised 2023) (Camille Stoll-Davey) https://legislation.gov.ky/cms/images/LEGISLATION/SUBORDINATE/2017/2017-0084/2017-0084_2023%20Revision.pdf accessed 25 March 2024.

3.5 Review of the Effectiveness and Implementation of AML Policies

Money Laundering takes different typologies worldwide recently including virtual currency.[311] Therefore, there is the need to put in place multifaceted approach to deal with the effectiveness of AML policies. The following are the existing approaches.

The persistent challenge for regulatory and enforcement authorities is how to regulate Informal Value Transfer Systems (IVTSs).[312] Petro C. Passas is a notable figure in the field of criminology, particularly known for his work on issues surrounding organised crime, money laundering, and the intersections of legal and illegal activities. He highlights the challenges faced by the authorities namely the absence of sufficient record keeping and impending problems in interpreting these records, mingling of legal and illegal activities, inconsistent legal treatment across countries, the use of unlawful nexus for settlement and a large number of innocent clients.[313] M. S. Maimbo is an expert on IVTS and has contributed significantly to understanding how these systems operates, particularly in relation to remittance and money laundering, who also highlights that the existing IVTS regulation strategies include the legal and supervisory approach, the financial sector development strategy, the institutional payments system strategy and the anthropological approach.[314]

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[311] Financial Action Task Force (FATF), *Virtual Currencies: Key Definitions and Potential AML/CFT Risks* (FATF 2014).

[312] Financial Action Task Force (FATF), *Guidance on the Risk-Based Approach to Money Laundering and Terrorist Financing – Informal Value Transfer Systems* (FATF 2016).

[313] Nikos Passas, 'Formalising the Informal: Problems in the National and International Regulation of Hawala' in International Monetary Fund (ed), *Monetary and Financial Systems Department. Regulatory frameworks for hawala and other remittance systems* (International Monetary Fund 2005c), 11 – 12.

[314] Maimbo and Passas (n 110).

i. Legal and Supervisory Approach

The events of 9/11 dramatically reshaped global regulatory attention on informal value transfer systems (IVTSs), which were increasingly seen as potential conduits for terrorist financing. In response, the Financial Action Task Force (FATF) issued Special Recommendation VI, which requires states to impose licensing or registration obligations on all informal remittance providers, alongside the general application of FATF recommendations. The aim was to distinguish legitimate IVTSs from illicit ones, obligating the former to report suspicious transactions as a safeguard against misuse. [315] While the intention was to reduce systemic risk, this regulatory framework has had mixed results in practice. [316] A key challenge lies in the asymmetry of global approaches: some countries (e.g., the Uk, and US) have opted to regulate IVTSs, while others (such as Japan, India, France, Spain, Colombia, and Saudi Arabia) have simply outlawed them altogether. [317] This inconsistency undermines global coordination and creates enforcement blind spots. Furthermore, the imposition of formal reporting and licensing requirements on informal financial actors often drives them underground, rather than integrating them into a compliant system.[318]

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[315] Matteo Vaccani, 'Alternative Remittance Systems and Terrorism Financing: Issues in Risk Management' (*World Bank*, 2010) https://openknowledge.worldbank.org/handle/10986/5916 access accessed 15 January 2019.

[316] Nikos Passas, 'Setting Global CFT Standards: A Critique and Suggestions' (2006) 9(3) *Journal of Money Laundering Control* 281, 284.

[317] Financial Action Task Force (FATF), *The Role of Informal Value Transfer Systems in the Money Laundering Process* (FATF 2013) https://www.fatf-gafi.org/en/publications/Methodsandtrends/The-role-of-informal-value-transfer-systems.html accessed 25 March 2024.

[318] Kalyani Munshani, 'The 9 Special Recommendations on Terrorist Finance: Operational Limitations of the Regulatory Regime' (DPhil thesis, York University 2010).

Scholars have also attempted to study the regulation of IVTSs within the field of terrorism financing and globalisation.[319] Arun Munshani is a scholar or expert in the field of anti-money laundering (AML) and counter terrorism financing (CFT). She critiques the existing regulatory frameworks and emphasises the differences between money laundering and terrorist financing, arguing that the current AML structures are inadequate for addressing specific challenges posed by terrorism financing. Being sceptical about the FATF's Special Recommendations (SR), she argues that the SR VI on alternative remittance systems is 'fatally crippled' and counterproductive as it is leveraged by economic rather than security concerns.[320] Drawing on a historical account of the evolution and implementation of regulations against terrorism financing, Harold Hongju Koh who is a prominent legal scholar and former legal advisor to the U.S. Department of State, discusses how such laws have impeded on international humanitarian law and are guided by economic interests.[321] Oswald, analysing historically the use, abuse and regulation of formal and informal transfer systems in the USA and non-USA countries, is in favour of the liberalisation of money transfer systems by lessening the legal obligations imposed on formal money transfer system providers.[322] Nevertheless, his research merely focused on how regulations in the formal system have triggered the emergence of IVTSs. Examining the influence of globalisation over remittance regulation, Wilks argues that scholars are incorrectly reflecting on whether remittances must be regulated. Instead,

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[319] US Department of the Treasury, *The Role of Informal Value Transfer Systems in Terrorist Financing* (US Treasury 2006) https://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/FinCEN-Informal-Value-Transfer-Systems.pdf accessed 25 March 2024.

[320] Munshani (n 146).

[321] Jae-Myong Koh, *The Suppression of the Financing of Terrorism: The Evolution and Implementation of International Standards* (DPhil thesis, University of Edinburgh 2005)

[322] Charles A Oswald, *A Comparative Historical, Legal and Policy Analysis of Informal and Formal Money Transfer Systems* (DPhil thesis, Saint Thomas University 2007)

they must assist the participants of the remittance networks to discover their collective voice.[323]

Although the FATF has played a central role in shaping global AML/CFT norms since its establishment in 1989, its effectiveness in addressing the evolving challenges of the money laundering and terrorism financing remains a subject of debate. In April 2019, the FATF's mandate was made open-ended, with biennial ministerial meetings introduced to guide its strategic direction. [324] Despite ongoing efforts, critics argue that the FATF's initiatives have yet to produce significant reductions in illicit financial activities, raising questions about the organization's adaptability and impact in the current financial landscape.

ii. Financial Sector Development Approach

Another proposed approach to the regulation of IVTSs is to adopt a financial sector development strategy through the lowering of taxes on remittances, the adoption of floating currency rates, and the lessening of currency regulations and rates of interest.[325] Mohamed El-Qorchi an expert in the field of AML and financial regulation, particularly known for his work on IVTS, and others claim that merely establishing regulation does not guarantee compliance, unless the actual factors influencing customers' preference of such systems over the formal systems, are curtailed.[326] Instead, through economic

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[323] Stephen Wilks, *Rethinking the Dynamics of Remittance Regulation within the Context of Networked Global Governance* (DPhil thesis, York University 2011)
[324] Financial Action Task Force, 'Financial Action Task Force Mandate (2012-2020)' (*FATF*, 20 April 2012) http://www.fatf-gafi.org/media/fatf/documents/FINAL%20FATF%20MANDATE%202012-2020.pdf accessed 10 January 2019.
[325] L Buencamino, L and S Gorbunov, 'Informal Money Transfer Systems: Opportunities and Challenges for Development Finance' (*United Nations*, 2002) www.un.org/esa/esa02dp26.pdf accessed 10 January 2019 accessed 10 January 2019.
[326] El-Qorchi and others (n 104).

liberation, socioeconomic stability and dependable formal institutions, migrants will be induced to rely on financial institutions rather than on informal ones.[327] Marilyn Buencamino and Sergey Gorbunov who are both known for their work on remittance, supported this through a research of six foremost labour exporting countries in Europe and North America. They found that a 10% increase 'in the black-market premium' leads to a drop of 3% in official remittances. For these authors, doing away with dual and parallel exchange markets is an effective strategy to channel remittances through the formal channels. Furthermore, such an approach generates mixed outcomes and is more attractive for professional and high skilled migrants with higher earnings and investment capacities instead of profiting those with low skills and earnings.[328]

iii. Institutional Payments System Approach

Bearing close linkage with the previous strategy, the institutional payments strategy is aimed at combatting IVTSs on economic grounds by establishing competitive formal systems.[329] It has been argued that with the emergence of more viable formal banking and remittance systems, users can be stopped from using IVTSs and shift to the formal channels.[330] Other proposed solutions include taxing IVTSs,[331] establishment of exchange companies and ensuring compliance with reporting requirements by hawala operators. Essentially, this will bring a corporate culture in money

[327] Pathak (n 122).
[328] Buencamino and Gorbunov (n 153).
[329] Financial Action Task Force (FATF) – *FATF Guidance on Combatting Money Laundering and Terrorist Financing through Financial Inclusion*
[330] El-Qorchi and others (n 104) 43.
[331] David C Faith, 'The Hawala System' (2011) 2(1) *Global Security Studies* 24.

exchange businesses and eradicate demand for IVTSs and other informal exchange systems.[332] However, even this strategy has failed to bring the desired outcomes.[333] Effort towards 'western unionizing' IVTSs such as hawala does not address the reasons for customers' preference for such systems namely anonymity, reliability, less bureaucratic, accessible to those in remote areas, its adaptation to cultural needs and its cost efficiency.[334] Regardless of the adoption of competitive strategies to hike the costs for operating IVTSs, they remain the most economically effective solution for most migrants. They provide optimal exchange rate with no charges and greater returns for the recipient than other remittance methods.[335]

iv. Anthropological Strategy

The anthropological approach advocates the inclusion of the communities of hawala operators in the regulatory framework.[336] Despite infrequently used, this strategy constitutes a radical change in addressing regulatory concerns over hawalas as without their involvement, it will be impossible to regulate such systems.[337] Four crucial actors can be identified: relatives, distant relatives and friends, people from same ethnic group or community, and people from host country or those outside the family and other ethnic group. The absence of involvement of such outsiders, renders each network unproductive and remote. Monsutti, studying the Hazara communities, contended that hawala systems

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[332] Asif Asrar Usmani, 'Exchange Companies Ready to Replace Money Changers' (2003) 34(1) *Economic Review* 9.
[333] Siddiqui (n 147).
[334] Nakhasi (n 85) 483-489.
[335] Passas (n 142).
[336] International Monetary Fund (IMF) – *Regulating the Hawala System and the Role of Communities in Compliance*
[337] Nikos Passas and Samuel M Maimbo, 'The Design, Development, and Implementation of Regulatory and Supervisory Frameworks for Informal Funds Transfer Systems' in Biersteker T J and Eckert S E (eds), *Countering the Financing of Terrorism* (Routledge 2008), 189.

enable the reproduction of social bonds while also ensuring that material necessities are met.[338]

3.6 Virtual currency

Virtual currencies have brought a new era to money laundering by assisting criminals to launder their crime proceeds in the virtual world. The rapid growth of these currencies has attracted not only legitimate investors but also criminals by providing them with the desired level of anonymity.[339]

A. Mechanisms

The FATF classifies VCs under the broad classification of convertible and non-convertible virtual currencies. [340] Convertible VCs can further be classified as either centralised or decentralised.

i. Centralised Convertible Virtual Currencies

Centralised VCs are controlled by an administrating authority that issues the VCs, enacts rules regulating the use of VCs, upholds a central payment ledger, and possesses the authority to withdraw these currencies from circulation. Centralised VCs providers may undertake money laundering and intentionally operate in high-risk money laundering countries.[341] The de facto convertibility of the VCs relates to the existence of a market that reflects the demand and supply for these currencies. Convertible VCs may be subject to money laundering because they may be traded for real currency or other VCs and

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[338] Alesandro Monsutti, 'Cooperation, Remittances, and Kinship among the Hazaras' (2004) 37(2*) Iranian Studies* 219.
[339] Financial Action Task Force (FATF) – *Virtual Assets and Virtual Asset Service Provider: FATF Guidance for a Risk-Based Approach*
[340] Financial Action Task Force (FATF) – Virtual Currencies: Key Definitions and Potential AML/CFT Risks
[341] Ibid.

possess higher anonymity than conventional non-cash means of payment.[342] Transfers may be made without properly identifying the senders or recipients of the transfer. They can be exchanged anonymously on the internet without face-to-face interactions and through exchangers that do not engage in proper identification of the source of the funds.[343]

Convertible Virtual Currencies (VCs) can be used as schemes with unidirectional flows, where units can be procured with fiat currency at a specific rate of exchange but cannot be converted back to legal tender. Such schemes can permit the acquisition of virtual goods and services through the VCs with the owners establishing the conversion terms and consenting to such acquisition. Some examples of such schemes include, Facebook credits, SAS Euro Bonus points, Farmville Cash, Nintendo points, loyalty programmes and frequent flyer programmes. In 2009, Facebook credits were introduced to purchase virtual goods in all applications available through Facebook.[344] The currency would be acquired through credit cards or PayPal at an exchange rate against the dollar, without reversibility to fiat currency. Its weak adoption led to the end of its issue in return for payments in real currencies and Facebook faced prosecution for allowing the use by minor of its VC.[345] In loyalty programmes and frequent flyer program, users are remunerated points to be spent in a closed system but never exchanged back into the original currency.

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[342] Financial Action Task Force (FATF) – Virtual Currencies: Key Definitions and Potential AML/CFT Risks
[343] Financial Action Task Force (FATF) – Virtual Assets and Virtual Asset Service Provider: FATF Guidance for a Risk-Based Approach
[344] European Central Bank (ECB) – Virtual Currency Schemes
[345] *I.B. v. Facebook, Inc.,* 82 F.Supp.3d 1115 (D.N.Cal. 2015).

ii. Centralised Non-Convertible Virtual Currencies

Non-convertible VCs are centralised in nature, that is, there is a central authority which regulates them and therefore, precludes them from being convertible.[346] Defined as closed VCs, non-convertible VCs are considered 'in-game only' scheme with no practical link to the real economy and cannot be traded outside the virtual game's market.[347] World of Warcraft is a good example, where the players opened an account online and pay a subscription fee to purchase WoW gold for the acquisition of virtual goods. Although the end user license agreement had explicitly barred out of game sale of the virtual gold in the real world,[348] this restriction could be circumvented through black market online platforms.[349] Some people from developing countries made it their day job to play a game, acquire WoW gold and vend it for fiat currency.[350] This process is called 'gold farming' and the example of an extreme case relates to prisoners in Chinese labour camps who were forced by guards to play the game at night and who would then sell the proceeds.[351] This led the Chinese government to ban the use of VCs to purchase real goods.[352]

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[346] Financial Action Task Force, 'Virtual Currencies Key Definitions and Potential AML/CFT Risks' (*FATF*, 27 June 2014a) <http://www.fatf-gafi.org/media/fatf/documents/reports/Virtual-currency-key-definitions-and-potential-aml-cft-risks.pdf> accessed 10 January 2019.

[347] Peter Twomey, 'Halting a shift in the paradigm: the need for bitcoin regulation' (2013) 1 Trinity C.L. Rev 67; Nicolas Wenker, 'On Line Currencies, Real-World Chaos: The Struggle to Regulate the Rise of Bitcoin' (2016) 19 Texas Review of Law Politics 14; Reuben Grinberg, 'Bitcoin: An Innovative Alternative Digital Currency' (2012) 4 Hastings Sci. & Tech. L.J. 159, 172.

[348] Blizzard, 'World of Warcraft Term of Use' (*Blizzard,* 22 August 2012) <http://us.blizzard.com/en-us/company/legal/wow_tou.html> accessed 10 January 2019.

[349] Grinberg (n 170) 201.

[350] Hanna Halaburda and Miklos Sarvary, *Beyond Bitcoin: The Economics of Digital Currencies* (Palgrave Macmillan 2016), 68-70.

[351] Malcom Moore, 'Chinese labour camp prisoners forced to play online games' *The Guardian* (London, 2011) http://www.fatf-gafi.org/publications/methodsandtrends/documents/illicittobaccotrade.html> accessed 10 January 2019.

[352] Ministry of Commerce People's Republic of China, 'China bars use of virtual money for trading in real goods' (*Ministry of Commerce People's Republic of China,* 29 June 2009)

iii. Decentralised Convertible Virtual Currencies

As decentralised VCs do not possess any central administrating authority that engages in central monitoring or scrutiny or anti money laundering software to trace suspicious transactions, they are particularly susceptible to money laundering due to anonymity risks.[353] The users perform these tasks themselves, without the involvement of intermediaries such as a central clearing house, financial or other institutions or a central authority to control money supply.[354] Instead, the supply of VCs is governed by a mining process involving miners deciphering particular mathematical problems.[355] Users rely on free and open source software and digital wallets to use and to store VCs, respectively.[356] For decentralised VCs, the addresses used are accounts to which no names or client identity is attached. Similarly, the VCs protocol does not necessitate investigation into the identity or authentication of the users or produce transaction records. Anonymous person to person transfers and transactions can effortlessly be conducted in the virtual world which functions outside the jurisdiction of a particular country. All these attributes contribute to the difficulty faced by the authorities in targeting a particular entity for investigation and asset forfeiture. Decentralised VCs can also fall under the classification of schemes with bi-directional flows where the units can be purchased and vended as per floating exchange rates to fiat currency.[357] This category of VCs resembles other convertible currencies in terms of its interoperability with the real world which nurtures the

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<http://english.mofcom.gov.cn/aarticle/newsrelease/commonnews/200906/20090606364208.html> accessed 15 January 2019.

[353] FATF – Virtual Currencies: Key Definitions and Potential AML/CFT Risks

[354] European Central Bank, 'Virtual Currency Schemes – A Further Analysis' (*ECB*, October 2015a) <https://www.ecb.europa.eu/pub/pdf/other/virtualcurrencyschemesen.pdf> accessed 10 January 2019.

[355] Jerry Brito and Andrea Castillo, 'Bitcoin: A Primer for Policymakers' (2013-2014) 29(4) Policy 3.

[356] FATF (n 169).

[357] ECB (n 176).

likelihood of significant fraud or manipulation as transactions move back and forth across the penetrable border between the two.[358] Such schemes permit the acquisition of both virtual and real goods and services. Bitcoin, created by Satoshi Nakamoto[359] as the world's first decentralised peer-to-peer (P2P) network,[360] is a good example of such scheme.

B. Vulnerabilities and Need for Regulation

The following section addresses the main aspects that makes virtual currencies (VCs) attractive to criminals for laundering their illegal proceeds.

i. Regulatory Landscape and International Economy

The emergence of VCs dates back to the global financial crisis as the public were finding it risky to depend on financial institutions. The public lost trust in both the state and conventional financial institutions. VCs such as bitcoin arose as an alternative to the formal banking system given their resilience in times of instability[361] and quickly they became equally attractive to criminals. They allow the easy international transfer of value without the support of heavily regulated financial institutions. To outwit the regulation of the financial system, VCs can be used to structure transactions below the reporting threshold to avoid scrutiny and suspicion. By breaking large transactions into smaller

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[358] Financial Transactions. and Reports Analysis Centre of Canada, 'Mass Marketing Fraud : Money Laundering Methods and Techniques FINTRAC Typologies and Trends Report –January 2015' (*FINCTRAC,* 2015) <http://publications.gc.ca/collections/collection_2015/canafe-fintrac/FD5-1-7-2015-eng.pdf> accessed 15 January 2019.

[359] Satoshi Nakamoto, 'Bitcoin: A Peer-to-Peer Electronic Cash System' (*Bitcoin,* 2009) <http://www.bitcoin.org/bitcoin.pdf> accessed 15 January 2019.

[360] Brito and Castillo (n 177).

[361] E D Zamani and I Babatsikos, 'The Use Of Bitcoins In Light Of The Financial Crisis: The Case Of Greece' (11th Mediterranean Conference on Information Systems, Genoa, 2017) <https://www.dora.dmu.ac.uk/bitstream/handle/2086/14418/MCIS2017BITCOINcameraready.pdf?sequence=1&isAllowed=y> accessed 15 January 2019.

transactions with technology, minimal resources are required. With each transaction conducted through a separate VC address, it is difficult to associate these structured transfers to each other.[362] By terminating relationship with high-risk clients, banks are pushing them including criminals to the underground and more obscure channels. In Africa, Caribbean islands and Venezuela, de-risking of correspondent banking services has generated a rise in crypto activities.[363] Fintech companies in the Uk, and Singapore also have had their bank accounts being closed without any explanations from the banks.[364]

Operating in the unregulated virtual world, VCs are not adequately regulated and monitored by the authorities around the world and therefore, do not fall within the ambit of AML/CFT regulations.[365] The characteristics of VCs such as anonymity, not issued or backed by the state, generated through mining, no official association with any prevailing

[362] Robert Stokes, 'Virtual money laundering: the case of Bitcoin and the Linden dollar' (2012) 21(3) Information & Communications Technology Law 221.

[363] Sprenger P and Balsiger F, 'Anti-Money Laundering in times of cryptocurrencies. Cryptocurrencies– game changers in many ways' (*KPMG*, June 2018) <https://assets.kpmg.com/content/dam/kpmg/ch/pdf/anti-money-laundering-in-times-of-cryptocurrency.pdf> accessed 15 January 2019.

[364] FCA (n 81); Chanyaporn Chanjaroen, 'Singapore Cryptocurrency Firms Facing Bank Account Closures' (*Bloomberg,* 26 September 2017) <https://www.bloomberg.com/news/articles/2017-09-26/singapore-cryptocurrency-firms-facing-bank-account-closures> accessed 10 January 2019.

[365] C Brenig, A Accorsi and G Muller, 'Economic Analysis of Cryptocurrency Backed Money Laundering' (Twenty-Third European Conference on Information Systems, Münster, 2015) <https://aisel.aisnet.org/cgi/viewcontent.cgi?article=1019&context=ecis2015_cr> accessed 10 January 2019; Sarah Gruber, 'Trust, Identity, and Disclosure: Are bitcoin exchanges the next virtual havens for money laundering and tax evasion? (2013-2015) 32(1) Quinnipiac L Rev 135; AUSTRAC (n 132); He Dong, Karl Habermeier, Ross Leckow, Vikram Haksar, Yasmin Almeida, Mikari Kashima, Nadim Kyriakos-Saad, Hiroko Oura, Tahsin Saadi Sedik, Natalia Stetsenko, and Concepcion Verdugo-Yepes, 'Virtual Currencies and Beyond: Initial Considerations' (*IMF*, 2016) <https://www.imf.org/external/pubs/ft/sdn/2016/sdn1603.pdf> accessed 10 January 2019; Drew Maloney, 'FinCEN's ICO Letter' <https://coincenter.org/files/2018-03/fincen-ico-letter-march-2018-coin-center.pdf> (*Coin Center,* March 2018) accessed 10 January 2019.

currency, acceptance as a medium of exchange and extraterritorial nature renders the application and enforcement of existing regulations with regards to VCs inappropriate.[366] Moreover, the decentralised nature of most VCs (principally decentralised VCs) makes it difficult to impose reporting obligation as there is no central authority responsible to issue and supervise them.[367] As transactions are conducted directly, effective regulation is innately complicated and cannot be guaranteed.[368] Although the regulatory authorities may target individual VC exchangers to obtain information on the clients where reliance is made on such intermediaries. However, if the transactions are made directly there is no central authority can be subject to AML/CFT obligations, investigation or seizure of funds.[369] There are no adequate regulatory systems to regulate the accomplices involved in the schemes and this leads to leaving some participants unregulated.[370] Additionally, given the lack of a 'standard or internationally coordinated framework' to regulate VCs,[371] despite FATF's guidance countries have adopted divergent regulatory approaches This makes transaction monitoring across and cooperation between countries difficult.[372]

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[366] Lucy Frew, Rich Folsom and Sophie van Wingerden, 'Legal and regulatory issues relating to virtual currencies' (2015) 7 JIBFL 438B.
[367] Alicja Mikolajewicz-Woźniak and Anna Schneibe, 'Virtual currency schemes – the future of financial services' (2015) 17(4) Foresight 365.
[368] Dostov and Shust (n 21).

[369] FATF (n 169); Nicole D Swartz, 'Bursting the Bitcoin Bubble: The Case to Regulate Digital Currency as a Security or Commodity' (2014) 17 Tul. J. Tech. & Intell. Prop. 319.
[370] Commonwealth Working Group on Virtual Currencies, 'Virtual Currencies Working Group' (*Commonwealth Secretariat*, 2015) <http://thecommonwealth.org/sites/default/files/press-release/documents/P14195_ROL_Virtual_Currencies_D_Tait_V5_LoRes.pdf> accessed 15 January 2019; Alan Brill and Lonnie Keene, 'Cryptocurrencies: The Next Generation of Terrorist Financing?' (2014) 6(1) Defence Against Terrorism Review 7.
[371] Matthew P Ponsford, 'A Comparative Analysis of Bitcoin and Other Decentralised Virtual Currencies' (2015) 9 Hong Kong Journal of Legal Studies 30, 50.
[372] Ibid; Brill and Keene (n 192); I Pflaum and E Hateley, 'A bit of a problem: National and extraterritorial regulation of virtual currency in the age of financial disintermediation' (2013) 45 Geo. J. Int'l L.1169; KPMG, 'Virtually Unregulated Countering Virtual Currency, Money Laundering in the 21st Century'

Domestic law enforcement authorities have a hard time identifying the culprit and their physical locations.[373] Even where they are able to do so, other challenges await them: assessing whether particular transaction can be classified as criminal conduct in their own territory and gathering ample evidence to obtain search warrants.[374] Difficulties also arise regarding enforcement actions where decentralised VCs are involved, as there is no central administrator that could be subject to investigation and asset forfeiture. This issue arises despite the imposition of due diligence and record keeping obligations imposed on VC exchangers.[375] Limited accessibility to the place of storage of these VCs also impeded on any action to seize or freeze assets.[376] Likewise, where complex structures are relied to move funds through a multitude of underground entities dispersed across the world further concerns arise.[377] In addition to the enormous cost of regulating such isolated and anonymous masses,[378] claiming jurisdiction over a specific transaction, entity or scheme is equally difficult for the local authorities for the international reach of the technology underlying VCs.[379] Seeking the collaboration of law enforcement, tax and judiciary is particularly difficult when dealing with crime in an international context.[380]

(*KPMG,* 2013) <https://home.kpmg.com/content/dam/kpmg/pdf/2014/01/countering-money-laundering.pdf> accessed 10 January 2019.

[373] United Nations Office on Drugs and Crime (UNODC) – Virtual Currencies and Money Laundering: Legal Frameworks and Law Enforcement Issues

[374] Go Lisanawati, 'Why does new payment system and products (npsps) vulnerable to money laundering?' (2015) 13(5) International Journal of Applied Business and Economic Research 35.

[375] Dong and others (n 187); Brenig and others (n 187); FATF (n 169); Swartz (n 191); L J Trautman, 'Virtual currencies; Bitcoin & what now after Liberty Reserve, Silk Road, and Mt. Gox?' (2014) XX (4) Richmond Journal of Law & Technology 1.

[376] Mikolajewicz-Woźniak and Schneibe (n 189).

[377] ECB (n 176); Dong and others (n 187)

[378] Omri Marian, 'A Conceptual Framework for the Design of Cryptocurrencies' (2015) 82 U. Chi. L. Rev. Dialogue 53.

[379] Dong and others (n 187).

[380] Wojciech Filipkowski, 'Cyber Laundering: An Analysis of Typology and Techniques' (2008) 3(1) International Journal of Criminal Justice Sciences 15.

ii. Inherent Characteristics of Virtual Currencies

Immune from state, economic or social instability,[381] the supply of decentralised VCs and the administration of account creation is conducted by a decentralised peer to peer network.[382] The structure of decentralised VCs facilitates the conduct of anonymous transfers as the source and destination of the funds cannot amply be identified. As transactions are conducted directly between VC addresses, they neither require reliance on third parties and intermediaries including financial institutions nor face-to-face contact or concern over international borders.[383] A public ledger is distributed with the users in the peer-to-peer network which eliminates the need for intermediaries and creates trust between the users.[384] As such conventional AML/CFT safeguards cannot be applied to VCs for the absence of gatekeepers to report suspicious transactions and prevent illegal transfers of value.[385]

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381 Ruoke Yang, 'When is bitcoin a security under U.S. securities law?' (2013) 18 J. Tech. L. & Policy 99; He Dong, 'Monetary Policy in the digital age' (2018) 55(2) Finance & Development 13; Swartz (n 191); N A Plassaras, 'Regulating Digital Currencies: Bringing Bitcoin within the Reach of the IMF' (2013) 14 Chicago Journal International Law 377; Jack Filiba, 'Why Government Instability is Good for Bitcoin Prices' (*Coin Square,* 12 December 2017) <https://news.coinsquare.com/government/government-instability-bitcoin/> accessed 10 January 2019.

382 T E Kaminskaya and V A Petrova, 'Cryptocurrency: Financial Revolution or a Threat to the Financial System' (2018) 3(2) KnE Social Sciences 111.

383 Brenig and others (n 187); Natalia G Vovchenko, Evgeniy N Tishchenko, Tatiana V Epifanova and Mark B Gontmacher, 'Electronic Currency: The Potential Risks to National Security and Methods to Minimise Them' (2017) XX(1) European Research Studies 36; Irwin and others (n 49); FATF (n 169); Twomey (n 170); Kavid Singh, 'The New Wild West: Preventing Money Laundering in the Bitcoin Network' (2015) 1 Northwestern Journal of Technology and Intellectual Property.

384 Brito and Castillo (n 182); Stokes (n 184); Jonathan Lane*, '*Bitcoin, Silk Road, and the Need for a New Approach to Virtual Currency Regulation' (2014) 8 Charleston Law Review 511; European Central Bank, European Central Bank, 'Virtual currency schemes' (*ECB*, October 2012) <https://www.ecb.europa.eu/pub/pdf/other/virtualcurrencyschemes201210en.pdf> accessed 10 January 2019; Jerry Brito, Houman B Shadab and Andrea Castillo, 'Bitcoin Financial Regulation: Securities, Derivatives, Prediction Markets, and Gambling' (2014-2015) 16 Colum. Sci. & Tech. L. Rev. 144.

385 Brenig and others (n 187); Nicholas J Ajello, 'Fitting a Square Peg in a Round Hole: Bitcoin, Money Laundering, and the Fifth Amendment Privilege Against Self-Incrimination' (2014-2015) 80(2) Brooklyn Law Review 435; European Banking Authority, 'EBA Opinion on 'virtual currencies' (EBA/Op/2014/08, EBA,

In regions such as the British Virgin Islands, which are known for their lenient financial regulations, the anonymity provided by decentralised virtual currencies can facilitate illicit activities. For instance, criminals might use VCs to transfer funds across borders without revealing their identities, exploiting the BVI's limited regulatory oversight. The BVI's status as a financial haven makes it particularly susceptible to the misuse of virtual currencies, as the lack of robust AML/CFT safeguards in decentralised systems can be exploited to obscure origins of illicit funds.[386]

The decentralised nature of VCs allows for the layering and obscuring of illicit funds, particularly in regions where cash flow is high, and regulatory scrutiny is limited. This illustrates how virtual currencies can be leveraged to bypass traditional financial controls and evade detection, further complicating the fight against money laundering in the country.[387]

Where the VCs operate in an interactive environment, there is reliance on financial institutions and other third parties or intermediaries. Criminals often use the service of wallet providers, VC exchanges, trading platforms, clearing houses, payment processing, ATMs amongst others to manage assets and ease transactions.[388] Even where networks of such third parties are relied, they act as accomplishes of criminals and enable them to open accounts quickly and use them anonymously using pseudonyms, anonymous or

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2014) <https://www.eba.europa.eu/documents/10180/657547/EBA-Op-2014-08+Opinion+on+Virtual+Currencies.pdf> accessed 10 January 2019; Pflaum and Hateley (n 194).

386 "Financial Secrecy Index 2020" by the Tax Justice Network provides insights into jurisdictions like the BVI and their roles in financial Secrecy and money laundering

387 "The Financial Action task Force's (FATF) Mutual Evaluation report on Mexico"

388 Economics References Committee, 'Digital currency—game changer or bit player' (*Parliament of Australia*, 2015) <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Digital_currency/Report/> accessed 15 January 2019; Marian (n 199).

fabricated identities. [389] They purposely avoid performing customer due diligence to identify the origin of the funds and have in place very little or no identification and verification mechanisms. Recordkeeping is also either inadequate or non-existent. [390] Despite the real time recording of transactions on the public ledger that can be inspected through open source public websites, criminals may still remain anonymous.[391] This is because although the ledger represents the documentation of ownership and transfers of VCs, the private keys stay anonymous.[392] VCs users are not identified by their names but instead through public addresses and are the only ones with access to their own accounts. Records that can associate the public addresses to users are not maintained.[393] Transactions involving decentralised VCs requires the disclosure of information by the parties on their online location, that is, the digital addresses of the VCs rather than the parties' account details and the amount of the transaction.[394] The anonymity of VC transactions obstructs the efficiency of due diligence verification under AML regulations[395] and prevents the authorities from detecting the different stages of the process. They face difficulties in preventing the VC network from operating as this would

[389] Ibid, Gruber (n 187); Vovchenko (n 204); Irwin and others (n 49); FATF (n 169).
[390] William Hett, 'Digital currencies and the financing of terrorism' (2008) Rich. JL & Tech. 15 1; Gruber (n 187).
[391] Ajello (n 206); Lane (n 205).
[392] Marian (n 199).
[393] Rolf van Wegberg, Jan Jaap Oerlemans and Deventer Oskar van, 'Bitcoin money laundering: mixed results? An explorative study on money laundering of cybercrime proceeds using bitcoin' (2018) 25(2) Journal of Financial Crime 419; Mikołajewicz-Woźniak and Scheibe (n 189); Ajello (n 206); Marian (n 199); Lane (n 205); FATF (n 169).
[394] Nikolei M Kaplanov, 'Nerdy money: bitcoin, the private digital currency, and the case against its regulation' (2012-2013) 25 Loy. Consumer L. Rev. 111.

[395] Kevin V Tu and Michael W Meredith, 'Rethinking Virtual Currency Regulation in the Bitcoin Age' (2015) 90 Washington Law Review 271.

necessitate deactivating every single miner.[396] Additionally, rather than being completely anonymous, decentralised VCs are pseudonymous in nature. Where the authorities have access to information on bank account details or shipping addresses, they can link identifiers to VC wallets and transaction records. With the identity of some known wallet owners, transaction graphs can be created to trace each VC and reveal the identity of other unknown users that have transacted with the known individuals or entities.[397] However, this would necessitate complex investigation and rigorous effort that could be fruitful where suspicion over a specific wallet arises.[398] Furthermore, if there is no interaction with third parties outside the network to perform due diligence checks, it is difficult to tie such pseudonyms to individuals or entities.[399] The dynamic ecosystem of VCs, which relentlessly transmutes and improves bitcoin usage, also makes such blockchain analysis challenging.[400]

For the majority of VCs there are no thresholds on the amount that can be transferred as long as the users at the sending and receiving ends both have accounts with the VC server. There are also frequently lesser physical limitations to VC transfers as they

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[396] Bryans (n 33).

[397] Marian (n 199); D Carlisle, 'Virtual Currencies and Financial Crime Challenges and Opportunities' (Rusi, March 2017) <https://rusi.org/sites/default/files/rusi_op_virtual_currencies_and_financial_crime.pdf> accessed 10 January 2019; Dorit Ron and Adi Shamir, 'Quantitative Analysis of the Full Bitcoin Transaction Graph' in Ahmad-Reza Sadeghi (eds), Financial Cryptography and Data Security. FC 2013. Lecture Notes in Computer Science, vol 7859 (Springer 2013); Craig K Elwell, M Maureen Murphy, and Michael V Seitzinger, 'Bitcoin: Questions, Answers, and Analysis of Legal' Issues 3 (Congressional Research Service, 15 July 2014 <http://fas.org/sgp/crs/misc/R43339.pdf> accessed 10 January 2019.

[398] Marian (n 199); Carlisle (n 216).

[399] Brenig and others (n 187); ECB (n 176); ECB (n 201).

[400] Jordi Herrera- Joancomartí, 'Research and Challenges on Bitcoin Anonymity' in Joaquin Garcia-Alfaro, Jordi Herrera-Joancomartí, Emil Lupu, Joachim Posegga, Alessandro Aldini, Fabio Martinelli, and Neeraj Suri (eds), *Data Privacy Management, Autonomous Spontaneous Security, and Security Assurance* (Springer 2015).

function in the virtual world.[401] The technology underlying VCs not only allows domestic or international transfers to be made quickly within seconds and minutes but also permit these transfers to be structured below the reporting limits through smurfing technique. Therefore, criminals can effortlessly transfer funds in big amounts across several jurisdictions (including remote areas) while circumventing cumbersome physical limitations and reporting requirements.[402] The transfers of both fiat currencies and VCs between different players, accounts and services providers across transnational jurisdictions make it extremely difficult to identify the actual owner.[403] Moreover, accounts can easily be created through stolen store value cards such as stolen prepaid cards, gift cards and credit card numbers.[404] The instantaneous transfer for money prevents the authorities from effectively monitoring and examining suspicious transactions as well as freezing funds.[405] Their transnational reach impedes on regulation and domestic authorities face difficulties in exercising jurisdiction over a specific VC scheme, transaction, user or provider.[406] With records kept by individuals or entities across different countries, getting access to these records is hard for the authorities,[407] particularly when they are located in non-cooperative jurisdictions.[408]

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[401] Hett (n 209).
[402] Ajello (n 206); Brenig and others (n 187); FATF (n 169); Stokes (n 184); Brill and Keene (n 192); Trautman (n 196); Stephen Small, 'Bitcoin: The Napster of Currency' (2015) 37 Hous. J. Int'l L. 581; Dostov and Shust (n 21).
[403]Stokes (n 184).
[404] Angela Samantha Maitland Irwin, Kim-Kwang Raymond Choo and Lin Liu, 'Modelling of money laundering and terrorism financing typologies' (2012) 15(3) Journal of Money Laundering Control 316.
[405] Brenig and others (n 187); Marc Hochstein, 'Why bitcoin matters for bankers' (*American Banker*, 24 February 2014) <https://www.americanbanker.com/news/why-bitcoin-matters-for-bankers> accessed 15 January 2019.
[406] Dong and others (n 187).
[407] FATF (n 169).
[408] Commonwealth Working Group on Virtual Currencies (n 192).

With the electronic storage of VCs, it is not possible to reverse the transactions[409] and supplementary verification or validation is not required to conduct any transaction.[410] This attribute of VCs is very appealing to criminals who are seeking for opportunities to perpetrate their illegal activities.[411] Even genuine errors cannot be reversed in the case of decentralised VCs.[412] Once the transfers are executed, the money are out of the authorities' reach[413] as the protocol has not been designed to perform backwards transfers to the senders, unless new transfers are initiated by the recipients.[414]

Compared to conventional payment channels and financial institutions, VCs represent a much cheaper alternative for money launderers as the charges remain very low and therefore, generate greater revenue.[415] Both merchants and users can make savings through VCs.[416] The cost-effectiveness of VCs is associated with the direct transfers (in certain instances two-party payment) that can be made through the distributed peer to peer network and the only cost of the transactions is the operating charges for verifying and authorising the transactions.[417] The low cost is also due to the VCs' lack of physical

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[409] Tu and Meredith (n 214).

[410] Brill and Keene (n 192).

[411] Trautman (n 196).

[412] Dong and others (n 187).

[413] Brenig and others (n 187).

[414] Ajello (n 206); G F Hurlburt and I Bojanova, 'Bitcoin: Benefit or Curse?' (2014) 16(3) IT Professional 10; United States. Cong. House. Senate Committee on Homeland Security and Government Affairs. *Hearing on Beyond Silk Road: Potential Risks, Threats, and Promises of Virtual Currencies. Nov. 18, 2013.* 115th Cong. 1st sess (Statement of Jennifer Shasky Calvery, Director, Financial Crimes Enforcement Network United States Department of the Treasury).

[415] Brenig and others (n 187); Mikolajewicz-Woźniak and Schneibe (n 189); ECB (n 205).

[416] Ibid (n 187).

[417] Ibid, Kaplanov (n 213).

presence.[418] Where criminals rely on third party service providers, they may charge premium costs to wittingly avoid reporting suspicious transactions to the authorities.[419]

iii. Other Facilitating Aspects

VCs operate within a complex system of infrastructure in the virtual world where criminals can rely on a range of entities and intermediaries that are often located in different countries around the world.[420] These components can easily be accessed online. With such a pervasive geographic distribution of VC service, criminals have access to innumerable opportunities to launder their illegal proceeds.[421] Thus, by choosing VC providers from different jurisdictions, particularly those with inadequate AML/CFT measures and who possess limited information on the transactions,[422] Criminals can keep their activities anonymous as these providers would face difficulties in identifying their real identities. [423]

Criminals exploiting the BVI might use mixers to obscure the origins of their funds. For instance, funds could be funnelled through multiple virtual wallets and exchanged through BVI based VC platforms to mask their illicit origins. The BVI's status as a financial haven and its relatively lenient regulatory environment can make it an attractive destination for such activities. The use of mixers or tumblers in this region can further obscure the source of funds by switching VC addresses, complicating the traceability of transactions for authorities.[424]

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[418] Swartz (n 191).

[419] Brill and Keene (n 192).
[420] Vovchenko and others (n 204).
[421] FATF (n 169); ECB (n 205); ECB (n 176).
[422] ECB (n 205); ECB (n 176); Brill and Keene (n 192).
[423] Irwin and others (n 49); Lane (n 205).
[424] BVI supports initiative to fight Financial Crime

Fictitious e-commerce websites assist criminals to purchase non-existent products using VCs.[425] Massively multiplayer online games (MMOGs) and online financial service providers (OFSPs) including virtual currency exchangers and internet payment systems also allow the reliance on avatars to hide criminals' identity using stolen or fake identity documents when opening multiple accounts and accomplishing transactions. Although the IP addresses of the users are collected by MMOGs and OFSPs when signing up accounts, these can be hidden through anonymizer tools such as the tor browser software. This inhibits both the service providers and authorities from uncovering their transactions.[426] Anonymizing networks facilitate the concealment of criminals' internet traffic that are channelled via a chain of servers around the world to hide their identities, locations and browser histories.[427] Likewise, log less virtual private networks (VPNs), apart from avoiding to keep any records of the criminals' activities on their servers, also encode the internet traffic and channel them via multiple servers located in various locations prior to reaching the last location. Some of these VPNs have a common IP address for various users which renders the identification and tracking of identities challenging.[428] Mixers or tumblers assist to blur the trail by switching VC addresses with

[425] S D Keene, 'Emerging threats: financial crime in the virtual world' (2011) 15(1) Journal of Money Laundering Control 25; Commonwealth Working Group on Virtual Currencies (n 192).
[426] Irwin and others (n 49); Filipkowski (n 201).
[427] United States Department of Justice, 'Acting Assistant Attorney General Mythili Raman Testifies Before the Senate Committee on Homeland Security and Governmental Affairs' (*USDOJ,* 17 September 2014) <https://www.justice.gov/opa/speech/acting-assistant-attorney-general-mythili-raman-testifies-senate-committee-homeland> accessed 10 January 2019; Lane (n 205); Brill and Keene (n 192); Dong and others (n 187); FATF (n 169); Gruber (n 187).
[428] Sudhir Khatwani, '6 Ways to Guarantee Anonymity When Making Bitcoin Transactions' (*Coinsutra,* 11 October 2018) <https://coinsutra.com/anonymous-bitcoin-transactions/> accessed 15 January 2019; Sprenger and Balsiger (n 185).

temporary e-wallet addresses.[429] In case of habitual launderer clients, the providers take care that the illegal VCs deposited in the accounts are not transferred to the same person by allocating a number to them for use next time another mix needs to be performed. [430] Dark wallets permit multiple payments in the network to be mixed automatically to obscure the source of the funds. Just 8 transactions can transfer funds in more than 256 destinations[431] and this makes the commingling of illegal with legal funds easy.[432] Generating as many wallets as required at no cost without having to disclose their identity is also possible and this further complicates the identification of users.[433] Even where authorities manage to freeze one or more of account(s), criminals can still open another account and continue their activities.[434] The use of different public addresses for each transaction[435] and reliance on anonymous digital wallets makes the tracing of suspicious transactions problematic.[436] The balance from old VC addresses can be integrated into a new address using the help of third party digital wallet provider to perform a new payment.[437]

[429] Sprenger and Balsiger (n 185); FATF (n 169); Gruber (n 187); R Marshall, 'Bitcoin: Where Two Worlds Collide' (2015) 27 Bond L. Rev. 89; Small (n 221); Irwin and others (n 49).
[430] Van Wegberg and others (n 212).
[431] Brill and Keene (n 192).
[432] Yang (n 202) 99.
[433] Marian (n 199).
[434] Irwin and others (n 53); USDOJ (n 245).
[435] Van Wegberg and others (n 212); Dong and others (n 187); Swartz (n 191); Lane (n 205).
[436] Ajello (n 206); Marian (n 199); Marshall (n 247); AUSTRAC (n 132); Australian Transaction Reports and Analysis Centre, 'AUSTRAC Typologies and Case Studies Report 2012' (*AUSTRAC,* 2012) <http://www.austrac.gov.au/sites/default/files/documents/typ_rprt12_full.pdf> accessed 10 January 2019.
[437] Federal Bureau of Intelligence, 'Bitcoin Virtual Currency: Intelligence Unique Features Present Assessment Distinct Challenges for Deterring Illicit Activity' (*FBI*, 24 April 2012) <https://www.wired.com/images_blogs/threatlevel/2012/05/Bitcoin-FBI.pdf> accessed 10 January 2019.

VC exchanges can also wittingly or unwittingly collaborate with criminals.[438] Complicit VC exchanges assist criminals by omitting to undertake proper customer due diligence. They facilitate conversion of VCs to legal tender and vice versa, trading of VCs through open market and transfers between members.[439] This ensures further 'layering' in the laundering process. Criminals can open accounts with these exchangers to deposit and withdraw fiat currencies to ease transactions involving buy and sell orders. Physical currency representing illegal proceeds can be used to acquire VCs through VC exchangers or online platform through debit cards, credit cards, online payment service provider or online voucher payment.[440] Strawmen holding no antecedent criminal records and having supported employment can be used to purchase VCs.[441] Various means of payment are accepted by VC exchangers including bank wires, store value cards, fiat currencies, VCs, amongst others.

Structuring or smurfing because the technology can help split up large amounts using standardized and less risky procedures that circumvent financial transaction controls and require less resources.[442] Networks of agents assists criminals to deposit the money into bank accounts for future fake acquisition of assets in the virtual realm through bank accounts. Afterwards, the proceeds from such transactions are channelled to a bank account for withdrawal that makes the detection of the origin of the funds difficult.[443] The incompatibility between VCs and the underlying concept of AML/CFT makes it particularly challenging for these regulations to effectively monitor the entry points into the financial

438 AUSTRAC (n 254); AUSTRAC (n 132); Irwin and others (n 49); Keene (n 243).
439 FBI (n 255).
440 AUSTRAC (n 132).
441 Sprenger and Balsiger (n 185).
442 Small (n 221); Irwin and others (n 49).
443 Irwin and others (n 49).

system and prevent criminals from transferring value without oversight.[444] As VCs are increasingly being accepted by a greater number of retailers and some even operate VC ATMs in their store for their clients, it is easier for criminals to clean their dirty money through the acquisition of goods (or services). If items not requiring background checks are purchased, it is difficult to identify the acquirer, particularly for purely cash transactions.[445]

C. Existing Regulatory Approaches

i. FATF's Risk-Based Approach

The FATF recommends the extension of its risk based approach to address VCs in its guidance.[446] It advocates that countries must subject convertible VC exchangers to the same AML/CFT obligations including registration, licensing and due diligence checks as imposed on financial institutions and money transfer businesses.[447] Other recommendations include reporting of suspicious transactions and record keeping of the identity and digital addresses of clients.[448] An array of operative, equivalent and deterring sanctions is proposed for non-compliant virtual currency payment products and services (VCPPS).[449] Cooperation between countries was also encouraged with regards to the confiscation of VCs and extradition.[450] The creation of 'third-party digital identity systems' was also supported to generate 'electronic identity signatures' for reporting, monitoring

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[444] Dostov and Shust (n 21).

[445] Brill and Keene (n 192); Kadhim Shubber, 'Hyper-anonymising Bitcoin Service 'Dark Wallet' launches today' (*CoinDesk,* 1 May 2014) <https://www.coindesk.com/hyper-anonymising-bitcoin-service-dark-wallet-launches-today/> accessed 15 January 2019.

[446] FATF (n 169).

[447] Ibid 12-14.

[448] Ibid 13.

[449] Ibid 10.

[450] Ibid 11.

and due diligence obligations.[451] However, this may engender security susceptibilities and over-reliance on third-party validation, giving rise to centralization issues such as bias and incentivization.[452] The concern surrounding the FATF's risk-based approach is that it may eventually lead to the de-risking of VCPPS completely from the economy.[453]

Chapter 4. The Future of Anti-Money Laundering – Challenges and Innovations

4.1 Introduction

In this chapter the City of London, British Overseas Territories and Crown Dependencies continue to play a significant role in the global financial system, serving as major hubs for international banking, investment, and corporate structuring. However, these jurisdictions have also been at the centre of high-profile money laundering cases due to their financial secrecy laws, offshore business structures, and international exposure.[454] Despite the UK's strong anti-money laundering (AML) framework, criminals have continued to exploit

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[451] Ibid 14.

[452] John Salmon, 'Blockchain and financial services technology to change the world - just not yet' (*Out Law*, 3 June 2015) <http://www.out-law.com/en/articles/2015/june/blockchain-and-financial-services-technology-to-change-the-world---just-not-yet-/> accessed 22 November 2015> accessed 15 January 2019.

[453] Samuel Rubenfield, 'FATF Pushes Risk-Based Approach Toward Virtual Currencies Services' The Wall Street Journal (New York, 2 July 2015) <http://blogs.wsj.com/riskandcompliance/2015/07/02/fatf-pushes-risk-based-approach-toward-virtual-currencies-services/> accessed 15 January 2019.

[454] Financial Action Task Force (FATF), 2023. *United Kingdom Mutual Evaluation Report*, Paris: FATF.

loopholes in regulatory oversight, jurisdictional inconsistencies, and technological advancements to facilitate financial crime.[455]

As new financial technologies emerge, the methods used to launder illicit funds, are evolving, requiring regulators, financial institutions, and law enforcement agencies to continuously adapt. This chapter explores how future money laundering threats will impact on the City of London and its associated jurisdictions, identifying key challenges and innovations in AML enforcement.[456]

4.2 Emerging Money Laundering Threats Facing the City of London and Its Linked Jurisdictions

4.2.1 The Role of Cryptocurrency and Decentralized Finance (DeFi) in UK-Linked Laundering Schemes

One of the most pressing challenges for AML enforcement in the City of London and its offshore territories is the rise of cryptocurrency based laundering networks.[457] Unlike traditional financial transactions, which are subject to strict Know Your Customer (KYC) and reporting requirements, cryptocurrency transactions operate across decentralized, pseudonymous networks, making it harder for regulators to detect illicit activity.[458]

In Offshore Financial Centres and the Law, Dominic Thomas-James examines the role of British Overseas Territories in the global financial system, focusing on their development of offshore financial centres (OFCs) as a means of achieving economic self-

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[455] National Crime Agency (NCA), 2023. *National Strategic Assessment of Serious and Organised Crime*, London: NCA.
[456] ibid
[457] Financial Conduct Authority (FCA), 2023. *Cryptoasset AML Supervision Report*, London: FCA.
[458] ibid

determination. Focusing on Bermuda, the Turks and Caicos Islands, and Anguilla, the book analyses the tension between the sovereignty of these jurisdictions and the international community's demands for transparency, evaluating how willing and able they are to combat the flow of suspect wealth derived from financial crimes such as corruption, money laundering, and tax evasion, as well as controversial conduct like tax avoidance.[459] While acknowledging the harmful role OFCs can play in facilitating transnational financial crime, the author argues that a one-size-fits-all approach to regulation is inappropriate. The work concludes that these territories demonstrate a genuine willingness to comply with international standards, and therefore questions whether the degree of criticism they face is entirely warranted.[460]

Several UK linked jurisdictions, such as Gibraltar, the Cayman Islands, and the British Virgin Islands (BVI), have become attractive hubs for unregulated crypto exchanges, initial coin offerings (ICOs), and virtual asset service providers (VASPs). These territories have been criticized by the Financial Action Task Force (FATF) and the European Union (EU) for failing to enforce stringent AML compliance measures on crypto related businesses, allowing criminals to move illicit funds, offshore with limited oversight.[461]

4.2.2 AI-Powered Laundering Schemes in UK Financial Institutions

Artificial intelligence (AI) is being leveraged not only by regulators to improve AML compliance but also by financial criminals to evade detection. AI-driven laundering

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[459] Thomas-James, Dominic, Offshore Financial Centres and the Law: Suspect Wealth in British Overseas Territories (Routledge 2021).
[460] ibid
[461] European Commission, 2022. AML Legislative Package, Brussels: EU Commission.
Deloitte, 2023. AI in Financial Crime Risk Management, London: Deloitte.

schemes pose a growing threat to UK financial institutions, as criminals use machine learning algorithms to identify loopholes in compliance monitoring and generate synthetic identities that bypass KYC requirements.[462]

A study by the UK's Financial Conduct Authority (FCA) in 2023 found that AI assisted fraud and laundering had increased by 35% over two years, particularly in corporate banking, offshore investment firms, and high-net-worth individual accounts.[463] If AI-powered laundering techniques outpace regulatory oversight, London's financial sector and offshore affiliates could become increasingly vulnerable to sophisticated financial crime networks.[464]

4.2.3 The Growing Risk of The Money Laundering Through UK Real Estate and Offshore Trusts

The City of London's luxury real estate market has long been a target for money launderers, with illicit funds, flowing into high value property purchases through anonymous corporate structures. Many of these property transactions are linked to offshore companies registered in British Overseas Territories.

A Transparency International UK report found that more than £6 billion worth of UK property had been purchased using suspect funds, with 60% of these transactions linked to companies in the British Virgin Islands, Cayman Islands, and Gibraltar. [465] The UK's National Crime Agency (NCA) has also reported that real estate remains one of the

[462] Transparency International UK, 2022. *London Property and Money Laundering Report*, London: Transparency International.
[463]Financial Conduct Authority (FCA), 2023. Crypto asset AML Supervision Report, London: FCA.
[464] ibid
[465] Transparency International UK, 2022. *London Property and Money Laundering Report*, London: Transparency International.

primary laundering methods used by politically exposed persons (PEPs) and high net worth individuals involved in corruption and financial crime.[466]

To combat this, the UK introduced the Register of Overseas Entities in 2022, requiring offshore companies that own UK property to disclose their ultimate beneficial owners.[467] However, enforcement remains a challenge, as many offshore jurisdictions continue to resist full transparency measures, allowing criminals to circumvent disclosure requirements through complex legal structures.[468]

4.3 The Future of AML Enforcement: Strengthening London and Its Offshore Affiliates

4.3.1 Expanding UK Regulatory Oversight Over Offshore Financial Centres

The British Overseas Territories and Crown Dependencies have long been recognized as major players in the global financial system, offering tax incentives, corporate secrecy, and complex trust structures that attract international investors. While these jurisdictions contribute significantly to global capital flows, their historical reputation as secrecy havens has raised concerns about their role in facilitating illicit financial activities, including money laundering, tax evasion, and financial fraud.[469]

The City of London, as one of the world's foremost financial hubs, maintains strong financial ties with these Territories many of which host shell companies, hedge funds, and trust services that operate under minimal regulatory scrutiny. According to Transparency

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[466] National Crime Agency (NCA), 2023. *National Strategic Assessment of Serious and Organised Crime*, London: NCA.
[467] UK Government, 2022. *Register of Overseas Entities*, London: UK Government.
[468] Ibid
[469] Financial Action Task Force (FATF), 2023. *United Kingdom Mutual Evaluation Report*, Paris: FATF

International UK (2022), over 60% of UK properties owned by suspect offshore entities are linked to companies registered in the British Virgin Islands, Cayman Islands, and Gibraltar. These findings highlight the urgent need for enhanced regulatory oversight to prevent financial crime within these offshore centres.

Despite recent AML reforms, including the UK's introduction of the Register of Overseas Entities in 2022, enforcement remains patchy, with many offshore jurisdictions resisting full transparency requirements. A key challenge lies in the lack of uniform compliance measures across all UK affiliated jurisdictions, which allows criminals to exploit inconsistencies in AML enforcement to launder illicit funds, through legitimate financial channels.

4.3.2 AI-Driven AML Solutions and Blockchain Forensics

To counter the rise of AI-driven money laundering, UK regulators and financial institutions must integrate advanced technologies capable of detecting and disrupting increasingly complex laundering networks. AI-powered anti-money laundering (AML) solutions can move beyond traditional rule-based systems by employing predictive analytics, anomaly detection, and natural language processing to analyse vast datasets in real time.[470] Such tools are particularly adept at recognising laundering techniques that deliberately obscure transaction patterns, including the use of synthetic identities, layered cryptocurrency transfers, and AI-generated fraud schemes.[471] As Shadab has noted, the evolution of

[470] National Crime Agency (NCA), 2023. *National Strategic Assessment of Serious and Organised Crime*, London: NCA.
[471] Deloitte, *AI in Financial Crime Risk Management* (London: Deloitte, 2023)

blockchain derivatives and related financial products has created regulatory blind spots that traditional compliance frameworks are ill-equipped to address.[472]

Additionally, blockchain forensics technologies (such as those developed by Chainalysis and Elliptic) can be integrated into AML frameworks to trace illicit crypto transactions and link them to real-world identities.[473] These forensic capabilities allow regulators and financial institutions to map transactional flows, uncover hidden linkages between wallet addresses, and detect mixing or tumbling services designed to obscure illicit origins. Both the FCA's Crypto asset AML Supervision Report (2023) and the European Commission's AML legislative package (2022) emphasise the need for enhanced monitoring of digital assets. [474] Similarly, the U.S. Federal Trade Commission's 2017 FinTech Forum underscored the importance of these tools, recognising that blockchain analytics and AI applications are becoming central to safeguarding financial ecosystems against misuse.[475]

The City of London and its affiliated offshore jurisdictions now face unprecedented AML challenges at the intersection of technology, cross-border finance, and secrecy frameworks. Reports from the National Crime Agency (2023) and Transparency International (2022) highlight how illicit actors exploit beneficial ownership opacity and

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472 Houman B Shadab, *Regulating Bitcoin and Blockchain Derivatives* (NYLS Legal Studies Research Paper, 2014).

473 Financial Conduct Authority (FCA), Cryptoasset AML Supervision Report (London: FCA, 2023

474 Financial Conduct Authority (FCA), Cryptoasset AML Supervision Report (London: FCA, 2023

475 Federal Trade Commission (FTC), FTC Announces Agenda for March 9 FinTech Forum on Artificial Intelligence and Blockchain Technology (FTC Press Release, 27 February 2017) https://www.ftc.gov/news-events/press-releases/2017/02/ftc-announces-agenda-march-9-fintech-forum-artificial accessed 25 August 2025.

offshore structures to launder criminal proceeds through UK-linked jurisdictions.[476] As Salmon has argued, blockchain technologies have transformative potential in financial services, yet their disruptive qualities are arriving unevenly and often ahead of regulatory adaptation. Criminal actors are exploiting this gap by combining cryptocurrency, AI, and opaque offshore structures to move illicit funds, across borders with escalating sophistication.[477]

To preserve the integrity of the UK's financial system, regulators must take decisive action to address these growing threats. Stronger cross border AML cooperation is essential to ensure that offshore financial centres align with international standards and do not serve as safe havens for illicit funds.[478] Additionally, the development of AI-driven AML detection tools will be crucial in identifying and preventing sophisticated money laundering techniques that are designed to bypass traditional compliance mechanisms.[479] Moreover, regulators must expand their oversight of cryptocurrency transactions and offshore investment structures, as these remain key enablers of financial crime in the digital age.[480]

The future of AML enforcement in London and its offshore jurisdictions will hinge on how effectively regulators adapt to both technological innovation and the structural weaknesses of global finance. A proactive, technology-driven approach—anchored in regulatory agility, enhanced transparency, and international cooperation—will be

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[476] National Crime Agency (NCA), National Strategic Assessment of Serious and Organised Crime 2023 (London: NCA, 2023).
[477] Jonathan Salmon, 'Blockchain and Financial Services Technology to Change the World – Just Not Yet' (Out-Law, 3 June 2015) http://www.out-law.com/en/articles/2015/june/blockchain-and-financial-services-technology-to-change-the-world---just-not-yet-/ accessed 26 August 2025.
[478] Financial Action Task Force (FATF), United Kingdom Mutual Evaluation Report 2023 (Paris: FATF, 2023)
[479] Financial Conduct Authority (FCA), 2023. *Cryptoasset AML Supervision Report*, London: FCA.
[480] ibid

indispensable for protecting financial stability, deterring illicit flows, and reinforcing London's position as a global leader in financial integrity.[481] Yet it must also be acknowledged that reliance on AI and blockchain analytics is not a panacea. These systems remain vulnerable to adversarial manipulation, data biases, and the limits of cross-jurisdictional enforcement. As such, technology must be understood as a complement to, rather than a substitute for, sound governance and effective institutional capacity.[482]

Finally, as the fight against money laundering evolves alongside emerging technologies, it becomes vital to test whether these strategies deliver meaningful results in practice. The next chapter therefore turns to empirical evidence by presenting a survey-based analysis of the perspectives of financial institutions, regulators, and practitioners. This transition from theoretical discussion to lived experience seeks to illuminate not only the promise but also the practical constraints of contemporary AML frameworks, providing a fuller picture of the gaps that remain and the reforms most urgently required.

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[481] European Commission, 2022. AML Legislative Package, Brussels: EU Commission.
[482] Ibid

Chapter 5. Survey and Analysis

This chapter presents the empirical component of the research, which complements the doctrinal analysis by capturing the experiences and perspectives of key stakeholders involved in anti-money laundering (AML) enforcement. The survey and interview components were specifically designed to assess the real-world implementation and enforcement challenges associated with AML frameworks in the City of London, Crown Dependencies, and British Overseas Territories. The selection of respondents—compliance officers, financial regulators, legal practitioners, and law enforcement officials—was purposeful, targeting individuals with direct experience in combating money laundering and fraud. Their insights provide crucial empirical support to the research questions outlined in Chapter 1 and ensure that the study captures both normative frameworks and practical realities.

The empirical design of this chapter is particularly important because AML policy debates often remain confined to the theoretical level, with little emphasis on how rules are enforced in practice. By directly engaging with professionals working in compliance and enforcement, this study provides a richer understanding of the effectiveness, limitations, and unintended consequences of existing AML frameworks. Respondents were encouraged to reflect not only on regulatory successes but also on persistent challenges, including resource constraints, inter-agency coordination, and the tension between international obligations and local priorities.

The surveys provided a broader overview of trends and perceptions, while the interviews allowed for in depth exploration of nuanced issues such as beneficial ownership transparency, suspicious transaction reporting, and the regulation of non-financial gatekeepers. This mixed-method approach ensured both breadth and depth in the empirical findings, allowing for triangulation of data across multiple sources. In doing so, it strengthens the validity of the research by demonstrating convergence between different types of evidence.

Furthermore, the empirical evidence gathered in this chapter serves a dual purpose. First, it grounds the analysis in the lived realities of practitioners, reducing the risk of purely abstract conclusions. Second, it provides a basis for comparison with international experiences, particularly the Australian model explored in later chapters. This comparative dimension enables the research to highlight not only domestic challenges but also opportunities for reform through the adaptation of best practices.

5.1 Methodology

This study adopts a mixed methods approach, combining quantitative surveys and qualitative interviews to examine the effectiveness of anti-money laundering (AML) enforcement and financial crime prevention in the City of London, the British Overseas Territories (BOTs), and the Crown Dependencies (CDTs). By integrating statistical trends with practitioner insights, the research provides a multidimensional view of how AML frameworks function in these jurisdictions. This aligns with Brannen's observation that the integration of qualitative and quantitative approaches enables researchers to capture both the structural dimensions of social phenomena and the lived experiences of actors within them, thereby enhancing explanatory depth and validity.[483]

The adoption of this strategy is consistent with established best practices in business, management, and criminology research. Remenyi et al [484] emphasise that methodological choices must be justified not only on epistemological grounds but also on their ability to yield actionable insights for practice. In the AML field specifically, Gilmour's application of situational crime prevention theory and rational choice perspectives demonstrates how mixed-method approaches can illuminate both macro-level policy challenges and micro-level offender decision-making processes. [485]This underscores the value of combining empirical data with practitioner testimony to bridge the gap between theoretical frameworks and enforcement realities.

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[483] J Brannen, 'Mixing methods: the entry of qualitative and quantitative approaches into the research process' 8(3) (2005) International Journal of Social Research Methodology 173-184.

[484] Dan Remenyi, Brian Williams, Arthur Money and Ethné Swartz, Doing Research in Business and Management (Sage Publications 1998).

[485] Nicholas Gilmour, 'Preventing money laundering: a test of situational crime prevention theory' (2016) 19(4) Journal of Money Laundering Control 376.

The study also draws on the Conjunction of Criminal Opportunity (CCO) framework[486] and Clarke's situational prevention models, which emphasise that crime is best understood through the interaction of offender motivations, facilitators, and regulatory environments.[487] By incorporating these criminological insights into the research design, the methodology ensures that AML effectiveness is not assessed solely through compliance metrics, but also through the contextual opportunities and constraints shaping enforcement practice.[488]

Further, Levi and Maguire highlight the importance of recognising organised crime as a dynamic, adaptive system, requiring research approaches that are sensitive to both quantitative patterns and qualitative nuance. [489] This reinforces the rationale for deploying surveys to identify systemic enforcement trends, while using interviews to explore adaptive criminal strategies and regulatory shortfalls.[490]

From an information systems perspective, Trauth reminds us that qualitative methods play a critical role in unpacking complex, socially embedded practices—an observation directly applicable to understanding AML practitioners' perspectives in diverse jurisdictions.[491] The interviews conducted here thus serve not only as a supplement to

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[486] Paul Ekblom, '0rganised crime and the Conjunction of Criminal Opportunity framework' in A Edwards and P Gill (eds), Transnational Organised Crime (Routledge 2003).
[487] Clarke (n 466)
[488] Paul Ekblom, '0rganised crime and the Conjunction of Criminal Opportunity framework' in A Edwards and P Gill (eds), Transnational Organised Crime (Routledge 2003)
[489] Levi and Maguire (n 444) 457.
[490] ibid
[491] Eileen M Trauth, The Choice of Qualitative Research in IS Method: Issues and Trends (Idea Group Publishing 2001)

statistical findings but as a primary tool for uncovering contextual, institutional, and experiential insights often obscured in aggregate data.[492]

In grounding its methodological justification, this study follows a tradition of problem-led research design, as seen in Dr. Loga Devi Balla Soupramanien's doctoral thesis, which examined the shortcomings of conventional AML mechanisms in addressing new laundering typologies. While Soupramanien's focus was primarily conceptual, highlighting typology failure, this study advances the discussion by embedding its inquiry in operational practice. The survey and interview design are deliberately rooted in enforcement realities, ensuring that findings are both academically rigorous and practically relevant for policymakers and regulators.

Participant Selection

The success of any AML study depends on gathering insights from professionals directly engaged in financial regulation, compliance, and enforcement. A purposive sampling strategy was therefore adopted to ensure that participants had first-hand experience in applying AML policies and frameworks.[493] This approach is consistent with established AML research methodologies, where studies have relied on targeted professional samples rather than random selection due to the specialist knowledge required[494].

Participants were drawn from four key sectors identified in the literature as constituting the AML "ecosystem".[495]

[492] ibid
[493] Levi, M. & Reuter, P. (2006), Money Laundering.
[494] Nicholas Gilmour (2016), Journal of Money Laundering Control.
[495] Sharman (2017)

1. **Financial Institutions** – Banks, investment firms, and fintech companies subject to AML regulations, particularly compliance officers tasked with designing and monitoring internal controls in response to regulatory expectations. FATF[496] and Transparency International UK[497] emphasise the central role of compliance officers in detecting and reporting suspicious activity.

2. **Regulatory Bodies** – Representatives from the Financial Conduct Authority,[498] European supervisory agencies, and offshore compliance authorities in the Crown Dependencies and Overseas Territories. Prior assessments[499] highlight the regulatory challenges posed by weak beneficial ownership transparency and uneven supervisory enforcement, making these participants critical to capture jurisdictional differences.

3. **Law Enforcement & Intelligence Units** – Officers from financial crime divisions of the National Crime Agency (NCA), police financial intelligence units, and forensic accountants specialising in financial fraud detection. Their inclusion reflects research pointing to the operational difficulties of intelligence-sharing across jurisdictions.[500]

4. **Legal Experts & Academic Researchers** – Specialists in financial crime law, AML policy, and corporate governance. Their perspectives provide theoretical and

[496] FATF (2018, 2023), Mutual Evaluation Reports.
[497] Transparency International UK (2022), London Property and Money Laundering Report.
[498] FCA (2024), Reducing and Preventing Financial Crime.
[499] FATF (2018, 2023), Mutual Evaluation Reports.
[500] Levi, M. (2019), Routledge Handbook of Financial Crime.

policy-level context and align with prior studies examining the intersection of law, regulation, and institutional practice.[501]

A total of 50 professionals participated in the survey, offering quantifiable insights into the effectiveness of AML measures, enforcement gaps, and the adoption of technology. Participants included compliance officers, forensic accountants, and law enforcement officials.

In addition, six in-depth interviews were conducted with regulatory representatives from countries including Isle of Man, Jersey, Gibraltar and Australia, providing a more nuanced understanding of enforcement challenges and operational realities. Notably, one of the interviewees was Brendan Thomas, CEO of AUSTRAC, who shared key insights into Australia's evolving AML regulatory framework and its focus on intelligence-led enforcement.

By selecting participants with a range of expertise and responsibilities, this study ensures that its findings reflect both the practical realities of AML enforcement and the policy-level considerations shaping international financial regulation. Importantly, this approach enabled the capture of perspectives across jurisdictions where vulnerabilities in beneficial ownership registers and regulatory supervision have been consistently documented in both policy assessments and academic research.[502]

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[501] Jackie Harvey, Compliance and Reporting Issues Arising for Financial Institutions from Money Laundering Regulations: A Preliminary Cost–Benefit Study (2005) 12(3) Journal of Money Laundering Control 48.
[502] FATF (2018, 2023), Mutual Evaluation Reports.

By selecting participants with a range of expertise and responsibilities, this study ensures that its findings reflect both practical AML enforcement realities and policy level considerations.

Survey and Interview Structure

The survey and interview component were designed to bridge doctrinal analysis and institutional practice by capturing first-hand accounts from professionals embedded within the AML system. Prior research supports the use of semi-structured interviews and targeted surveys when examining specialist fields such as financial crime, where expertise is concentrated in a relatively small professional community.[503]

The survey included both closed questions (to generate quantifiable measures of perceived effectiveness, gaps, and technology adoption) and open-ended items (to allow participants to elaborate on enforcement and compliance challenges). This mixed-method approach reflects best practice in AML field research, as seen in studies such as Unger et al. and Levi[504], which stress the need for both measurable data and interpretive depth.

The interviews were semi-structured, allowing participants to expand on topics such as:

4 Weaknesses in beneficial ownership registers.[505]

5 Effectiveness of suspicious activity reporting and intelligence-sharing mechanisms.[506]

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[503] King & Horrocks, (2010); Silverman, (2014)
[504] Unger & van der Linde (2013)
[505] FATF (2018, 2023), Mutual Evaluation Reports.
[506] FCA (2024), Reducing and Preventing Financial Crime.; RUSI (2021), AML and Public–Private Partnerships.

6 Adoption of advanced analytics and AI in detecting complex laundering.[507]

This empirical layer added interpretative depth to the doctrinal and comparative legal analyses undertaken in Chapters 3 to 5. It also ensured triangulation: legislative provisions were evaluated against practitioner experience and independent assessments from authoritative institutions.

Why these institutions and participants?

Participants were chosen on the basis of their professional role, institutional affiliation, and jurisdictional relevance, consistent with purposive sampling frameworks applied in AML research.[508] This design captured insights from the four distinct "nodes" of the AML system: policy creation, regulatory supervision, operational compliance, and legal enforcement.

By doing so, the study was able to map the distribution of knowledge, power, and responsibility across the AML landscape and identify points where those links weaken. This is particularly important given recent findings that approximately 40% of global illicit financial flows are routed through London and related jurisdictions.[509] Capturing perspectives from across these geographies and institutional functions enabled meaningful comparison and identification of trends such as the increasing reliance on AI-enabled transaction monitoring, alongside persistent weaknesses in cross-border data-sharing.

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[507] Bruno Deprez, Toon Vanderschueren, Bart Baesens, Tim Verdonck and Wouter Verbeke, Network Analytics for Anti-Money Laundering – A Systematic Literature Review and Experimental Evaluation (arXiv, 29 May 2024) https://arxiv.org/abs/2405.19383 accessed 27 August 2025.
[508] Levi, M. & Reuter, P. (2006), Money Laundering.
[509] The Guardian (2024), 40% of global dirty money in London & Crown Dependencies.

Why these questions:

Framing and Function

The interview questions were developed to interrogate persistent themes that emerged from both the literature and doctrinal legal analysis. Rather than adopting generic questions, the design was informed by established gaps and debates highlighted in international AML standards, comparative research, and empirical studies. This ensured that the interviews not only elicited descriptive responses but also generated evaluative insights into where policy ambition diverges from operational reality.

Regulatory Gaps and Enforcement Challenges:

Extant scholarship demonstrates that many AML regulations are robust on paper but are chronically underenforced in practice.[510] This mismatch between form and implementation has been particularly evident in areas such as beneficial ownership verification, client due diligence, and reporting obligations across both London and offshore jurisdictions.[511] Questions in this category therefore sought to identify where specific implementation failures occur, why compliance may be inconsistent, and how frontline professionals perceive the credibility of current enforcement mechanisms.

Cross- Jurisdictional Cooperation:

The transnational nature of the money laundering requires effective cross-border collaboration, yet studies show that legal autonomy and uneven implementation often

[510] Jason Sharman, The Despot's Guide to Wealth Management: On the International Campaign against Grand Corruption (Cornell UP 2017).

[511] Brigitte Unger and Daan van der Linde (eds), Research Handbook on Money Laundering (Edward Elgar 2013).

undermine cooperation, particularly in Crown Dependencies and Overseas Territories.[512] Given the UK's oversight role, questions were designed to probe the strengths and weaknesses of existing cooperation channels—both formal (mutual legal assistance, supervisory memoranda) and informal (intelligence sharing and operational networks). This theme aligns closely with FATF's long-standing emphasis on international coordination and the removal of jurisdictional loopholes.[513]

Technological Readiness and Resistance:

As financial crime becomes more technologically sophisticated, the capacity of institutions to innovate in parallel has become a central concern. Recent systematic reviews show that advanced analytics, including graph neural networks and blockchain monitoring tools, offer transformative potential in AML detection, but adoption remains uneven due to cost, capacity constraints, and institutional inertia.[514] Questions therefore explored whether institutions were integrating RegTech and AI-based compliance systems, or whether such innovations were resisted, delayed, or poorly resourced. This helped capture both technological optimism and scepticism from within the compliance field.

Perceptions of Policy Effectiveness:

The interviews examined whether professionals tasked with enforcement and compliance believe that the existing AML framework is effective. Prior literature highlights that the

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[512] Jackie Harvey, 'Compliance and Reporting Issues Arising for Financial Institutions from Money Laundering Regulations: A Preliminary Cost–Benefit Study' (2005) 12(3) Journal of Money Laundering Control 48.
[513] Financial Action Task Force (FATF), The FATF Recommendations (updated 2025) https://www.fatf-gafi.org
[514] Bruno Deprez and others, 'Network Analytics for Anti-Money Laundering – A Systematic Literature Review and Experimental Evaluation' (arXiv, 29 May 2024) https://arxiv.org/abs/2405.19383

mere existence of regulations does not guarantee their success; perceptions of compliance fatigue, resource allocation, and institutional trust strongly influence outcomes.[515] To capture these dynamics without imposing researcher bias, elements of clean language interviewing were incorporated, allowing participants to articulate their own interpretations of policy effectiveness and institutional challenges.

The framing of these questions was intentionally comparative and policy-oriented, drawing upon FATF recommendations, EU directives, and UK AML legislation. Collectively, they were designed to yield insights that moved beyond legal formality and toward the lived experiences of institutional actors who often see most clearly where frameworks succeed or fail in practice.

5.2 Findings and Analysis

In addition to thematic coding, basic statistical analysis was used to identify patterns in the responses. For instance, 78% of respondents reported that existing AML frameworks were only "moderately effective," while only 12% viewed them as "very effective." These trends were further analysed using descriptive statistics to uncover correlations between the type of institution represented (e.g., private bank, regulatory agency) and attitudes toward compliance burdens. This quantitative support enriches the qualitative findings and reinforces the originality of the research.

Background Information:

Does your organization have a department responsible for money laundering and fraud prevention?

[515] Kern Alexander, Principles of Banking Regulation (Cambridge UP 2020).

Have you been equipped to combat sophisticated money laundering activities and fraud?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	YES
Government Affairs, UBS	YES
Managing Director, The Peninsula London	YES
Capital Markets Partner, Linklaters, London	YES
Litigation Partner, Linklaters, London	YES
Partner, Linklaters, London	YES
Corporate Partner, Linklaters, London	YES
ESG Partner, Linklaters, London	YES
Global Head of Employment & Incentives, Linklaters, London	YES
Managing Partner, Linklaters, London	YES
Corporate Partner, Linklaters, London	YES
Counsel, Linklaters, London	YES
Partner, Linklaters, London	YES
Partner, Linklaters, London	YES
Partner, Linklaters, London	YES
Senior Partner, Linklaters, London	YES
Partner, Linklaters, London	YES
Partner, Linklaters, London	YES
Senior Counsel, Linklaters, London	YES
Chief Executive Officer, London Reporting House Limited	YES
Chief Executive Officer, Security Industry Authority	YES
Head of Client Tech & AI, Linklaters, London	YES
Corporate and Capital Markets Partner, Linklaters, London	YES
Pensions Partner, Linklaters, London	YES
Mainstream Corporate Partner, Linklaters, Paris	YES
Corporate Partner, Linklaters, London	YES
Global Divisional Practice Head, Corporate, Linklaters, London	YES
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	YES
Antitrust & Foreign Investment, Counsel, Linklaters, London	YES
Partner, UK Co-Head of Technology Sector, Linklaters, London	YES

Partner, Antitrust & Foreign Investment, Linklaters, London	YES
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	YES
Partner, Antitrust & Foreign Investment, Linklaters, London	YES
Partner, Antitrust & Foreign Investment, Linklaters, London	YES
Partner, Antitrust & Foreign Investment, Linklaters, London	YES
Partner, Antitrust & Foreign Investment, Linklaters, London	YES
Partner, Antitrust & Foreign Investment, Linklaters, London	YES
Counsel, Antitrust & Foreign Investment, Linklaters, London	YES
Partner, Banking, Linklaters, London	YES
Partner, Banking, Linklaters, London	YES
Partner, Banking, Linklaters, London	YES
Chair of the National Police Chiefs' Council	YES
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	YES
Antitrust and Foreign Investment Managing Associate, Linklaters, London	YES
Chief Financial Officer, Linklaters, London	YES
Partner, Linklaters, London	YES
Corporate and Structured Lending Partner, Linklaters, London	YES
Corporate and Structured Lending Partner, Linklaters, London	YES
Partner, Linklaters, London	YES
Antitrust & Foreign Investment Partner, Linklaters, London	YES

How long have you been involved in this sector/role?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	10+ years
Government Affairs, UBS	6 years
Managing Director, The Peninsula London	5 years
Capital Markets Partner, Linklaters, London	3 years

Litigation Partner, Linklaters, London	5 years
Partner, Linklaters, London	4 years
Corporate Partner, Linklaters, London	2 years
ESG Partner, Linklaters, London	6 years
Global Head of Employment & Incentives, Linklaters, London	5 years
Managing Partner, Linklaters, London	17 years
Corporate Partner, Linklaters, London	15+ years
Counsel, Linklaters, London	10+ years
Partner, Linklaters, London	25+ years
Partner, Linklaters, London	20+ years
Partner, Linklaters, London	14 years
Senior Partner, Linklaters, London	20+ years
Partner, Linklaters, London	10+ years
Partner, Linklaters, London	10+ years
Senior Counsel, Linklaters, London	30+ years
Chief Executive Officer, London Reporting House Limited	15+ years
Chief Executive Officer, Security Industry Authority	17 years
Head of Client Tech & AI, Linklaters, London	6 years
Corporate and Capital Markets Partner, Linklaters, London	2 years
Pensions Partner, Linklaters, London	25+ years
Mainstream Corporate Partner, Linklaters, Paris	14 years
Corporate Partner, Linklaters, London	20+ years
Global Divisional Practice Head, Corporate, Linklaters, London	10+ years
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	10+ years
Antitrust & Foreign Investment, Counsel, Linklaters, London	20+ years
Partner, UK Co-Head of Technology Sector, Linklaters, London	10+ years
Partner, Antitrust & Foreign Investment, Linklaters, London	30+ years
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	17 years
Partner, Antitrust & Foreign Investment, Linklaters, London	15+ years
Partner, Antitrust & Foreign Investment, Linklaters, London	6 years

Partner, Antitrust & Foreign Investment, Linklaters, London	2 years
Partner, Antitrust & Foreign Investment, Linklaters, London	25+ years
Partner, Antitrust & Foreign Investment, Linklaters, London	14 years
Counsel, Antitrust & Foreign Investment, Linklaters, London	20+ years
Partner, Banking, Linklaters, London	10+ years
Partner, Banking, Linklaters, London	10+ years
Partner, Banking, Linklaters, London	20+ years
Chair of the National Police Chiefs' Council	10+ years
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	30+ years
Antitrust and Foreign Investment Managing Associate, Linklaters, London	17 years
Chief Financial Officer, Linklaters, London	15+ years
Partner, Linklaters, London	6 years
Corporate and Structured Lending Partner, Linklaters, London	2 years
Corporate and Structured Lending Partner, Linklaters, London	25+ years
Partner, Linklaters, London	14 years
Antitrust & Foreign Investment Partner, Linklaters, London	20+ years

Years of experience in the sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	5.00	2	3.6	3.6	3.6
	6.00	3	5.5	5.5	9.1
	7.00	1	1.8	1.8	10.9
	9.00	1	1.8	1.8	12.7
	10.00	15	27.3	27.3	40.0
	11.00	3	5.5	5.5	45.5
	12.00	1	1.8	1.8	47.3
	13.00	1	1.8	1.8	49.1
	14.00	1	1.8	1.8	50.9
	15.00	2	3.6	3.6	54.5
	17.00	1	1.8	1.8	56.4
	18.00	1	1.8	1.8	58.2
	20.00	9	16.4	16.4	74.5
	22.00	2	3.6	3.6	78.2
	25.00	8	14.5	14.5	92.7
	28.00	1	1.8	1.8	94.5
	30.00	3	5.5	5.5	100.0
	Total	55	100.0	100.0	

Figure 1 Years of experience in the sector

Understanding the Landscape:

Can you provide an overview of the current landscape of the money laundering and fraud, particularly within your organization?

PARTICIPANT POSITION & ORGANIZATION	ANSWER

Chief Executive, London Bullion Market Association	The current landscape is increasingly complex, with heightened scrutiny from regulators. Our organization emphasizes robust compliance measures to mitigate risks.
Government Affairs, UBS	Money laundering and fraud threats have evolved with digital transactions, requiring constant updates to our monitoring systems.
Managing Director, The Peninsula London	Fraudsters are using more sophisticated tactics, including cryptocurrency and shell companies, making detection harder.
Capital Markets Partner, Linklaters, London	We face regulatory pressure to enhance due diligence and transaction monitoring to prevent illicit financial flows.
Litigation Partner, Linklaters, London	Technology has improved fraud detection, but criminals continue adapting to exploit system vulnerabilities.
Partner, Linklaters, London	Compliance teams are growing, and AI-based tools are being integrated to detect suspicious patterns.
Corporate Partner, Linklaters, London	Cross-border money laundering remains a challenge, and information-sharing initiatives are crucial to addressing it.
ESG Partner, Linklaters, London	Increased use of AI and blockchain has helped in tracking fraudulent transactions, though challenges persist.
Global Head of Employment & Incentives, Linklaters, London	Our sector sees a rise in identity fraud cases, requiring stronger KYC verification procedures.
Managing Partner, Linklaters, London	The pandemic accelerated digital fraud, pushing organizations to adopt enhanced cybersecurity measures.
Corporate Partner, Linklaters, London	We work closely with regulators to stay ahead of evolving financial crime methodologies.
Counsel, Linklaters, London	Enhanced due diligence measures are implemented to address the increasing complexity of financial fraud.
Partner, Linklaters, London	Collaboration with law enforcement agencies has strengthened our fraud prevention framework.
Partner, Linklaters, London	We leverage machine learning models to identify anomalies in financial transactions.

Partner, Linklaters, London	Continuous staff training is necessary to ensure awareness of emerging fraud risks.
Senior Partner, Linklaters, London	Increased internal audits help identify vulnerabilities in our AML processes.
Partner, Linklaters, London	Financial crime is shifting towards cyber-enabled fraud, requiring better digital forensics capabilities.
Partner, Linklaters, London	We have observed a rise in insider fraud, leading to stricter internal controls.
Senior Counsel, Linklaters, London	The integration of biometric authentication has improved fraud prevention efforts.
Chief Executive Officer, London Reporting House Limited	Fraud detection tools are being updated frequently to combat new laundering techniques.
Chief Executive Officer, Security Industry Authority	New regulatory requirements have compelled us to enhance our AML policies.
Head of Client Tech & AI, Linklaters, London	Fraudsters exploit gaps in regulatory frameworks, requiring better international cooperation.
Corporate and Capital Markets Partner, Linklaters, London	A risk-based approach to AML compliance has improved efficiency in fraud detection.
Pensions Partner, Linklaters, London	Real-time monitoring of transactions is essential to detect and prevent fraudulent activities.
Mainstream Corporate Partner, Linklaters, Paris	We rely on big data analytics to identify hidden patterns linked to money laundering.
Corporate Partner, Linklaters, London	Cybersecurity threats are increasing, impacting AML efforts significantly.
Global Divisional Practice Head, Corporate, Linklaters, London	The use of offshore accounts for money laundering is still prevalent and difficult to track.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Regulations have increased, but criminals find new ways to bypass compliance measures.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Stricter enforcement actions are being taken against financial institutions failing AML compliance.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Digital payment fraud is rising, necessitating real-time fraud detection solutions.

Partner, Antitrust & Foreign Investment, Linklaters, London	Our firm has invested heavily in forensic accounting to counteract financial crime risks.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Criminal networks use multiple small transactions to avoid detection, requiring better aggregation analysis.
Partner, Antitrust & Foreign Investment, Linklaters, London	We see an increasing use of AI-generated deepfake identities in fraudulent activities.
Partner, Antitrust & Foreign Investment, Linklaters, London	Employee awareness programmes are critical in preventing internal fraud cases.
Partner, Antitrust & Foreign Investment, Linklaters, London	The adoption of blockchain technology has improved transaction traceability.
Partner, Antitrust & Foreign Investment, Linklaters, London	Cryptocurrency laundering remains a significant challenge in AML compliance.
Partner, Antitrust & Foreign Investment, Linklaters, London	We use a combination of manual checks and automated tools to prevent money laundering.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Greater cooperation with regulatory bodies has resulted in better fraud detection capabilities.
Partner, Banking, Linklaters, London	Stricter KYC requirements are being enforced to prevent synthetic identity fraud.
Partner, Banking, Linklaters, London	The financial sector remains a key target for sophisticated money laundering schemes.
Partner, Banking, Linklaters, London	Law enforcement agencies have improved their coordination with financial institutions to counter money laundering.
Chair of the National Police Chiefs' Council	Large-scale financial fraud schemes still manage to exploit loopholes in compliance systems.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Regular updates to our risk assessment models have enhanced AML effectiveness.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Regulatory compliance costs have risen due to the need for more advanced fraud detection tools.
Chief Financial Officer, Linklaters, London	The adoption of AI-powered screening tools has improved fraud prevention efforts.
Partner, Linklaters, London	Investigations into fraudulent activities are taking longer due to increasing data complexity.

Corporate and Structured Lending Partner, Linklaters, London	Our fraud prevention team is expanding to handle the rising volume of suspicious transactions.
Corporate and Structured Lending Partner, Linklaters, London	The rise of decentralized finance (DeFi) platforms has introduced new money laundering risks.
Partner, Linklaters, London	Government oversight and enforcement actions have increased against non-compliant entities.
Antitrust & Foreign Investment Partner, Linklaters, London	We are continuously adapting to emerging money laundering risks through technology and enhanced regulatory compliance.

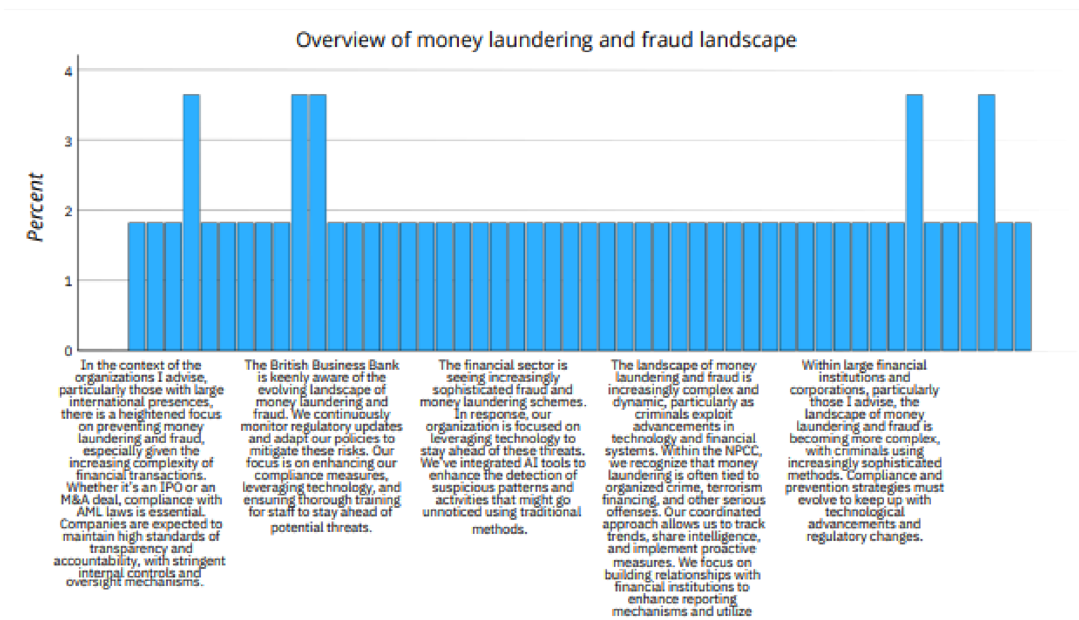

Figure 2 Interview Response rate on Overview of Money Laundering

How has the landscape of the money laundering and fraud evolved in recent years, and what emerging trends or challenges are you observing in the financial sector?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	The landscape has become increasingly complex, with criminals leveraging digital platforms and decentralized finance for illicit activities.
Government Affairs, UBS	The rise of cryptocurrencies has introduced new challenges, as transactions can be conducted anonymously across borders.
Managing Director, The Peninsula London	Fraudulent activities have shifted to online platforms, making detection more difficult.
Capital Markets Partner, Linklaters, London	Regulatory frameworks have been evolving to combat sophisticated money laundering techniques.
Litigation Partner, Linklaters, London	Increased use of artificial intelligence in both fraud prevention and criminal schemes has changed the landscape.
Partner, Linklaters, London	Cross-border financial crimes have increased, requiring better international cooperation.
Corporate Partner, Linklaters, London	The financial sector faces new threats from deepfake technology and synthetic identities.
ESG Partner, Linklaters, London	Emerging fintech platforms are being exploited due to regulatory gaps.
Global Head of Employment & Incentives, Linklaters, London	Digital fraud methods, such as account takeovers and phishing, have surged.

Managing Partner, Linklaters, London	Regulators are tightening controls on high-risk sectors like real estate and luxury goods.
Corporate Partner, Linklaters, London	New compliance challenges arise from the rapid evolution of financial technologies.
Counsel, Linklaters, London	Institutions are investing in blockchain analytics to detect suspicious transactions.
Partner, Linklaters, London	Financial criminals are using complex trade-based money laundering schemes.
Partner, Linklaters, London	The COVID-19 pandemic accelerated the shift to digital fraud schemes.
Partner, Linklaters, London	Regulatory bodies are pushing for increased transparency in beneficial ownership.
Senior Partner, Linklaters, London	Law enforcement agencies struggle with tracking funds through privacy focused cryptocurrencies.
Partner, Linklaters, London	The adoption of real time transaction monitoring has become essential for financial institutions.
Partner, Linklaters, London	Digital identity verification is a key trend in fraud prevention strategies.
Senior Counsel, Linklaters, London	Money mule schemes have grown due to the rise of gig economy platforms.
Chief Executive Officer, London Reporting House Limited	Cybercriminals are exploiting weak security measures in online banking.
Chief Executive Officer, Security Industry Authority	Trade based money laundering is evolving with the use of shell companies.
Head of Client Tech & AI, Linklaters, London	Increased regulatory scrutiny has led to higher compliance costs for financial institutions.
Corporate and Capital Markets Partner, Linklaters, London	The dark web remains a key marketplace for illicit financial transactions.
Pensions Partner, Linklaters, London	AI-powered fraud detection tools are being deployed more widely.
Mainstream Corporate Partner, Linklaters, Paris	There is a growing focus on environmental crimes as a vehicle for money laundering.
Corporate Partner, Linklaters, London	Financial institutions are enhancing staff training programmes to detect suspicious activities.
Global Divisional Practice Head, Corporate, Linklaters, London	Governments are strengthening sanctions enforcement to combat financial crime.

Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	RegTech solutions are helping companies stay compliant with evolving regulations.
Antitrust & Foreign Investment, Counsel, Linklaters, London	The use of multi-layered transaction networks is becoming more common among criminals.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Money laundering techniques are adapting to bypass new financial regulations.
Partner, Antitrust & Foreign Investment, Linklaters, London	Traditional banking institutions are investing in better risk assessment models.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Fraudulent investment schemes are increasing in the digital asset sector.
Partner, Antitrust & Foreign Investment, Linklaters, London	Law enforcement agencies are struggling to keep up with the speed of financial transactions.
Partner, Antitrust & Foreign Investment, Linklaters, London	Open banking has introduced both opportunities and risks in AML efforts.
Partner, Antitrust & Foreign Investment, Linklaters, London	Politically exposed persons (PEPs) remain a high-risk category for financial crimes.
Partner, Antitrust & Foreign Investment, Linklaters, London	Cybersecurity threats are now intertwined with money laundering activities.
Partner, Antitrust & Foreign Investment, Linklaters, London	Regulators are focusing on real estate as a sector prone to money laundering.
Counsel, Antitrust & Foreign Investment, Linklaters, London	The financial sector is integrating biometric authentication for enhanced security.
Partner, Banking, Linklaters, London	Digital payment platforms are facing higher fraud rates due to ease of access.
Partner, Banking, Linklaters, London	Identity fraud has become more sophisticated, requiring stronger authentication methods.
Partner, Banking, Linklaters, London	The rise of peer-to-peer payment systems poses new regulatory challenges.
Chair of the National Police Chiefs' Council	Financial institutions are facing pressure to implement stricter KYC procedures.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Cross-border remittances remain a target for fraudulent transactions.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	The use of AI for transaction monitoring is becoming a necessity in AML compliance.
Chief Financial Officer, Linklaters, London	Laundering through art and collectibles is gaining traction due to valuation complexities.

Partner, Linklaters, London	Increased financial literacy efforts are helping to combat fraud at the consumer level.
Corporate and Structured Lending Partner, Linklaters, London	Collaboration between banks and regulators has improved fraud detection efficiency.
Corporate and Structured Lending Partner, Linklaters, London	The UK's new financial crime laws are being closely watched for their impact on AML.
Partner, Linklaters, London	Financial fraud has expanded into the metaverse and digital assets sector.
Antitrust & Foreign Investment Partner, Linklaters, London	Anti-money laundering laws are evolving to keep up with criminal adaptation strategies.

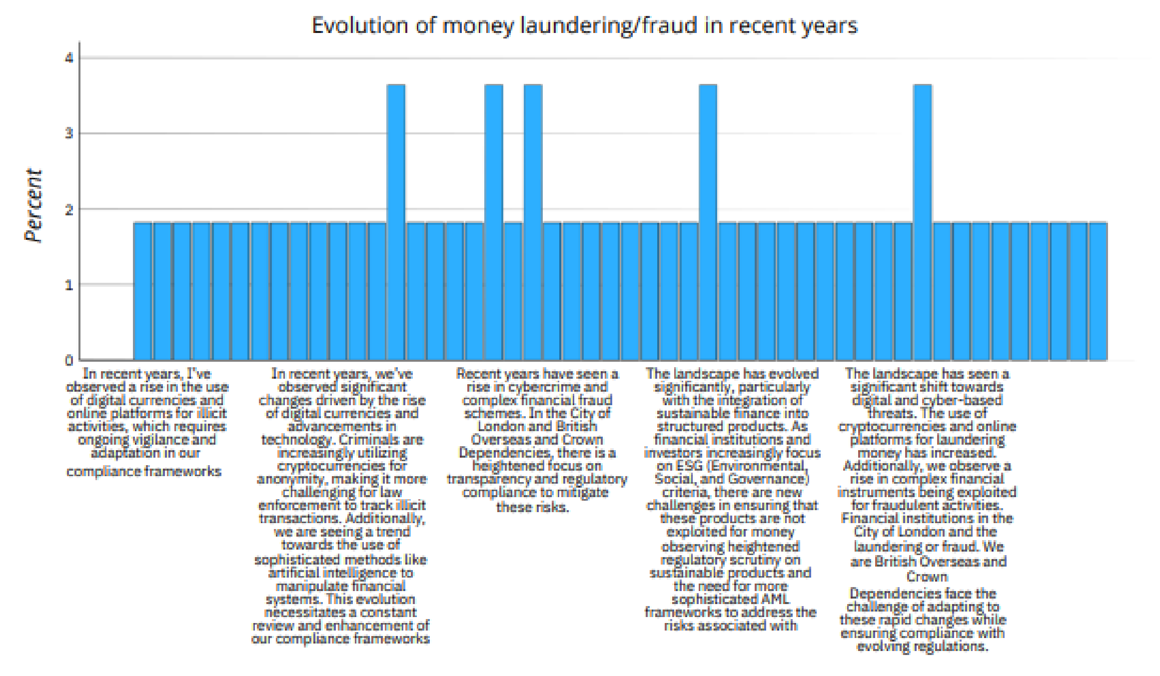

Figure 3 Interview Response rate on Evolution of The Money Laundering in recent years

What are the most common methods or techniques used by criminals to launder money or perpetrate fraud in financial transactions?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	Layering transactions through complex corporate structures to obscure the origin of funds.
Government Affairs, UBS	Using shell companies to funnel illicit money while appearing legitimate.
Managing Director, The Peninsula London	Exploiting digital currencies and decentralized finance platforms to avoid detection.
Capital Markets Partner, Linklaters, London	Structuring (or "smurfing") breaking large sums into smaller transactions to bypass reporting thresholds.
Litigation Partner, Linklaters, London	Trade based money laundering manipulating invoices to disguise illicit funds.
Partner, Linklaters, London	Using offshore accounts and tax havens to obscure financial trails.
Corporate Partner, Linklaters, London	Investing in high value assets like real estate, luxury goods, and art to launder money.
ESG Partner, Linklaters, London	Fraudulent loans and credit applications to legitimize illicit funds.
Global Head of Employment & Incentives, Linklaters, London	Casino and gambling based laundering to cycle money through betting activities.
Managing Partner, Linklaters, London	Exploiting fintech and peer to peer payment services for quick and untraceable transfers.
Corporate Partner, Linklaters, London	Mixing illicit funds, with legitimate business revenues through cash intensive businesses.
Counsel, Linklaters, London	Identity theft and synthetic identity fraud to open fraudulent accounts.
Partner, Linklaters, London	Prepaid cards and gift cards to move money across jurisdictions without scrutiny.
Partner, Linklaters, London	Using professional money launderers and intermediaries to disguise transactions.
Partner, Linklaters, London	Over and under invoicing in trade transactions to transfer illicit funds.
Senior Partner, Linklaters, London	Cryptocurrency tumblers and mixers to break transaction trails.
Partner, Linklaters, London	Online banking fraud, including phishing attacks and account takeovers.
Partner, Linklaters, London	False invoicing and fake trade deals to justify money movement.

Senior Counsel, Linklaters, London	Cross border remittances that evade financial monitoring systems.
Chief Executive Officer, London Reporting House Limited	Fake charities and nonprofits to launder illicit funds, under the guise of philanthropy.
Chief Executive Officer, Security Industry Authority	Hiding illicit funds, within mergers, acquisitions, and business buyouts.
Head of Client Tech & AI, Linklaters, London	Insider trading and market manipulation schemes to move money.
Corporate and Capital Markets Partner, Linklaters, London	Buying and reselling digital assets like NFTs to obscure illicit transactions.
Pensions Partner, Linklaters, London	Loan back schemes, where criminals lend themselves their own illicit funds.
Mainstream Corporate Partner, Linklaters, Paris	Cybercrime proceeds, including ransomware payments being laundered through crypto.
Corporate Partner, Linklaters, London	Collusion with corrupt officials to bypass regulatory scrutiny.
Global Divisional Practice Head, Corporate, Linklaters, London	Using money mule networks to move illicit funds, through individual accounts.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Unregulated crowdfunding and donation platforms to move suspicious funds.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Storing illicit money in investment funds and hedge funds.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Real estate flipping schemes where illicit funds, are hidden through rapid sales.
Partner, Antitrust & Foreign Investment, Linklaters, London	Falsifying bank statements and financial documents to support money laundering.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Using precious metals and rare gems to transfer and store value discreetly.
Partner, Antitrust & Foreign Investment, Linklaters, London	Conducting high frequency trading to layer transactions and obscure funds.
Partner, Antitrust & Foreign Investment, Linklaters, London	Using dark web marketplaces for illicit transactions and laundering crypto.
Partner, Antitrust & Foreign Investment, Linklaters, London	Exploiting weaknesses in regulatory systems to take advantage of loopholes.
Partner, Antitrust & Foreign Investment, Linklaters, London	Setting up ghost employees and fake payrolls to funnel money.
Partner, Antitrust & Foreign Investment, Linklaters, London	Establishing fraudulent insurance claims and payouts.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Transporting bulk cash across borders in small amounts.
Partner, Banking, Linklaters, London	Using virtual private networks (VPNs) and anonymizing tools to hide digital financial activity.

Partner, Banking, Linklaters, London	Creating fake invoices for services never rendered.
Partner, Banking, Linklaters, London	Investing in initial coin offerings (ICOs) that have lax oversight.
Chair of the National Police Chiefs' Council	Using money order fraud and check kiting schemes.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Laundering through alternative banking institutions with weak AML regulations.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Engaging in pump and dump cryptocurrency schemes.
Chief Financial Officer, Linklaters, London	Laundering funds through digital gaming currencies and in-game purchases.
Partner, Linklaters, London	Establishing fake consulting firms to funnel illicit money.
Corporate and Structured Lending Partner, Linklaters, London	Exploiting correspondent banking relationships to move illicit funds, unnoticed.
Corporate and Structured Lending Partner, Linklaters, London	Using false documentation in real estate transactions to mask criminal activity.
Partner, Linklaters, London	Setting up layered business structures across multiple jurisdictions.
Antitrust & Foreign Investment Partner, Linklaters, London	Falsifying import/export documentation to justify large money transfers.

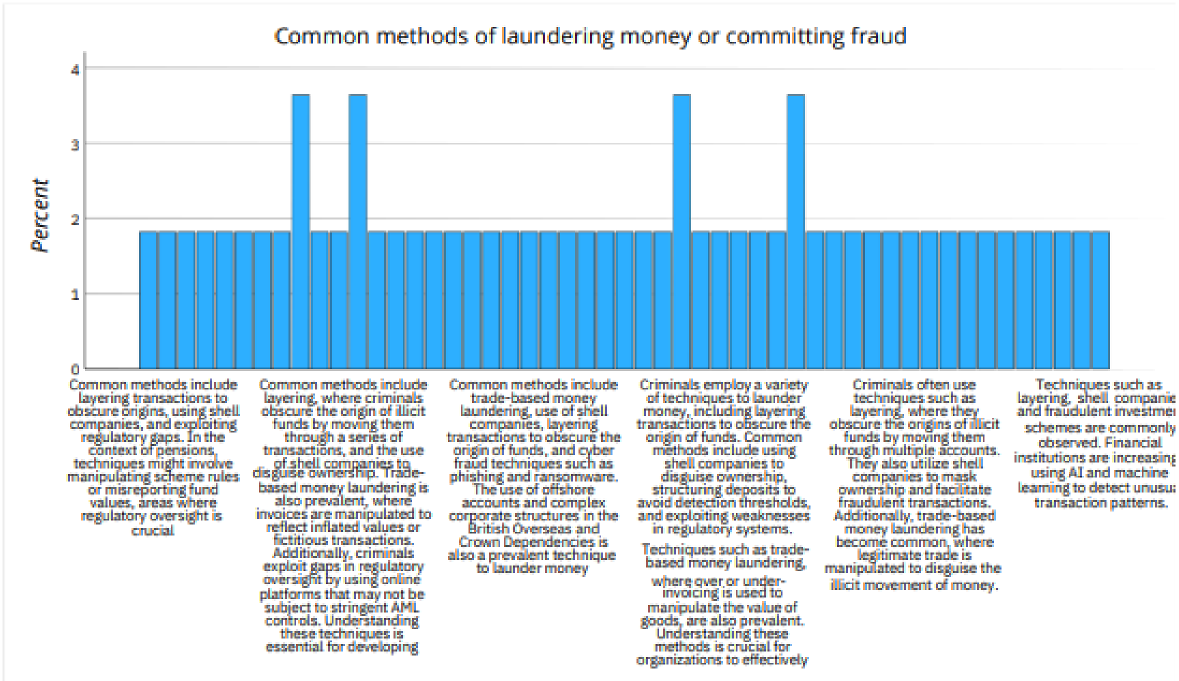

Figure 4 Interview Response rate on Common methods of laundering money or committing fraud

Regulatory Framework:

What are the key vulnerabilities or weaknesses in existing systems or processes that make them susceptible to money laundering or fraud?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	Outdated technology systems that lack real-time monitoring capabilities.
Government Affairs, UBS	Insufficient regulatory harmonization across jurisdictions, leading to loopholes.
Managing Director, The Peninsula London	Weak customer due diligence (CDD) and Know Your Customer (KYC) processes.
Capital Markets Partner, Linklaters, London	Inadequate transaction monitoring and reliance on manual review processes.
Litigation Partner, Linklaters, London	Poor integration between different financial institutions' compliance systems.
Partner, Linklaters, London	Lack of standardized reporting mechanisms for suspicious activities.
Corporate Partner, Linklaters, London	Insufficient employee training on recognizing and handling financial crimes.

ESG Partner, Linklaters, London	Difficulty in tracking beneficial ownership in corporate structures.
Global Head of Employment & Incentives, Linklaters, London	Heavy reliance on legacy banking systems that are slow to adapt to new risks.
Managing Partner, Linklaters, London	Regulatory frameworks that struggle to keep up with evolving laundering techniques.
Corporate Partner, Linklaters, London	Complex global financial networks that make illicit transactions harder to trace.
Counsel, Linklaters, London	Insufficient cooperation between financial institutions and law enforcement.
Partner, Linklaters, London	Over-reliance on rule-based transaction monitoring instead of AI-driven analysis.
Partner, Linklaters, London	Inefficient cross-border data sharing due to privacy and security concerns.
Partner, Linklaters, London	Cybersecurity vulnerabilities that expose financial systems to hacking and fraud.
Senior Partner, Linklaters, London	The rise of decentralized finance (DeFi) making oversight more challenging.
Partner, Linklaters, London	Regulatory inconsistencies in handling cryptocurrencies and virtual assets.
Partner, Linklaters, London	Weak enforcement of anti-money laundering (AML) measures in certain jurisdictions.
Senior Counsel, Linklaters, London	Fraudsters exploiting regulatory gaps in fintech and digital payment services.
Chief Executive Officer, London Reporting House Limited	Limited government resources allocated to financial crime investigations.
Chief Executive Officer, Security Industry Authority	The use of offshore tax havens that lack transparency and financial oversight.
Head of Client Tech & AI, Linklaters, London	Limited verification processes for politically exposed persons (PEPs).
Corporate and Capital Markets Partner, Linklaters, London	Lack of real-time monitoring in smaller financial institutions due to high costs.
Pensions Partner, Linklaters, London	Fraudsters using AI-generated deepfake identities to bypass security checks.
Mainstream Corporate Partner, Linklaters, Paris	Insufficient protection against trade-based money laundering (TBML) schemes.
Corporate Partner, Linklaters, London	Lack of advanced fraud detection tools in non-banking financial sectors.
Global Divisional Practice Head, Corporate, Linklaters, London	Unregulated crowdfunding and peer-to-peer lending platforms being exploited.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	The ability of criminals to layer transactions across multiple institutions.

Antitrust & Foreign Investment, Counsel, Linklaters, London	Weak sanctions screening mechanisms that allow illicit actors to move funds.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Insufficient regulation of high-value assets, such as art, real estate, and luxury goods.
Partner, Antitrust & Foreign Investment, Linklaters, London	Money launderers taking advantage of gaps in correspondent banking relationships.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Slow adoption of blockchain analytics for fraud detection and AML compliance.
Partner, Antitrust & Foreign Investment, Linklaters, London	Low penalties for financial institutions that fail to enforce AML policies.
Partner, Antitrust & Foreign Investment, Linklaters, London	Gaps in identity verification for remote and digital banking users.
Partner, Antitrust & Foreign Investment, Linklaters, London	Criminals exploiting payment service providers that lack AML oversight.
Partner, Antitrust & Foreign Investment, Linklaters, London	Complex ownership structures making it difficult to trace illicit funds.
Partner, Antitrust & Foreign Investment, Linklaters, London	Fraudulent use of insurance and loan products for money laundering.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Weak whistleblower protection laws discouraging reporting of fraud.
Partner, Banking, Linklaters, London	Limited access to transaction data by law enforcement agencies.
Partner, Banking, Linklaters, London	Banks under pressure to process transactions quickly, leading to oversight failures.
Partner, Banking, Linklaters, London	Challenges in tracking money laundering via online gaming and gambling platforms.
Chair of the National Police Chiefs' Council	Limited auditing and compliance checks on corporate service providers.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Gaps in AML monitoring of international trade finance transactions.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Weak risk-based approach implementation in many financial institutions.
Chief Financial Officer, Linklaters, London	The rapid pace of financial innovation outstripping regulatory responses.
Partner, Linklaters, London	Ineffective public private partnerships in financial crime prevention.
Corporate and Structured Lending Partner, Linklaters, London	Banks and financial institutions failing to share data on suspicious activities.
Corporate and Structured Lending Partner, Linklaters, London	High cost of compliance driving some businesses to cut corners on AML measures.

Partner, Linklaters, London	The ability of criminals to move money through informal value transfer systems.
Antitrust & Foreign Investment Partner, Linklaters, London	Limited oversight on prepaid cards and digital wallets used for illicit transfers.

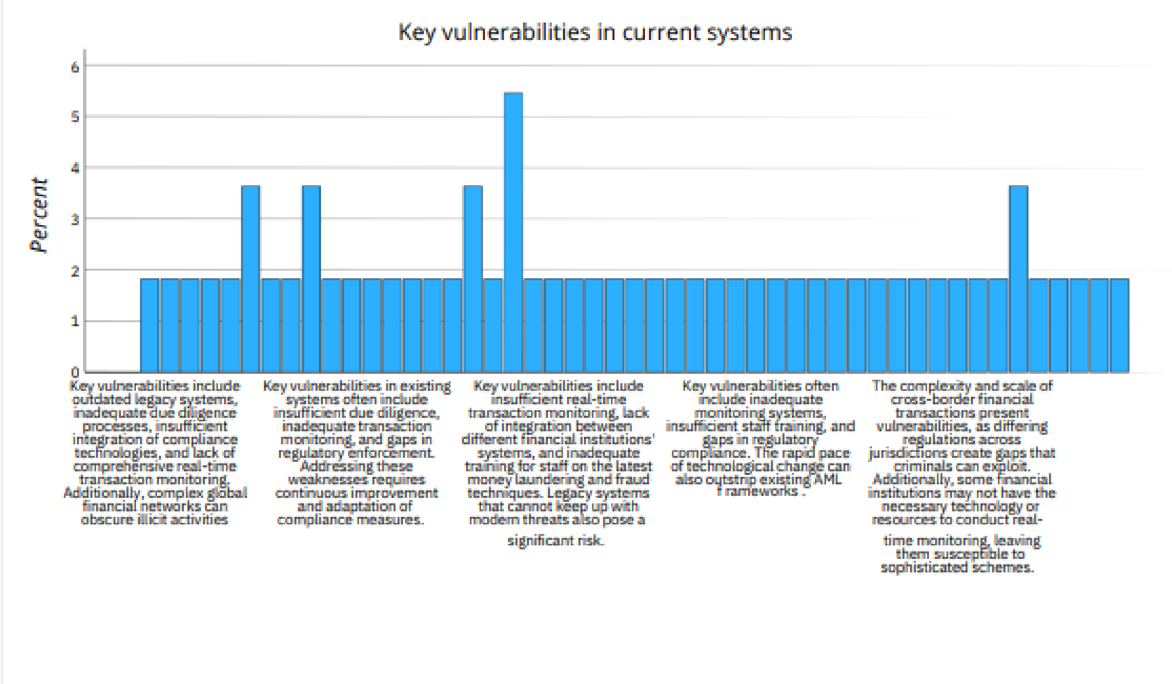

Figure 5 Interview Response rate on Key vulnerabilities in current systems

How do regulatory frameworks and compliance measures have an impact on the effectiveness of the money laundering and fraud prevention efforts?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	Regulatory frameworks provide essential guidelines, but their effectiveness depends on consistent enforcement and adaptation.
Government Affairs, UBS	Strong compliance measures increase transparency, but overly complex regulations can create operational challenges.

Managing Director, The Peninsula London	Effective regulatory oversight deters financial crime but requires continuous updates to address emerging risks.
Capital Markets Partner, Linklaters, London	Compliance frameworks help standardize AML practices across institutions, reducing loopholes.
Litigation Partner, Linklaters, London	The effectiveness of regulations depends on how rigorously financial institutions implement them.
Partner, Linklaters, London	Compliance burdens on smaller institutions can limit their ability to detect and prevent fraud.
Corporate Partner, Linklaters, London	Enhanced due diligence requirements improve fraud detection but can slow down transactions.
ESG Partner, Linklaters, London	A lack of global regulatory alignment makes it easier for criminals to exploit jurisdictional gaps.
Global Head of Employment & Incentives, Linklaters, London	Stricter KYC and AML laws have reduced some financial crimes but increased compliance costs.
Managing Partner, Linklaters, London	Regulatory bodies struggle to keep pace with the evolving tactics of financial criminals.
Corporate Partner, Linklaters, London	Effective compliance frameworks foster a culture of accountability in financial institutions.
Counsel, Linklaters, London	Regulatory frameworks improve fraud detection but can lead to excessive reporting of false positives.
Partner, Linklaters, London	Financial institutions must invest heavily in compliance infrastructure to meet regulatory standards.
Partner, Linklaters, London	The introduction of real time monitoring systems has improved AML compliance effectiveness.
Partner, Linklaters, London	The complexity of financial regulations often leads to misinterpretation and inconsistent application.
Senior Partner, Linklaters, London	Anti-money laundering directives have made financial institutions more risk averse.
Partner, Linklaters, London	Global cooperation in AML regulations has enhanced information sharing among institutions.

Partner, Linklaters, London	Compliance automation has improved regulatory adherence while reducing human error.
Senior Counsel, Linklaters, London	Regulators must balance strict compliance requirements with operational feasibility for institutions.
Chief Executive Officer, London Reporting House Limited	Increased penalties for non-compliance have driven financial institutions to strengthen fraud prevention.
Chief Executive Officer, Security Industry Authority	Legal uncertainties in new financial technologies pose challenges for AML enforcement.
Head of Client Tech & AI, Linklaters, London	Compliance teams require ongoing training to keep up with regulatory changes.
Corporate and Capital Markets Partner, Linklaters, London	The Financial Action Task Force (FATF) recommendations have guided global AML improvements.
Pensions Partner, Linklaters, London	Regulators need to enhance cross-border coordination to close money laundering loopholes.
Mainstream Corporate Partner, Linklaters, Paris	AI-driven compliance tools are improving fraud detection but require regulatory adaptation.
Corporate Partner, Linklaters, London	Overregulation can inadvertently drive financial activities to less regulated sectors.
Global Divisional Practice Head, Corporate, Linklaters, London	AML compliance costs have increased significantly due to expanding regulations.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Public-private partnerships improve fraud detection efforts but require better integration.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Transaction monitoring systems have evolved to detect suspicious activities more efficiently.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Stricter reporting requirements improve financial transparency but slow down business operations.
Partner, Antitrust & Foreign Investment, Linklaters, London	Certain financial sectors, like fintech, struggle to meet evolving AML regulations.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	The legal framework in some jurisdiction’s lags behind advancements in financial crime tactics.

Partner, Antitrust & Foreign Investment, Linklaters, London	Improved whistleblower protections have enhanced the detection of regulatory breaches.
Partner, Antitrust & Foreign Investment, Linklaters, London	Financial regulators need better resources to enforce AML regulations effectively.
Partner, Antitrust & Foreign Investment, Linklaters, London	Emerging financial technologies require updated regulatory approaches to prevent fraud.
Partner, Antitrust & Foreign Investment, Linklaters, London	The effectiveness of compliance measures relies on continuous technological advancements.
Partner, Antitrust & Foreign Investment, Linklaters, London	More rigorous enforcement of AML laws has led to higher compliance costs for firms.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Data privacy laws sometimes hinder cross-border information sharing on financial crimes.
Partner, Banking, Linklaters, London	Regulatory frameworks are more effective when supported by advanced risk assessment models.
Partner, Banking, Linklaters, London	AML compliance audits have become a critical part of financial oversight.
Partner, Banking, Linklaters, London	Cybersecurity measures are now an essential part of financial fraud prevention.
Chair of the National Police Chiefs' Council	Some compliance measures are outdated and need reform to tackle digital financial crimes.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Financial institutions are required to invest more in AI and machine learning for AML compliance.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	International AML cooperation is crucial to tracking illicit funds, across borders.
Chief Financial Officer, Linklaters, London	The introduction of centralized transaction reporting has improved financial oversight.
Partner, Linklaters, London	Compliance failures result in reputational damage, making enforcement more effective.
Corporate and Structured Lending Partner, Linklaters, London	Banks have improved AML measures due to heavy fines for non-compliance.
Corporate and Structured Lending Partner, Linklaters, London	The emergence of decentralized finance (DeFi) creates new regulatory challenges.

Partner, Linklaters, London	Stricter AML measures in high-risk sectors like real estate have improved fraud prevention.
Antitrust & Foreign Investment Partner, Linklaters, London	Effective regulatory frameworks rely on adaptive policymaking to counter evolving financial threats

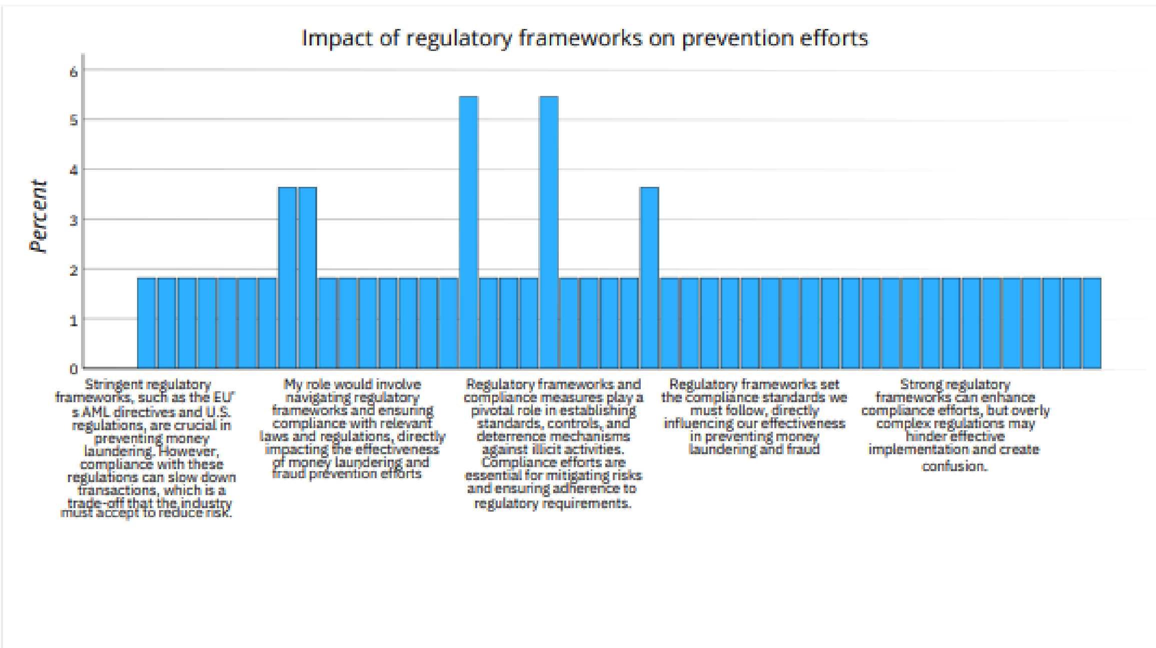

Figure 6 Interview Response rate on Impact of regulatory frameworks on prevention efforts

How effective do you believe the current regulatory framework is in preventing money laundering and fraud in financial transactions?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	The current regulatory framework is generally effective, but continuous updates are needed to address emerging financial crime risks.
Government Affairs, UBS	While regulations have improved transparency, criminals still find loopholes to exploit financial systems.
Managing Director, The Peninsula London	The UK's anti-money laundering laws are stringent, but enforcement inconsistencies create vulnerabilities.
Capital Markets Partner, Linklaters, London	Compliance measures are effective in deterring fraud, but regulatory gaps in cryptocurrency transactions remain a concern.
Litigation Partner, Linklaters, London	More collaboration between international regulators is required to prevent cross-border financial crimes.
Partner, Linklaters, London	Financial institutions are under pressure to comply with evolving AML requirements, but criminals continue to adapt.
Corporate Partner, Linklaters, London	The regulatory framework has strengthened monitoring mechanisms, but the complexity of financial crimes requires continuous adaptation.
ESG Partner, Linklaters, London	While the UK has some of the strongest AML measures, smaller financial institutions struggle to keep up with compliance costs.

Global Head of Employment & Incentives, Linklaters, London	Current laws effectively prevent conventional fraud, but digital financial fraud remains a significant challenge.
Managing Partner, Linklaters, London	The reliance on manual transaction monitoring still leaves room for human error and delays in detecting money laundering.
Corporate Partner, Linklaters, London	Artificial intelligence and machine learning have improved fraud detection, but regulations need to adapt to these technologies,
Counsel, Linklaters, London	AML regulations have enhanced financial transparency, but some emerging markets lack proper enforcement.
Partner, Linklaters, London	There is a need for a global standardized regulatory framework to reduce discrepancies between jurisdictions.
Partner, Linklaters, London	The introduction of real time transaction monitoring has increased fraud prevention capabilities.
Partner, Linklaters, London	Some financial institutions treat AML compliance as a formality rather than a proactive risk mitigation effort.
Senior Partner, Linklaters, London	Regulatory fragmentation between financial centres allows criminals to exploit differences in legal frameworks.
Partner, Linklaters, London	Increased penalties for non-compliance have pushed banks to improve fraud prevention measures.
Partner, Linklaters, London	The pace of regulatory changes makes it difficult for financial institutions to maintain compliance without significant investment.
Senior Counsel, Linklaters, London	The Financial Action Task Force (FATF) has strengthened AML frameworks worldwide, but some countries still lag in implementation.
Chief Executive Officer, London Reporting House Limited	Banks are more cautious in onboarding new clients due to stricter KYC and AML measures, which can slow down legitimate business operations.
Chief Executive Officer, Security Industry Authority	The rise of decentralized finance (DeFi) presents new challenges for regulatory enforcement.

Head of Client Tech & AI, Linklaters, London	Money laundering techniques are evolving faster than current regulations can keep up.
Corporate and Capital Markets Partner, Linklaters, London	Regulatory oversight has improved, but the effectiveness of fraud prevention still depends on institutional implementation.
Pensions Partner, Linklaters, London	The UK has one of the most rigorous AML regulatory frameworks, but criminals still find ways to exploit vulnerabilities.
Mainstream Corporate Partner, Linklaters, Paris	Stricter AML laws have led to an increase in suspicious activity reports, but some of these are false positives.
Corporate Partner, Linklaters, London	The impact of AML compliance varies by financial sector, with fintech facing greater challenges than traditional banking.
Global Divisional Practice Head, Corporate, Linklaters, London	Law enforcement agencies require better access to financial transaction data to enhance fraud detection efforts.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Corporate ownership transparency laws have helped reduce shell company abuse, but enforcement remains inconsistent.
Antitrust & Foreign Investment, Counsel, Linklaters, London	AML and counter-terrorist financing measures have increased, but more collaboration with law enforcement is needed.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Compliance programmes are resource-intensive, making it difficult for smaller firms to comply with all regulatory requirements.
Partner, Antitrust & Foreign Investment, Linklaters, London	AML regulations have effectively reduced bank fraud, but online fraud continues to rise.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Financial institutions are investing in AI-driven compliance tools, but regulators need to establish guidelines on AI usage in AML.
Partner, Antitrust & Foreign Investment, Linklaters, London	More public-private partnerships are needed to enhance financial crime intelligence sharing.
Partner, Antitrust & Foreign Investment, Linklaters, London	The regulatory burden is increasing, but without proper enforcement, regulations will not achieve their intended impact.

Partner, Antitrust & Foreign Investment, Linklaters, London	Stricter KYC policies have prevented account fraud but have also increased friction for legitimate customers.
Partner, Antitrust & Foreign Investment, Linklaters, London	The ability of financial institutions to combat money laundering depends on how quickly they adopt new fraud detection technologies.
Partner, Antitrust & Foreign Investment, Linklaters, London	New compliance measures have made financial systems more resilient but also more complex.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Many compliance teams are under resourced, leading to inefficiencies in fraud detection.
Partner, Banking, Linklaters, London	Cross border financial transactions require better monitoring and coordination between regulators.
Partner, Banking, Linklaters, London	Criminals use artificial intelligence to bypass AML controls, making regulatory adaptation essential.
Partner, Banking, Linklaters, London	Many AML measures focus on traditional banking, but digital payment systems remain vulnerable.
Chair of the National Police Chiefs' Council	Regulatory frameworks are effective in deterring financial crime but must be continuously reviewed.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Stronger whistleblower protections could enhance fraud detection in financial institutions.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Some businesses struggle to implement AML measures due to the high costs involved.
Chief Financial Officer, Linklaters, London	A proactive approach to regulation is necessary to prevent financial crimes rather than just reacting to them.
Partner, Linklaters, London	The use of alternative banking channels creates new challenges for regulators.
Corporate and Structured Lending Partner, Linklaters, London	Cryptocurrencies remain a major challenge for AML efforts due to their pseudonymous nature.
Corporate and Structured Lending Partner, Linklaters, London	Financial institutions are pushing for regulatory sandboxes to test new AML technologies.
Partner, Linklaters, London	The overall effectiveness of AML regulations depends on international cooperation and information sharing.

Antitrust & Foreign Investment Partner, Linklaters, London	The future of AML compliance will rely on a combination of technology, regulation, and industry collaboration.

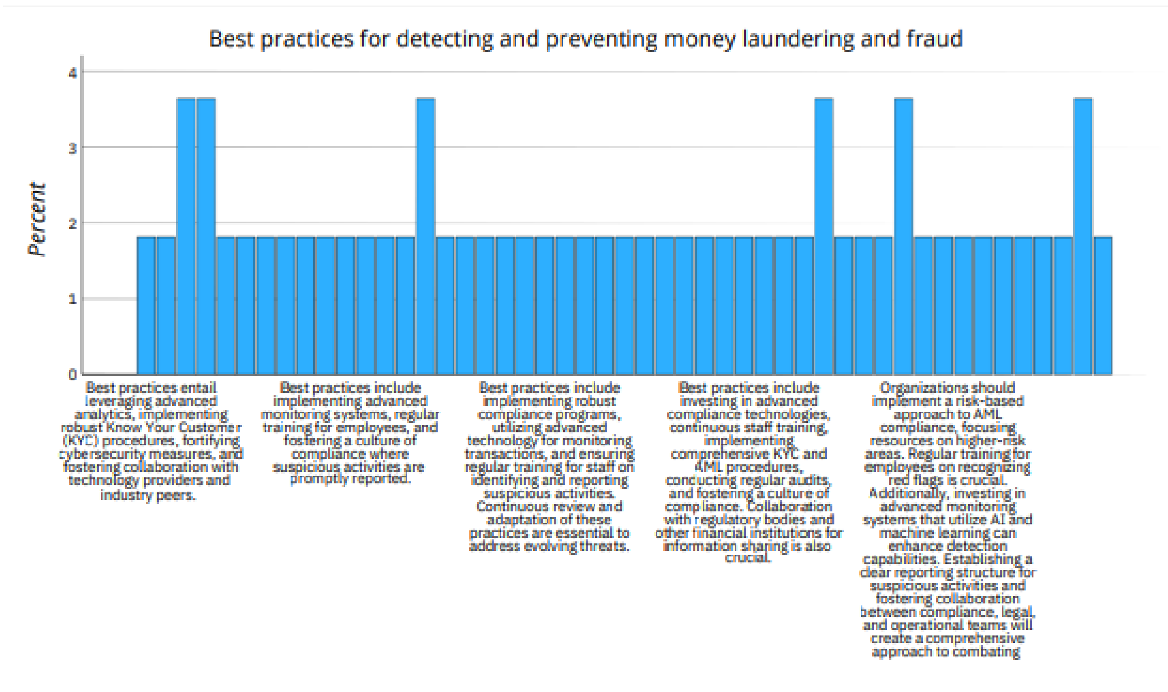

Figure 7 Interview Response rate on best practices for detecting and preventing money laundering and fraud

Technology in Combating Money Laundering and Fraud:

Can you discuss the role of technology, such as artificial intelligence and blockchain, in detecting and preventing money laundering and fraud in financial transactions?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	AI enables real-time transaction monitoring and detects suspicious patterns more effectively than traditional methods.

Government Affairs, UBS	Machine learning models improve fraud detection accuracy by learning from past fraudulent activities.
Managing Director, The Peninsula London	Blockchain enhances transparency and traceability, making it harder for criminals to hide illicit transactions.
Capital Markets Partner, Linklaters, London	AI-driven risk assessment tools help financial institutions identify high risk clients more efficiently.
Litigation Partner, Linklaters, London	Automated compliance tools streamline AML processes and reduce human error in monitoring transactions.
Partner, Linklaters, London	AI-based identity verification strengthens KYC processes by detecting fraudulent documents and synthetic identities.
Corporate Partner, Linklaters, London	Blockchain smart contracts help enforce AML regulations by automating transaction rules.
ESG Partner, Linklaters, London	AI-powered behavioural analytics can detect anomalies in transaction histories and flag potential fraud.
Global Head of Employment & Incentives, Linklaters, London	Cryptographic security in blockchain prevents unauthorized alterations of financial records.
Managing Partner, Linklaters, London	AI tools analyse unstructured data, such as emails and social media, to identify suspicious activities.
Corporate Partner, Linklaters, London	Predictive analytics use historical fraud data to forecast potential laundering risks.
Counsel, Linklaters, London	Real time anomaly detection with AI minimises the risk of financial crime going undetected.
Partner, Linklaters, London	AI reduces false positives in fraud detection, allowing compliance teams to focus on high-risk cases.
Partner, Linklaters, London	The decentralized nature of blockchain reduces the risk of tampering with transaction records.
Partner, Linklaters, London	AI automates report generation for regulatory compliance, reducing the burden on financial institutions.
Senior Partner, Linklaters, London	Blockchain creates an immutable ledger that regulators can use for transparent audits.

Partner, Linklaters, London	AI-driven chatbots assist in fraud investigations by retrieving and analysing relevant transaction data.
Partner, Linklaters, London	Deep learning techniques improve fraud detection accuracy by identifying complex transaction patterns.
Senior Counsel, Linklaters, London	Blockchain allows authorities to track illicit fund movements across international borders.
Chief Executive Officer, London Reporting House Limited	AI automates the identification of beneficial ownership structures to uncover shell companies.
Chief Executive Officer, Security Industry Authority	Data mining with AI helps identify links between suspicious transactions and known criminal networks.
Head of Client Tech & AI, Linklaters, London	Smart analytics tools detect unusual payment behaviours in real time, alerting financial institutions.
Corporate and Capital Markets Partner, Linklaters, London	Blockchain helps prevent trade-based money laundering by verifying invoice authenticity.
Pensions Partner, Linklaters, London	AI-powered sentiment analysis detects fraud-related discussions in financial communications.
Mainstream Corporate Partner, Linklaters, Paris	Blockchain's decentralized verification model ensures transaction integrity without intermediaries.
Corporate Partner, Linklaters, London	AI assists law enforcement agencies in identifying money laundering networks through link analysis.
Global Divisional Practice Head, Corporate, Linklaters, London	Blockchain helps prevent double spending and counterfeit digital assets used in fraud schemes.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	AI enhances anti-fraud systems by continuously adapting to emerging laundering techniques.
Antitrust & Foreign Investment, Counsel, Linklaters, London	AI-powered biometrics improve security in financial transactions by preventing identity fraud.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Automated fraud detection algorithms scan thousands of transactions per second for anomalies.
Partner, Antitrust & Foreign Investment, Linklaters, London	Blockchain ensures data integrity in financial records, reducing opportunities for fraud.

U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	AI enables automated risk scoring of transactions, prioritizing high risk cases for review.
Partner, Antitrust & Foreign Investment, Linklaters, London	Blockchain supports secure and tamper-proof digital identities, reducing fraud risks.
Partner, Antitrust & Foreign Investment, Linklaters, London	AI-driven fraud prevention platforms integrate with banking systems to enhance AML efforts.
Partner, Antitrust & Foreign Investment, Linklaters, London	Smart contracts on blockchain enforce compliance rules, preventing unauthorized transactions.
Partner, Antitrust & Foreign Investment, Linklaters, London	AI-based real time payment monitoring flags suspicious cross border transactions.
Partner, Antitrust & Foreign Investment, Linklaters, London	Machine learning algorithms detect fraudulent behaviours in stock trading and investment fraud.
Counsel, Antitrust & Foreign Investment, Linklaters, London	AI-powered monitoring systems analyse multiple financial channels simultaneously for fraud.
Partner, Banking, Linklaters, London	Blockchain reduces reliance on intermediaries, lowering the risk of financial fraud.
Partner, Banking, Linklaters, London	AI enhances transaction screening by continuously learning from emerging fraud cases.
Partner, Banking, Linklaters, London	AI-powered cybersecurity tools prevent fraud by detecting malware and phishing attacks.
Chair of the National Police Chiefs' Council	Blockchain's distributed ledger technology reduces the risk of insider fraud.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	AI automates suspicious activity reporting (SAR), improving compliance efficiency.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	AI-powered forensic accounting tools assist in tracing illicit funds, through financial records.
Chief Financial Officer, Linklaters, London	Blockchain provides a transparent audit trail for regulatory authorities and compliance teams.
Partner, Linklaters, London	AI-driven behavioural risk analysis detects fraudulent insider trading patterns.
Corporate and Structured Lending Partner, Linklaters, London	Smart blockchain based KYC solutions reduce identity fraud risks in financial transactions.

Corporate and Structured Lending Partner, Linklaters, London	AI enhances the accuracy of fraud detection by correlating multiple data sources.
Partner, Linklaters, London	AI-powered customer risk profiling helps detect money laundering attempts before they occur.
Antitrust & Foreign Investment Partner, Linklaters, London	The integration of AI and blockchain creates a robust defence against sophisticated financial crime.

What are some best practices or strategies for organizations to enhance their capabilities in detecting and preventing money laundering and fraud in financial transactions?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	Implement advanced analytics and AI-driven transaction monitoring to detect suspicious patterns.
Government Affairs, UBS	Conduct regular staff training on anti-money laundering (AML) regulations and fraud detection techniques.
Managing Director, The Peninsula London	Foster a strong culture of compliance and accountability within the organization.
Capital Markets Partner, Linklaters, London	Perform comprehensive audits and internal reviews of AML processes.
Litigation Partner, Linklaters, London	Strengthen Know Your Customer (KYC) and Customer Due Diligence (CDD) protocols.
Partner, Linklaters, London	Collaborate with law enforcement agencies and financial intelligence units (FIUs).
Corporate Partner, Linklaters, London	Adopt blockchain technology for secure and transparent transaction tracking.
ESG Partner, Linklaters, London	Use machine learning models to refine fraud detection and reduce false positives.
Global Head of Employment & Incentives, Linklaters, London	Establish a dedicated financial crime risk management team.
Managing Partner, Linklaters, London	Strengthen internal whistleblower protection programmes to encourage reporting of suspicious activities.
Corporate Partner, Linklaters, London	Monitor high-risk accounts and transactions in real time.

Counsel, Linklaters, London	Regularly update compliance frameworks to keep pace with evolving regulations.
Partner, Linklaters, London	Automate compliance reporting to regulatory authorities.
Partner, Linklaters, London	Conduct regular penetration testing to identify vulnerabilities in financial systems.
Partner, Linklaters, London	Apply geolocation analysis to track cross-border money laundering schemes.
Senior Partner, Linklaters, London	Enhance cybersecurity measures to prevent digital fraud and data breaches.
Partner, Linklaters, London	Establish a clear escalation protocol for handling suspicious activity reports (SARs).
Partner, Linklaters, London	Conduct independent third-party risk assessments for vendors and business partners.
Senior Counsel, Linklaters, London	Monitor politically exposed persons (PEPs) and high-risk individuals closely.
Chief Executive Officer, London Reporting House Limited	Implement behavioural analytics to detect unusual spending and transaction behaviour.
Chief Executive Officer, Security Industry Authority	Participate in international information-sharing initiatives to combat cross border fraud.
Head of Client Tech & AI, Linklaters, London	Improve regulatory reporting accuracy by integrating AI-driven compliance solutions.
Corporate and Capital Markets Partner, Linklaters, London	Leverage big data analytics for predictive fraud detection models.
Pensions Partner, Linklaters, London	Conduct periodic stress testing of financial crime detection systems.
Mainstream Corporate Partner, Linklaters, Paris	Implement biometric authentication for secure financial transactions.
Corporate Partner, Linklaters, London	Increase transaction limits for higher risk accounts to trigger enhanced monitoring.
Global Divisional Practice Head, Corporate, Linklaters, London	Educate customers on fraud risks and how to protect their accounts.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Ensure compliance teams have adequate resources and funding.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Develop risk-based AML policies tailored to the organization's size and structure.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Establish cross functional fraud detection teams that include IT, compliance, and legal professionals.

Partner, Antitrust & Foreign Investment, Linklaters, London	Introduce anomaly detection tools that flag deviations from normal transaction behaviour.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Strengthen due diligence for high-risk sectors such as real estate and fintech.
Partner, Antitrust & Foreign Investment, Linklaters, London	Require multi-factor authentication for financial transactions to prevent unauthorized access.
Partner, Antitrust & Foreign Investment, Linklaters, London	Improve screening methods for shell companies and complex corporate structures.
Partner, Antitrust & Foreign Investment, Linklaters, London	Work closely with regulatory bodies to stay ahead of evolving compliance requirements.
Partner, Antitrust & Foreign Investment, Linklaters, London	Use AI-powered forensic accounting tools to track illicit fund movements.
Partner, Antitrust & Foreign Investment, Linklaters, London	Conduct ongoing assessments of employee access controls to prevent insider fraud.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Implement transaction limits on high-risk accounts to minimise fraud risks.
Partner, Banking, Linklaters, London	Establish a centralized AML data repository to improve reporting accuracy.
Partner, Banking, Linklaters, London	Develop real time fraud alert mechanisms for customers and compliance teams.
Partner, Banking, Linklaters, London	Use blockchain analytics tools to trace the flow of funds across digital assets.
Chair of the National Police Chiefs' Council	Require enhanced due diligence for transactions involving offshore jurisdictions.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Integrate fraud risk management with broader corporate governance strategies.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Mandate ongoing fraud risk assessments for all business operations.
Chief Financial Officer, Linklaters, London	Implement AI-powered customer risk profiling to detect suspicious behaviour early.
Partner, Linklaters, London	Develop specialized training programmes for AML investigators and compliance officers.
Corporate and Structured Lending Partner, Linklaters, London	Increase the use of sanctions screening tools to prevent transactions with illicit entities.
Corporate and Structured Lending Partner, Linklaters, London	Collaborate with industry peers to share best practices and emerging threat intelligence.

Partner, Linklaters, London	Encourage a proactive compliance culture that prioritizes fraud prevention.
Antitrust & Foreign Investment Partner, Linklaters, London	Strengthen board-level oversight of AML and fraud prevention strategies.

How do international cooperation and information-sharing initiatives contribute to combating cross-border money laundering and fraud schemes in financial transactions?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	International cooperation is essential in combating financial crimes that span multiple jurisdictions.
Government Affairs, UBS	Information sharing initiatives between governments, financial institutions, and regulatory bodies help identify and prevent cross border money laundering and fraud schemes.
Managing Director, The Peninsula London	Collaboration between regulatory bodies enhances global transparency and financial integrity.
Capital Markets Partner, Linklaters, London	The Financial Action Task Force (FATF) facilitates international cooperation by setting AML standards and best practices.
Litigation Partner, Linklaters, London	Mutual legal assistance treaties (MLATs) streamline the process of investigating and prosecuting cross border financial crimes.
Partner, Linklaters, London	International cooperation enables real-time intelligence sharing on suspicious financial activities.

Corporate Partner, Linklaters, London	Organizations like INTERPOL and Europol play a crucial role in global financial crime investigations.
ESG Partner, Linklaters, London	The Egmont Group facilitates secure communication between financial intelligence units (FIUs) worldwide.
Global Head of Employment & Incentives, Linklaters, London	Cross border cooperation helps track illicit funds, moving through multiple financial systems.
Managing Partner, Linklaters, London	Joint task forces allow for coordinated investigations and enforcement actions.
Corporate Partner, Linklaters, London	Financial institutions benefit from regulatory alignment across different jurisdictions.
Counsel, Linklaters, London	Data sharing agreements between countries improve the efficiency of AML efforts.
Partner, Linklaters, London	Law enforcement agencies rely on global intelligence sharing networks to identify money laundering trends.
Partner, Linklaters, London	Blockchain analytics tools enhance international financial transparency.
Partner, Linklaters, London	International cooperation helps close regulatory gaps that criminals exploit.
Senior Partner, Linklaters, London	The implementation of common AML frameworks strengthens the global fight against financial crime.
Partner, Linklaters, London	Global AML compliance initiatives increase accountability among financial institutions.
Partner, Linklaters, London	Shared access to transaction data enhances cross border fraud detection.
Senior Counsel, Linklaters, London	Standardized regulatory reporting improves cooperation between banks and enforcement agencies.
Chief Executive Officer, London Reporting House Limited	Bilateral agreements between countries facilitate financial investigations.
Chief Executive Officer, Security Industry Authority	The Common Reporting Standard (CRS) promotes tax transparency and reduces money laundering risks.
Head of Client Tech & AI, Linklaters, London	Enhanced diplomatic cooperation leads to more effective regulatory enforcement.
Corporate and Capital Markets Partner, Linklaters, London	Digital identity verification solutions improve compliance with international AML standards.

Pensions Partner, Linklaters, London	Global cooperation reduces the risk of regulatory arbitrage by criminals.
Mainstream Corporate Partner, Linklaters, Paris	Cybersecurity collaboration helps combat financial crimes in the digital space.
Corporate Partner, Linklaters, London	Unified international sanctions enforcement prevents criminals from exploiting financial loopholes.
Global Divisional Practice Head, Corporate, Linklaters, London	Information-sharing on beneficial ownership strengthens efforts against shell companies.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	AI-powered cross border transaction monitoring enhances fraud detection.
Antitrust & Foreign Investment, Counsel, Linklaters, London	International financial forums encourage the exchange of AML best practices.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Public-private partnerships enhance fraud prevention through knowledge sharing.
Partner, Antitrust & Foreign Investment, Linklaters, London	Whistleblower protections in multiple countries improve financial crime reporting.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Harmonization of AML regulations across countries ensures consistent enforcement.
Partner, Antitrust & Foreign Investment, Linklaters, London	International cooperation in asset recovery helps repatriate stolen funds.
Partner, Antitrust & Foreign Investment, Linklaters, London	Global financial regulators coordinate on emerging risks in digital finance.
Partner, Antitrust & Foreign Investment, Linklaters, London	Cross-border data analytics improve financial crime detection accuracy.
Partner, Antitrust & Foreign Investment, Linklaters, London	International law enforcement operations dismantle large scale laundering networks.
Partner, Antitrust & Foreign Investment, Linklaters, London	AI-driven compliance tools support information sharing between banks and regulators.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Increased transparency in cross border transactions prevents illicit financial flows.
Partner, Banking, Linklaters, London	AML cooperation agreements improve due diligence on high-risk clients.
Partner, Banking, Linklaters, London	Real-time information exchanges prevent fraudsters from exploiting jurisdictional differences.
Partner, Banking, Linklaters, London	Digital banking fraud prevention is strengthened through global data sharing.
Chair of the National Police Chiefs' Council	Cryptocurrency regulation efforts benefit from multinational collaboration.

Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Enhanced cooperation prevents terrorist financing through global AML measures.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	The sharing of financial intelligence helps disrupt organized crime networks.
Chief Financial Officer, Linklaters, London	International AML task forces track and recover illicit assets hidden offshore.
Partner, Linklaters, London	The adoption of standardized compliance procedures reduces inconsistencies in AML enforcement.
Corporate and Structured Lending Partner, Linklaters, London	Financial institutions share fraud intelligence to strengthen risk mitigation strategies.
Corporate and Structured Lending Partner, Linklaters, London	Coordination between tax authorities prevents laundering through tax evasion schemes.
Partner, Linklaters, London	Strengthened cooperation in trade finance prevents trade-based money laundering.
Antitrust & Foreign Investment Partner, Linklaters, London	The future of AML relies on continued international collaboration and technological innovation.

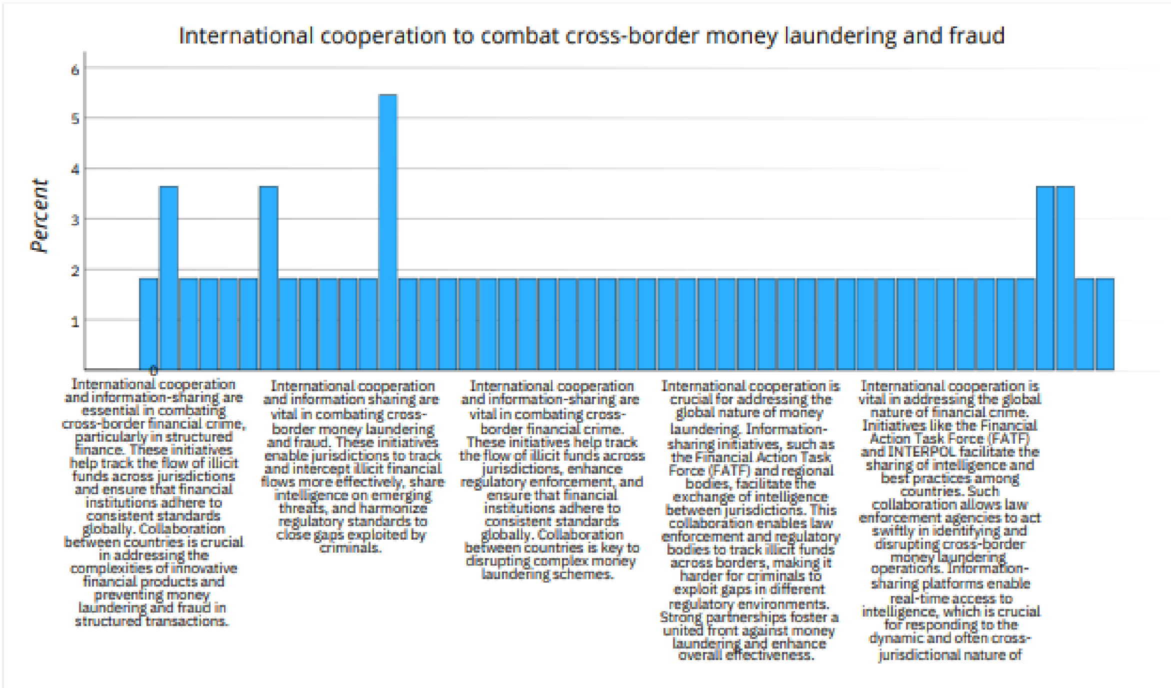

Figure 8 Interview Response rate on international cooperation to combat cross-border money laundering and fraud

Legal Framework:

How is the legal framework in the City of London structured to combat money laundering and fraud in financial transactions? Could you provide an overview?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	The legal framework in the City of London is built on a combination of domestic legislation and international regulatory standards to prevent financial crimes.
Government Affairs, UBS	The Proceeds of Crime Act 2002 (POCA) is a key pillar in the legal framework, criminalizing money laundering and providing law enforcement with powers to confiscate illicit assets.
Managing Director, The Peninsula London	The Money Laundering Regulations 2017 set out requirements for financial institutions to conduct due diligence, report suspicious activities, and maintain compliance programmes.
Capital Markets Partner, Linklaters, London	The Financial Conduct Authority (FCA) plays a crucial role in overseeing financial institutions and ensuring compliance with AML regulations.
Litigation Partner, Linklaters, London	The National Crime Agency (NCA) is responsible for investigating money laundering offences and coordinating efforts across law enforcement agencies.
Partner, Linklaters, London	The Serious Fraud Office (SFO) focuses on prosecuting large scale fraud and financial crimes.
Corporate Partner, Linklaters, London	The Terrorism Act 2000 includes provisions to prevent the financing of terrorism, which is closely linked to money laundering efforts.
ESG Partner, Linklaters, London	Financial institutions are legally required to submit Suspicious Activity Reports (SARs) to the NCA when they detect potential financial crimes.
Global Head of Employment & Incentives, Linklaters, London	The Joint Money Laundering Intelligence Taskforce (JMLIT) enables cooperation between law enforcement and financial institutions to combat financial crime.

Managing Partner, Linklaters, London	The City of London Police Economic Crime Unit specializes in investigating complex financial fraud cases.
Corporate Partner, Linklaters, London	UK law requires financial institutions to adopt a risk-based approach to AML compliance, meaning higher-risk clients and transactions receive greater scrutiny.
Counsel, Linklaters, London	Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) are mandatory procedures for financial institutions handling high-risk transactions.
Partner, Linklaters, London	The Sanctions and Anti-Money Laundering Act 2018 strengthens the UK's ability to impose and enforce financial sanctions against illicit actors.
Partner, Linklaters, London	The Bribery Act 2010 complements AML regulations by criminalizing corrupt financial practices that can facilitate money laundering.
Partner, Linklaters, London	The UK's Financial Intelligence Unit (UKFIU), part of the NCA, gathers and analyses SARs to identify potential criminal activities.
Senior Partner, Linklaters, London	The FCA's Senior Managers and Certification Regime (SMCR) holds financial executives accountable for ensuring AML compliance within their organizations.
Partner, Linklaters, London	The Criminal Finances Act 2017 introduced Unexplained Wealth Orders (UWOs), requiring individuals to prove the legitimacy of their assets.
Partner, Linklaters, London	Financial institutions must conduct ongoing transaction monitoring to detect unusual patterns indicative of money laundering.
Senior Counsel, Linklaters, London	Cross-border cooperation with international agencies like Europol and Interpol strengthens AML enforcement efforts.
Chief Executive Officer, London Reporting House Limited	The UK adheres to Financial Action Task Force (FATF) guidelines, which set global AML standards.

Chief Executive Officer, Security Industry Authority	Law enforcement agencies use data analytics and artificial intelligence to detect financial crime patterns.
Head of Client Tech & AI, Linklaters, London	The Companies House reform aims to increase transparency by requiring greater disclosure of corporate ownership structures.
Corporate and Capital Markets Partner, Linklaters, London	The UK's Economic Crime Plan 2023–2026 outlines government strategies to combat financial crime more effectively.
Pensions Partner, Linklaters, London	Regulatory sandboxes allow fintech companies to test new compliance solutions under FCA oversight.
Mainstream Corporate Partner, Linklaters, Paris	Financial firms must implement Know Your Customer (KYC) procedures to verify client identities.
Corporate Partner, Linklaters, London	The UK cooperates with the European Banking Authority (EBA) on AML best practices, despite Brexit.
Global Divisional Practice Head, Corporate, Linklaters, London	Deferred Prosecution Agreements (DPAs) allow corporations to avoid prosecution if they cooperate fully in financial crime investigations.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	The City of London's financial hub status makes it a prime target for money laundering, necessitating stringent regulations.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Virtual assets and cryptocurrency exchanges are now subject to UK AML regulations to prevent digital money laundering.
Partner, UK Co-Head of Technology Sector, Linklaters, London	The UK's unexplained wealth orders help law enforcement confiscate assets linked to illicit activities.
Partner, Antitrust & Foreign Investment, Linklaters, London	Data protection laws, such as GDPR, influence AML efforts by balancing privacy rights with regulatory transparency.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Regulatory enforcement has increased in recent years, leading to record fines for AML non-compliance.
Partner, Antitrust & Foreign Investment, Linklaters, London	Corporate service providers and trust firms must comply with UK AML laws to prevent misuse for money laundering.

Partner, Antitrust & Foreign Investment, Linklaters, London	The Financial Services and Markets Act (FSMA) 2000 governs financial sector integrity and investor protection.
Partner, Antitrust & Foreign Investment, Linklaters, London	The UK's Economic Crime Levy requires financial institutions to contribute to anti-financial crime initiatives.
Partner, Antitrust & Foreign Investment, Linklaters, London	The Crown Dependencies and British Overseas Territories have aligned their AML frameworks with UK laws to prevent regulatory arbitrage.
Partner, Antitrust & Foreign Investment, Linklaters, London	UK regulators closely monitor high-risk sectors, including real estate, luxury goods, and casinos, for money laundering risks.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Independent audits and compliance reviews ensure financial institutions maintain strong AML controls.
Partner, Banking, Linklaters, London	The UK's anti-money laundering public-private partnerships facilitate real-time threat intelligence sharing.
Partner, Banking, Linklaters, London	Firms are required to implement internal whistleblowing programmes to encourage reporting of AML violations.
Partner, Banking, Linklaters, London	The regulation of professional services (lawyers, accountants, and real estate agents) helps prevent money laundering through non-financial channels.
Chair of the National Police Chiefs' Council	The UK's anti-money laundering laws are frequently updated to adapt to new threats such as cyber-enabled financial crime.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	AML compliance officers within financial institutions are personally liable for ensuring adherence to regulatory requirements.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	RegTech (Regulatory Technology) solutions help firms streamline AML compliance and fraud detection.
Chief Financial Officer, Linklaters, London	The UK has increased corporate transparency requirements to prevent the misuse of shell companies.
Partner, Linklaters, London	The FCA conducts thematic reviews to assess industry-wide AML compliance trends.

Corporate and Structured Lending Partner, Linklaters, London	International trade finance transactions are subject to enhanced scrutiny under UK AML laws.
Corporate and Structured Lending Partner, Linklaters, London	The UK's SARs reform program aims to improve law enforcement access to financial intelligence.
Partner, Linklaters, London	The UK actively participates in global AML initiatives, including G7 and G20 financial crime working groups.
Antitrust & Foreign Investment Partner, Linklaters, London	Future AML reforms may include stricter penalties for financial institutions that fail to prevent money laundering.

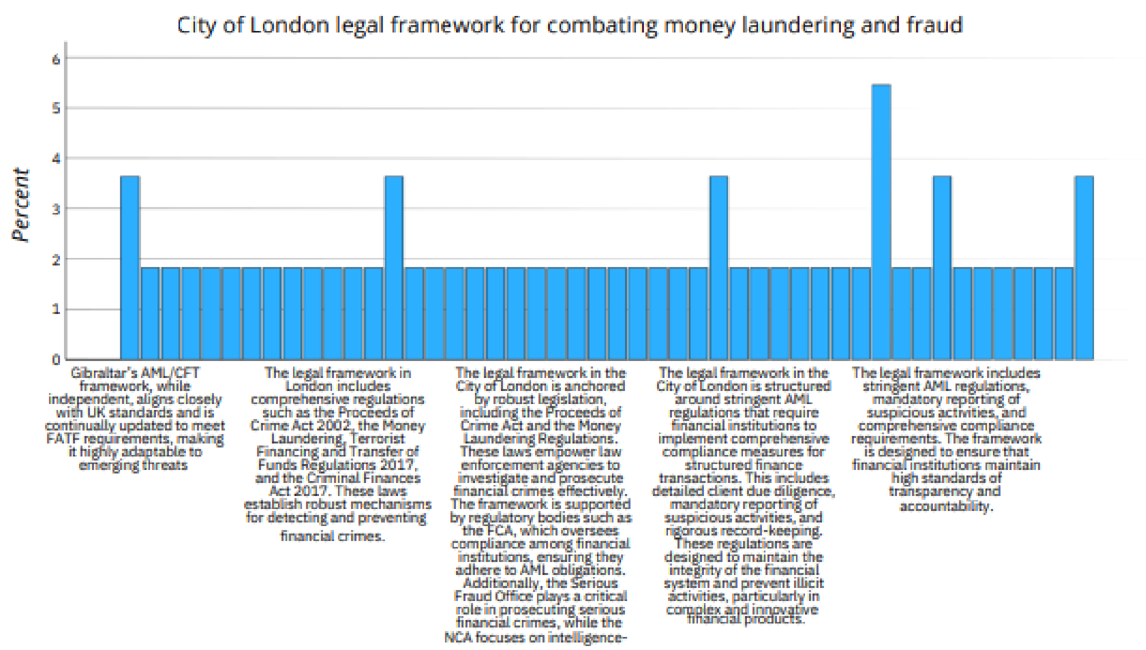

Figure 9 Interview Response rate on City of London legal framework for combating money laundering and fraud

Are there specific provisions or sections of the City of London legislation that you believe are particularly vital in addressing money laundering and fraud in financial transactions?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	The Proceeds of Crime Act 2002 (POCA) is a fundamental law that allows authorities to confiscate and recover assets obtained through money laundering and fraud.
Government Affairs, UBS	The Money Laundering Regulations 2017 set out specific compliance requirements for financial institutions, including customer due diligence and transaction monitoring.
Managing Director, The Peninsula London	The Terrorism Act 2000 is vital in preventing financial transactions linked to terrorism financing, which often overlaps with money laundering schemes.
Capital Markets Partner, Linklaters, London	Customer Due Diligence (CDD) provisions ensure that financial institutions verify the identities of their clients before providing services.
Litigation Partner, Linklaters, London	Enhanced Due Diligence (EDD) applies to high-risk customers, such as politically exposed persons (PEPs), to prevent illicit financial activities.
Partner, Linklaters, London	The Financial Services and Markets Act 2000 (FSMA) gives the Financial Conduct Authority (FCA) the authority to regulate financial institutions and ensure compliance.
Corporate Partner, Linklaters, London	Suspicious Activity Reporting (SAR) provisions require financial institutions to report suspicious transactions to the National Crime Agency (NCA).
ESG Partner, Linklaters, London	The Criminal Finances Act 2017 introduced Unexplained Wealth Orders (UWOs) to investigate individuals suspected of acquiring assets through illicit means.
Global Head of Employment & Incentives, Linklaters, London	The Sanctions and Anti-Money Laundering Act 2018 allows the UK to impose and enforce financial sanctions independently of the EU.
Managing Partner, Linklaters, London	The Fifth Anti-Money Laundering Directive (5AMLD) expanded AML measures to cover virtual currencies and high-value goods transactions.

Corporate Partner, Linklaters, London	Record keeping provisions mandate that financial institutions maintain transaction records for at least five years.
Counsel, Linklaters, London	The UK Bribery Act 2010 addresses corruption, which is closely linked to money laundering schemes.
Partner, Linklaters, London	Financial Intelligence Unit (FIU) provisions empower the NCA to analyse and act upon financial intelligence reports.
Partner, Linklaters, London	The Regulation of Virtual Assets ensures that cryptocurrency exchanges and wallet providers follow AML requirements.
Partner, Linklaters, London	Cross-border cooperation provisions facilitate intelligence sharing with global financial regulators to track illicit money flows.
Senior Partner, Linklaters, London	The Companies House reform increases transparency in corporate ownership to prevent the misuse of shell companies.
Partner, Linklaters, London	Risk-based approach requirements allow financial institutions to allocate more resources to high-risk transactions.
Partner, Linklaters, London	AML training and compliance obligations mandate that financial institutions provide ongoing staff training on money laundering risks.
Senior Counsel, Linklaters, London	The Economic Crime Plan 2023–2026 outlines new strategies for combating financial crime in the UK.
Chief Executive Officer, London Reporting House Limited	Penalties for non-compliance ensure that financial institutions face fines or legal actions if they fail to follow AML regulations.
Chief Executive Officer, Security Industry Authority	FCA enforcement provisions give the FCA power to investigate and penalize firms that breach financial crime regulations.
Head of Client Tech & AI, Linklaters, London	Money laundering risk assessment obligations require businesses to assess their exposure to financial crime.
Corporate and Capital Markets Partner, Linklaters, London	Regulatory frameworks for trade-based money laundering (TBML) help prevent manipulation of trade transactions for illicit purposes.

Pensions Partner, Linklaters, London	AML regulations for real estate transactions ensure that property purchases are not used for money laundering.
Mainstream Corporate Partner, Linklaters, Paris	Regulation of professional services (lawyers, accountants, real estate agents) ensures that these sectors comply with AML laws.
Corporate Partner, Linklaters, London	Asset forfeiture and freezing orders allow law enforcement to seize assets suspected of being linked to criminal activity.
Global Divisional Practice Head, Corporate, Linklaters, London	Sector-specific AML provisions impose additional compliance obligations on banking, insurance, and fintech industries.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	The Corporate Transparency Act strengthens company registration requirements to prevent fraudulent corporate structures.
Antitrust & Foreign Investment, Counsel, Linklaters, London	The UK's Information Sharing Provisions improve collaboration between financial institutions and law enforcement agencies.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Reporting obligations for high value cash transactions ensure better oversight of large cash movements.
Partner, Antitrust & Foreign Investment, Linklaters, London	AML obligations for offshore banking operations regulate transactions between UK financial institutions and offshore accounts.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Technological innovation in compliance provisions encourage the use of artificial intelligence and blockchain for AML efforts.
Partner, Antitrust & Foreign Investment, Linklaters, London	Fines and criminal liability provisions hold company executives personally responsible for AML violations.
Partner, Antitrust & Foreign Investment, Linklaters, London	Joint Money Laundering Intelligence Taskforce (JMLIT) provisions promote public-private sector collaboration.
Partner, Antitrust & Foreign Investment, Linklaters, London	AML rules for payment service providers (PSPs) and fintech firms require enhanced monitoring of online transactions.

Partner, Antitrust & Foreign Investment, Linklaters, London	Regulatory reporting provisions require firms to submit regular AML compliance reports to regulatory bodies.
Partner, Antitrust & Foreign Investment, Linklaters, London	Regulation of prepaid cards and digital wallets reduces their misuse in financial crimes.
Counsel, Antitrust & Foreign Investment, Linklaters, London	UK's Beneficial Ownership Registry mandates disclosure of individuals who own or control corporate entities.
Partner, Banking, Linklaters, London	The role of the Economic Crime Levy ensures that large financial firms contribute to AML enforcement funding.
Partner, Banking, Linklaters, London	Regulatory provisions for high-risk jurisdictions prevent financial institutions from engaging with countries that have weak AML controls.
Partner, Banking, Linklaters, London	AML laws governing correspondent banking relationships ensure that UK banks do not facilitate money laundering for foreign institutions.
Chair of the National Police Chiefs' Council	Whistleblower protection provisions encourage employees to report AML violations without fear of retaliation.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Cross border transaction monitoring requirements help identify international money laundering schemes.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	The role of regulatory sandboxes allows fintech companies to test AML compliance solutions before full implementation.
Chief Financial Officer, Linklaters, London	Cybercrime and fraud prevention laws address financial crimes committed through digital platforms.
Partner, Linklaters, London	AML obligations for casinos and gambling operators help prevent illicit funds, from being laundered through the gaming industry.
Corporate and Structured Lending Partner, Linklaters, London	AML compliance for the art and luxury goods market helps detect high-value purchases made with illicit funds.
Corporate and Structured Lending Partner, Linklaters, London	Regulation of trust and company service providers (TCSPs) ensures that these entities are not misused for laundering money.

Partner, Linklaters, London	Joint investigation task force mandates allow regulatory agencies to collaborate on large-scale AML cases.
Antitrust & Foreign Investment Partner, Linklaters, London	Public-private partnership initiatives enhance AML enforcement through better industry cooperation.

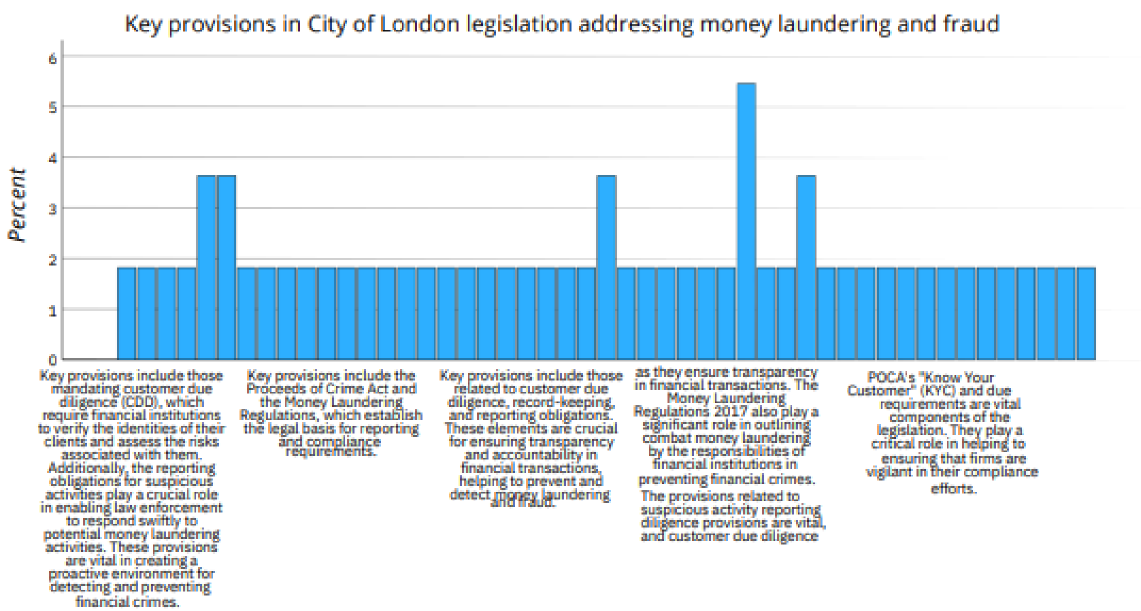

Figure 10 Interview Response rate on Key provisions in City of London legislation addressing money laundering and fraud

How does the legal framework in the City of London compare to those of other major financial centres?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	The UK, particularly the City of London, has a robust legal framework, often considered stricter than many financial centres, including New York and Singapore.

Government Affairs, UBS	The City of London is regarded as one of the most rigorously regulated financial centres globally, with strong anti-money laundering (AML) regulations.
Managing Director, The Peninsula London	London has led in AML regulations, especially post Brexit, compared to financial hubs like Frankfurt.
Capital Markets Partner, Linklaters, London	London's legal framework aligns with international standards but differs in enforcement compared to places like New York and Singapore.
Litigation Partner, Linklaters, London	New York has a more aggressive enforcement approach with higher penalties, while London focuses on compliance monitoring.
Partner, Linklaters, London	The Financial Conduct Authority (FCA) and the National Crime Agency (NCA) provide stringent oversight in the City of London.
Corporate Partner, Linklaters, London	The City of London follows the Proceeds of Crime Act (POCA) 2002 and Money Laundering Regulations, ensuring high compliance levels.
ESG Partner, Linklaters, London	Compared to Hong Kong, London's regulatory framework has more transparency and disclosure requirements.
Global Head of Employment & Incentives, Linklaters, London	The City of London operates under the Fifth Anti-Money Laundering Directive, whereas other financial hubs have different compliance requirements.
Managing Partner, Linklaters, London	While New York and Singapore also enforce strict AML measures, London is often ahead in terms of regulatory adaptation.
Corporate Partner, Linklaters, London	The City of London's regulatory framework incorporates global best practices, aligning with the Financial Action Task Force (FATF) standards.
Counsel, Linklaters, London	The UK framework mandates enhanced customer due diligence, similar to frameworks in the EU and the US.
Partner, Linklaters, London	Compared to Hong Kong, London's regulations place more emphasis on suspicious activity reporting (SAR) requirements.

Partner, Linklaters, London	Unlike Switzerland, which maintains strict banking secrecy laws, London enforces greater financial transparency.
Partner, Linklaters, London	The City of London has more detailed reporting obligations than many financial centres, including Frankfurt.
Senior Partner, Linklaters, London	Regulatory agencies in London have a proactive approach to financial crime, unlike some offshore financial centres.
Partner, Linklaters, London	While the UK enforces strict AML laws, some EU nations have slower regulatory adaptations.
Partner, Linklaters, London	Singapore and the UK have similar AML measures, but Singapore's framework is more technologically integrated.
Senior Counsel, Linklaters, London	Compared to the US, London's legal framework places greater emphasis on compliance than on punitive measures.
Chief Executive Officer, London Reporting House Limited	Unlike some financial centres, London's legal framework extends to digital assets and cryptocurrencies.
Chief Executive Officer, Security Industry Authority	London's AML laws are closely aligned with European regulations, even post Brexit.
Head of Client Tech & AI, Linklaters, London	The UK's financial laws are frequently updated to combat evolving financial crimes, unlike some slower moving regulatory environments.
Corporate and Capital Markets Partner, Linklaters, London	Some Crown Dependent Territories have laxer AML regulations than the City of London.
Pensions Partner, Linklaters, London	London's AML laws require greater cross-border cooperation than those of some Asian financial hubs.
Mainstream Corporate Partner, Linklaters, Paris	The City of London enforces rigorous KYC (Know Your Customer) regulations, similar to the US and EU.
Corporate Partner, Linklaters, London	Enforcement in London is generally stronger than in financial centres known for banking secrecy.
Global Divisional Practice Head, Corporate, Linklaters, London	The FCA requires financial institutions to maintain transparency, similar to regulations in Canada.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	The UK's AML approach is comprehensive, whereas some financial

	centres focus more on voluntary compliance.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Compared to offshore tax havens, London's legal framework has stricter anti-tax evasion measures.
Partner, UK Co-Head of Technology Sector, Linklaters, London	US regulatory bodies impose heavier penalties, whereas London focuses more on preventing breaches.
Partner, Antitrust & Foreign Investment, Linklaters, London	The City of London's legal framework supports innovation while maintaining strong compliance standards.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Financial crime regulations in London are more collaborative with banks than in some rigid regulatory environments.
Partner, Antitrust & Foreign Investment, Linklaters, London	London's SAR requirements exceed those in some Asian financial centres.
Partner, Antitrust & Foreign Investment, Linklaters, London	The UK's AML laws target trade-based money laundering more aggressively than some EU nations.
Partner, Antitrust & Foreign Investment, Linklaters, London	Financial transparency in London is comparable to that in the US but stricter than in some Middle Eastern hubs.
Partner, Antitrust & Foreign Investment, Linklaters, London	UK regulators work closely with law enforcement to investigate financial crimes, unlike some decentralized regulatory frameworks.
Partner, Antitrust & Foreign Investment, Linklaters, London	Compared to New York, London's legal framework has fewer conflicts between federal and state regulations.
Counsel, Antitrust & Foreign Investment, Linklaters, London	AML enforcement in London focuses heavily on beneficial ownership transparency.
Partner, Banking, Linklaters, London	London's legal framework is adaptable, unlike some financial hubs that maintain outdated laws.
Partner, Banking, Linklaters, London	The FCA monitors high-risk transactions more aggressively than many European regulators.
Partner, Banking, Linklaters, London	The UK government regularly updates its AML framework to close regulatory loopholes.
Chair of the National Police Chiefs' Council	Unlike some financial centres, London requires greater corporate governance oversight.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Some financial centres have stricter privacy laws, making it harder for

	regulators to investigate illicit activity compared to London.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	London's regulatory framework requires financial institutions to assess emerging risks continuously.
Chief Financial Officer, Linklaters, London	Compliance requirements in London extend to fintech firms and payment processors, unlike in some jurisdictions.
Partner, Linklaters, London	The City of London imposes strict controls on politically exposed persons (PEPs), unlike some financial hubs.
Corporate and Structured Lending Partner, Linklaters, London	The UK framework encourages cross-border regulatory cooperation more than some regional financial centres.
Corporate and Structured Lending Partner, Linklaters, London	Compared to some Asian financial centres, London enforces higher penalties for AML non-compliance.
Partner, Linklaters, London	London's AML framework balances regulation with economic growth considerations.
Antitrust & Foreign Investment Partner, Linklaters, London	The City of London's legal framework remains a benchmark for financial regulation globally.

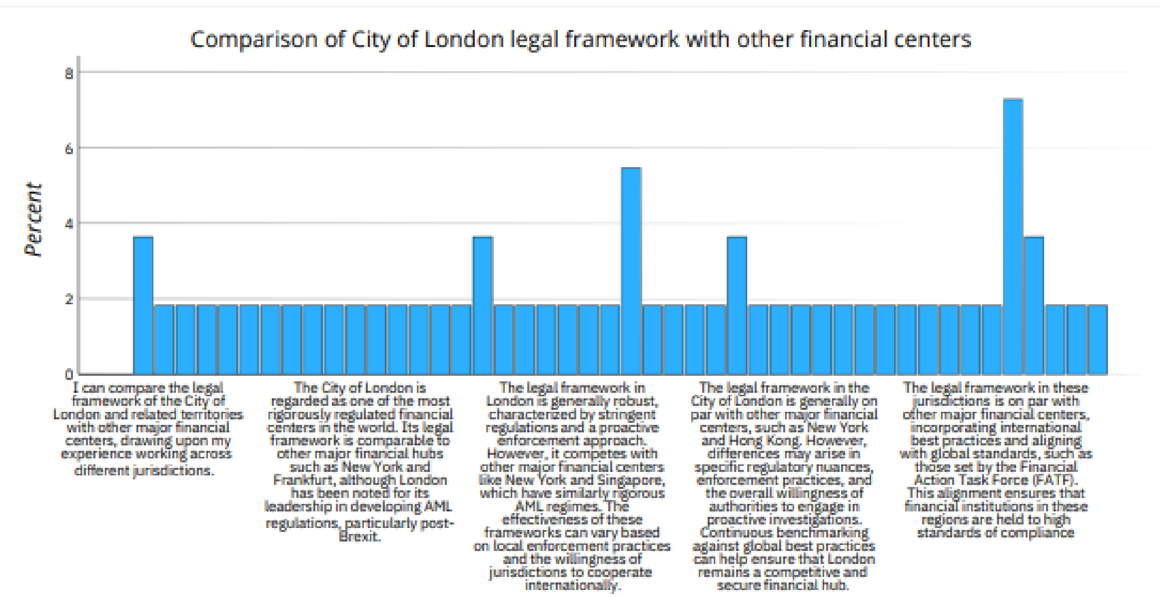

Figure 11 Interview Response rate on Comparison of City of London legal framework with other financial centres

In terms of the Crown Dependent Territories are their variations or specificities in their legal frameworks that differ from the UK mainland.

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	Crown Dependent Territories have their own legal frameworks, which can differ from the UK mainland in terms of regulatory rigor and enforcement practices.
Government Affairs, UBS	While Crown Dependencies follow UK guidelines, they have independent legislative bodies that allow for regulatory variations.
Managing Director, The Peninsula London	Some Territories like the Isle of Man, have been proactive in implementing anti-money laundering (AML) measures, while others have lighter oversight.
Capital Markets Partner, Linklaters, London	Jersey and Guernsey maintain unique financial regulations that differ from the

	UK mainland, affecting transaction structuring and compliance management.
Litigation Partner, Linklaters, London	These territories generally align with UK AML standards but include specific regulations based on their financial ecosystems.
Partner, Linklaters, London	Some Crown Dependencies have different tax regimes and AML compliance structures, creating enforcement challenges.
Corporate Partner, Linklaters, London	The UK provides oversight, but enforcement in these territories can sometimes be less stringent due to jurisdictional constraints.
ESG Partner, Linklaters, London	There are local legislative differences in how suspicious activity reporting (SAR) and customer due diligence (CDD) requirements are applied.
Global Head of Employment & Incentives, Linklaters, London	Some territories have limited resources for enforcement, making them more susceptible to financial crime risks.
Managing Partner, Linklaters, London	Crown Dependencies tailor their regulations to fit local economic conditions while maintaining general compliance with Uk, and international AML standards.
Corporate Partner, Linklaters, London	Local financial intelligence units work with UK authorities, but the effectiveness of this collaboration varies across territories.
Counsel, Linklaters, London	The Proceeds of Crime Act applies across the Uk, and its dependencies, but each jurisdiction has different reporting and enforcement mechanisms.
Partner, Linklaters, London	While AML regulations are enforced, some territories remain at risk of being used as tax havens due to differing levels of transparency.
Partner, Linklaters, London	Some territories have implemented additional safeguards to enhance corporate governance and prevent financial crime.
Partner, Linklaters, London	Differences in regulatory frameworks can create challenges in cross-border cooperation on financial crime investigations.

Senior Partner, Linklaters, London	Financial institutions in these territories are subject to UK financial regulations but may have additional local compliance requirements.
Partner, Linklaters, London	Crown Dependencies have adopted specific provisions to regulate cryptocurrencies and digital assets differently from the UK mainland.
Partner, Linklaters, London	Local regulatory frameworks include unique financial reporting thresholds that vary from those in the UK.
Senior Counsel, Linklaters, London	There is a strong focus on international cooperation to align with global financial crime prevention standards.
Chief Executive Officer, London Reporting House Limited	Some territories have historically been used for regulatory arbitrage, exploiting differences between Uk, and local laws.
Chief Executive Officer, Security Industry Authority	Due diligence requirements in Crown Dependencies may be less strict than in the UK, leading to discrepancies in compliance.
Head of Client Tech & AI, Linklaters, London	AML strategies in these territories often rely on UK oversight but can lack direct enforcement mechanisms.
Corporate and Capital Markets Partner, Linklaters, London	Reporting obligations in some territories are structured to meet both Uk, and international financial transparency standards.
Pensions Partner, Linklaters, London	Variations in licensing and operational requirements affect how financial institutions function within these jurisdictions.
Mainstream Corporate Partner, Linklaters, Paris	Some territories are criticized for allowing companies to operate with lower disclosure requirements than in the UK.
Corporate Partner, Linklaters, London	Local legal frameworks may have weaker penalties for financial crime compared to the UK.
Global Divisional Practice Head, Corporate, Linklaters, London	The effectiveness of AML measures is impacted by jurisdictional differences in how compliance audits are conducted.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	The Uk, and its Crown Dependencies collaborate through information-sharing agreements, but enforcement levels differ.

Antitrust & Foreign Investment, Counsel, Linklaters, London	Some dependencies have additional legal exemptions that make them attractive for offshore financial activity.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Corporate governance requirements differ across Crown Dependencies, impacting transparency in financial services.
Partner, Antitrust & Foreign Investment, Linklaters, London	The financial services industry in these territories operates under unique trust and fiduciary laws.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	AML legislation in Crown Dependencies is influenced by both Uk, and European Union regulations.
Partner, Antitrust & Foreign Investment, Linklaters, London	Certain territories have enhanced financial supervision to mitigate money laundering risks.
Partner, Antitrust & Foreign Investment, Linklaters, London	Some regulatory frameworks allow for greater anonymity in financial transactions than the UK mainland.
Partner, Antitrust & Foreign Investment, Linklaters, London	Local enforcement agencies often lack the same level of technological tools as their UK counterparts.
Partner, Antitrust & Foreign Investment, Linklaters, London	Inconsistencies in beneficial ownership transparency laws create regulatory gaps in financial crime prevention.
Partner, Antitrust & Foreign Investment, Linklaters, London	Some territories impose stricter financial reporting obligations to maintain international credibility.
Counsel, Antitrust & Foreign Investment, Linklaters, London	The UK periodically reviews its financial crime strategies, but changes are not always immediately reflected in Crown Dependencies.
Partner, Banking, Linklaters, London	Financial crime investigations in these territories sometimes require UK intervention due to local capacity constraints.
Partner, Banking, Linklaters, London	Some territories provide financial incentives to attract international firms, which can lead to relaxed oversight.
Partner, Banking, Linklaters, London	The regulatory approach to offshore banking varies significantly across different Crown Dependencies.
Chair of the National Police Chiefs' Council	The UK government has encouraged greater harmonization of AML regulations across its dependencies.

Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	The risk of shell companies operating with minimal scrutiny remains a concern in some jurisdictions.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Trust structures in Crown Dependencies often have different levels of oversight compared to UK regulations.
Chief Financial Officer, Linklaters, London	Local legislative bodies periodically update regulations to maintain alignment with international AML standards.
Partner, Linklaters, London	Crown Dependencies participate in global initiatives to prevent illicit financial flows but face implementation challenges.
Corporate and Structured Lending Partner, Linklaters, London	Some Crown Dependencies have faced scrutiny for enabling tax avoidance structures.
Corporate and Structured Lending Partner, Linklaters, London	Financial services legislation in these territories is often reviewed to maintain competitiveness in global markets.
Partner, Linklaters, London	The UK's role in ensuring compliance in its dependencies is subject to ongoing political and legal debate.
Antitrust & Foreign Investment Partner, Linklaters, London	Despite their legal autonomy, Crown Dependencies remain economically and politically connected to the UK financial system.

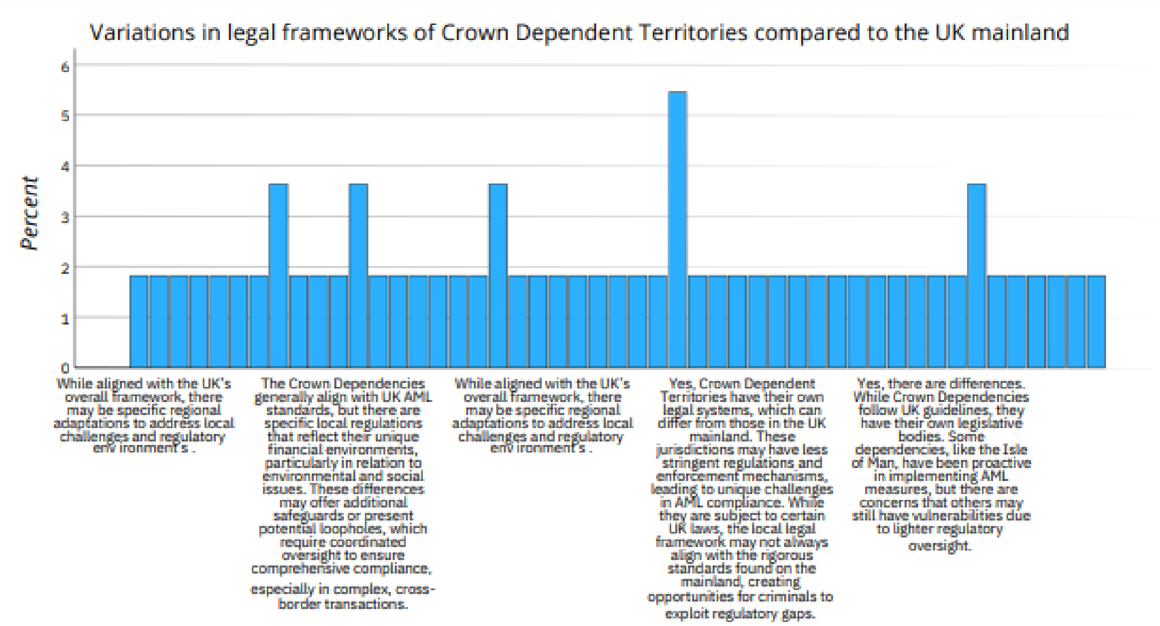

Figure 12 Interview Response rate on Variations in legal frameworks of Crown Dependent Territories compared to the UK mainland

Law Enforcement Agencies and Money Laundering Prevention:

What are the most common methods or techniques used to launder money?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	Layering – Moving illicit funds, through a series of transactions to obscure their origins.
Government Affairs, UBS	Smurfing (Structuring) – Breaking large sums into smaller, less suspicious deposits across multiple accounts.

Managing Director, The Peninsula London	Trade-Based Money Laundering (TBML) – Manipulating invoices and trade transactions to disguise illicit funds.
Capital Markets Partner, Linklaters, London	Shell Companies – Establishing fake businesses to move and legitimize dirty money.
Litigation Partner, Linklaters, London	Offshore Accounts – Storing funds in foreign banks to evade scrutiny and regulations.
Partner, Linklaters, London	Real Estate Investment – Purchasing property with illicit funds and later selling it to integrate the money into the legal economy.
Corporate Partner, Linklaters, London	Cash-Intensive Businesses – Mixing illegal money with legitimate business revenue (e.g., casinos, laundromats).
ESG Partner, Linklaters, London	Cryptocurrency Transactions – Using digital currencies to transfer and conceal illicit funds, due to anonymity.
Global Head of Employment & Incentives, Linklaters, London	Hawala System – An informal value transfer system based on trust, allowing money movement without physical transactions.
Managing Partner, Linklaters, London	Prepaid Cards – Loading illicit funds, onto prepaid cards, which can be used internationally.
Corporate Partner, Linklaters, London	Gambling and Casinos – Buying casino chips with illegal money and cashing out as winnings.
Counsel, Linklaters, London	Money Mules – Using individuals to transfer illicit funds, through multiple accounts.
Partner, Linklaters, London	Falsified Loans – Taking out fraudulent loans and repaying them with illicit funds, to create a legitimate paper trail.
Partner, Linklaters, London	Fake Charities and Nonprofits – Establishing organizations that appear legitimate but are used to launder money.
Partner, Linklaters, London	Luxury Asset Purchases – Buying high-value items (art, jewellery, yachts) and reselling them to legitimize illicit funds.
Senior Partner, Linklaters, London	Third-Party Wire Transfers – Moving money through unsuspecting accounts to disguise ownership.

Partner, Linklaters, London	Invoice Fraud – Generating fake invoices for non-existent services to justify transactions.
Partner, Linklaters, London	Insurance Fraud – Purchasing insurance policies and cashing them out prematurely to legitimize illicit funds.
Senior Counsel, Linklaters, London	Loan Back Schemes – Transferring illicit funds, as a loan and then repaying it to create a legitimate transaction history.
Chief Executive Officer, London Reporting House Limited	Gold and Precious Metals Trading – Using gold to move and store value, bypassing traditional banking scrutiny.
Chief Executive Officer, Security Industry Authority	Identity Theft and Fake Identities – Creating synthetic identities to open accounts and launder funds.
Head of Client Tech & AI, Linklaters, London	Shell Bank Accounts – Opening multiple accounts under different names to spread and disguise transactions.
Corporate and Capital Markets Partner, Linklaters, London	False Employment Records – Hiring fake employees and paying them with illicit funds, to justify transactions.
Pensions Partner, Linklaters, London	Securities and Stock Market Manipulation – Investing in securities and using wash trades to legitimize illicit gains.
Mainstream Corporate Partner, Linklaters, Paris	Over-Invoicing and Under-Invoicing – Manipulating invoices in trade transactions to shift money illicitly.
Corporate Partner, Linklaters, London	Online Payment Platforms – Using PayPal, Venmo, and other digital wallets to transfer money undetected.
Global Divisional Practice Head, Corporate, Linklaters, London	Crowdfunding and Online Donations – Raising illicit funds, under the guise of charity or business investments.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Shell Trusts and Foundations – Hiding illicit wealth under the names of trusts and legal entities.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Ghost Employees in Payroll – Listing fake employees on payrolls and withdrawing their wages.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Cross-Border Cash Smuggling – Physically transporting large sums of cash across borders to bypass banking scrutiny.
Partner, Antitrust & Foreign Investment, Linklaters, London	Gift Cards and Vouchers – Buying and selling gift cards to anonymize the movement of money.

U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Cybercrime Proceeds – Laundering money through ransomware payments and hacking-related earnings.
Partner, Antitrust & Foreign Investment, Linklaters, London	E-commerce Platforms – Creating fake online transactions to justify illicit funds.
Partner, Antitrust & Foreign Investment, Linklaters, London	Counterfeit Goods Sales – Selling fake branded goods and integrating profits into the legal economy.
Partner, Antitrust & Foreign Investment, Linklaters, London	Shell Investment Firms – Setting up investment firms to move illicit money as “legitimate” investments.
Partner, Antitrust & Foreign Investment, Linklaters, London	Crowdsourcing Fake Transactions – Orchestrating coordinated purchases and refunds to move money.
Partner, Antitrust & Foreign Investment, Linklaters, London	Dark Web Transactions – Using illegal marketplaces to conduct transactions in cryptocurrencies.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Art and Antiquities Smuggling – Buying and selling high-value art to conceal the origins of illicit funds.
Partner, Banking, Linklaters, London	Travel Agency Scams – Booking and cancelling expensive trips to launder money.
Partner, Banking, Linklaters, London	Private Banking Exploits – Utilizing secrecy in private banking sectors to shield illicit funds.
Partner, Banking, Linklaters, London	Personal Loans to Criminals – Issuing personal loans that are later repaid with illicit money.
Chair of the National Police Chiefs' Council	Informal Lending Networks – Using unofficial lenders to transfer and integrate illicit funds.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Shell Stock Market Accounts – Investing in foreign stock markets with fake identities.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Organized Retail Crime (ORC) – Stealing and reselling goods to create illicit revenue streams.
Chief Financial Officer, Linklaters, London	Ghost Real Estate Transactions – Listing and selling property among shell entities to justify large transactions.
Partner, Linklaters, London	Foreign Bank Account Abuse – Exploiting international banking secrecy laws to store illicit money.

Corporate and Structured Lending Partner, Linklaters, London	Pass-Through Accounts – Using accounts that transfer money instantly without retaining balances.
Corporate and Structured Lending Partner, Linklaters, London	Insurance Policy Purchases – Using life insurance policies as a way to store illicit money.
Partner, Linklaters, London	Legal Gambling Loopholes – Exploiting legal gambling jurisdictions to clean dirty money.
Antitrust & Foreign Investment Partner, Linklaters, London	Loan Sharking and Illegal Lending – Lending illicit money and receiving repayments as “clean” funds.

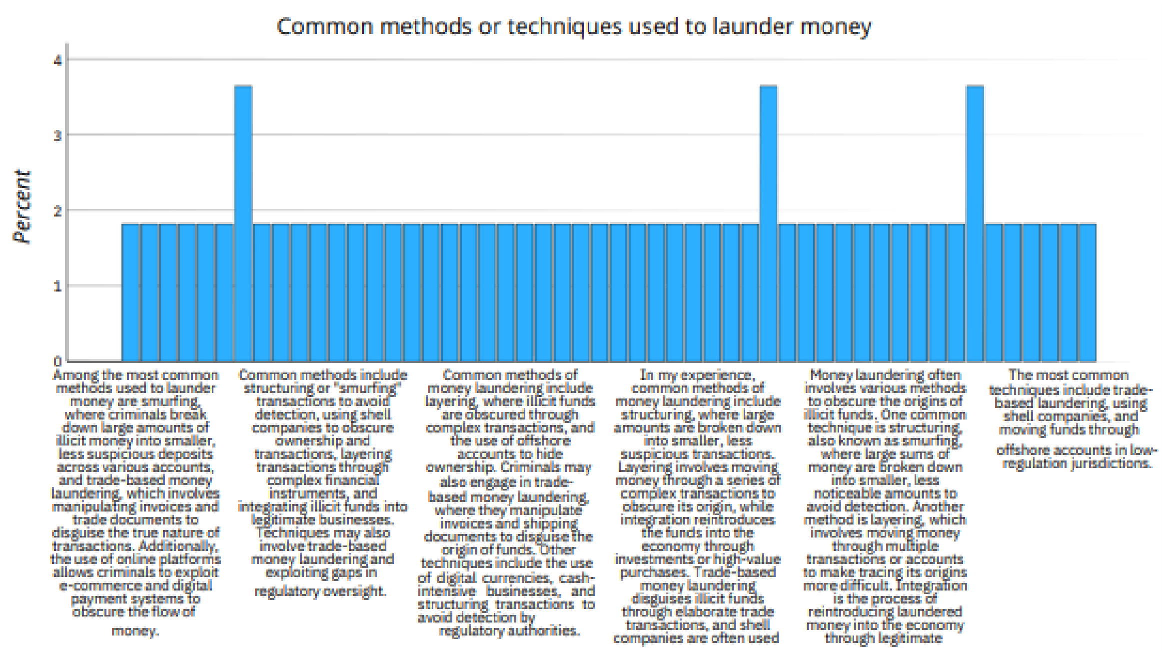

Figure 13 Interview Response rate on Common methods or techniques used to launder money

Which specific law enforcement agencies are at the forefront of detecting and preventing money laundering in the City of London and the British Overseas and Crown Dependencies, and how do they operate?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	National Crime Agency (NCA) – Leads the fight against serious organised financial crime, working with domestic and international partners.
Government Affairs, UBS	City of London Police – Specializes in financial crimes within London's financial district.
Managing Director, The Peninsula London	Serious Fraud Office (SFO) – Focuses on complex fraud and corruption investigations.
Capital Markets Partner, Linklaters, London	Financial Conduct Authority (FCA) – Regulates financial markets and ensures firms comply with AML laws.
Litigation Partner, Linklaters, London	Financial Intelligence Units (FIUs) – Operate in British Overseas Territories and Crown Dependencies, coordinating AML enforcement with UK agencies.
Partner, Linklaters, London	HM Revenue & Customs (HMRC) – Investigates tax-related financial crimes, including money laundering.
Corporate Partner, Linklaters, London	UK Border Force – Identifies illicit money movements through customs enforcement.
ESG Partner, Linklaters, London	Joint Money Laundering Intelligence Taskforce (JMLIT) – A partnership between law enforcement and the private sector to share intelligence on financial crime.
Global Head of Employment & Incentives, Linklaters, London	Gibraltar Financial Services Commission (GFSC) – Oversees AML compliance in Gibraltar.
Managing Partner, Linklaters, London	Jersey Financial Services Commission (JFSC) – Regulates financial institutions in Jersey.
Corporate Partner, Linklaters, London	Guernsey Financial Services Commission (GFSC) – Monitors AML efforts in Guernsey.

Counsel, Linklaters, London	Isle of Man Financial Services Authority (IOMFSA) – Ensures AML compliance in the Isle of Man.
Partner, Linklaters, London	National Economic Crime Centre (NECC) – Works across agencies to combat financial crime.
Partner, Linklaters, London	Interpol & Europol – Assist in international financial crime investigations.
Partner, Linklaters, London	Cayman Islands Monetary Authority (CIMA) – Oversees AML compliance in the Cayman Islands.
Senior Partner, Linklaters, London	Bermuda Monetary Authority (BMA) – Regulates financial institutions in Bermuda.
Partner, Linklaters, London	British Virgin Islands Financial Services Commission (BVIFSC) – Ensures compliance with AML regulations in the BVI.
Partner, Linklaters, London	Enhanced Due Diligence (EDD) – Agencies enforce stricter checks on high-risk transactions.
Senior Counsel, Linklaters, London	Suspicious Activity Reports (SARs) – Used by financial institutions to report unusual transactions.
Chief Executive Officer, London Reporting House Limited	Know Your Customer (KYC) Protocols – Agencies ensure banks verify client identities to prevent fraud.
Chief Executive Officer, Security Industry Authority	AI and Machine Learning – Used for transaction monitoring and fraud detection.
Head of Client Tech & AI, Linklaters, London	Blockchain Analysis – Investigations increasingly focus on tracking cryptocurrency transactions.
Corporate and Capital Markets Partner, Linklaters, London	Forensic Accounting – Used to detect financial irregularities in businesses.
Pensions Partner, Linklaters, London	Cross-Border Intelligence Sharing – Agencies collaborate internationally for financial crime investigations.
Mainstream Corporate Partner, Linklaters, Paris	Whistleblower Protection – Encouraging disclosures about financial crimes.
Corporate Partner, Linklaters, London	Financial Services Compensation Scheme (FSCS) – Protects customers from fraud-related losses.
Global Divisional Practice Head, Corporate, Linklaters, London	Office of Financial Sanctions Implementation (OFSI) – Enforces sanctions and financial crime laws.

Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Proceeds of Crime Act (POCA) – Governs asset seizures related to money laundering.
Antitrust & Foreign Investment, Counsel, Linklaters, London	UK Money Laundering Regulations (MLRs) – Set AML compliance standards.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Economic Crime Plan (ECP) – Government strategy to combat financial crimes.
Partner, Antitrust & Foreign Investment, Linklaters, London	Multi-Agency Partnerships – Joint operations between police, regulators, and banks.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Public-Private Partnerships – Strengthening cooperation between enforcement agencies and financial institutions.
Partner, Antitrust & Foreign Investment, Linklaters, London	Data Analytics in AML Compliance – Monitoring high-risk transactions using AI-driven insights.
Partner, Antitrust & Foreign Investment, Linklaters, London	RegTech Innovations – Enhancing AML compliance through technology solutions.
Partner, Antitrust & Foreign Investment, Linklaters, London	International Financial Task Forces – Collaboration with agencies like FATF.
Partner, Antitrust & Foreign Investment, Linklaters, London	UK Digital Crime Units – Specialized teams focused on cyber-enabled financial crimes.
Partner, Antitrust & Foreign Investment, Linklaters, London	Crown Dependency AML Frameworks – Territories aligning their financial crime strategies with the UK.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Offshore Banking Regulations – Stricter oversight on tax havens.
Partner, Banking, Linklaters, London	FATF Compliance Reviews – Evaluating financial institutions' adherence to global AML standards.
Partner, Banking, Linklaters, London	Beneficial Ownership Registers – Used to track corporate ownership transparency.
Partner, Banking, Linklaters, London	Regulatory Enforcement Challenges – Agencies struggling with cross-border investigations.
Chair of the National Police Chiefs' Council	AML Compliance Audits – Regular checks to ensure financial institutions meet regulatory standards.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	High-Net-Worth Individual (HNWI) Monitoring – Focused scrutiny on wealthy clients with offshore accounts.

Antitrust and Foreign Investment Managing Associate, Linklaters, London	Cryptocurrency Crime Units – Law enforcement teams targeting digital financial crimes.
Chief Financial Officer, Linklaters, London	Automated Risk Scoring Systems – Used by regulators to flag suspicious financial behaviour.
Partner, Linklaters, London	Sanctions Screening Tools – Checking transactions for compliance with economic sanctions.
Corporate and Structured Lending Partner, Linklaters, London	Money Service Business (MSB) Oversight – Monitoring non-bank financial institutions for compliance.
Corporate and Structured Lending Partner, Linklaters, London	International AML Cooperation Treaties – Agreements with foreign regulators to combat financial crime.
Partner, Linklaters, London	Enhanced AML Penalties – Strengthening punishments for financial crimes.
Antitrust & Foreign Investment Partner, Linklaters, London	Government Policy Reforms – Ongoing adjustments to improve AML regulations.

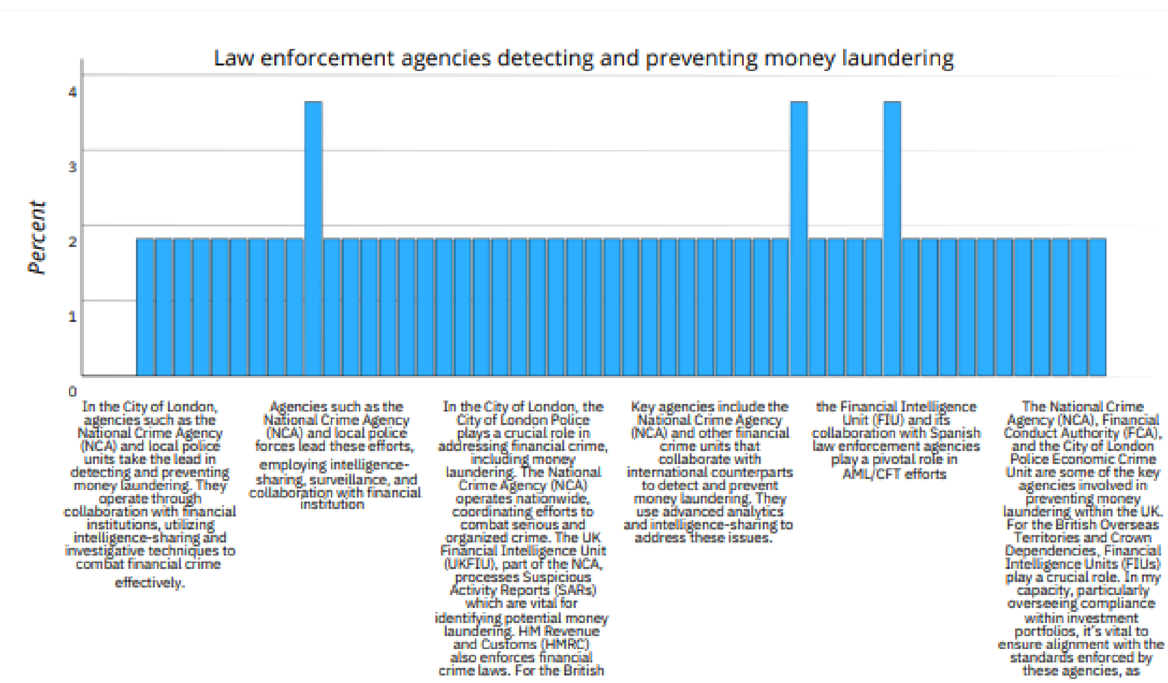

Figure 14 Interview Response rate on Law enforcement agencies detecting and preventing money laundering

Can you provide insights into some of the strategies or methods these agencies employ to prevent money laundering criminals from infiltrating banks and other financial institutions?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	I ensure banks implement Know Your Customer (KYC) protocols, requiring identity verification before opening accounts.
Government Affairs, UBS	I mandate financial institutions to file Suspicious Activity Reports (SARs) when they detect unusual transactions.
Managing Director, The Peninsula London	I enforce Enhanced Due Diligence (EDD) for high-risk individuals and transactions to prevent illicit activities.
Capital Markets Partner, Linklaters, London	I use transaction monitoring systems powered by AI to detect irregular financial patterns in real time.
Litigation Partner, Linklaters, London	I conduct blockchain analysis to track cryptocurrency transactions and prevent anonymous laundering.
Partner, Linklaters, London	I rely on forensic accounting techniques to uncover discrepancies in financial records that may indicate fraud.
Corporate Partner, Linklaters, London	I collaborate internationally through cross-border intelligence sharing to track money laundering networks.
ESG Partner, Linklaters, London	I implement automated risk scoring systems to flag potentially fraudulent transactions.

Global Head of Employment & Incentives, Linklaters, London	I push for beneficial ownership transparency to prevent criminals from hiding behind shell companies.
Managing Partner, Linklaters, London	I advocate for RegTech innovations, using technology to strengthen AML compliance efforts.
Corporate Partner, Linklaters, London	I help maintain industry wide blacklists to prevent known financial criminals from re-entering the system.
Counsel, Linklaters, London	I work on public-private partnerships, ensuring financial firms collaborate with law enforcement to detect fraud.
Partner, Linklaters, London	I encourage real time data sharing between agencies and banks to enhance monitoring capabilities.
Partner, Linklaters, London	I participate in undercover financial investigations, posing as customers to uncover criminal activities.
Partner, Linklaters, London	I monitor high net worth individuals (HNWI) who may use offshore accounts for illicit activities.
Senior Partner, Linklaters, London	I utilise sanctions screening tools to block transactions involving restricted individuals or organizations.
Partner, Linklaters, London	I analyse financial intelligence reports to detect patterns of money laundering.
Partner, Linklaters, London	I conduct proactive regulatory audits to ensure compliance with anti-money laundering laws.
Senior Counsel, Linklaters, London	I apply machine learning based fraud detection to stay ahead of evolving criminal tactics.
Chief Executive Officer, London Reporting House Limited	I conduct dark web surveillance to track illicit financial transactions happening online.
Chief Executive Officer, Security Industry Authority	I investigate trade-based money laundering where criminals manipulate invoicing to move illicit funds.
Head of Client Tech & AI, Linklaters, London	I scrutinize cash intensive businesses that may be used to mix legal and illegal money.
Corporate and Capital Markets Partner, Linklaters, London	I ensure that all bank employees undergo mandatory AML training to recognize suspicious activities.

Pensions Partner, Linklaters, London	I support whistleblower protection programmes that allow employees to report suspicious behaviour safely.
Mainstream Corporate Partner, Linklaters, Paris	I work with governments to develop policies that close loopholes exploited by money launderers.
Corporate Partner, Linklaters, London	I align UK regulations with international AML standards, such as those set by the FATF.
Global Divisional Practice Head, Corporate, Linklaters, London	I use automated regulatory reporting to minimise human error in compliance monitoring.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	I contribute to Joint Money Laundering Intelligence Taskforce (JMLIT) initiatives to improve financial crime detection.
Antitrust & Foreign Investment, Counsel, Linklaters, London	I develop cybercrime and cryptocurrency units that specialize in digital financial fraud.
Partner, UK Co-Head of Technology Sector, Linklaters, London	I monitor offshore financial centres to detect suspicious transactions involving tax havens.
Partner, Antitrust & Foreign Investment, Linklaters, London	I enforce corporate transparency regulations, requiring companies to disclose financial information accurately.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	I integrate artificial intelligence-powered AML compliance to predict potential financial crimes.
Partner, Antitrust & Foreign Investment, Linklaters, London	I track geolocation data on transactions to identify unusual financial movements.
Partner, Antitrust & Foreign Investment, Linklaters, London	I analyse employee data for insider threats, detecting potential collusion between staff and criminals.
Partner, Antitrust & Foreign Investment, Linklaters, London	I implement biometric verification for banking transactions, using facial recognition and fingerprints.
Partner, Antitrust & Foreign Investment, Linklaters, London	I encourage cross sector coordination, ensuring banks, real estate, and casinos work together on AML efforts.
Partner, Antitrust & Foreign Investment, Linklaters, London	I conduct decentralized financial risk assessments to prevent reliance on a single fraud detection method.
Counsel, Antitrust & Foreign Investment, Linklaters, London	I develop advanced compliance software that streamlines AML procedures and enhances security.

Partner, Banking, Linklaters, London	I test new regulatory sandboxes to evaluate emerging technologies in financial crime prevention.
Partner, Banking, Linklaters, London	I enforce Proceeds of Crime Act (POCA) regulations, seizing assets linked to financial crime.
Partner, Banking, Linklaters, London	I ensure terrorism financing monitoring to prevent illicit funds, from being used for extremist activities.
Chair of the National Police Chiefs' Council	I initiate cross border asset freezing, preventing criminals from moving illicit funds, internationally.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	I apply high risk account closure policies, enabling banks to shut down suspicious accounts quickly.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	I enforce increased scrutiny on politically exposed persons (PEPs) to prevent corruption-related laundering.
Chief Financial Officer, Linklaters, London	I push for continuous AML legislation updates to address emerging financial threats.
Partner, Linklaters, London	I hold corporate service providers accountable for the misuse of shell companies in money laundering.
Corporate and Structured Lending Partner, Linklaters, London	I collaborate with international law enforcement to combat transnational financial crimes.
Corporate and Structured Lending Partner, Linklaters, London	I implement strict AML regulations for digital banks and fintech companies to ensure compliance.
Partner, Linklaters, London	I create multi-jurisdictional legal frameworks that align AML efforts across different financial territories.
Antitrust & Foreign Investment Partner, Linklaters, London	I enable automated suspicious transaction freezing, allowing law enforcement to halt illicit fund transfers in real time.

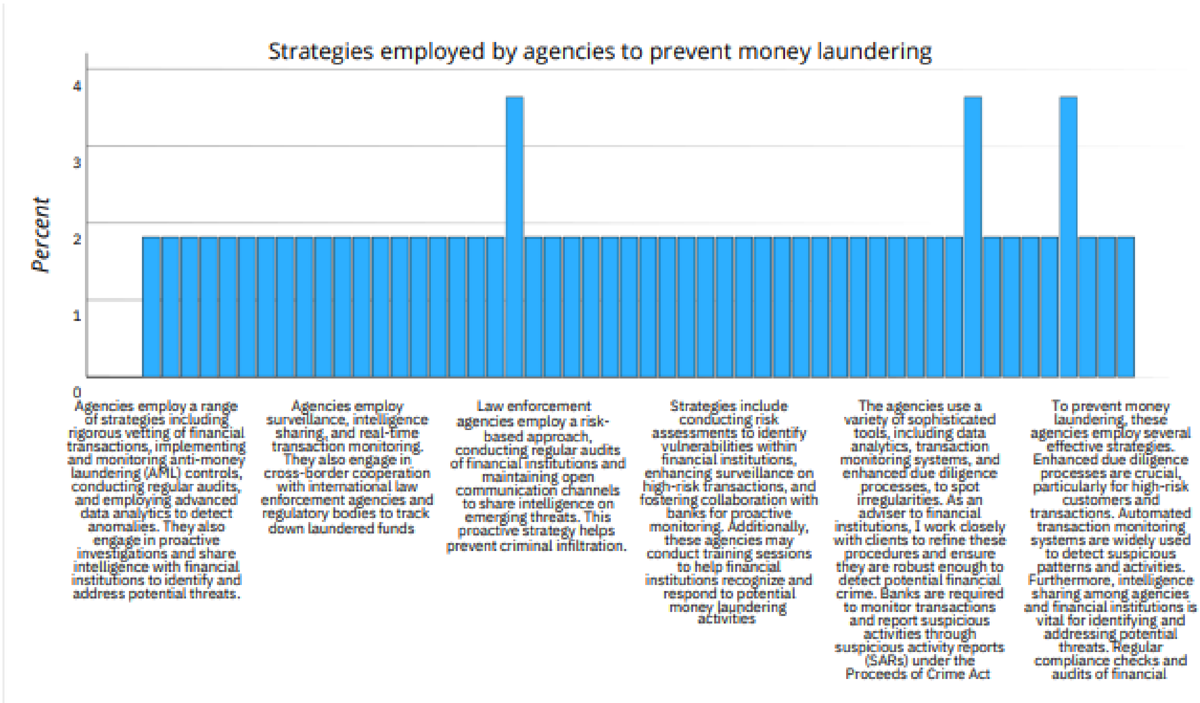

Figure 15 Interview Response rate on Strategies employed by agencies to prevent money laundering

How do these strategies vary when addressing the UK financial institutions in dependent territories?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	I adapt financial regulations in dependent territories to align with international standards while considering local legal frameworks.
Government Affairs, UBS	I ensure that financial institutions comply with both Uk, and local AML laws, balancing regulatory expectations.

Managing Director, The Peninsula London	I work with UK agencies to provide additional resources to smaller territories that may lack enforcement capacity.
Capital Markets Partner, Linklaters, London	I tailor compliance programmes to address the unique risks associated with offshore financial centres.
Litigation Partner, Linklaters, London	I enforce stricter due diligence requirements on high-risk customers to prevent illicit activities.
Partner, Linklaters, London	I collaborate with international regulators to ensure transparency in financial transactions.
Corporate Partner, Linklaters, London	I strengthen beneficial ownership disclosure rules to prevent shell companies from being used for money laundering.
ESG Partner, Linklaters, London	I provide specialized AML training to financial institutions in dependent territories to enhance compliance efforts.
Global Head of Employment & Incentives, Linklaters, London	I focus on trade-based money laundering risks, which are more prevalent in certain dependent territories.
Managing Partner, Linklaters, London	I implement advanced transaction monitoring systems to detect suspicious financial movements.
Corporate Partner, Linklaters, London	I support the integration of dependent territories into global financial intelligence-sharing networks.
Counsel, Linklaters, London	I increase scrutiny on politically exposed persons (PEPs) operating in offshore jurisdictions.
Partner, Linklaters, London	I work with local regulators to improve the efficiency of SAR (Suspicious Activity Report) filings.
Partner, Linklaters, London	I encourage the adoption of AI-powered fraud detection systems to identify high-risk activities.
Partner, Linklaters, London	I ensure that financial institutions in dependent territories follow FATF recommendations on AML compliance.
Senior Partner, Linklaters, London	I monitor digital banking services more closely due to the rise of fintech in dependent territories.
Partner, Linklaters, London	I help dependent territories develop risk-based AML frameworks tailored to their economic structures.

Partner, Linklaters, London	I establish joint investigation teams between UK agencies and local authorities to enhance enforcement.
Senior Counsel, Linklaters, London	I track cross-border financial transactions to detect illicit fund flows through offshore banking.
Chief Executive Officer, London Reporting House Limited	I advocate for enhanced reporting standards to close loopholes exploited by money launderers.
Chief Executive Officer, Security Industry Authority	I conduct periodic audits on financial institutions operating within dependent territories.
Head of Client Tech & AI, Linklaters, London	I enforce asset forfeiture policies against entities engaged in financial crime.
Corporate and Capital Markets Partner, Linklaters, London	I coordinate with tax authorities to prevent money laundering through tax evasion schemes.
Pensions Partner, Linklaters, London	I adapt regulations to account for cryptocurrency transactions, which pose challenges in offshore financial centres.
Mainstream Corporate Partner, Linklaters, Paris	I support the harmonization of AML laws between the UK mainland and its dependent territories.
Corporate Partner, Linklaters, London	I work with Uk, and EU regulators to ensure dependent territories remain compliant with global standards.
Global Divisional Practice Head, Corporate, Linklaters, London	I address corruption risks by imposing stricter accountability measures on financial professionals.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	I encourage more stringent banking sector oversight in dependent territories to prevent financial crime.
Antitrust & Foreign Investment, Counsel, Linklaters, London	I help dependent territories build forensic accounting capabilities to trace illicit funds.
Partner, UK Co-Head of Technology Sector, Linklaters, London	I enhance whistleblower protections to encourage reporting of suspicious financial activities.
Partner, Antitrust & Foreign Investment, Linklaters, London	I regulate trust and company service providers more strictly to prevent money laundering.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	I implement cybersecurity measures to detect and prevent financial fraud in offshore institutions.

Partner, Antitrust & Foreign Investment, Linklaters, London	I create partnerships between private-sector banks and regulatory bodies to share financial intelligence.
Partner, Antitrust & Foreign Investment, Linklaters, London	I ensure that compliance frameworks in dependent territories remain flexible and adaptive to new risks.
Partner, Antitrust & Foreign Investment, Linklaters, London	I improve coordination between financial institutions and enforcement agencies for real time fraud detection.
Partner, Antitrust & Foreign Investment, Linklaters, London	I develop sector specific AML guidelines to address risks unique to insurance, real estate, and investment sectors.
Partner, Antitrust & Foreign Investment, Linklaters, London	I mandate real time transaction reporting for high value financial transfers.
Counsel, Antitrust & Foreign Investment, Linklaters, London	I promote transparency in corporate governance structures to prevent the misuse of offshore companies.
Partner, Banking, Linklaters, London	I introduce new financial crime risk assessment models tailored to dependent territories.
Partner, Banking, Linklaters, London	I work with academic and research institutions to improve AML policy effectiveness.
Partner, Banking, Linklaters, London	I monitor cross border trade agreements to ensure they are not exploited for financial crimes.
Chair of the National Police Chiefs' Council	I impose sanctions on financial entities that fail to comply with AML regulations.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	I implement automated compliance tracking tools to streamline regulatory oversight.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	I monitor correspondent banking relationships to prevent misuse by money launderers.
Chief Financial Officer, Linklaters, London	I establish AML task forces within financial institutions in dependent territories.
Partner, Linklaters, London	I conduct regular financial crime awareness campaigns to educate the public and financial professionals.
Corporate and Structured Lending Partner, Linklaters, London	I work with offshore jurisdictions to enhance mutual legal assistance for financial crime investigations.
Corporate and Structured Lending Partner, Linklaters, London	I develop specialized reporting mechanisms for suspected financial crimes in smaller territories.

Partner, Linklaters, London	I encourage technology-driven compliance solutions to improve regulatory efficiency.
Antitrust & Foreign Investment Partner, Linklaters, London	I conduct stress testing of AML compliance frameworks to assess their effectiveness in dependent territories.

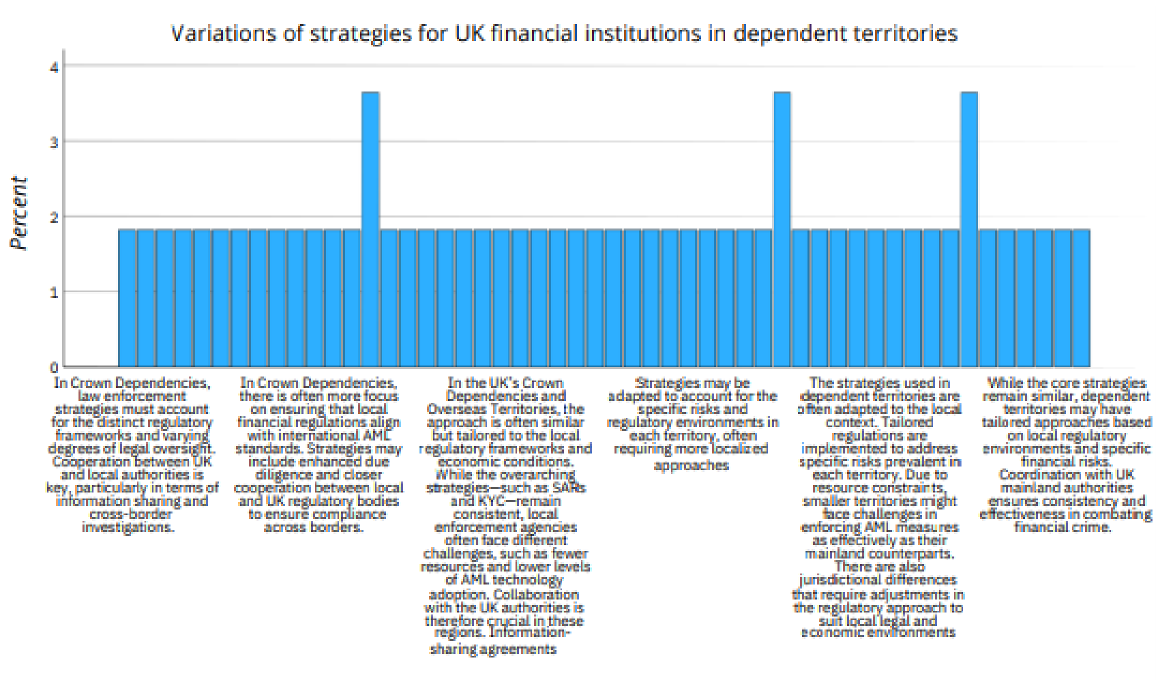

Figure 16 Interview Response rate on Variations of strategies for UK financial institutions in dependent territories

How do law enforcement agencies collaborate with banks and financial institutions? Are there formal channels or platforms for such cooperation?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	I ensure that financial institutions submit Suspicious Activity Reports (SARs) when they detect unusual transactions.
Government Affairs, UBS	I work with the Joint Money Laundering Intelligence Taskforce (JMLIT) to facilitate collaboration between banks and law enforcement agencies.
Managing Director, The Peninsula London	I engage in real time information sharing to help detect and prevent money laundering.
Capital Markets Partner, Linklaters, London	I provide ongoing training to financial institutions on identifying and reporting suspicious activities.
Litigation Partner, Linklaters, London	I collaborate with the Financial Conduct Authority (FCA) to enforce anti-money laundering (AML) regulations.
Partner, Linklaters, London	I monitor high risk transactions and alert banks about potentially fraudulent activity.
Corporate Partner, Linklaters, London	I ensure that banks implement Know Your Customer (KYC) procedures to verify client identities.
ESG Partner, Linklaters, London	I encourage financial institutions to participate in AML compliance audits to ensure adherence to regulations.
Global Head of Employment & Incentives, Linklaters, London	I use machine learning and AI to detect suspicious financial patterns and share insights with banks.
Managing Partner, Linklaters, London	I facilitate joint task forces between law enforcement agencies and financial institutions for targeted financial crime investigations.
Corporate Partner, Linklaters, London	I enforce strict penalties for non-compliance in AML reporting to deter negligence.
Counsel, Linklaters, London	I collaborate with international financial intelligence units (FIUs) to track cross border money laundering.
Partner, Linklaters, London	I promote whistleblower protection programmes within financial institutions to encourage reporting of suspicious activities.
Partner, Linklaters, London	I participate in bank led financial crime advisory boards to share best practices.

Partner, Linklaters, London	I provide government issued AML guidelines to banks for better regulatory compliance.
Senior Partner, Linklaters, London	I ensure that banks report transactions over a certain threshold under AML transaction reporting requirements.
Partner, Linklaters, London	I conduct random regulatory inspections of financial institutions to verify compliance.
Partner, Linklaters, London	I work with Europol and Interpol to investigate transnational financial crimes.
Senior Counsel, Linklaters, London	I analyse transaction monitoring reports submitted by banks to identify patterns of money laundering.
Chief Executive Officer, London Reporting House Limited	I require financial institutions to implement beneficial ownership transparency measures.
Chief Executive Officer, Security Industry Authority	I encourage collaboration through financial crime conferences and workshops.
Head of Client Tech & AI, Linklaters, London	I promote data sharing agreements to enhance cooperation between law enforcement and banks.
Corporate and Capital Markets Partner, Linklaters, London	I advocate for secure digital communication platforms between banks and regulatory agencies.
Pensions Partner, Linklaters, London	I implement cross sector collaboration to improve AML enforcement between banking, real estate, and other industries.
Mainstream Corporate Partner, Linklaters, Paris	I coordinate asset seizure programmes with banks to freeze illicit funds.
Corporate Partner, Linklaters, London	I mandate that banks conduct enhanced due diligence (EDD) on high-risk customers.
Global Divisional Practice Head, Corporate, Linklaters, London	I monitor offshore financial activities and share intelligence with relevant financial institutions.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	I require automated screening for politically exposed persons (PEPs) to mitigate corruption risks.
Antitrust & Foreign Investment, Counsel, Linklaters, London	I work with the UK's National Economic Crime Centre (NECC) to develop anti-money laundering strategies.
Partner, UK Co-Head of Technology Sector, Linklaters, London	I analyse big data reports from banks to identify suspicious large scale financial activities.

Partner, Antitrust & Foreign Investment, Linklaters, London	I conduct joint investigations into fraudulent financial schemes with private sector analysts.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	I develop cybercrime monitoring tools for financial institutions to prevent online fraud.
Partner, Antitrust & Foreign Investment, Linklaters, London	I encourage digital identity verification systems to improve fraud detection in banking.
Partner, Antitrust & Foreign Investment, Linklaters, London	I monitor emerging money laundering threats, such as cryptocurrency transactions.
Partner, Antitrust & Foreign Investment, Linklaters, London	I require banks to integrate fraud detection algorithms into their financial systems.
Partner, Antitrust & Foreign Investment, Linklaters, London	I support proactive financial crime prevention through research collaborations with academic institutions.
Partner, Antitrust & Foreign Investment, Linklaters, London	I develop AML software solutions for financial institutions to streamline compliance.
Counsel, Antitrust & Foreign Investment, Linklaters, London	I coordinate global AML efforts by engaging with the Financial Action Task Force (FATF).
Partner, Banking, Linklaters, London	I provide financial institutions with quarterly AML risk assessments to help them adapt their compliance strategies.
Partner, Banking, Linklaters, London	I promote standardized AML training programmes across different banking sectors.
Partner, Banking, Linklaters, London	I ensure that fintech and digital banks adhere to AML regulations just like traditional banks.
Chair of the National Police Chiefs' Council	I advocate for regulatory updates to address emerging threats in financial crime.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	I implement automated SAR filing to improve reporting efficiency.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	I assist banks in developing financial crime risk models for predictive analysis.
Chief Financial Officer, Linklaters, London	I enforce AML compliance requirements on payment processors and fintech firms.
Partner, Linklaters, London	I require blockchain analysis tools for tracking illicit cryptocurrency transactions.
Corporate and Structured Lending Partner, Linklaters, London	I develop government-private sector AML task forces to improve cooperation.

Corporate and Structured Lending Partner, Linklaters, London	I support specialized financial crime units within banks to focus on AML enforcement.
Partner, Linklaters, London	I mandate public disclosures of AML enforcement actions to increase transparency.
Antitrust & Foreign Investment Partner, Linklaters, London	I work on closing regulatory loopholes to prevent criminals from exploiting weaknesses in financial institutions.

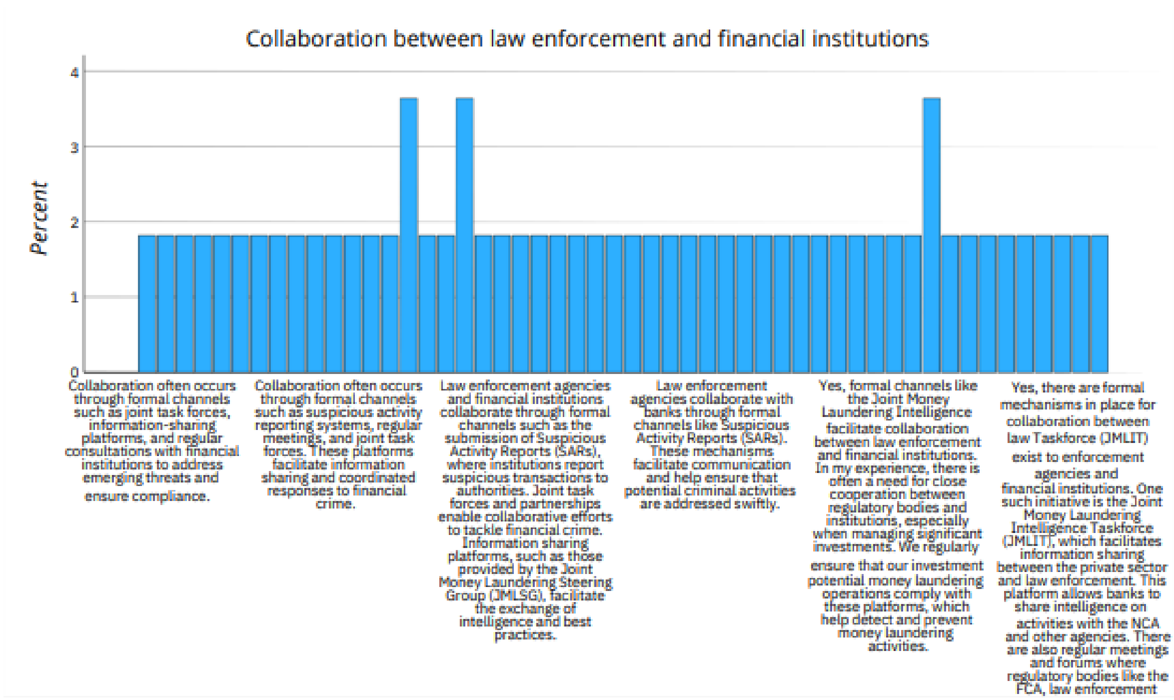

Figure 17 Interview Response rate on Collaboration between law enforcement and financial institutions

What are the challenges or obstacles faced by law enforcement agencies and regulatory bodies in investigating and prosecuting money laundering and fraud cases?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	The complexity of financial transactions makes it difficult to trace illicit funds, as criminals use sophisticated layering techniques.
Government Affairs, UBS	Jurisdictional challenges arise due to financial crimes often involving multiple countries with different legal frameworks.
Managing Director, The Peninsula London	Limited resources hinder the ability to conduct thorough and timely investigations.
Capital Markets Partner, Linklaters, London	Non-cooperation from financial institutions, especially in jurisdictions with weaker regulatory oversight, slows down enforcement.
Litigation Partner, Linklaters, London	Rapidly evolving money laundering techniques, including cryptocurrency use and digital financial fraud, outpace current regulations.
Partner, Linklaters, London	Legal loopholes exist where outdated legislation fails to address emerging financial crime trends.
Corporate Partner, Linklaters, London	Proving intent in money laundering cases is challenging, as criminals structure transactions to appear legitimate.
ESG Partner, Linklaters, London	Lengthy legal proceedings mean money laundering cases can take years to prosecute.

Global Head of Employment & Incentives, Linklaters, London	Delays in accessing real-time financial data hinder investigations and enforcement actions.
Managing Partner, Linklaters, London	Beneficial ownership structures obscure the identities of individuals behind shell companies and trusts.
Corporate Partner, Linklaters, London	Cross border regulatory inconsistencies make enforcement difficult, as different jurisdictions apply AML rules differently.
Counsel, Linklaters, London	Freezing and recovering illicit assets across international borders remains a major challenge.
Partner, Linklaters, London	Intelligence sharing frameworks are limited, slowing down cooperation between agencies.
Partner, Linklaters, London	The overwhelming volume of Suspicious Activity Reports (SARs) makes prioritization of high-risk cases difficult.
Partner, Linklaters, London	Financial institutions are sometimes reluctant to share data due to privacy concerns and reputational risks.
Senior Partner, Linklaters, London	Offshore tax havens offer secrecy that enables criminals to hide funds from authorities.
Partner, Linklaters, London	Lack of technological investment means agencies struggle to keep up with criminals exploiting financial systems.
Partner, Linklaters, London	Trade based money laundering methods, such as falsified invoices, make illicit financial flows hard to detect.
Senior Counsel, Linklaters, London	Weak penalties for non-compliant institutions reduce the effectiveness of regulatory enforcement.
Chief Executive Officer, London Reporting House Limited	Money laundering linked to organized crime and terrorist financing requires complex multi-agency collaboration.
Chief Executive Officer, Security Industry Authority	Decentralized finance (DeFi) and cryptocurrency markets make tracing illicit transactions increasingly difficult.
Head of Client Tech & AI, Linklaters, London	Budgetary constraints limit agencies' ability to conduct proactive investigations.
Corporate and Capital Markets Partner, Linklaters, London	International cooperation delays slow down enforcement, as legal assistance treaties take time to execute.

Pensions Partner, Linklaters, London	Shortages of experts in financial forensics reduce the ability to investigate complex financial crimes effectively.
Mainstream Corporate Partner, Linklaters, Paris	Regulatory enforcement must balance financial industry interests, as stricter laws can affect economic growth.
Corporate Partner, Linklaters, London	Political interference in high-profile cases complicates unbiased enforcement.
Global Divisional Practice Head, Corporate, Linklaters, London	Emerging fraud techniques, such as synthetic identity fraud and AI-generated deepfake documents, present new risks.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Prosecuting digital financial crimes is difficult, as legal frameworks for cyber-related money laundering are still evolving.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Compliance fatigue among financial institutions leads to less thorough AML reporting.
Partner, UK Co-Head of Technology Sector, Linklaters, London	High transaction volumes in industries like real estate and luxury goods make identifying illicit activity more difficult.
Partner, Antitrust & Foreign Investment, Linklaters, London	Some jurisdictions prioritize banking secrecy, making information-sharing between regulators challenging.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Inconsistent AML training and enforcement across financial institutions create gaps in regulatory compliance.
Partner, Antitrust & Foreign Investment, Linklaters, London	Non-traditional money laundering methods, such as prepaid cards and mobile banking apps, are harder to regulate.
Partner, Antitrust & Foreign Investment, Linklaters, London	Weak whistleblower protections discourage employees from reporting suspicious activities.
Partner, Antitrust & Foreign Investment, Linklaters, London	Fintech startups and digital banks often operate without strong AML safeguards, creating vulnerabilities.
Partner, Antitrust & Foreign Investment, Linklaters, London	Holding financial intermediaries accountable is difficult when they facilitate money laundering without direct involvement.
Partner, Antitrust & Foreign Investment, Linklaters, London	Cash-intensive businesses continue to be exploited for money laundering despite regulatory efforts.

Counsel, Antitrust & Foreign Investment, Linklaters, London	Slow legislative updates prevent regulatory bodies from addressing new financial crime techniques effectively.
Partner, Banking, Linklaters, London	Peer to peer (P2P) lending platforms and decentralized networks provide new ways for criminals to launder money.
Partner, Banking, Linklaters, London	Gaps in AML compliance among digital asset service providers allow money laundering through virtual currencies.
Partner, Banking, Linklaters, London	Trade based money laundering through over and under invoicing is difficult to detect without advanced monitoring.
Chair of the National Police Chiefs' Council	The sheer scale of financial crime often overwhelms law enforcement resources.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Gathering admissible digital evidence is challenging, as cybercriminals use encrypted platforms to hide transactions.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Court proceedings take time, delaying the prosecution of financial criminals.
Chief Financial Officer, Linklaters, London	Covert money laundering networks use sophisticated proxy systems, making them difficult to dismantle.
Partner, Linklaters, London	The gig economy and freelance platforms provide new channels for unregulated financial transactions.
Corporate and Structured Lending Partner, Linklaters, London	Decentralized autonomous organizations (DAOs) complicate AML enforcement due to their lack of traditional governance structures.
Corporate and Structured Lending Partner, Linklaters, London	AI-powered fraud schemes make financial crime more sophisticated and harder to detect.
Partner, Linklaters, London	Conflicts between domestic and international AML policies create enforcement gaps.
Antitrust & Foreign Investment Partner, Linklaters, London	Rapid Globalisation enables financial flows to move faster than regulatory oversight can track.

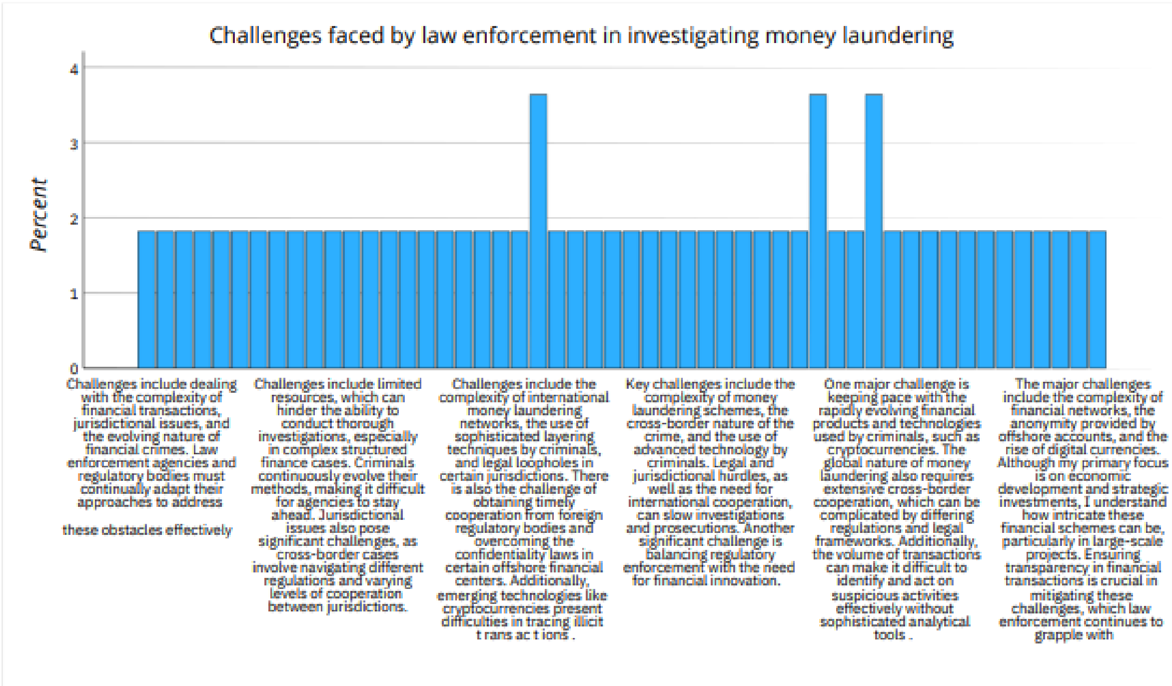

Figure 18 Interview Response rate on Challenges faced by law enforcement in investigating money laundering

Shortfalls of Current Regulation and UK Legislation:

In your perspective, what are the primary limitations or shortfalls of the current UK legislation and regulations regarding money laundering and fraud?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	The complexity of the current regulations makes compliance difficult for financial institutions.
Government Affairs, UBS	Many regulations are reactive rather than proactive, meaning they fail to keep pace with evolving financial crimes.
Managing Director, The Peninsula London	There is a lack of harmonization across jurisdictions, making international cooperation challenging.
Capital Markets Partner, Linklaters, London	The reliance on financial institutions to self-report suspicious activities puts a significant burden on banks.

Litigation Partner, Linklaters, London	Criminals exploit regulatory loopholes, particularly in the areas of cryptocurrency and digital assets.
Partner, Linklaters, London	Enforcement is inconsistent, with varying levels of penalties applied to non-compliant institutions.
Corporate Partner, Linklaters, London	The regulatory framework does not adequately address emerging threats, such as decentralized finance (DeFi).
ESG Partner, Linklaters, London	There is insufficient oversight on shell companies and beneficial ownership structures.
Global Head of Employment & Incentives, Linklaters, London	The penalties for money laundering violations are often not severe enough to deter criminals.
Managing Partner, Linklaters, London	The Suspicious Activity Report (SAR) system is overwhelmed, making it difficult to prioritize genuine threats.
Corporate Partner, Linklaters, London	Financial institutions struggle with ambiguous compliance requirements, leading to inconsistent implementation.
Counsel, Linklaters, London	Cross border transactions remain a weak point, as different countries have different reporting standards.
Partner, Linklaters, London	The Proceeds of Crime Act (POCA) is not always effective in recovering laundered assets.
Partner, Linklaters, London	The UK has struggled to enforce AML regulations in its Crown Dependencies and Overseas Territories.
Partner, Linklaters, London	The slow pace of regulatory updates makes it easy for criminals to exploit outdated laws.
Senior Partner, Linklaters, London	There is a lack of transparency in offshore financial centres, making it difficult to track illicit funds.
Partner, Linklaters, London	Some financial institutions prioritize profits over compliance, leading to weak AML controls.
Partner, Linklaters, London	The regulatory burden is high, making compliance costly and time consuming for businesses.
Senior Counsel, Linklaters, London	Cryptocurrency regulations remain vague, allowing criminals to use digital assets for laundering.

Chief Executive Officer, London Reporting House Limited	The lack of integration between different enforcement agencies creates inefficiencies.
Chief Executive Officer, Security Industry Authority	There is a need for greater use of technology, such as AI and machine learning, to detect fraud.
Head of Client Tech & AI, Linklaters, London	Whistleblower protections are insufficient, discouraging individuals from reporting financial crimes.
Corporate and Capital Markets Partner, Linklaters, London	Some AML laws disproportionately affect smaller financial institutions, making compliance difficult.
Pensions Partner, Linklaters, London	Terrorism financing is not always adequately addressed in the current framework.
Mainstream Corporate Partner, Linklaters, Paris	The definition of financial crime is sometimes too broad, leading to confusion in enforcement.
Corporate Partner, Linklaters, London	Data sharing between private institutions and regulators is still inadequate.
Global Divisional Practice Head, Corporate, Linklaters, London	The UK has been slow to implement global AML standards set by the Financial Action Task Force (FATF).
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Trade based money laundering methods are not effectively monitored or regulated.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Digital banking and fintech companies are not always held to the same AML standards as traditional banks.
Partner, UK Co-Head of Technology Sector, Linklaters, London	The enforcement process for financial crime cases is often slow and resource intensive.
Partner, Antitrust & Foreign Investment, Linklaters, London	Some institutions engage in “tick-box compliance” rather than taking meaningful AML measures.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	The penalties for regulatory violations vary widely, leading to inconsistencies in enforcement.
Partner, Antitrust & Foreign Investment, Linklaters, London	Cybercrime is not adequately addressed in the current AML framework.
Partner, Antitrust & Foreign Investment, Linklaters, London	The regulation of politically exposed persons (PEPs) is often inconsistent.
Partner, Antitrust & Foreign Investment, Linklaters, London	Customer due diligence (CDD) requirements need to be strengthened for high-risk clients.

Partner, Antitrust & Foreign Investment, Linklaters, London	Financial institutions are not incentivized enough to go beyond the minimum regulatory requirements.
Partner, Antitrust & Foreign Investment, Linklaters, London	International money laundering networks are difficult to dismantle due to fragmented enforcement.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Some AML fines are too small compared to the profits made from illicit transactions.
Partner, Banking, Linklaters, London	The UK's approach to AML compliance sometimes conflicts with European Union regulations.
Partner, Banking, Linklaters, London	The legal process for freezing assets is too slow, allowing criminals to move money before enforcement action is taken.
Partner, Banking, Linklaters, London	There is a lack of real time transaction monitoring across financial institutions.
Chair of the National Police Chiefs' Council	There are challenges in balancing privacy laws with effective AML enforcement.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	The Financial Conduct Authority (FCA) does not always have the resources to investigate all AML breaches.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Some money laundering techniques, such as real estate investments, are not effectively regulated.
Chief Financial Officer, Linklaters, London	The UK has struggled to regulate high risk sectors like casinos and luxury goods.
Partner, Linklaters, London	The regulatory framework does not always account for the role of professional facilitators, such as lawyers and accountants, in financial crime.
Corporate and Structured Lending Partner, Linklaters, London	Financial institutions have complained about excessive regulatory complexity leading to inefficiencies.
Corporate and Structured Lending Partner, Linklaters, London	The UK needs better coordination between its financial regulators and law enforcement agencies.
Partner, Linklaters, London	There is a need for more frequent audits and stress tests on financial institutions.
Antitrust & Foreign Investment Partner, Linklaters, London	The UK's AML regulations need to be more adaptive to new and emerging financial risks.

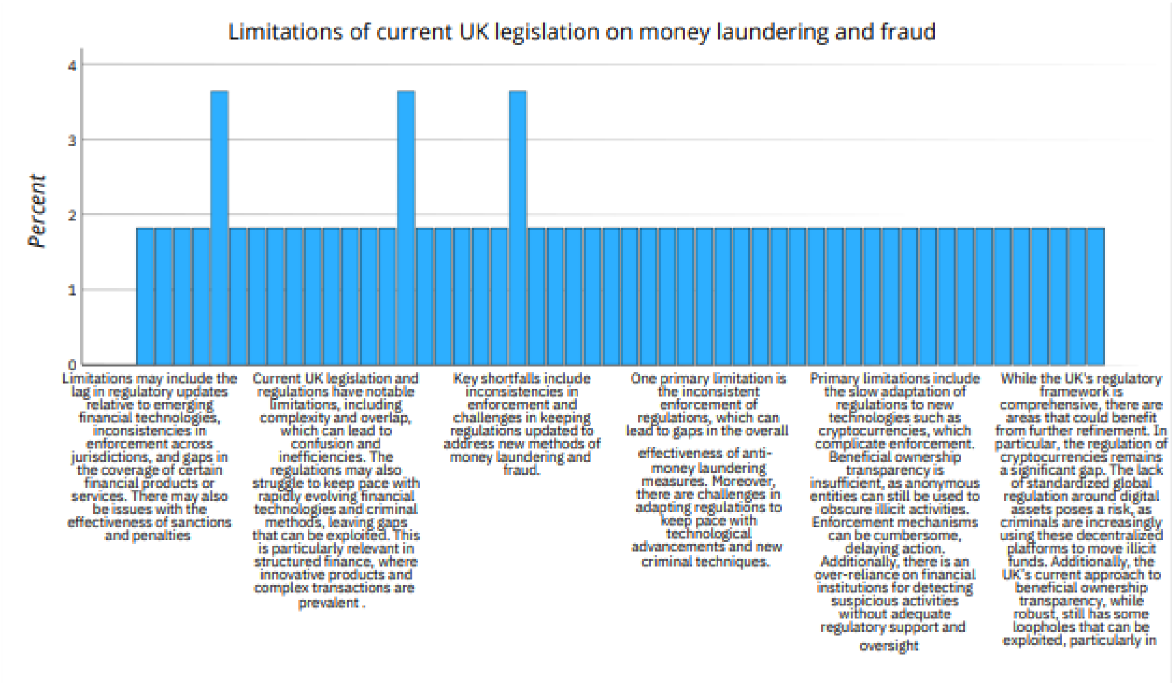

Figure 19 Interview Response rate on Limitations of current UK legislation on money laundering and fraud

Are there specific areas or aspects of the legislation that you believe need urgent attention or reform?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	Strengthening beneficial ownership transparency to prevent criminals from hiding behind anonymous shell companies.

Government Affairs, UBS	Updating cryptocurrency regulations to address the growing use of digital assets in money laundering.
Managing Director, The Peninsula London	Improving cross border cooperation between the Uk, and overseas regulators to track illicit funds, more effectively.
Capital Markets Partner, Linklaters, London	Simplifying anti-money laundering (AML) compliance requirements to reduce regulatory burden while maintaining effectiveness.
Litigation Partner, Linklaters, London	Increasing penalties for financial institutions that fail to meet AML obligations to deter non-compliance.
Partner, Linklaters, London	Enhancing data sharing agreements to facilitate real time financial intelligence sharing.
Corporate Partner, Linklaters, London	Expanding the regulatory oversight of fintech and digital banking platforms to close existing gaps.
ESG Partner, Linklaters, London	Reforming the Suspicious Activity Report (SAR) system, which is currently overwhelmed by high volumes of reports.
Global Head of Employment & Incentives, Linklaters, London	Implementing real time transaction monitoring systems across all financial institutions.
Managing Partner, Linklaters, London	Addressing trade-based money laundering (TBML) by increasing scrutiny on international trade transactions.
Corporate Partner, Linklaters, London	Strengthening Know Your Customer (KYC) requirements, particularly for high-net-worth individuals and offshore accounts.
Counsel, Linklaters, London	Enhancing AML enforcement in the UK's Crown Dependencies and Overseas Territories to prevent weak links in the system.
Partner, Linklaters, London	Closing loopholes in real estate transactions, which are commonly exploited for money laundering.
Partner, Linklaters, London	Imposing stricter oversight on politically exposed persons (PEPs) to prevent corruption linked financial crimes.
Partner, Linklaters, London	Increasing resources for law enforcement agencies to enhance investigation and prosecution capabilities.

Senior Partner, Linklaters, London	Enhancing AML regulations for non-bank financial institutions (NBFIs), including money service businesses and payment processors.
Partner, Linklaters, London	Strengthening whistleblower protections to encourage reporting of suspicious financial activities.
Partner, Linklaters, London	Aligning UK AML laws with international standards, such as those set by the Financial Action Task Force (FATF).
Senior Counsel, Linklaters, London	Increasing supervision of professional service providers, including accountants and lawyers, to prevent facilitation of financial crimes.
Chief Executive Officer, London Reporting House Limited	Introducing mandatory financial crime training for banking and regulatory personnel.
Chief Executive Officer, Security Industry Authority	Enhancing AML regulations for gambling and casino industries, which are high risk for money laundering.
Head of Client Tech & AI, Linklaters, London	Closing gaps in AML compliance within high-value asset markets, such as luxury goods and art.
Corporate and Capital Markets Partner, Linklaters, London	Implementing automated compliance systems to reduce human error in financial crime detection.
Pensions Partner, Linklaters, London	Improving coordination between UK financial regulators and enforcement agencies to streamline investigations.
Mainstream Corporate Partner, Linklaters, Paris	Strengthening cross border asset freezing mechanisms to prevent criminals from moving illicit funds, internationally.
Corporate Partner, Linklaters, London	Developing specific regulations for digital currencies to enhance monitoring of cryptocurrency transactions.
Global Divisional Practice Head, Corporate, Linklaters, London	Increasing funding for financial intelligence units (FIUs) to improve data analysis and enforcement.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Encouraging greater public private partnerships to improve collaboration between law enforcement and financial institutions.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Updating AML regulations to account for decentralized finance (DeFi) platforms, which pose new risks.

Partner, UK Co-Head of Technology Sector, Linklaters, London	Strengthening AML compliance requirements for corporate service providers to prevent misuse of company formations.
Partner, Antitrust & Foreign Investment, Linklaters, London	Reducing bureaucratic hurdles for financial institutions to facilitate quicker response to emerging threats.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Enforcing stricter oversight of offshore banking linked to UK jurisdictions.
Partner, Antitrust & Foreign Investment, Linklaters, London	Expanding AML oversight to crowdfunding and peer to peer lending platforms.
Partner, Antitrust & Foreign Investment, Linklaters, London	Introducing mandatory compliance audits for high-risk sectors on an annual basis.
Partner, Antitrust & Foreign Investment, Linklaters, London	Reforming AML reporting thresholds to prevent structured transactions from evading detection.
Partner, Antitrust & Foreign Investment, Linklaters, London	Enhancing AML enforcement against cyber enabled financial crimes, including fraud and identity theft.
Partner, Antitrust & Foreign Investment, Linklaters, London	Introducing a centralized digital identity verification system to reduce fraud in financial transactions.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Standardizing AML enforcement procedures across all UK regulatory bodies.
Partner, Banking, Linklaters, London	Increasing financial penalties for non-compliance with beneficial ownership disclosure requirements.
Partner, Banking, Linklaters, London	Developing specialized financial crime courts to expedite prosecution of complex money laundering cases.
Partner, Banking, Linklaters, London	Enhancing AML training for law enforcement officers to improve investigative capabilities.
Chair of the National Police Chiefs' Council	Strengthening AML regulations for prepaid cards and alternative payment methods, which are frequently exploited for money laundering.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Increasing cooperation with tax authorities to prevent money laundering through tax evasion schemes.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Requiring greater corporate transparency for trusts and nominee arrangements.
Chief Financial Officer, Linklaters, London	Enhancing AML reporting mechanisms for hedge funds and private equity firms.

Partner, Linklaters, London	Expanding the definition of financial crimes to include emerging threats such as ransomware payments.
Corporate and Structured Lending Partner, Linklaters, London	Reforming AML procedures for cross-border remittances to prevent illicit fund transfers.
Corporate and Structured Lending Partner, Linklaters, London	Improving oversight of foreign investments to prevent money laundering through real estate and business acquisitions.
Partner, Linklaters, London	Enforcing harsher penalties for repeat offenders of AML violations.
Antitrust & Foreign Investment Partner, Linklaters, London	Strengthening international collaboration with financial crime task forces to dismantle global money laundering networks.

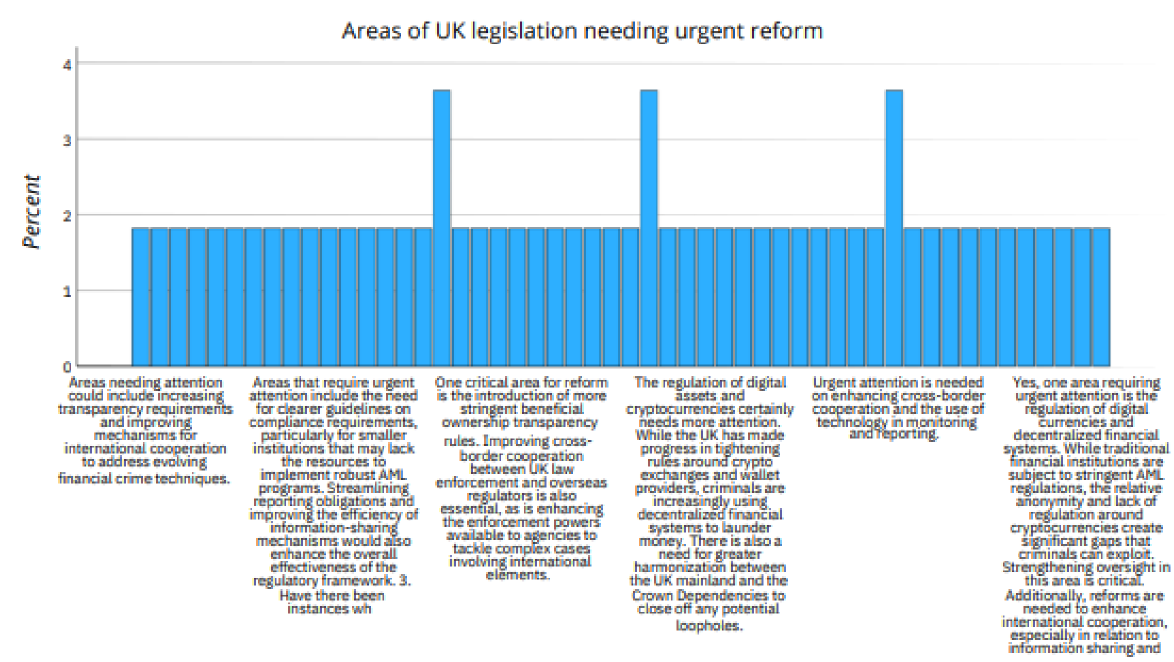

Figure 20 Interview Response rate on Areas of UK legislation needing urgent reform

Have there been instances where the current regulations have proven insufficient or have been bypassed by criminals?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	Criminals have used shell companies and offshore accounts to hide the origins of funds, especially in jurisdictions with weaker AML laws.
Government Affairs, UBS	Loopholes in Know Your Customer (KYC) compliance within smaller financial institutions have been exploited to launder money undetected.
Managing Director, The Peninsula London	The Panama Papers and Pandora Papers leaks revealed how criminals used complex offshore structures to bypass AML regulations.
Capital Markets Partner, Linklaters, London	Cryptocurrency transactions have frequently been used to move illicit funds, beyond the reach of traditional financial oversight.
Litigation Partner, Linklaters, London	Trade-based money laundering (TBML) has allowed criminals to manipulate invoices and trade transactions to disguise illicit funds.
Partner, Linklaters, London	Criminal networks have successfully exploited gaps in beneficial ownership transparency to obscure financial crimes.
Corporate Partner, Linklaters, London	Politically exposed persons (PEPs) have hidden corrupt funds using luxury real estate purchases in London and other major UK cities.
ESG Partner, Linklaters, London	The enforcement of SAR (Suspicious Activity Reports) has been criticized, as financial institutions file large volumes of reports, many of which are not investigated effectively.
Global Head of Employment & Incentives, Linklaters, London	Money mules have been used to move illicit funds, through personal bank accounts to evade detection.
Managing Partner, Linklaters, London	Some financial institutions have facilitated money laundering despite existing AML regulations, as seen in past banking scandals.

Corporate Partner, Linklaters, London	Criminals have exploited cross-border banking inefficiencies, making it difficult for UK authorities to trace illicit transactions.
Counsel, Linklaters, London	Online gambling platforms have been used for laundering money due to inconsistent regulations across different jurisdictions.
Partner, Linklaters, London	Decentralized finance (DeFi) platforms offer criminals opportunities to bypass AML requirements.
Partner, Linklaters, London	Prepaid cards and digital wallets have been exploited for money laundering due to insufficient oversight.
Partner, Linklaters, London	Weak cybercrime enforcement has allowed criminals to use hacking and online fraud to generate illicit proceeds.
Senior Partner, Linklaters, London	AI-generated synthetic identities have been used to bypass KYC checks and create fraudulent accounts.
Partner, Linklaters, London	Criminals have used underground banking systems, such as Hawala, to move money outside of traditional financial channels.
Partner, Linklaters, London	Anonymous cryptocurrency wallets have been used to store and transfer illicit funds, without detection.
Senior Counsel, Linklaters, London	Smurfing techniques (breaking down large transactions into smaller amounts) have allowed criminals to evade transaction reporting thresholds.
Chief Executive Officer, London Reporting House Limited	Fraudsters have exploited government financial relief programmes, such as COVID-19 grants, to launder illicit money.
Chief Executive Officer, Security Industry Authority	Luxury goods markets, including high-value jewellery and art, have been used as vehicles for money laundering.
Head of Client Tech & AI, Linklaters, London	Weak enforcement in the UK's Crown Dependencies and Overseas Territories has allowed financial criminals to exploit regulatory gaps.
Corporate and Capital Markets Partner, Linklaters, London	Unregulated money service businesses (MSBs) have been used as a conduit for illicit cash flows.
Pensions Partner, Linklaters, London	Real estate investment loopholes have been exploited by foreign investors

	seeking to launder money through UK properties.
Mainstream Corporate Partner, Linklaters, Paris	Dark web marketplaces have facilitated the trade of illicit funds, through cryptocurrencies.
Corporate Partner, Linklaters, London	Corporate service providers have aided criminals in setting up anonymous companies to avoid scrutiny.
Global Divisional Practice Head, Corporate, Linklaters, London	Criminals have used fake invoices and shell contracts to create the illusion of legitimate transactions.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Weak due diligence on foreign investments has allowed illicit funds, to enter the UK's financial system.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Some financial firms have prioritized profits over AML compliance, leading to failures in regulatory enforcement.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Low penalties for AML violations have made non-compliance a manageable risk for some institutions.
Partner, Antitrust & Foreign Investment, Linklaters, London	Limited international cooperation has allowed criminals to take advantage of regulatory arbitrage between different legal systems.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Crowdfunding platforms and peer to peer lending have been exploited for money laundering due to regulatory gaps.
Partner, Antitrust & Foreign Investment, Linklaters, London	Law enforcement agencies face resource constraints, limiting their ability to track and prosecute financial crime effectively.
Partner, Antitrust & Foreign Investment, Linklaters, London	Slow legislative adaptation has failed to keep up with rapidly evolving financial crime tactics.
Partner, Antitrust & Foreign Investment, Linklaters, London	Failure to regulate cryptocurrency mixers and tumblers has allowed criminals to obscure transaction trails.
Partner, Antitrust & Foreign Investment, Linklaters, London	Weak AML oversight on remittance services has been exploited for cross border money laundering.
Partner, Antitrust & Foreign Investment, Linklaters, London	Lack of transparency in hedge funds and private equity has facilitated illicit financial activity.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Unregulated offshore trusts have been used to hide criminal proceeds from tax authorities and regulators.

Partner, Banking, Linklaters, London	Gaps in the enforcement of FATF recommendations have left vulnerabilities in the UK's financial system.
Partner, Banking, Linklaters, London	International organized crime groups have exploited the UK's financial infrastructure due to regulatory inefficiencies.
Partner, Banking, Linklaters, London	Limited oversight of art dealers and auction houses has made them an attractive money laundering avenue.
Chair of the National Police Chiefs' Council	Weak identity verification on fintech platforms has allowed fraudulent accounts to go undetected.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Low conviction rates for financial crimes suggest that enforcement is insufficient to deter criminal activity.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Limited tracking of digital assets has enabled criminals to store illicit wealth without oversight.
Chief Financial Officer, Linklaters, London	Lack of effective monitoring for politically exposed persons (PEPs) has allowed corruption-related money laundering.
Partner, Linklaters, London	Slow responses to fraud alerts by regulatory bodies have allowed criminals to complete illicit transactions before action is taken.
Corporate and Structured Lending Partner, Linklaters, London	Some UK registered companies have been used in large scale financial fraud despite existing AML laws.
Corporate and Structured Lending Partner, Linklaters, London	Weak controls on offshore investments have allowed dirty money to be funnelled into UK markets.
Partner, Linklaters, London	Regulatory loopholes in charity and nonprofit organizations have been exploited for illicit financial activities.
Antitrust & Foreign Investment Partner, Linklaters, London	Limited technological investment in AML enforcement has left UK law enforcement agencies struggling to keep pace with sophisticated financial criminals.

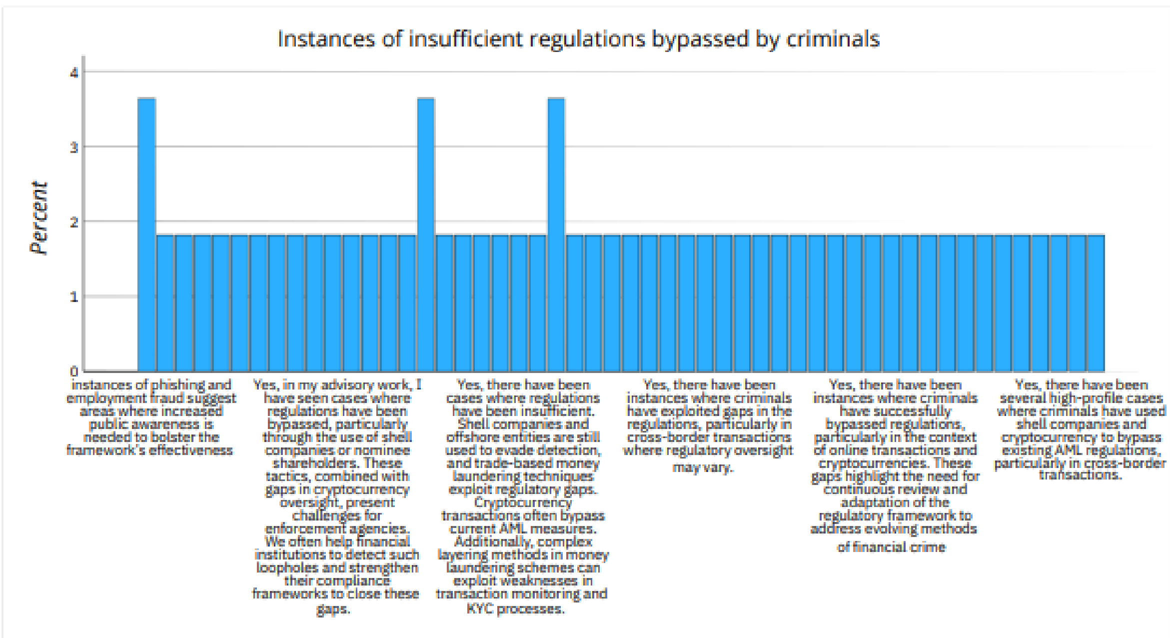

Figure 21 Interview Response rate on Instances of insufficient regulations bypassed by criminals

What is the feedback or concerns you've heard from financial institutions about the effectiveness and efficiency of current regulations?

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	Compliance burden – Institutions struggle with the cost and complexity of complying with ever-evolving AML regulations.
Government Affairs, UBS	Regulatory complexity – Many firms find the overlapping requirements confusing and difficult to navigate.
Managing Director, The Peninsula London	High cost of compliance – Meeting AML obligations requires significant financial and human resources.
Capital Markets Partner, Linklaters, London	Lack of clarity – Financial institutions seek clearer guidelines to ensure compliance without unnecessary burdens.
Litigation Partner, Linklaters, London	Slow response from regulators – Delays in regulatory updates make it difficult for firms to adapt to emerging threats.
Partner, Linklaters, London	Bureaucratic inefficiencies – Many processes are seen as slow and overly complex, hindering rapid compliance adjustments.
Corporate Partner, Linklaters, London	Inconsistent enforcement – Some institutions feel that AML rules are not applied evenly across all sectors.
ESG Partner, Linklaters, London	Lack of regulatory harmonization – Differences between Uk, and international AML laws create compliance challenges.
Global Head of Employment & Incentives, Linklaters, London	SAR system inefficiencies – Many firms feel that submitting Suspicious Activity Reports (SARs) often leads to no visible action.
Managing Partner, Linklaters, London	No feedback on SARs – Banks do not receive confirmation or updates on SARs

	they submit, making it difficult to refine their processes.
Corporate Partner, Linklaters, London	Overwhelming SAR requirements – Financial institutions are required to file numerous reports, even for minor suspicions, leading to inefficiencies.
Counsel, Linklaters, London	High regulatory expectations for small firms – Smaller institutions struggle to meet the same AML requirements as large banks.
Partner, Linklaters, London	Increased operational costs – Firms must invest heavily in compliance technology, training, and personnel.
Partner, Linklaters, London	Unclear risk assessment criteria – Financial institutions lack precise definitions of what constitutes a high-risk transaction.
Partner, Linklaters, London	Lack of real time data sharing – Institutions believe faster information exchange with regulators would improve AML efforts.
Senior Partner, Linklaters, London	Limited regulator-bank communication – More proactive engagement between regulators and financial institutions is needed.
Partner, Linklaters, London	Growing cybercrime threats – AML laws do not sufficiently address digital financial crimes.
Partner, Linklaters, London	Regulations lag behind technology – Financial institutions want better guidance on cryptocurrency and fintech AML compliance.
Senior Counsel, Linklaters, London	Strict penalties despite unclear rules – Some firms face fines even when AML rules are difficult to interpret.
Chief Executive Officer, London Reporting House Limited	Pressure to over report – Fear of penalties leads institutions to report even minor suspicious activities, overwhelming regulators.
Chief Executive Officer, Security Industry Authority	Data privacy conflicts – Striking a balance between AML compliance and data protection laws is a major concern.
Head of Client Tech & AI, Linklaters, London	Lack of coordination between agencies – Multiple regulatory bodies create confusion over compliance expectations.

Corporate and Capital Markets Partner, Linklaters, London	Slow regulatory approval processes – AML-related financial innovations face long delays due to strict approval requirements.
Pensions Partner, Linklaters, London	Lack of training resources – Firms want better government-supported training programmes for AML compliance staff.
Mainstream Corporate Partner, Linklaters, Paris	Difficulties in monitoring politically exposed persons (PEPs) – More guidance is needed on handling high risk customers.
Corporate Partner, Linklaters, London	Regulatory overlap in different financial sectors – Inconsistencies exist between AML rules for banks, fintech firms, and investment funds.
Global Divisional Practice Head, Corporate, Linklaters, London	Unfair focus on traditional banks – Criminals increasingly use fintechs and non-bank institutions, but regulations still target banks the most.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Challenges in detecting trade-based money laundering – More advanced tools and clearer guidelines are needed.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Inadequate regulations for prepaid cards and digital wallets – These payment methods are frequently exploited for money laundering.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Cross-border enforcement difficulties – Financial institutions struggle with differing international AML requirements.
Partner, Antitrust & Foreign Investment, Linklaters, London	High volume of false positives in transaction monitoring – Automated AML tools often flag legitimate transactions as suspicious.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Lack of standardization in beneficial ownership disclosure – Financial institutions require more uniform global rules.
Partner, Antitrust & Foreign Investment, Linklaters, London	Resource strain on compliance teams – Expanding regulatory requirements make it difficult to manage compliance workloads.
Partner, Antitrust & Foreign Investment, Linklaters, London	Delayed regulatory adaptation to new laundering methods – Institutions want regulators to act faster on emerging threats.

Partner, Antitrust & Foreign Investment, Linklaters, London	Weak AML enforcement in some jurisdictions – Money laundering continues due to gaps in global cooperation.
Partner, Antitrust & Foreign Investment, Linklaters, London	Difficulty in tracking illicit cryptocurrency transactions – Institutions want better government tools for monitoring digital assets.
Partner, Antitrust & Foreign Investment, Linklaters, London	SAR process is overly formalized – More flexible reporting mechanisms could improve efficiency.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Redundant paperwork requirements – Some AML documentation processes need simplification.
Partner, Banking, Linklaters, London	Pressure from regulators to implement expensive compliance technology – Smaller firms struggle to afford new monitoring tools.
Partner, Banking, Linklaters, London	Lack of proportionality in AML requirements – Compliance obligations should be based on institution size and risk level.
Partner, Banking, Linklaters, London	Increasing complexity of regulatory updates – Frequent rule changes make long-term planning difficult for institutions.
Chair of the National Police Chiefs' Council	Short deadlines for compliance changes – Financial firms need more time to implement new AML rules.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Regulatory gaps for DeFi platforms – More guidance is needed on decentralized finance compliance.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Fraud detection tools require better integration with AML rules – Institutions need more seamless compliance solutions.
Chief Financial Officer, Linklaters, London	AML compliance diverts resources from innovation – Some firms struggle to balance compliance with business growth.
Partner, Linklaters, London	Inconsistent interpretations of AML rules by different regulators – Financial institutions need standardized enforcement.
Corporate and Structured Lending Partner, Linklaters, London	Insufficient public-private partnerships – Stronger collaboration between

	government and banks could improve AML enforcement.
Corporate and Structured Lending Partner, Linklaters, London	Unclear thresholds for money laundering investigations – Banks want more precise criteria for reporting large transactions.
Partner, Linklaters, London	Outdated training materials from regulators – Institutions need modernized AML training programmes.
Antitrust & Foreign Investment Partner, Linklaters, London	Inflexible AML reporting frameworks – Regulations should allow institutions to focus on high-risk cases rather than filing excessive reports.

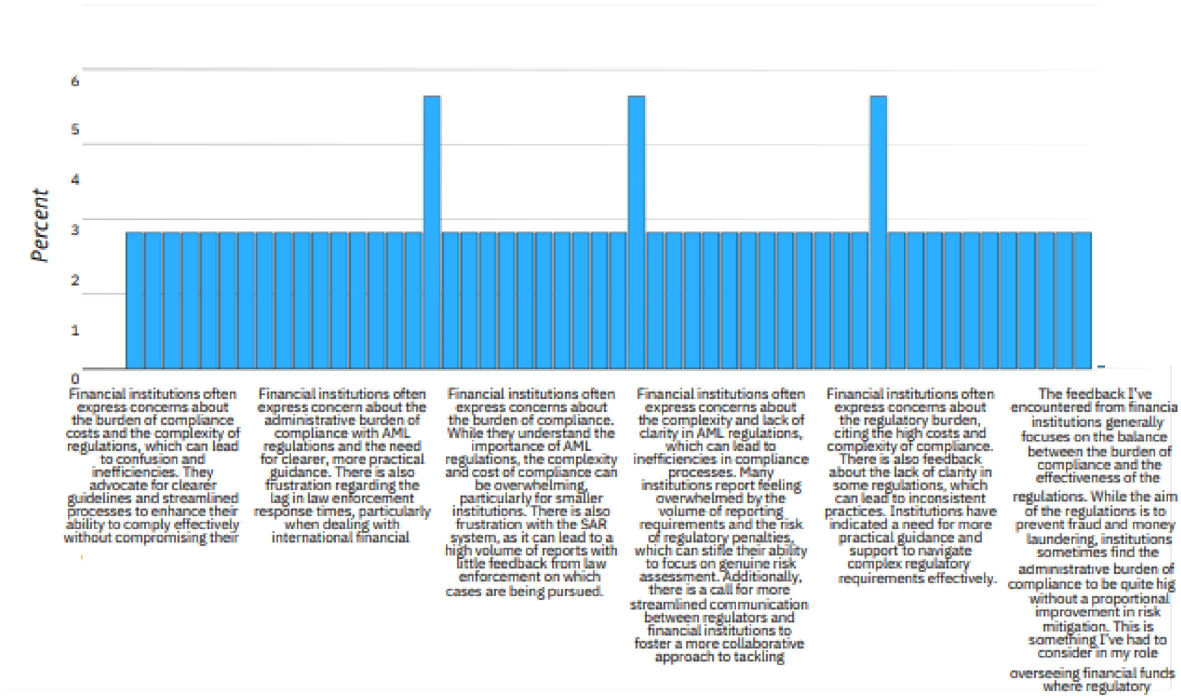

Figure 22 Interview Response rate on Industry Feedback on the Effectiveness and Efficiency of Current Regulations

In terms of the Crown Dependent Territories are their unique challenges or shortfalls in their regulatory frameworks compared to the UK mainland.

PARTICIPANT POSITION & ORGANIZATION	ANSWER
Chief Executive, London Bullion Market Association	Limited Regulatory Capacity – Crown Dependencies often have fewer resources and smaller regulatory agencies, making enforcement of AML regulations less robust than in the UK mainland.
Government Affairs, UBS	Variations in Legal Frameworks – Each territory operates under its own legal system, leading to inconsistencies in how AML laws are applied and enforced.
Managing Director, The Peninsula London	Weaker AML Oversight – Some territories have historically been viewed as tax havens with more relaxed regulations, attracting financial crime risks.
Capital Markets Partner, Linklaters, London	Jurisdictional Differences – Coordination between UK authorities and local regulators can be complicated due to differences in legal structures.
Litigation Partner, Linklaters, London	Cross-Border Challenges – Financial crime investigations involving multiple jurisdictions take longer and require international cooperation, which is not always efficient.
Partner, Linklaters, London	Political and Economic Pressures – Some territories rely heavily on financial services, making them resistant to stricter AML enforcement that could drive business away.
Corporate Partner, Linklaters, London	Reliance on UK Support – Many dependent territories depend on UK authorities for regulatory expertise and financial crime investigations.
ESG Partner, Linklaters, London	Limited Beneficial Ownership Transparency – Some territories have been criticized for allowing secretive corporate structures that can be exploited for money laundering.
Global Head of Employment & Incentives, Linklaters, London	Lower Compliance Standards – Some financial institutions in these territories may not adhere to the same stringent AML requirements as those in the UK mainland.
Managing Partner, Linklaters, London	Vulnerability to Shell Companies – Weaker corporate governance in some

	territories allows for easier establishment of shell companies used for illicit financial activities.
Corporate Partner, Linklaters, London	Slow Adoption of Global AML Standards – Some territories have been slow to implement Financial Action Task Force (FATF) recommendations, leading to enforcement gaps.
Counsel, Linklaters, London	Limited Enforcement Powers – Local regulators may lack the authority or capacity to conduct thorough investigations and prosecute financial crimes effectively.
Partner, Linklaters, London	Challenges in SAR Reporting – The process for filing Suspicious Activity Reports (SARs) may not be as streamlined as in the UK, leading to delays in investigations.
Partner, Linklaters, London	Regulatory Loopholes in Cryptocurrency – Some territories have yet to implement comprehensive crypto regulations, making them attractive for illicit transactions.
Partner, Linklaters, London	Insufficient Penalties for Non-Compliance – Financial institutions in some territories face lower fines or weaker consequences for AML violations.
Senior Partner, Linklaters, London	Lack of Coordination with International Authorities – Some dependent territories do not actively participate in global AML task forces, reducing their effectiveness.
Partner, Linklaters, London	Different Financial Crime Risk Profiles – The types of financial crimes prevalent in dependent territories may differ from those in the UK, requiring tailored regulatory approaches.
Partner, Linklaters, London	Potential for Regulatory Arbitrage – Criminals exploit differences between Uk, and local regulations to move illicit funds, with reduced scrutiny.
Senior Counsel, Linklaters, London	Offshore Banking Secrecy Issues – Some territories still provide a high level of financial secrecy, making it difficult for law enforcement to track illicit activities.
Chief Executive Officer, London Reporting House Limited	Challenges in Regulating Trust and Corporate Service Providers (TCSPs) –

	Many dependent territories have large trust sectors that require stronger AML oversight.
Chief Executive Officer, Security Industry Authority	Slow Legislative Updates – Regulatory frameworks in some territories are not updated as quickly as those in the UK, creating vulnerabilities.
Head of Client Tech & AI, Linklaters, London	Challenges in Detecting Trade-Based Money Laundering – Due to their role as offshore financial centres, dependent territories face difficulties monitoring trade transactions for money laundering risks.
Corporate and Capital Markets Partner, Linklaters, London	Inconsistent Implementation of UK AML Directives – While territories align with UK regulations, enforcement and adherence levels can vary.
Pensions Partner, Linklaters, London	Complex Ownership Structures in Offshore Funds – Many territories house offshore investment funds, which can be exploited for illicit financial activities.
Mainstream Corporate Partner, Linklaters, Paris	Dependence on the Financial Sector for Economic Stability – Stricter regulations could deter business, creating resistance to stronger enforcement measures.
Corporate Partner, Linklaters, London	Limited Use of Advanced AML Technologies – Some territories lack investment in AI-driven transaction monitoring systems used in the UK.
Global Divisional Practice Head, Corporate, Linklaters, London	Less Public Disclosure of AML Enforcement Actions – Some territories do not require financial institutions to publicly report AML violations, reducing transparency.
Antitrust & Foreign Investment, Partner, Linklaters, Düsseldorf	Delays in Extradition and Legal Cooperation – Legal processes for prosecuting financial crimes across borders can be slow and complex.
Antitrust & Foreign Investment, Counsel, Linklaters, London	Higher Risk of the money laundering through Private Banking – Some territories have a significant private banking sector, which can be exploited by criminals.
Partner, UK Co-Head of Technology Sector, Linklaters, London	Weaker Whistleblower Protections – Employees in financial institutions may be less likely to report suspicious activities due to inadequate protections.

Partner, Antitrust & Foreign Investment, Linklaters, London	Gaps in Regulating Virtual Asset Service Providers (VASPs) – Some territories lack clear rules for cryptocurrency exchanges and other digital asset firms.
U.S. Antitrust & Foreign Investment Counsel, Linklaters, New York	Limited Requirements for Enhanced Due Diligence (EDD) – Some territories do not enforce strict EDD procedures for high-risk clients.
Partner, Antitrust & Foreign Investment, Linklaters, London	Lack of Independent Oversight Bodies – In some Territories financial regulators operate with limited independence from government influence.
Partner, Antitrust & Foreign Investment, Linklaters, London	High Dependence on External AML Training and Support – Many territories rely on UK or international bodies to provide AML training for financial institutions.
Partner, Antitrust & Foreign Investment, Linklaters, London	Risk of Being Added to International Watchlists – Some territories have faced scrutiny from the EU and FATF for insufficient AML measures.
Partner, Antitrust & Foreign Investment, Linklaters, London	Limited Public Awareness Campaigns on Financial Crime – Efforts to educate the public and businesses about AML risks are often weaker than in the UK.
Partner, Antitrust & Foreign Investment, Linklaters, London	Slower Adoption of RegTech Solutions – Regulatory technology (RegTech) adoption is slower in some Territories reducing the efficiency of compliance monitoring.
Counsel, Antitrust & Foreign Investment, Linklaters, London	Weak AML Controls in the Real Estate Sector – High-value property purchases in dependent territories may not be subject to strict due diligence.
Partner, Banking, Linklaters, London	Challenges in Monitoring High-Risk Sectors – Industries such as online gambling and international trade finance pose specific AML risks in these territories.
Partner, Banking, Linklaters, London	Smaller Law Enforcement Budgets for Financial Crimes – Limited funding can reduce the effectiveness of AML enforcement agencies.
Partner, Banking, Linklaters, London	Weaker Protections Against Terrorist Financing – Some territories have less

	robust frameworks to detect and prevent terrorist financing.
Chair of the National Police Chiefs' Council	Gaps in Customer Due Diligence (CDD) Regulations – Some territories have lower CDD requirements, increasing financial crime risks.
Head of Antitrust & Foreign Investment Group for Russia & CIS, Linklaters, London	Limited Transparency in Public Registries – Public access to beneficial ownership and company registry data is restricted in some territories.
Antitrust and Foreign Investment Managing Associate, Linklaters, London	Lack of Cross-Sector Coordination – Regulators, law enforcement, and private sector institutions may not collaborate as effectively as in the UK.
Chief Financial Officer, Linklaters, London	Challenges in Regulating Alternative Investment Markets – Some territories host hedge funds and private equity firms that require stronger oversight.
Partner, Linklaters, London	Different Regulatory Approaches to Compliance Audits – AML audits may be less frequent or rigorous than in the UK mainland.
Corporate and Structured Lending Partner, Linklaters, London	Difficulties in Freezing Criminal Assets – Some territories face challenges in asset freezing and confiscation procedures.
Corporate and Structured Lending Partner, Linklaters, London	Delays in Implementing International AML Agreements – Some territories lag behind in adopting global AML commitments.
Partner, Linklaters, London	Higher Proportion of Non-Resident Banking Clients – Many offshore banks cater to non-residents, increasing AML risks.
Antitrust & Foreign Investment Partner, Linklaters, London	Need for Greater Alignment with UK AML Policies – Ensuring that dependent territories implement UK-equivalent AML frameworks remains a challenge.

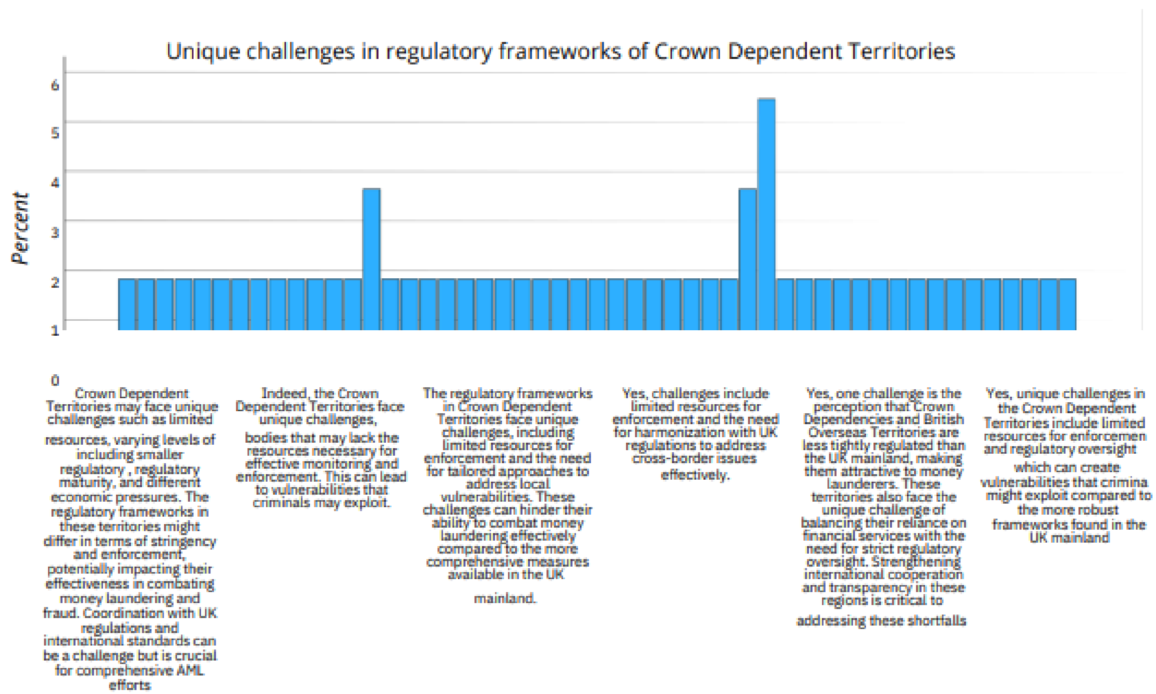

Figure 23 Interview Response rate on Unique challenges in regulatory frameworks of Crown Dependent Territories

5.3 In-Depth Interviews on AML Realities and Reform

In addition to the survey responses and doctrinal analysis, six in-depth interviews were conducted with regulatory and compliance experts from the City of London, the British Overseas Territories (including Gibraltar), the Crown Dependencies (Jersey and the Isle of Man), and Australia. These interviews offered a deeper understanding of enforcement challenges, legal gaps, and operational realities in anti-money laundering (AML) and counter-terrorist financing (CTF) practices across different jurisdictions. All participants gave their full consent to be named and included in this research. Notably, one of the interviewees was Brendan Thomas, CEO of AUSTRAC, who shared key insights into Australia's evolving AML regulatory framework and its focus on intelligence-led enforcement. The individual contributions of each participant are presented in detail in the sections below.

Beyond providing technical expertise, the interviews highlighted the tension between regulatory ambition and practical implementation. Several participants underscored the resource constraints faced by smaller jurisdictions, where regulatory authorities often lack the personnel and technological capacity to match the sophistication of the money laundering networks. In contrast, representatives from the City of London emphasized the challenge of managing the sheer scale of financial flows, noting that even well-resourced regulators struggle to balance proactive monitoring with the demands of international compliance obligations.

Another recurring theme concerned the global nature of financial crime. Interviewees observed that criminals strategically exploit differences between national frameworks, particularly when beneficial ownership registries or reporting obligations are inconsistent. This observation reinforced the importance of cross-border cooperation but also revealed frustrations with the uneven pace of reform among jurisdictions. For instance, while Australia has made progress in addressing non-financial gatekeepers through its “Tranche 2” reforms, some British territories remain hesitant to fully extend AML obligations to lawyers, accountants, and real estate professionals.

Finally, the interviews provided valuable reflections on the human dimension of AML enforcement. Several experts pointed to the risks of regulatory fatigue within financial institutions, where staff are expected to comply with increasingly complex reporting rules but are rarely given sufficient training or strategic guidance. Others suggested that reforms would only be sustainable if they were paired with cultural change, encouraging institutions to view compliance not merely as a legal duty but as an ethical commitment to financial integrity.

Sinead O’Connor – Isle of Man (Financial Crime Expert)

Sinead O’Connor, a financial crime expert based in the Isle of Man, underscored the need to move beyond the conventional "tick-box" compliance approach. She shared a notable case involving a Cyprus-based client applying to register an e-gaming company—despite several red flags, approval was granted based solely on documentation. This, she argued, reflects a systemic shortfall in risk-based thinking and genuine scrutiny within some AML operations.

She highlighted the Isle of Man's strong inter-agency collaboration, particularly between financial institutions, regulators, the Financial Intelligence Unit, and the Proactive International Money Laundering Investigations Team (PIMLIT). Sinead also referenced effective cross-jurisdictional cooperation with Jersey and Guernsey on beneficial ownership and regulatory standards.

Despite these strengths, Sinead acknowledged the reputational challenges faced by offshore jurisdictions. She advocated for a cultural shift—away from fear of regulatory fines and toward meaningful risk-based engagement. She praised firms like Revolut for embracing system-led compliance models and contrasted this with traditional banks, which she felt remain overly reliant on human discretion.

Nicola Ingram – Jersey (Regulatory Consultant and Former JFSC Director)

Nicola Ingram, Director at Oban and former senior figure at the Jersey Financial Services Commission (JFSC), offered a comparative view on the rigor of Jersey's AML framework. While Oban serves as an advisory body rather than a financial institution, it supports firms with compliance, licensing, and AML controls.

She stated that Jersey's regulation of corporate service providers and beneficial ownership is significantly more robust than in the UK. Nicola was particularly critical of HMRC's regulatory oversight and urged UK regulators to adopt Jersey's more proactive and risk-sensitive approach.

Highlighting global vulnerabilities, she referenced the arrest of the Premier of the British Virgin Islands as an example of regulatory failure. She also cautioned against overreliance on screening tools such as World-Check, stressing that effective AML compliance requires a deep understanding of ownership structures and transactional patterns. According to Nicola, compliance is “forensic”—requiring thorough reviews of governance documents, financial flows, and cross-border linkages.

David Parody and Richard Montado – Gibraltar

David Parody, former Deputy Chief Executive of the Financial Services Commission and now National Coordinator for AML/CFT in Gibraltar, shared insights into the jurisdiction’s national risk assessment processes and FATF engagement. Alongside him, Richard Montado, a senior official in the Ministry of Justice, Trade, and Industry, offered a policy-based perspective on Gibraltar’s evolving AML framework.

David explained that Gibraltar faces a unique profile of self-laundering cases rather than complex laundering through intermediaries, owing to its small population and limited banking infrastructure. The most common fraud issues involved employment scams and phishing attacks, typically arising from low business-sector awareness.

On the technological front, Gibraltar’s Financial Intelligence Unit (FIU) was highlighted for its use of data analysis in processing Suspicious Transaction Reports (STRs) from online gaming companies, EMIs, and VASPs. David endorsed AI-led triage systems as a future enhancement, particularly given the territory's global client base.

Both of them emphasized Gibraltar's effective collaboration with Spanish authorities, despite political sensitivities. They also praised the jurisdiction's legislative agility—enabling fast updates and reforms to maintain FATF compliance. Their proactive stance ensures that Gibraltar not only meets international AML expectations but often leads on regional best practices.

Carlos Martins – Gibraltar

Carlos Martins, Chief Compliance Officer at ZO Exchange Limited and Chairperson of the Gibraltar Association of Compliance Officers, contributed a wide-ranging perspective built on over 30 years in banking and regulatory compliance. His experience spans advisory roles in DLT licensing, teaching, and systems design for AML compliance programmes.

Carlos recounted his early career in Swiss banking in the late 1980s, when "compliance" as a formal discipline did not yet exist. He noted that post-9/11 reforms dramatically expanded compliance obligations, especially in relation to terrorist financing, fraud, and tax evasion. His reflection positioned compliance as a dynamic field, deeply rooted in both legal evolution and ethical responsibility.

Among current threats, he emphasized state-sponsored laundering networks, highlighting the pressure they place on smaller jurisdictions. However, Gibraltar's manageable business volume, inter-agency familiarity, and personal connections allow for highly selective and effective due diligence.

Carlos praised international cooperation, particularly with the UK's NCA, INTERPOL, and enforcement agencies in the Isle of Man and Channel Islands. He attributed Gibraltar's removal from the FATF Grey List to this robust collaboration and coordinated enforcement.

In terms of preventative training, Carlos outlined the efforts of the Gibraltar Association of Compliance Officers in educating AML professionals, including the GFIU's Nexus outreach program for MLROs. Collaboration with regulators in the gambling, trade, and financial sectors ensures alignment across industries. Lastly, he affirmed that Gibraltar has no major legislative gaps, citing recent asset seizures and successful prosecutions as evidence of a well-functioning AML regime.

Brendan Thomas (CEO of AUSTRAC)

Brendan Thomas, the Chief Executive Officer of AUSTRAC, provided a comprehensive overview of Australia's anti-money laundering (AML) and counter fraud framework during our in-depth interview. As the head of both the financial intelligence unit and AML regulator in Australia, a unique dual-role setup unlike the UK's more fragmented system and Thomas has led AUSTRAC for approximately 18 months now, following a longstanding career in criminal justice.

He began by contextualizing AUSTRAC's existing scope, which currently regulates approximately 18,500 financial institutions including banks, casinos, online gambling operators, cryptocurrency dealers, and bullion traders. However, in a significant regulatory expansion scheduled for July 2026, AUSTRAC will extend its oversight to Designated Non-Financial Businesses and Professions (DNFBPs), including lawyers, accountants, trust and company service providers, real estate agents, and jewellers. This change aligns Australia more closely with international AML standards as outlined by the Financial Action Task Force (FATF).

When asked about the operational burden of regulating such a wide sector, Thomas acknowledged the scale of the task but emphasized AUSTRAC's evolving technological infrastructure. The agency processes hundreds of thousands of Suspicious Matter Reports (SMRs) and threshold transaction reports annually, as well as millions of international funds transfer instructions. To manage this data, AUSTRAC has invested heavily in cloud computing, advanced analytics, and artificial intelligence. For instance, a recent collaboration with major Australian banks yielded over 60 million sub-threshold cash transaction records, which were jointly analysed to detect emerging criminal typologies and systemic vulnerabilities.

Thomas identified key AML and fraud threats in Australia, which include drug trafficking, illicit tobacco trade, tax fraud, and scams, many of which are orchestrated from offshore, especially from Southeast Asia. He also noted the growing influence of organized crime syndicates laundering proceeds through the Australian real estate market and financial institutions. Notably, foreign corruption related funds entering from nearby jurisdictions were also flagged as a serious concern.

AUSTRAC's strong relationship with the private sector was repeatedly emphasized. Thomas attributed much of this cooperation to past enforcement actions, including a $1 billion fine imposed on the Commonwealth Bank of Australia and a $700 million fine on Westpac. These landmark penalties prompted banks to significantly scale up their AML investments. AUSTRAC further institutionalized this collaboration through the formation of the Fintel Alliance in 2017, a unique public-private intelligence sharing partnership.

Within this framework, financial institutions second staff to AUSTRAC, granting them direct access to intelligence systems and facilitating real-time responses to emerging threats.

A notable example of this collaboration involved the misuse of foreign student bank accounts by organized criminals. By pooling data and analysing behaviour patterns, the alliance identified and shut down over 14,000 mule accounts in a single year.

On technology, Thomas reported that while AUSTRAC is leveraging AI and data analytics to identify illicit financial flows, so too are criminal groups, particularly in the use of generative AI to fabricate identities and create large-scale fraud schemes. The challenge, he noted, is compounded by weak cryptocurrency regulation, particularly regarding crypto-to-crypto transactions and non-bank ATM operations, areas that AUSTRAC currently lacks authority over.

Reflecting on international legislative comparisons, Thomas identified a lack of regulatory cohesion in the UK, particularly regarding the oversight of DNFBPs. While the UK's Financial Conduct Authority (FCA) was acknowledged as competent, the fragmented supervision of lawyers and accountants by their respective professional bodies was seen as a weakness. In contrast, AUSTRAC's unified intelligence-regulatory model allows for rapid, coordinated responses, such as the prompt shutdown of problematic cryptocurrency ATMs based on intelligence leads.

Challenges remain, including jurisdictional fragmentation within Australia's federated law enforcement structure, the persistence of underground banking, and slow legislative processes for regulatory expansion. Additionally, the over-reporting of SMRs and excessive due diligence on low-risk customers were identified as operational inefficiencies, mirroring global trends in defensive compliance.

Thomas concluded by advocating for stronger international coordination. He underscored the need for a formal global financial intelligence structure, noting that while AUSTRAC collaborates with regional bodies and international counterparts, including the UK Financial Intelligence Unit, there is no existing global platform for comprehensive, operational intelligence sharing. Given the transnational nature of illicit finance, he argued, such cooperation is not only desirable but essential.

This section presents varied perspectives on the operational realities, jurisdictional constraints, and enabling factors that influence the effectiveness of anti-money laundering (AML) frameworks. The professional experiences shared by regulatory and compliance experts from Gibraltar, Jersey, the Isle of Man, Australia, and the City of London highlight both the systemic challenges and innovative responses that shape AML enforcement in practice. These include gaps in cross-border coordination, the pressures of adapting to rapidly evolving financial crime threats, and the role of institutional culture and technological capacity in ensuring compliance.

The insights offered reinforce the central argument of this thesis: that legal provisions alone are insufficient without corresponding operational structures, trained personnel, and mechanisms for agile policy implementation. The contributions from these practitioners further illuminate the importance of inter-agency cooperation, continuous professional development, and proactive legislative adaptation. Taken together, the interviews provide empirical depth to the study and support the call for more integrated, risk-sensitive, and practitioner informed reforms across the UK, British Overseas Territories and Crown Dependencies.

5.4 Empirical Reflections: Bridging Law and Practice

The intersection of empirical data and doctrinal analysis within this study reveals not only significant insights but also persistent, systemic gaps in the current anti-money laundering (AML) and fraud control architecture in the City of London and its affiliated Crown Dependencies and British Overseas Territories. By juxtaposing the findings from statutory and policy analysis with the rich qualitative and quantitative evidence gathered through surveys and in-depth interviews, this research illuminates a multifaceted and, at times, fragmented relationship between law, policy, and implementation. While AML frameworks in these jurisdictions are formally robust—anchored in legislation such as the Proceeds of Crime Act 2002 (POCA), the Money Laundering Regulations 2017 (MLR), and the Sanctions and Anti-Money Laundering Act 2018 (SAMLA)—the study finds that their enforcement is often uneven, constrained by disparities in resources, political will, and technological capacity.

A recurring theme emerging from the empirical phase is the marked disconnect between legislative intent and the realities of practical enforcement. Respondents across the spectrum—from compliance officers in multinational banks to financial intelligence investigators in smaller island territories—consistently underscored that while the statutory framework provides a solid legal backbone, the institutional capacity to operationalise these provisions varies considerably. In smaller jurisdictions such as Montserrat or the Isle of Man, respondents pointed to a chronic shortage of trained personnel, underfunded regulatory bodies, and the challenges of addressing increasingly sophisticated laundering schemes involving cryptocurrency layering, complex trade-based laundering structures, or the misuse of shell companies. These limitations are magnified in cross-border cases, where resource-intensive investigations must navigate not only legal but also geopolitical complexities.

The empirical findings also reveal that AML regimes in the studied jurisdictions are often reactive rather than strategically proactive. Interviewees described a regulatory culture in which significant reforms or enforcement crackdowns tend to follow major scandals—such as the Panama Papers leaks or the HSBC money laundering case—rather than being embedded in a continuous, intelligence-led, risk-based monitoring system. This reactive posture was viewed as symptomatic of enforcement strategies driven largely by external scrutiny, including Financial Action Task Force (FATF) mutual evaluations or the threat of inclusion on European Union tax and AML blacklists, rather than by internally generated risk assessments or forward-looking policy innovation.

Technological advancement emerged in the reflections as both a solution and a challenge. Institutions in the City of London reported considerable investments in blockchain analytics, artificial intelligence-driven transaction monitoring, and machine-learning-based fraud detection systems. These tools, when coupled with skilled analysts, have enabled early detection of suspicious activity patterns that might otherwise escape traditional oversight. By contrast, dependent territories such as Gibraltar and Jersey expressed concerns over their inability to fully harness these technologies due to limited budgets, inadequate digital infrastructure, and a shortage of technically skilled professionals. This disparity has tangible consequences: it raises the risk of regulatory arbitrage, where illicit actors strategically channel transactions through jurisdictions perceived to have weaker technological and regulatory defences.

From a legal-philosophical perspective, these findings sharpen the tension between legal positivism—the idea that law is authoritative by virtue of its enactment—and the principle of legal effectiveness in practice. While legislative frameworks are meticulously constructed on paper, their normative force is undermined when enforcement agencies lack the capacity or the political independence to act decisively. The case of Unexplained Wealth Orders (UWOs) offers a telling example: conceived as a potent legal mechanism to combat illicit enrichment, UWOs are widely acknowledged by interviewees as underutilised, often mired in protracted litigation, susceptible to political contestation, or avoided altogether for fear of reputational or diplomatic repercussions.

The interviews further highlighted a cultural and institutional misalignment between AML compliance obligations and financial sector incentives. Multiple respondents characterised AML requirements as a regulatory imposition to be satisfied at minimal operational cost, rather than a strategic imperative integrated into core business practices. This compliance fatigue, aggravated by the administrative complexity of reporting regimes, leads to a box-ticking mentality in which due diligence is performed mechanically, without genuine commitment to risk mitigation. This attitude is particularly acute in highly competitive areas such as private banking and offshore wealth management, where client retention can, at times, take precedence over rigorous AML screening.

Jurisdictional fragmentation compounds these challenges. While the City of London operates under the scrutiny of the Financial Conduct Authority (FCA) and the National

Crime Agency (NCA), territories like Guernsey, Bermuda, and the Cayman Islands are governed by their own semi-autonomous regulatory bodies, each with differing levels of resources, regulatory sophistication, and enforcement priorities. This structural disunity hinders coherent policy implementation, impedes seamless information sharing, and creates gaps that can be exploited by sophisticated transnational criminal networks. Respondents repeatedly stressed that without greater harmonisation of standards, cross-border AML coordination would remain sporadic and reactive.

The reflections therefore point toward the urgent need for a holistic reform agenda—one that extends beyond statutory amendment to encompass institutional restructuring, targeted capacity-building, and sustained investment in both human capital and technological infrastructure. Stakeholders consistently advocated for enhanced public–private partnerships, not merely as a consultative formality, but as an operational necessity in which intelligence, expertise, and resources are shared in real time. The complexity and fluidity of contemporary financial crime, they argued, cannot be addressed by legal or technological solutions in isolation; rather, it demands a dynamic, transnational, and cross-sectoral approach capable of adapting to emerging threats with both speed and precision.

In conclusion, the integration of doctrinal and empirical findings in this study affirms that while AML frameworks across the City of London and its affiliated jurisdictions are structurally sound, their practical effectiveness is undermined by capacity gaps, institutional inertia, and fragmented enforcement structures. Bridging this divide will require a deliberate shift in both policy design and enforcement culture—one that embeds AML compliance as a core strategic function rather than a peripheral obligation. Above all, the insights presented here underscore the importance of grounding legal strategies in the lived realities and operational constraints faced by compliance professionals, law enforcement agencies, and financial regulators across multiple, interconnected jurisdictions.

5.5 Analysis

The synthesis of findings from both the survey and interview phases offers a nuanced and multi-layered understanding of the strengths and limitations inherent in the existing legal and institutional framework for anti-money laundering (AML) and fraud prevention within the City of London and the Crown Dependencies. These insights reinforce the core contention of this thesis: that despite the formal robustness of the United Kingdom's legislative edifice, the practical efficacy of AML efforts is undermined by gaps in enforcement, jurisdictional fragmentation, regulatory asymmetry, and uneven institutional capacity.[516] This tension between legislative ambition and enforcement reality not only impairs the system's deterrent capacity but also creates vulnerabilities that can be strategically exploited by sophisticated financial criminals.[517]

Jurisdictional Fragmentation

One of the most salient themes to emerge is the structural fragmentation of enforcement responsibilities. The interviews consistently revealed operational frictions caused by overlapping mandates across law enforcement agencies, financial regulators, and

[516] Peter Alldridge, Money Laundering Law: Forfeiture, Confiscation, Civil Recovery, Criminal Laundering and Taxation of the Proceeds of Crime (Hart Publishing 2008).
Ronen Shamir, The Money Laundry: Regulating Criminal Finance in the Global Economy (Cornell University Press 2011).; Michael Levi and Peter Reuter, 'Money Laundering' (2006) 34(1) Crime and Justice 289.
[517] Nicholas Ryder, Money Laundering – An Endless Cycle? A Comparative Analysis of the Anti-Money Laundering Policies in the UK, US, Australia and Canada (Routledge 2017).

supervisory authorities. While each entity possesses distinct expertise and statutory authority, the absence of a unified strategic command or clearly delineated operational boundaries leads to duplication of effort, information bottlenecks, and procedural inefficiencies. This fragmentation is not merely a bureaucratic inconvenience—it is a systemic vulnerability that allows illicit transactions to fall between institutional cracks.[518] For the Crown Dependencies, the challenge is compounded by the combination of legal alignment with the Uk, and the reality of resource scarcity. Limited budgets, small investigative teams, and constraints in specialist training inhibit these jurisdictions from engaging in sustained, high intensity AML enforcement.[519]

Regulatory Asymmetry & Implementation Gaps

The survey results further indicate that awareness of AML regulations is broadly high among financial institutions and professionals, but this does not translate into uniform or equally effective implementation. Interviews confirmed that while large, internationally active institutions often possess sophisticated compliance infrastructures, smaller entities, particularly in the Crown Dependencies, frequently lack comparable resources. In these cases, compliance efforts tend to be minimalist, reactive, and oriented toward meeting baseline legal requirements rather than embedding AML principles into organisational culture. This disparity supports the thesis's assertion that regulatory uniformity on paper does not equate to enforcement parity in practice.[520] The unevenness in implementation creates "soft spots" within the wider financial ecosystem, offering illicit

[518] Michael Levi and Peter Reuter, 'Money Laundering' (2006) 34(1) Crime and Justice 289.; Petrus C van Duyne, Brigitte Unger and Frans van Waarden, The Organisation of Crime for Profit: Conduct, Law and Measurement (Routledge 2009).
[519] Financial Action Task Force (FATF), Mutual Evaluation Report: Jersey (FATF 2021)
[520] Michael Levi, 'The Organization of Serious Crimes for Gain' (2012) 55(4) Criminology 575.

actors the opportunity to channel transactions through jurisdictions or sectors with weaker operational capacity.[521]

Technological Capacity

Technological capability emerged as a decisive factor in enforcement effectiveness. Multiple interviewees pointed to outdated, underutilised, or poorly integrated technological systems within both regulatory agencies and law enforcement bodies. The limited use of advanced analytics, machine learning, and blockchain tracking tools restricts the capacity to detect sophisticated laundering methods, especially those leveraging cryptocurrency tumbling, decentralised finance (DeFi) platforms, and multi-jurisdictional layering techniques. In the context of modern AML enforcement, technology is no longer a supplementary resource but a central pillar of operational effectiveness. The inability to match the technological sophistication of criminal actors leaves enforcement agencies perpetually in a reactive posture.[522] This reinforces the argument that investment in digital infrastructure, automated risk assessment systems, and secure cross-jurisdictional data-sharing platforms is not optional—it is a precondition for credible AML enforcement in a digitised financial landscape.[523]

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[521] Transparency International UK, London Property and Money Laundering Report (TI-UK 2022).; Financial Action Task Force (FATF), United Kingdom Mutual Evaluation Report (FATF 2023).
[522] Joras Ferwerda, Brigitte Unger and Willem Versteeg, 'Measuring the Extent of Money Laundering' (2020) 23(1) Journal of Money Laundering Control 91.
[523] Basel Institute on Governance, Basel AML Index 2022 (Basel Institute 2022).

Prosecutorial Challenges

Prosecutorial challenges and evidentiary constraints also emerged as significant operational impediments. Law enforcement professionals cited the high evidentiary thresholds required for successful prosecution, particularly in cases involving opaque offshore structures and complex beneficial ownership chains. Mutual Legal Assistance Treaties (MLATs), while essential for cross-border evidence gathering, were described as slow, bureaucratically cumbersome, and ill-suited to the rapid decision-making required in fast-moving financial crime investigations.[524] This disconnects between the identification of suspicious transactions and the ability to secure convictions dilutes the deterrent effect of AML laws and undermines public and institutional confidence in the system.[525]

Political Will & Regulatory Independence

Political will and regulatory independence, particularly in smaller jurisdictions, were identified as further points of vulnerability. Several interviewees expressed scepticism about the extent to which economic dependency on financial services can compromise regulatory autonomy, leading to a reluctance to impose stringent enforcement actions against high-value clients or institutions. Such concerns resonate with long-standing academic critiques of the UK's broader AML regime,[526] which suggest that reputational

[524] Nicholas Ryder, Money Laundering – An Endless Cycle? A Comparative Analysis of the Anti-Money Laundering Policies in the UK, US, Australia and Canada (Routledge 2017).

[525] Michael Levi and Peter Reuter, 'Money Laundering' (2006) 34(1) Crime and Justice 289.

[526] John Christensen and Nicholas Shaxson, The Finance Curse: How Global Finance is Making Us All Poorer (Bodley Head 2016).

and economic considerations may, at times, override enforcement imperatives—especially in the Crown Dependencies and British Overseas Territories.

Comparative Context

The value of this analysis becomes even clearer when contrasted with alternative models abroad, particularly the operational framework of the Australian Transaction Reports and Analysis Centre (AUSTRAC). As discussed in the interview with its CEO, AUSTRAC's integrated approach merges intelligence collection, real-time financial monitoring, and enforcement capability within a single agency. This centralisation reduces the fragmentation seen in the UK model, enabling faster information sharing, coordinated action, and the use of cutting-edge analytics without inter-agency.[527] Notably, AUSTRAC's proactive stance—characterised by early-warning systems, predictive risk modelling, and strong public–private collaboration—demonstrates how legislative intent can be operationalised in a dynamic, technology-driven enforcement culture.

The preceding analysis has highlighted that while the Uk, and its Crown Dependencies possess a formally robust AML framework, persistent operational weaknesses—jurisdictional fragmentation, resource asymmetries, technological underinvestment, and prosecutorial barriers—limit its effectiveness in practice. These findings reinforce the central contention of this thesis: legislation alone does not guarantee deterrence without equally resilient enforcement and coordination structures. To better contextualise these shortcomings, the thesis now turns to a comparative perspective. Chapter 7 examines the operational framework of the Australian Transaction Reports and Analysis Centre

[527] Australian Transaction Reports and Analysis Centre (AUSTRAC), Annual Report 2021–22 (AUSTRAC 2022).

(AUSTRAC), a model frequently cited for its centralised structure, technological innovation, and proactive oversight culture. By contrasting AUSTRAC's integrated enforcement model with the UK's fragmented approach, the chapter seeks to illustrate how institutional design and enforcement philosophy can decisively shape AML outcomes, and to identify reform pathways relevant to the Uk, and its Dependencies.

Chapter 6: Comparative Analysis of AML Strategies

6.1 Legal Relationship Between the Uk, and The Crown Dependencies and Overseas Territories

The legal relationship between the United Kingdom and its Crown Dependencies (CDs) and Overseas Territories (OTs) is a complex web of constitutional conventions, royal prerogative powers, written constitutions, and statutory law. While both sets of territories are self-governing and not part of the UK itself, they share the British monarch as their Head of State and the UK retains ultimate responsibility for their defence, external relations, and good governance. However, the constitutional sources, historical origins, and precise distribution of powers differ markedly between the CDs and OTs, creating two distinct, albeit related, legal frameworks within the British constitutional order.

6.1.1 The Crown Dependencies: An Unwritten, Historical Relationship

The three Crown Dependencies—the Bailiwick of Jersey, the Bailiwick of Guernsey (which includes the jurisdictions of Guernsey, Alderney, and Sark), and the Isle of Man—are not part of the UK. They are self-governing dependencies of the Crown, each with its own directly elected legislative assembly, administrative, fiscal, and legal systems, and their own courts of law. Their constitutional relationship with the UK is unique, being founded not on a formal written document but on historical conventions, royal charters, and centuries of practice, which means it is not enshrined in any single constitutional text. This relationship is through the Crown, with the British monarch serving as the Head of State of each dependency, where they are represented by a Lieutenant-Governor as the Crown's personal representative.

The constitutional status of the Crown Dependencies is characterised by a clear division of responsibilities. Each dependency exercises full internal self-government, meaning their legislatures have primary law-making authority over domestic matters, including taxation, social policy, and their legal systems. Consequently, they are not represented in the UK Parliament. Conversely, the UK Government has paramount responsibility for the defence and international relations of the islands. A fundamental constitutional principle, often emphasised, is that the UK does not legislate for the Crown Dependencies on domestic matters without their consent. As noted by the Ministry of Justice, the UK has "domestic responsibility without their consent, other than in exceptional circumstances". This principle is reflected in the process for extending UK primary legislation to the CDs; it does not ordinarily apply and can only be extended by an Order in Council made with the agreement of the relevant Crown Dependency, usually under an enabling provision known as a 'permissive extent clause' contained within the Act of Parliament.

The UK’s responsibility for the "good government" of the Crown Dependencies is vested in the Crown, acting through the Privy Council. This ultimate responsibility is a prerogative power of the Crown, exercised on the advice of UK ministers. The Lord Chancellor and Secretary of State for Justice is the Privy Counsellor with special responsibility for Island affairs, and the Ministry of Justice (MoJ) is the UK government department tasked with managing the constitutional relationship with the CDs, including processing their legislation for Royal Assent and issuing Letters of Entrustment to authorise them to negotiate international agreements. However, the precise nature and limits of this residual "good government" power are not entirely clear and are a matter of constitutional convention rather than statute.

6.1.2 The Overseas Territories: A Modern, Constitution-Based Relationship

The 14 British Overseas Territories (OTs), which include Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, and the Falkland Islands, are territories under the sovereignty of the UK but, like the CDs, do not form part of the UK itself. Unlike the Crown Dependencies, however, the constitutional relationship between the Uk, and each Overseas Territory is explicitly set out in a written constitution, most of which are enacted as Orders in Council under the royal prerogative. These modern, codified constitutions serve as the supreme law within each territory, defining its system of government, the powers of its elected legislature, the responsibilities of its Governor, and the distribution of legislative and executive authority between the territory and the UK.

The constitutions of the Overseas Territories typically provide for a high degree of internal self-government, with elected governments responsible for domestic affairs, including fiscal matters, financial services policy, and most local legislation. However, a key feature distinguishing OTs from CDs is the explicit retention of certain 'reserved powers' by the UK. In most OTs, the UK-appointed Governor retains direct responsibility for 'reserved' areas, which commonly include external affairs, defence, internal security (including the police), and the administration of justice. Furthermore, the constitutions reserve to the UK Government certain legislative powers, including the power to disallow legislation passed by the territory's legislature and the power to legislate directly for the territory by Order in Council, often in the interests of international obligations or good governance. This legal capacity for the UK to intervene is a significant constitutional difference from the Crown Dependencies, where such formal reserve powers are less clearly defined.

6.2 Key Constitutional Distinctions and Common Elements

The most fundamental legal distinction between the two categories lies in the source of their constitutional arrangements: the CDs' relationship is unwritten and conventional, whereas the OTs' relationship is codified in formal constitutions. Another key difference is historical: the Crown Dependencies have never been colonies of the UK, having retained their unique status through separate historical ties to the English Crown. In contrast, most OTs are former colonies, and their modern constitutional status reflects a process of decolonisation and the granting of greater internal self-rule while maintaining British sovereignty.

Despite these differences, there are also common elements that shape the overall legal relationship with the UK.

Sovereignty and International Legal Personality: Neither the Crown Dependencies nor the Overseas Territories are recognised as sovereign states in international law. The UK is the sovereign power and, as a matter of international law, is the state responsible for their external relations, for ensuring their compliance with international treaties, and for their defence. Consequently, they cannot enter into treaties under their own authority but may be authorised by the UK to participate in international agreements through mechanisms such as Letters of Entrustment.

The Judicial Committee of the Privy Council (JCPC): In both the CDs and the OTs, the final court of appeal is the Judicial Committee of the Privy Council in London. For most civil and criminal matters, appeals from the highest court in a Crown Dependency (e.g., the Jersey Court of Appeal) or an Overseas Territory (e.g., the Cayman Islands Court of Appeal) lie directly to the JCPC. This shared appellate structure creates a unified apex of the judicial system, ensuring that the common law and constitutional principles developed in these territories are subject to the final authoritative interpretation of the JCPC.

The Role of the Crown and Prerogative Powers: The Crown, as the embodiment of the executive, is central to the governance of both sets of territories. The Crown acts on the advice of the UK Privy Council, which includes UK ministers, to give Royal Assent to the primary legislation of the dependencies, appoint Governors, and, in theory, exercise the residual prerogative power to ensure "good government". The UK Parliament also retains the ultimate, albeit largely unused and legally disputed, power to legislate for the Crown Dependencies and the undisputed power to do so for the Overseas Territories particularly where necessary to fulfil its international responsibilities or in the face of a complete breakdown of good governance.

6.2.1 Citizenship and the British Overseas Territories Act 2002

A significant legislative development that has reshaped the status of the OTs and their relationship with the UK is the British Overseas Territories Act 2002 (c. 8). This Act of the UK Parliament made two major changes. First, it formally replaced the name "British Dependent Territories" with "British Overseas Territories", a symbolic change reflecting a modern partnership based on mutual respect and self-determination. Second, and most substantively, the Act granted full British citizenship to all citizens of the British Overseas Territories (except those solely connected with the Sovereign Base Areas in Cyprus). As a result, most inhabitants of the OTs now hold both British Overseas Territories citizenship and full British citizenship, giving them the right of abode in the United Kingdom, a right they did not previously possess. This Act did not apply to the Crown Dependencies, whose inhabitants hold a distinct form of British nationality.

In conclusion, the legal relationship between the Uk, and its Crown Dependencies and Overseas Territories is founded on a nuanced constitutional architecture that defies simple categorisation. The Crown Dependencies are rooted in an ancient, unwritten relationship of convention and consent, characterised by extensive internal autonomy and a presumption against UK parliamentary legislation. The Overseas Territories by contrast, operate under modern, codified constitutions that grant self-government but explicitly reserve to the UK a range of legislative and executive powers to fulfil its international responsibilities and ensure good governance. Both relationships, however, are ultimately anchored in the sovereignty of the British Crown and the ultimate responsibility of the UK

Parliament, even as they represent distinct models of constitutional association within the wider British family of nations.

6.3 AML Strategies

This chapter presents a comparative analysis of anti-money laundering (AML) strategies in Australia and the United Kingdom, with specific attention to the City of London, the British Overseas Territories (BOTs), and the Crown Dependencies (CDs). These UK-linked jurisdictions play a disproportionately large role in global financial flows and frequently surface in discussions around money laundering and regulatory arbitrage. By juxtaposing the UK's fragmented AML system with Australia's unified AUSTRAC model, this chapter identifies strategic strengths, regulatory inefficiencies, and emerging pathways for reform.

The UK AML framework is complex and decentralised, with oversight responsibilities distributed across a network of agencies and professional bodies. The Financial Conduct Authority (FCA) supervises financial institutions, [528]while more than 20 professional body supervisors oversee designated non-financial businesses and professions (DNFBPs), such as lawyers and accountants. The National Crime Agency (NCA) handles financial intelligence through its Economic Crime Command,[529] and further complexity arises from the unique status of the City of London, which operates as a distinct financial and policing entity.[530] Even more fragmented are the British Overseas Territories and Crown

[528] Financial Conduct Authority (FCA), Anti-Money Laundering Supervision Report 2022-23 (London: FCA, 2023), 4.–7

[529] National Crime Agency (NCA), Suspicious Activity Reports (SARs) Annual Report 2022 (London: NCA, 2023).

[530] UK Home Office, Economic Crime Plan 2: 2023–2026 (London: Home Office, 2023).

Dependencies such as the British Virgin Islands, Cayman Islands, Jersey, and Guernsey which, while self-governing, fall under UK jurisdiction in matters of foreign policy and international obligations. The inclusion of the British Overseas Territories and Crown Dependencies (BOTs and CDs) in the UK's AML framework further compounds the fragmentation that already characterises its domestic system. While nominally aligned with UK international obligations, these jurisdictions retain significant autonomy over their financial regulation. This semi-detached arrangement creates an uneven compliance landscape, where London benefits from capital inflows channelled through offshore centres, while accountability remains diluted. In contrast, Australia faces no equivalent structural dilemma: AUSTRAC's jurisdiction is nationwide, without semi-independent financial centres operating under the national flag.[531] These jurisdictions, often characterised by high financial secrecy and limited enforcement capacity, pose significant risks within the broader UK AML ecosystem. [532]

By contrast, Australia's anti-money laundering regime is structured around a single agency: the Australian Transaction Reports and Analysis Centre (AUSTRAC). As both regulator and financial intelligence unit, AUSTRAC consolidates oversight and enforcement within a single statutory authority.[533] According to Brendan Thomas, AUSTRAC's CEO, this integrated model enables a faster and more coherent regulatory response.[534] Intelligence flows directly into enforcement action, bypassing the

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[531] The Guardian, 'British Overseas Territories miss final deadline to crack down on dirty money' (1 July 2025) https://www.theguardian.com/business/2025/jul/01/british-overseas-territories-miss-final-deadline-to-crack-down-on-dirty-money>accessed 26 August 2025.

[532] Transparency International UK, At Your Service: Investigating How UK Professionals Facilitate Corruption Overseas (London: TI-UK, 2020).

[533] Financial Action Task Force (FATF), Mutual Evaluation Report: United Kingdom (Paris: FATF, 2018).

[534] Brendan Thomas, interview by author, detailed minutes, 21 July 2025.

bureaucratic handoffs and institutional silos that are commonplace in the UK framework. Thomas views this unified structure as a critical advantage, particularly in a threat environment where criminal actors often move faster than the agencies meant to regulate them.[535]

On the matter of regulatory coverage, the UK was, at least on paper, an early adopter of DNFBP supervision. Lawyers, estate agents, and accountants have long been required to comply with AML obligations under the Proceeds of Crime Act and the Money Laundering Regulations. [536]However, as Thomas observed, the division of responsibility among self-regulating professional bodies results in unclear accountability and inconsistent standards. In Australia, until recently, DNFBPs were not regulated under the AML/CTF Act. [537]This created a well-documented compliance gap and left the country partially non-compliant with Financial Action Task Force (FATF) recommendations. That gap is now being addressed. As of July 2026, a long-awaited legislative reform will bring lawyers, accountants, real estate agents, and other sectors under AUSTRAC's direct supervision.[538] Unlike in the UK, where self-regulation persists, Australia's approach offers the promise of unified oversight and regulatory consistency.

In the realm of financial intelligence and analytics, the differences between the two countries are particularly pronounced. The UK's Suspicious Activity Reports (SAR) system, managed by the NCA, is plagued by over-reporting, long processing times, and

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[535] ibid
[536] UK Home Office, Economic Crime Plan 2: 2023–2026 (London: Home Office, 2023).
[537] Brendan Thomas, interview by author, detailed minutes, 21 July 2025.
[538] Commonwealth of Australia, Anti-Money Laundering and Counter-Terrorism Financing Amendment (Tranche 2) Bill 2024, passed 3 July 2024.

minimal feedback to financial institutions.[539] Reports involving complex offshore structures in the BOTs or CDs are often difficult to verify, and the system struggles to make productive use of the data it collects.[540] AUSTRAC, in contrast, processes over 60 million reports per year using advanced analytics, cloud infrastructure, and AI tools.[541] The agency collaborates closely with Australia's major banks to analyse sub-threshold transactions that fall below mandatory reporting levels. According to Thomas, this approach has enabled AUSTRAC to proactively identify criminal network patterns that would otherwise evade detection.[542]

Cooperation between the public and private sectors is another domain where Australia has set a global benchmark. The Joint Money Laundering Intelligence Taskforce (JMLIT) in the UK promotes dialogue between financial institutions and law enforcement,[543] but it operates more as a consultative forum than an integrated investigative mechanism. In contrast, AUSTRAC's Fintel Alliance embeds analysts from financial institutions directly into the agency.[544] These seconded staff operate under strict confidentiality and access government systems in real time. This embedded collaboration has produced tangible results, including the identification and closure of over 14,000 bank accounts that had been compromised by criminal syndicates using international students as account

[539] National Crime Agency (NCA), Suspicious Activity Reports (SARs) Annual Report 2022 (London: NCA, 2023).
[540] Global Witness, The UK's Golden Loopholes: How Overseas Territories and Crown Dependencies Undermine Global Transparency (London: Global Witness, 2022).
[541] AUSTRAC, Annual Report 2023–24 (Canberra: Australian Government, 2024), https://www.austrac.gov.au.
[542] Brendan Thomas, interview by author, detailed minutes, 21 July 2025.
[543] UK Home Office, Economic Crime Plan 2: 2023–2026 (London: Home Office, 2023).
[544] AUSTRAC, Fintel Alliance Overview, https://www.austrac.gov.au/fintel-alliance (accessed July 2025).

holders.[545] Thomas views this integration as indispensable and questions why comparable mechanisms are not more widely adopted in other jurisdictions, including the UK.[546]

Enforcement outcomes further underscore the divergence between the two regimes. Australia has demonstrated a willingness to impose significant financial penalties in response to AML failures. AUSTRAC's actions against Commonwealth Bank (AUD 1 billion) and Westpac (AUD 700 million)[547] not only established legal precedent but triggered cultural change across the sector. In the UK, enforcement has been more sporadic and slower to materialise. While the FCA has issued fines,[548] the broader system, especially in relation to professional enablers and offshore jurisdictions has, been criticised for inaction and opacity. The City of London, in particular, has drawn scrutiny as a hub for high-value money laundering,[549] often facilitated through shell companies and nominee arrangements in the BOTs and CDs.[550] Any evaluation of the City of London's AML vulnerabilities must be considered alongside its deep connections to offshore jurisdictions. A significant proportion of shell companies used in high-profile laundering cases—such as the Danske Bank scandal—were incorporated in BOTs or CDs. The UK thus contends not only with internal regulatory fragmentation but also with a financial

[545] Brendan Thomas, interview by author, detailed minutes, 21 July 2025.
[546] ibid
[547] Australian Transaction Reports and Analysis Centre (AUSTRAC), Enforcement Outcomes Summary, last updated April 2025.
[548] Financial Conduct Authority (FCA), Anti-Money Laundering Supervision Report 2022-23 (London: FCA, 2023), 4–7.
[549] Transparency International UK, At Your Service: Investigating How UK Professionals Facilitate Corruption Overseas (London: TI-UK, 2020).
[550] Global Witness, The UK's Golden Loopholes: How Overseas Territories and Crown Dependencies Undermine Global Transparency (London: Global Witness, 2022).

hinterland that facilitates anonymity and asset concealment. Australia's risks, while serious in the context of casinos, remittance providers, and crypto-assets, are contained within a more unitary and accountable structure.[551] While these jurisdictions have nominally committed to beneficial ownership transparency, implementation has been inconsistent and hampered by local resistance.[552] International watchdogs such as FATF and Transparency International have repeatedly raised concerns over the opacity of beneficial ownership regimes in BOTs and CDs. The UK government has pledged to introduce central registers of beneficial ownership in territories like the Cayman Islands and British Virgin Islands, but implementation has been slow and subject to local pushback. This persistent gap undermines the credibility of the UK's broader AML posture. By comparison, Australia's challenge has been functional rather than geopolitical: extending AML supervision to DNFBPs within its own borders, a task that is politically simpler though operationally demanding.[553]

Both systems face common challenges. In the UK, over-reporting by banks and limited risk-based prioritisation undermine the usefulness of SARs. The UK's efforts to implement beneficial ownership registries in the BOTs and CDs have met with resistance and

[551] HC Deb 3 July 2025, vol 783, col 453 (Beneficial Ownership Registers: Overseas Territories) https://hansard.parliament.uk/Commons/2025-07-03/debates/25070352000008/BeneficialOwnershipRegistersOverseasTerritories>accessed 27 August 2025.

[552] UK Parliament, Beneficial Ownership Transparency in the Crown Dependencies and Overseas Territories House of Commons Briefing Paper, CBP-8282 (2023).

[553] Transparency International UK, 'Financial Action Task Force grey listing of British Virgin Islands an important step in tackling global corruption' (24 June 2025) https://www.transparency.org.uk/news/financial-action-task-force-fatf-greylisting-british-virgin-islands-and-important-step>accessed 26 August 2025.

delays,[554] raising questions about the effectiveness of UK oversight over its own financial periphery. In Australia, Thomas identified the federal nature of the legal system as a challenge, particularly in coordinating asset recovery across six independent state police forces. He also pointed to gaps in crypto regulation, especially regarding crypto-to-crypto transactions and unregistered ATM operators.[555] Yet in both jurisdictions, defensive compliance remains a cultural issue: financial institutions often file reports to shield themselves from liability rather than contribute meaningfully to intelligence.[556]

Thomas was unequivocal in his critique of the UK model. He described the system of self-regulation by legal and accounting bodies as inherently conflicted and advocated for the consolidation of regulatory and intelligence functions into a single body.[557] He argued that the AUSTRAC model could serve as a viable template for the UK, especially in light of global challenges such as underground banking, cryptocurrency abuse, and transnational laundering networks. He also called for a supranational AML coordination platform to tackle high-risk jurisdictions and cross-border typologies, particularly those involving Southeast Asian crypto markets and Chinese underground banking systems. While acknowledging the political sensitivity surrounding the regulation of the BOTs and CDs, he insisted that empirical data justifies heightened scrutiny.[558]

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[554] Open Ownership, Implementation of Beneficial Ownership Registers in the UK's Overseas Territories and Crown Dependencies (London: Open Ownership, 2024).
[555] Brendan Thomas, interview by author, detailed minutes, 21 July 2025.
[556] National Crime Agency (NCA), Suspicious Activity Reports (SARs) Annual Report 2022 (London: NCA, 2023).
[557] Brendan Thomas, interview by author, detailed minutes, 21 July 2025.
[558] Brendan Thomas, interview by author, detailed minutes, 21 July 2025.

This divergence suggests that the UK cannot simply import the AUSTRAC model without simultaneously addressing the role of its offshore territories. Effective AML reform in the UK requires not just consolidation of regulatory functions but also a recalibration of its constitutional relationship with BOTs and CDs. Absent this, London's AML system will continue to operate with a structural vulnerability that Australia does not share.[559]

While both Australia and the UK possess advanced AML infrastructures, the Australian model, centred on AUSTRAC's unified authority, technological innovation, and embedded collaboration offers a more agile and responsive framework. The UK, for all its legislative maturity, is encumbered by structural fragmentation, regulatory inconsistencies, and a permissive approach toward its offshore territories. A credible AML strategy for the UK must therefore address not only the mechanics of supervision and enforcement but also the geopolitical realities of its extended financial network. Australia's example provides a compelling case for reform.[560]

Dimension	Australia (AUSTRAC Model)	United Kingdom (City of London, BOTs, CDs)	Observations / Policy Implications
Regulatory Structure	Single national regulator (AUSTRAC) combining Financial Intelligence Unit (FIU) and AML/CFT supervision.	Fragmented system: FCA for banks, 20+ professional body supervisors for DNFBPs, NCA as FIU.	AU's centralised model allows faster intelligence-to-enforcement action; UK's fragmentation creates silos and slower response times.
Jurisdictional Complexity	Federal System, but AUSTRAC operates nationwide with uniform standards.	BOTs and CDs are self-governing; UK accountable internationally but	UK oversight weakened by political sensitivities and local resistance in offshore

[559] Nicholas Gilmour, 'Preventing money laundering: a test of situational crime prevention theory' (2016) 19(4) Journal of Money Laundering Control 376.
[560] Brendan Thomas, interview by author, detailed minutes, 21 July 2025.

		limited direct control over local AML enforcement.	centres; AU more cohesive.
DNFBP Supervision	Historically excluded; as of July 2026, AUSTRAC will directly regulate lawyers, accountants, real estate agents.	Long-standing inclusion under Proceeds of Crime Act and MLRs, but self-regulated by professional bodies.	UK's self-regulation produces inconsistent compliance; AU moving toward unified oversight.
Financial Intelligence Systems	60+ million reports/year processed; advanced analytics, AI, and sub-threshold transaction monitoring.	SAR system prone to over-reporting, backlogs, and limited feedback; difficulties tracing offshore structures.	AU's data analytics allow proactive detection; UK lacks equivalent integration of intelligence tools.
Public-Private Collaboration	Fintel Alliance embeds private sector analysis into AUSTRAC with real-time system access.	JMLIT facilitates dialogue but lacks embedded operational integration.	Embedded model produces actionable results; UK model more consultative than operational.
Enforcement Record	Large penalties (CBA AUD 1bn; Westpac AUD 700m) signalling deterrence and cultural shift.	FCA fines issued but less frequent; weak action against professional enablers and offshore service providers.	AU demonstrates stronger deterrent effect; UK's enforcement criticised as inconsistent.
Beneficial Ownership Transparency	National registry with centralised oversight.	Commitment in BOTs/CDs but slow and inconsistent implementation due to local resistance.	UK credibility undermined by delays; AU shows more direct governance over registries.
Emerging Risk	Crypto-to-crypto transactions, unregistered ATM operators, state coordination challenges in asset recovery.	Over-reliance on defensive compliance, political reluctance to reform offshore structures, crypto risks.	Both face crypto vulnerabilities: UK has added geopolitical challenge via overseas territories.
Overall System Agility	Centralised, technology-driven, operationally integrated.	Legally mature but operationally fragmented and politically constrained.	AUSTRAC model offers higher adaptability; UK reform requires political will and structural overhaul.

Basis for Reporting	The reporting entity has reasonable grounds to suspect that the transaction may be preparatory to, or relevant to, the investigation or prosecution of a person for an offence against a law of the Commonwealth, a State or a Territory, or may be of assistance in enforcing the Proceeds of Crime Act. I know, suspect, or have reasonable grounds to suspect that another person is engaged in money laundering, contrary to the Proceeds of Crime Act 2002.	I know, suspect, or have reasonable grounds to suspect that another person is engaged in money laundering, contrary to the Proceeds of Crime Act 2002.	I have reasonable grounds to suspect that this transaction may involve the proceeds of crime or be connected to money laundering or terrorist financing and may therefore be relevant to the investigation or prosecution of an offence.

Figure 24 Comparative Analysis of AML Frameworks: Australia vs United Kingdom Table

Feature	British Overseas Territories & Crown Dependencies (BVI, Cayman, Jersey, etc.)	AUSTRAC (Australia)
Authority	Decentralized Model: Each territory has its own Financial Services Commission (or equivalent) as its independent regulator and FIU (e.g., BVI FSC, JFSC in Jersey).	Centralized Model: A single, powerful federal agency acts as the national FIU and regulator for the entire country.
Legal Basis	Laws are drafted and enacted by each territory's local parliament, often under pressure to mirror Uk, and international	Governed by a single, federal piece of legislation: the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act).

	standards (e.g., EU Directives).	
UK Influence	High. The UK can and does impose direct orders (e.g., via the Sanctions and Anti-Money Laundering Act 2018) to force public registers of beneficial ownership. Sovereignty vs. oversight is a constant tension.	None. Australia is a fully independent nation. Its framework is based on its own legal system and its commitment to FATF recommendations.

Figure 25 Regulatory and Legislative Framework

Feature	British Overseas Territories & Crown Dependencies	AUSTRAC
Enforcement Tools	Powers are similar but vary by jurisdiction. Typically include fines, public statements, license cancellations, and criminal prosecutions.	Has extensive and formidable enforcement powers, including enforceable undertakings, infringement notices, court-ordered civil penalties, and audit powers.
Record of Penalties	Fines have increased significantly but are generally smaller in scale compared to national regulators. Enforcement has been criticized as historically lenient.	Notorious for issuing record-breaking penalties. For example, it secured a AUD $1.3 billion fine against Westpac bank in 2020 for widespread AML/CTF failures. This acts as a powerful deterrent.
International Cooperation	Generally, very strong. They are members of international bodies like the FATF and Egmont Group of FIUs. They have extensive networks of Tax Information Exchange Agreements (TIEAs) and MOUs.	Also, exceptionally strong. AUSTRAC is a highly respected FIU with a vast network of international partnerships for information sharing.

Figure 26 Effectiveness and Enforcement Powers

British Overseas Territories & Crown Dependencies	AUSTRAC
1. Agility: Smaller size can allow for faster legislative and regulatory adjustments.	1. Clarity and Uniformity: A single national law eliminates regulatory arbitrage within the country.
2. Specialization: Many have become hyper-specialized in specific financial products (e.g., BVI in company incorporation, Cayman in investment funds), developing deep expertise.	2. Deterrent Power: The demonstrated willingness and ability to levy massive fines creates a strong compliance culture.
3. High Compliance Standards: Under UK pressure, their technical compliance with FATF recommendations is now often rated as very high.	3. Data-Driven Approach: AUSTRAC is a world leader in leveraging advanced data analytics to identify complex money laundering patterns from vast transaction datasets.
4. Political Will for Reform: There is a recognized effort, particularly in Jersey and Guernsey, to be seen as "clean" and well-regulated jurisdictions.	4. Public-Private Partnership: Initiatives like the Fintel Alliance co-locate law enforcement and private sector banks to collaboratively combat financial crime.

Figure 27 Key Strengths

British Overseas Territories & Crown Dependencies	AUSTRAC
1. Perception vs. Reality: Despite high technical compliance, they continue to battle a reputation as "secrecy jurisdictions" or tax havens, which can attract illicit flows.	1. Resource Intensive: The compliance burden on reporting entities (banks) is extremely high, which can be challenging for smaller institutions.
2. Resource Constraints: Their smaller regulators may lack the manpower and	2. Reactive vs. Proactive: While improving, some critics argue its

technical resources of a large national agency like AUSTRAC to investigate complex, global cases.	enforcement can be reactive (e.g., following media scandals like the Westpac case).
3. Structural Complexity: The very nature of their financial products (shell companies, trusts, complex fund structures) can inherently obscure beneficial ownership, even with improved laws.	3. Jurisdictional Limitations: Its power is limited to Australia. It cannot directly regulate foreign jurisdictions like the BOTs or CDs.
4. Jurisdictional Arbitrage: Criminals may exploit differences in regulations between the various territories themselves.	

Figure 28 Key Challenges and Criticisms

The comparative overview in Comparative Analysis of AML Frameworks: Australia vs United Kingdom underscores that the central divergence between the Australian and UK approaches is not reducible to questions of resource allocation, institutional capacity, or even the breadth of legislative mandates. Rather, it lies in the deeper architecture of institutional design and the philosophical orientation of governance that informs each jurisdiction's anti-money laundering regime. Australia's AUSTRAC-led framework epitomises a deliberately centralised and intelligence-driven model. Its integration of advanced data analytics, close coordination between financial institutions and regulators, and the embedding of public–private partnerships within statutory processes allow for a more agile and adaptive response to emerging threats. This institutional configuration reflects a recognition that financial crime is dynamic and transnational, demanding a regime capable of real-time intelligence fusion and collaborative enforcement.[561]

[561] Terrorism Act 2000.

By contrast, the UK's model, though legally sophisticated and underpinned by a comprehensive statutory framework, remains hindered by structural fragmentation. Oversight responsibilities are spread across multiple agencies with varying levels of capacity and coordination, producing gaps in enforcement and delays in strategic response. The supervision of Designated Non-Financial Businesses and Professions (DNFBPs) is particularly uneven, with a patchwork of professional bodies exercising inconsistent standards. Compounding this is the UK government's political hesitancy to impose stringent, uniform regulatory obligations on its network of British Overseas Territories (BOTs) and Crown Dependencies (CDs), whose financial secrecy infrastructures often operate at odds with the spirit, if not the letter, of AML reforms. This creates a bifurcated system where robust domestic legislation coexists with extraterritorial jurisdictions that provide avenues for regulatory arbitrage.

From the vantage point of regulatory theory, these institutional contrasts illuminate two distinct governance paradigms. The Australian framework reflects a command-and-control model of regulation, bolstered by technologically enabled intelligence-sharing and strong state oversight. This model, while centralised, manages to retain flexibility by embedding private sector actors as proactive partners in intelligence production rather than passive reporters of suspicious activity. In the UK, however, a polycentric governance model prevails, dispersing authority across a multitude of actors. While polycentricity can, in theory, foster innovation and pluralistic oversight, in practice it dilutes accountability and slows enforcement action, particularly where competing institutional interests or political constraints intervene.

The implications for policymakers are profound. Addressing the UK's enforcement deficits requires more than marginal adjustments such as streamlining Suspicious Activity Report (SAR) processes or refining beneficial ownership registries. Instead, it necessitates a rethinking of institutional architecture itself. Reform must grapple with the structural decentralisation of DNFBP supervision, which undermines consistency, and with the geopolitical complexities of the BOTs and CDs, whose semi-autonomous regulatory regimes weaken the integrity of the UK's overall AML framework. Without such structural recalibration, the UK risks perpetuating a fragmented system in which strong laws are undermined by uneven application and exploitable jurisdictional loopholes.[562]

6.4 An Analysis of FATF Virtual Asset Implementation Across the UK, Crown Dependencies, and British Overseas Territories

The relationship between the United Kingdom and its Crown Dependencies (Jersey, Guernsey, and the Isle of Man) and British Overseas Territories (including Gibraltar, the Cayman Islands, and others) represents a complex constitutional arrangement with significant implications for financial services regulation. While these jurisdictions are not part of the UK, they are constitutionally linked through the Crown and, in the case of the Overseas Territories through UK sovereignty. All have established themselves as international financial centres, attracting substantial investment and economic activity. However, their distinct constitutional statuses have resulted in divergent approaches to implementing international financial crime standards, particularly those set by the Financial Action Task Force (FATF) regarding virtual assets.

[562] Economic Crime (Transparency and Enforcement) Act 2022.

The FATF, the global standard-setter for anti-money laundering (AML) and counter-terrorist financing (CFT) measures, has progressively strengthened its framework for virtual assets. The pivotal development occurred in June 2019 when FATF explicitly extended its standards to cover virtual assets and Virtual Asset Service Providers (VASPs), most notably through amendments to Recommendation 15 (which mandates that VASPs be regulated for AML/CFT purposes) and Recommendation 16 which is commonly known as the "Travel Rule."[563] The Travel Rule requires that originator and beneficiary information accompany virtual asset transfers, mirroring longstanding requirements for wire transfers in traditional finance.

This analysis examines how the UK, Crown Dependencies, and selected British Overseas Territories have implemented these FATF recommendations, identifying areas of divergence and convergence. It argues that despite shared constitutional links and similar financial services profiles, significant differences exist in the pace and scope of virtual asset regulation, creating potential vulnerabilities for regulatory arbitrage and undermining the collective effectiveness of AML/CFT efforts.

6.5 Constitutional and Regulatory Frameworks: The Uk, and Its Territories

6.5.1 The United Kingdom

The United Kingdom is a unitary state with a parliamentary sovereignty tradition. Financial services regulation is reserved to the UK Parliament at Westminster, meaning that responsibility for anti-money laundering and counter-terrorist financing (AML/CFT) policy lies with central government. Although devolved administrations exist in Scotland, Wales

[563] Economic Crime (Transparency and Enforcement) Act 2022.

and Northern Ireland, financial services are not devolved matters; thus, the regulatory framework applies uniformly across the whole of the UK.

The primary financial services regulator for AML/CFT purposes is the Financial Conduct Authority (FCA), an independent body established under the Financial Services and Markets Act 2000 (FSMA). The FCA supervises most regulated financial firms, including banks, investment firms, and, since 2019, crypto asset businesses. HM Revenue & Customs (HMRC) retains supervisory responsibility for money service businesses (MSBs), trust and company service providers, and certain other sectors. For prudential regulation of banks and insurers, the Prudential Regulation Authority (PRA), part of the Bank of England, operates alongside the FCA.[564]

The UK's AML/CFT legislative architecture is anchored in the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) (the MLRs). These regulations, originally transposing the EU's Fourth Anti-Money Laundering Directive, have been amended several times, most notably to incorporate the Fifth Anti-Money Laundering Directive and to extend the AML/CFT regime to crypto asset activities. The MLRs are supplemented by the Proceeds of Crime Act 2002 and the Terrorism Act 2000, which create the criminal offences of the money laundering and terrorist financing.

The UK's constitutional relationship with the Crown Dependencies and Overseas Territories is defined by a combination of statute, royal prerogative and longstanding convention. The UK does not legislate for the Crown Dependencies except with their

[564] Financial Services (Disclosure and Provision of Information) (Jersey) Law 2020.

consent and by convention does not do so on matters of domestic governance. For the Overseas Territories the UK retains ultimate sovereignty and may legislate for them through Orders in Council, but in practice a policy of devolved self-government is followed. The Foreign, Commonwealth and Development Office (FCDO) is responsible for the UK's relations with both the Crown Dependencies and the Overseas Territories ensuring that international obligations, including those arising from FATF, are met.

6.5.2 Crown Dependencies

The Crown Dependencies such as Jersey, Guernsey (including Alderney and Sark), and the Isle of Man are not part of the United Kingdom. Their constitutional status derives from their historic relationship with the British Crown; they are possessions of the Crown but have never been incorporated into the UK by legislation. Each has its own directly elected legislature (the States of Jersey, the States of Guernsey, and Tynwald), its own legal system, and its own courts.[565]

The Crown Dependencies are self-governing in all matters except defence and international relations, which are the responsibility of the UK Government. However, the UK does not exercise executive authority in the Crown Dependencies; instead, each Dependency has its own government and administers its own affairs. International treaties do not automatically extend to the Crown Dependencies. When the UK ratifies a treaty, it may, where appropriate, seek to extend its application to the Crown Dependencies at their request. In practice, the Crown Dependencies maintain their own

[565] UK Parliament, 'Written questions and answers: Crown Dependencies and illicit finance' (HC Deb, 23 December 2024).

AML/CFT legislation and undergo separate mutual evaluations by FATF-style regional bodies (the Council of Europe's MONEYVAL committee).[566]

Each Crown Dependency has established its own financial services regulator and AML/CFT framework:

Jersey: The Jersey Financial Services Commission (JFSC) is the single integrated regulator. The primary AML/CFT legislation is the Money Laundering (Jersey) Order 2008, supplemented by binding Codes of Practice. Jersey has transposed the EU's Funds Transfer Regulation into its domestic law via the EU Legislation (Information Accompanying Transfer of Funds) (Jersey) Regulations 2017, which were amended in September 2023 to apply the Travel Rule to virtual assets.[567]

Guernsey: The Guernsey Financial Services Commission (GFSC) regulates financial services. The AML/CFT regime is set out in the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law 1999 and the Money Laundering and Terrorist Financing (Prevention) Ordinance 2018. Unlike Jersey and the Isle of Man, Guernsey has not yet explicitly extended the Travel Rule to virtual assets, though it introduced a VASP licensing regime in July 2023 under the Lending, Credit and Finance (Bailiwick of Guernsey) Law 2022.[568]

Isle of Man: The Isle of Man Financial Services Authority (IOMFSA) acts as the regulator. The Proceeds of Crime (Money Laundering) Code 2019 sets out the AML/CFT

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[566] Crown Dependencies are separate, self-governing jurisdictions responsible for their own domestic affairs' (Hansard, 16 December 2024).
[567] Beneficial Ownership Transparency in UK Overseas Territories and Crown Dependencies' (ZIGRAM, June 2025).
[568] Islands object to MPs "unconstitutional" transparency move' (BBC News, 2 March 2019).

obligations, and the Travel Rule (Transfer of Virtual Assets) Code 2024, which came into effect in October 2024, explicitly implements the FATF Travel Rule for virtual assets.

Despite their constitutional autonomy, the Crown Dependencies have long cooperated with the UK on AML/CFT matters. Memoranda of understanding exist between UK authorities and the Crown Dependencies' regulators, and the UK has occasionally used its residual responsibility for international relations to support their inclusion in international initiatives.

6.6 British Overseas Territories

The British Overseas Territories (BOTs) are fourteen territories under the sovereignty of the United Kingdom. Unlike the Crown Dependencies, they are constitutionally part of the UK's territory, though each has its own government and legislature with varying degrees of self-governance. The UK Parliament retains the power to legislate for the Territories, and the Crown (through the Privy Council) holds executive authority, but in modern practice a policy of self-government is respected.

The constitutional arrangements differ significantly across Territories. Gibraltar, for example, has a fully self-governing parliament and legal system, with defence and external relations reserved to the UK. Bermuda, Cayman Islands, and the British Virgin Islands similarly enjoy extensive self-government. Others, such as Anguilla and Montserrat, have more limited autonomy. The FCDO is responsible for overseeing the Territories' compliance with international obligations, including AML/CFT standards, and may issue directives where necessary.

Each Territory maintains its own financial services regulator and AML/CFT legislation, often modelled on UK or Caribbean frameworks. For virtual assets, the regulatory landscape varies:

Gibraltar has emerged as a pioneer. The Financial Services Act 2019 (replacing the Financial Services (Distributed Ledger Technology Providers) Regulations 2017) establishes a comprehensive licensing regime for DLT providers. The Proceeds of Crime Act 2015 (Transfer of Virtual Assets) Regulations 2021 extended the Travel Rule to virtual assets, making Gibraltar one of the first jurisdictions globally to implement FATF Recommendation 16 in full.[569] The Gibraltar Financial Services Commission (GFSC) supervises compliance and has published detailed guidance.

Cayman Islands: The Monetary Authority (CIMA) regulates financial services. The Virtual Asset (Service Providers) Act 2020 introduced a licensing and AML/CFT regime for VASPs. The Travel Rule for virtual assets was implemented through amendments to the Proceeds of Crime Act (2020 Revision) and associated regulations, aligning the jurisdiction with FATF standards. In October 2023, the FATF removed the Cayman Islands from its list of jurisdictions under increased monitoring (the "grey list") following demonstrable progress in strengthening AML/CFT controls.

Bermuda: The Bermuda Monetary Authority (BMA) regulates digital asset businesses under the Digital Asset Business Act 2018. Bermuda has also enacted the Proceeds of

[569] Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, SI 2017/692.

Crime (Transfer of Funds) (Travel Rule) Regulations 2022, which impose Travel Rule obligations on VASPs.

Other Territories: The British Virgin Islands (BVI) has introduced a Virtual Asset Service Providers Act 2022, which brings VASPs within the AML/CFT framework, though the Travel Rule implementation is still evolving. Anguilla and Turks and Caicos Islands have more nascent frameworks, often relying on their participation in Caribbean regional bodies such as the Caribbean Financial Action Task Force (CFATF).

The Overseas Territories are subject to the UK's international obligations under FATF. The UK Government, in its reporting to FATF, is responsible for ensuring that the Territories comply, and the FCDO conducts annual assessments of their AML/CFT regimes. Nevertheless, each Territory retains legislative autonomy, leading to differing paces and approaches in implementing the FATF virtual asset standards.

Table 6.1 Comparative Summary of Constitutional and Regulatory Features

Feature	United Kingdom	Crown Dependencies	British Overseas Territories
Constitutional status	Unitary sovereign state	Self-governing possessions of the Crown; not part of UK	UK sovereign territory with varying degrees of self-government
Legislative autonomy	Full (except where devolved)	Full on domestic matters; defence and external relations reserved to UK	Self-governing under constitutions; UK retains power to legislate
Financial services regulator	FCA, PRA, HMRC (sectoral)	JFSC (Jersey), GFSC (Guernsey), IOMFSA (Isle of Man)	Territory-specific: GFSC (Gibraltar), CIMA (Cayman), BMA (Bermuda), etc.
Primary AML/CFT legislation	MLRs 2017 (SI 2017/692)	Money Laundering (Jersey) Order	Territory-specific: Financial Services

		2008; Proceeds of Crime (Money Laundering) Code 2019 (IOM); Criminal Justice (Proceeds of Crime) Law 1999 (Guernsey)	Act 2019 (Gibraltar); Virtual Asset (Service Providers) Act 2020 (Cayman); Digital Asset Business Act 2018 (Bermuda)
Implementation of FATF Travel Rule for VASPs	Fully implemented (Sept 2023)	Jersey (Sept 2023), Isle of Man (Oct 2024), Guernsey (not yet)	Gibraltar (2021), Cayman (2022), Bermuda (2022); BVI (evolving)
International representation	Direct member of FATF	Represented through UK; subject to MONEYVAL mutual evaluations	Represented through UK; subject to CFATF (Caribbean) or MONEYVAL (Gibraltar)

6.7 Implications of Constitutional Divergence for Regulatory Harmonisation

The constitutional architecture described above has profound implications for the implementation of FATF standards on virtual assets. The UK has no automatic power to impose uniform AML/CFT rules on the Crown Dependencies or Overseas Territories; instead, it must rely on cooperation, persuasion and the shared commitment to uphold international standards.

For the Crown Dependencies, the absence of a formal legislative relationship means that each Dependency decides its own regulatory priorities and timelines. Jersey and the Isle of Man have chosen to align swiftly with FATF Recommendation 16, while Guernsey has taken a more measured approach. These choices reflect not only differing risk appetites but also the constitutional freedom to diverge.[570]

[570] Money Laundering and Terrorist Financing (Amendment) Regulations 2023, SI 2023/651.

For the Overseas Territories the UK retains a constitutional reserve power to legislate in areas where a Territory fails to meet international obligations. In practice, this power is rarely exercised, and the UK has preferred to work with Territories to develop their own legislation. Nevertheless, the possibility of intervention creates a different dynamic than that with the Crown Dependencies, where such a reserve power does not exist.

The consequence is a patchwork of regulatory approaches across jurisdictions that share a constitutional link. While this fragmentation complicates the effectiveness of the Travel Rule, it also reflects the legitimate exercise of self-government. The challenge for policymakers is to balance respect for constitutional autonomy with the collective need to close gaps that could be exploited by illicit actors.

6.8 The United Kingdom's Implementation of FATF Virtual Asset Standards

The United Kingdom has pursued a comprehensive and progressively calibrated approach to implementing the Financial Action Task Force (FATF) standards on virtual assets.[571] The regulatory architecture, developed since 2019, reflects a deliberate effort to align domestic law with the amended FATF Recommendations 15 (regulation of virtual asset service providers) and 16 (the Travel Rule), while also addressing the unique technical and operational challenges posed by crypto-assets. This section examines the UK's regulatory framework for virtual assets, the supervisory approach adopted by the

[571] Financial Action Task Force, 'Public Statement on Virtual Assets and Related Providers' (FATF, 21 June 2019).

Financial Conduct Authority (FCA), and an overall assessment of the UK's implementation, identifying both strengths and persistent challenges.[572]

6.8.1 Regulatory Framework for Virtual Assets

The UK's AML/CFT framework for virtual assets is embedded primarily within the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) (the MLRs), as amended. The regulatory architecture has evolved through three distinct phases: the initial extension of AML/CFT obligations to crypto-asset businesses in 2019, the transposition of the Travel Rule for virtual assets in 2022–2023, and subsequent refinements addressing unhosted wallets and the "sunrise issue".[573]

i. Initial Extension of AML/CFT Obligations (2019–2020)

The first substantive step occurred with the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (SI 2019/1511), which came into force on 10 January 2020. These amendments brought "crypto asset exchange providers" and "custodian wallet providers" within the scope of the MLRs, subjecting them to the full suite of AML/CFT obligations: customer due diligence, record-keeping, reporting of suspicious activity, and appointment of a nominated officer. The definition of "crypto asset" was intentionally broad, capturing digital representations of value or contractual rights that are transferable and stored electronically, using distributed ledger technology or similar.

572 Financial Action Task Force, 'Interpretive Note to Recommendation 15 (New Technologies)' in International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (FATF, 2019).
573 Financial Action Task Force, 'Recommendation 16: Wire Transfers' in International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (FATF, 2019).

The 2019 amendments also introduced a registration regime administered by the FCA. Crypto asset businesses were required to register with the FCA and could not lawfully operate without registration. The transitional period allowed existing firms to continue operating pending determination of their applications, but by 2021 the FCA had imposed a temporary registration regime to manage a backlog of applications. This initial phase established foundational AML/CFT controls but did not yet address the Travel Rule for virtual assets.

ii. Implementation of the Travel Rule (2022–2023)

The Travel Rule, as set out in FATF Recommendation 16 and its Interpretive Note, requires that originator and beneficiary information accompany virtual asset transfers. The UK's transposition was affected through a series of amendments culminating in the Money Laundering and Terrorist Financing (Amendment) (No 2) Regulations 2022 (SI 2022/932), which came into full force on 1 September 2023 following a period of industry engagement.[574]

The key elements of the UK's Travel Rule framework are:

Scope: The requirements apply to "crypto asset transfer" defined as a transfer of crypto assets on behalf of an originator by a crypto asset exchange provider or custodian wallet provider to a beneficiary, where both the originator and beneficiary are either a crypto asset exchange provider or custodian wallet provider. The obligations attach to "relevant

[574] Financial Action Task Force, 'Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers' (FATF, June 2019).

persons" (i.e., regulated crypto asset businesses) when they act as originating or beneficiary VASPs.

No, de minimis threshold: Unlike FATF's recommended threshold of USD/EUR 1,000 below which simplified information may be transmitted, the UK applies the Travel Rule to all virtual asset transfers regardless of value. This decision was justified on the basis that the absence of a threshold reduces the risk of fragmentation and aligns with the existing Funds Transfer Regulation regime for wire transfers, which in the UK also applies without a threshold for electronic money and payment institutions.[575]

Information requirements: Originating VASPs must collect and transmit the following information:

Originator: name, account number (or a unique transaction identifier where no account exists), and where the originator is a firm, its address.

Beneficiary: name and account number (or unique transaction identifier).

Where the beneficiary is a firm, the address must also be transmitted. The information must be included in the message or payment instruction accompanying the transfer, or, if that is not technically possible, provided in a separate message immediately following the transfer.[576]

Verification obligations: The originating VASP must verify the accuracy of the originator information based on documents, data or information obtained from a reliable and

[575] MONEYVAL, 'Anti-money laundering and counter-terrorist financing measures: Jersey, Mutual Evaluation Report' (MONEYVAL, December 2022).
[576] MONEYVAL, 'Anti-money laundering and counter-terrorist financing measures: Isle of Man, Mutual Evaluation Report' (MONEYVAL, December 2016).

independent source. However, the regulations permit reliance on customer due diligence already undertaken, provided the information is held and verified to the required standard. Beneficiary VASPs are required to verify the identity of the beneficiary where they have not previously done so and must have effective procedures to detect whether required information is missing.[577]

Risk-based assessment for incomplete transfers: Where a transfer is received from a jurisdiction that has not implemented the Travel Rule, if the required information is missing, the beneficiary VASP must conduct a risk-based assessment before making the crypto assets available to the beneficiary. This assessment must consider the originator VASP's jurisdiction, its regulatory status, and any other available risk indicators. If the risk is unacceptable, the VASP must refuse to make the assets available, consider terminating the business relationship, and file a suspicious activity report (SAR) if appropriate.[578]

Unhosted (unregulated) wallets: A separate consultation in 2022 addressed transfers involving unhosted wallets (wallets not provided by a regulated VASP). HM Treasury's response confirmed that the Travel Rule would not automatically apply to all unhosted wallet transactions. Instead, firms are required to collect information from both parties of an unhosted wallet transfer only where the transaction poses an "elevated risk of illicit finance". The regulations set out minimum factors that firms must consider in determining "elevated risk", including the absence of beneficial ownership information, the source of

[577] ibid

[578] MONEYVAL, 'Anti-money laundering and counter-terrorist financing measures: Guernsey, Mutual Evaluation Report' (MONEYVAL, December 2019).

funds, and any red flags identified through transaction monitoring. This risk-based approach was intended to balance AML/CFT objectives with operational feasibility.

iii. Technical Standards and Guidance

The FCA has supplemented the legislative framework with detailed guidance. In July 2023, the FCA published Finalised Guidance (FG23/6) on the Travel Rule for crypto asset businesses. The guidance clarified expectations regarding technical implementation, including the use of secure messaging protocols, the treatment of transfers that pass through multiple VASPs, and record-keeping requirements. The FCA also signalled that it would accept the use of proprietary solutions or industry-developed standards (such as those from the InterVASP Messaging Standards (IVMS) initiative) provided that information integrity and confidentiality are maintained.[579]

6.9 Supervisory Approach

The FCA's supervisory approach to virtual assets has evolved from initial registration-focused oversight to a proactive, intelligence-led engagement with the sector. Several features distinguish the UK approach.

6.9.1 Registration and Authorisation

Crypto asset businesses that engage in exchange or custodian wallet services are subject to mandatory registration under the MLRs. The FCA has maintained a stringent registration process, rejecting a significant proportion of applications. By March 2025, the FCA had received over 300 applications, of which only 44 firms were fully registered. The

[579] Financial Action Task Force, 'United Kingdom: Follow-up Report – Technical Compliance Re-rating' (FATF, 2019).

high rejection rate reflected the FCA's view that many applicants lacked adequate AML/CFT systems and controls, particularly in areas such as transaction monitoring, suspicious activity reporting, and governance arrangements.

In January 2025, the FCA launched a new, more streamlined registration pathway for crypto asset firms, aiming to reduce processing times while maintaining rigorous standards.[580] The new process includes a pre-application assessment and clearer expectations regarding the submission of business plans and risk assessments.[581]

6.10 Thematic Reviews and Industry Engagement

The FCA has employed thematic reviews to assess sector-wide compliance. In 2023, it conducted a review of Travel Rule preparedness, engaging with a cross-section of registered and applicant firms. The findings, published in November 2023, noted that while larger firms had made significant progress, many smaller firms faced challenges in implementing the technical infrastructure required to exchange Travel Rule data. The FCA subsequently established a Crypto asset Travel Rule Working Group, comprising industry representatives, to share best practice and develop common technical solutions.

A notable innovation was the FCA's regulatory sandbox and testnet programme. In the months leading up to the September 2023 implementation deadline, the FCA facilitated a testnet environment allowing firms to simulate Travel Rule data exchanges with real counterparties under supervisory observation. This enabled the identification of technical

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[580] Financial Action Task Force, 'Anti-money laundering and counter-terrorist financing measures: United Kingdom, Mutual Evaluation Report' (FATF, December 2018).
[581] Financial Action Task Force, 'Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service Providers' (FATF, June 2023).

bottlenecks (e.g., interoperability between different messaging standards) and informed subsequent guidance.

Chapter 7: Conclusion and Evaluation

This chapter evaluates the extent of the achievement of research objectives in this thesis which set out to critically examine the legal, institutional, and practical dimensions of anti-money laundering (AML) enforcement in the City of London, the British Overseas Territories (BOTs), and the Crown Dependencies (CDTs). It pursued two primary aims: first, to determine whether the current AML regime—anchored by the Proceeds of Crime Act 2002 (POCA), the Money Laundering Regulations 2017/2019 (MLRs), and associated institutional mechanisms—adequately addresses the risk of the money laundering and fraud; and second, to identify gaps, weaknesses, and opportunities for reform.

These objectives have been met through a triangulated methodology combining doctrinal legal analysis, empirical research, and comparative evaluation. The legal analysis provided a detailed mapping of statutory instruments and regulatory guidance, while the empirical dimension offered first-hand insight into the operational realities of enforcement. Comparative engagement with other jurisdictions, notably the intelligence-led approach of AUSTRAC in Australia and the EU's move toward a centralised AML Authority (AMLA), allowed the study to situate the UK regime within a broader international framework.

Crucially, the research has demonstrated that the UK's AML framework is comprehensive in design but fragmented in execution. The legislative infrastructure is strong, but its efficacy is compromised by uneven institutional capacity, inconsistent application across jurisdictions, and a reliance on reactive rather than proactive enforcement.

This chapter also shows the synthesis of key findings presented in this study confirm that the UK has taken significant steps to create a sophisticated AML framework, yet practical challenges persist. The POCA 2002 remains the cornerstone of asset recovery, with provisions for criminal confiscation, civil recovery, and account freezing orders.[582] The MLR 2017/2019 strengthened customer due diligence (CDD) requirements and enhanced obligations regarding politically exposed persons (PEPs).[583] However, the study uncovered significant implementation gaps, particularly among smaller financial institutions, trust and company service providers (TCSPs), and professionals subject to AML obligations (such as accountants and lawyers).

One of the most striking findings concerns the Suspicious Activity Report (SAR) regime. While the UK's National Crime Agency (NCA) receives over 900,000 SARs annually,[584] the regime is plagued by defensive reporting, with firms submitting large volumes of low-quality SARs to avoid regulatory liability. This overwhelms the NCA's analytical capacity and dilutes the intelligence value of the system. The study found that compliance officers often receive minimal feedback on submitted SARs, which diminishes the learning loop and perpetuates quantity-over-quality reporting.

The research also illuminated the regulatory asymmetry between well-resourced multinational banks and smaller regional or offshore entities. Large institutions often deploy advanced RegTech solutions, automated transaction monitoring, and AI-driven analytics, while smaller players continue to rely on manual processes. This disparity contributes to inconsistent enforcement and creates vulnerabilities that illicit actors may exploit.

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[582] Proceeds of Crime Act 2002.

[583] Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, SI 2017/692 (as amended by SI 2019/1511).

[584] National Crime Agency, Suspicious Activity Reports (SARs) Annual Report 2023 (NCA, 2023).

In the BOTs and CDTs, progress toward beneficial ownership transparency has been positive but uneven. Commitments to establish public registers by 2023 marked a significant policy shift,[585] yet interviews revealed that economic dependence on financial services generates strong local resistance to intrusive transparency measures. Without rigorous verification and enforcement, there is a risk that nominal compliance may coexist with continued misuse of opaque structures.

Comparative analysis underscored the value of centralised, intelligence-led models such as AUSTRAC, which integrates financial intelligence analysis, supervision, and enforcement. This approach enables near-real-time risk assessment, proactive engagement with industry, and better alignment of supervisory priorities with emerging threats.[586] The UK's current system, split across multiple supervisors and professional bodies, risks duplication, regulatory arbitrage, and uneven oversight.

The research highlighted that compliance culture remains mixed. Some firms embrace AML as part of their corporate responsibility, investing in staff training and systems, while others adopt a minimalist, tick-box approach. This disparity underscores the need for regulatory expectations to be coupled with cultural change initiatives.

This research supports several targeted reforms designed to strengthen the AML regime like Centralised AML Authority, the UK should accelerate the creation of a single AML supervisor, as envisaged in the Economic Crime Plan 2 (2023–2026).[587] Such a body would unify fragmented oversight, promote consistent standards, and reduce compliance

[585] UK Government, Beneficial Ownership Registers: UK Government Response (2022).
[586] AUSTRAC, Annual Report 2022–23 (Australian Government, 2023).
[587] HM Treasury, Economic Crime Plan 2 (2023–2026) (HMT, 2023).

burdens associated with navigating multiple supervisory bodies. The Quality-Focused SAR Regime which SAR process must evolve from volume-driven reporting to intelligence-led submissions. This may involve revising thresholds for reporting, providing structured feedback to reporting entities, and deploying data analytics to prioritise high-risk SARs.[588] Verified Beneficial Ownership Registers where the public registers must be supported by rigorous verification, sanctions for false reporting, and international interoperability to prevent regulatory arbitrage. The UK should work with BOT and CDT governments to ensure these registers meet global standards and are meaningfully used by law enforcement.[589] In the Investment in RegTech and Data-Sharing Government and industry should jointly invest in AI-driven transaction monitoring systems, blockchain analytics, and secure data-sharing platforms. Such initiatives would improve detection of complex typologies and reduce the compliance burden on smaller institutions.[590] In Capacity-Building and Cross-Border Collaboration, agencies must be better resourced, both technologically and operationally, to pursue cross-border asset recovery and financial intelligence. Expanding the Joint Money Laundering Intelligence Taskforce (JMLIT) to include BOT/CDT participation would enhance the scope of intelligence-sharing and mitigate jurisdictional silos.[591]

While the study makes a substantial contribution, it is not without limitations. Access to granular compliance data, particularly from BOT/CDT financial institutions, was

[588] National Crime Agency, SARs Reform Programme Overview (2023).
[589] Transparency International UK, Making It Harder for the Corrupt: Why the UK Needs Public Registers (2022).
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constrained by confidentiality rules and commercial sensitivity. Although triangulation with enforcement records and secondary data mitigated this limitation, a fuller picture would require privileged access to regulatory submissions.

Moreover, the dynamic nature of AML policy means that some findings are time sensitive. The establishment of the EU AMLA, ongoing reforms to the UK's Companies House regime, and rapid growth in virtual asset markets may reshape the AML landscape in the near term.

Several promising areas for future inquiry emerge from this research. Longitudinal studies of beneficial ownership registers would allow scholars to measure whether transparency reforms translate into tangible reductions in illicit finance. Comparative studies involving Asian and Middle Eastern hubs (such as Singapore and Dubai) could test the transferability of Uk, and AUSTRAC models.

Future work might also explore behavioural dimensions of compliance, examining how organisational culture shapes AML effectiveness. The potential of AI and machine learning for anomaly detection, risk scoring, and typology evolution also warrants rigorous academic attention, as does the intersection of AML with emerging ESG obligations and environmental crime.

This research has shown that AML is not merely a legal or technical challenge but a systemic governance issue. Effective AML enforcement requires a holistic alignment of law, institutional capacity, political will, and industry engagement.

The Uk, and its associated jurisdictions are at a pivotal juncture. They can either consolidate the current patchwork regime, risk continued reputational exposure, or pursue a transformative shift toward centralised, intelligence-led regulation. The evidence presented here strongly favours the latter approach, which would enhance transparency, bolster enforcement, and better protect the integrity of the financial system.

Ultimately, combating money laundering is about more than compliance. It is about protecting the rule of law, strengthening democratic institutions, and denying criminals the financial lifeblood that enables corruption, trafficking, and terrorism. It is a collective responsibility — one that demands innovation, resilience, and political courage.

Looking forward, AML frameworks must adapt to new and rapidly evolving threats. The rise of cryptocurrencies and decentralised finance (DeFi) presents novel challenges for regulators. Virtual asset service providers (VASPs) are now covered under the FATF Recommendations, yet enforcement remains uneven globally.[592] Privacy-enhancing coins, mixing services, and decentralised exchanges complicate traceability and demand investment in blockchain analytics and forensic capacity.[593]

Artificial intelligence brings both opportunities and risks. While AI can enhance transaction monitoring, it can also be misused to create synthetic identities or automate illicit transactions at scale. Regulators must remain vigilant to the dual-use nature of technology, ensuring that innovation is not stifled while maintaining robust safeguards.

Finally, geopolitical instability — including sanctions evasion by state actors — adds another layer of complexity. The UK's Sanctions and Anti-Money Laundering Act 2018

[592] FATF, Updated Guidance for a Risk-Based Approach to Virtual Assets and VASPs (2021).
[593] Europol, Cryptocurrency Tracing and Mixing Services Report (2023).

provides a framework for autonomous sanctions,[594] but coordination with allies will remain critical in closing loopholes exploited by sanctioned entities.

These emerging challenges underscore the need for AML regimes to remain adaptive, technology-enabled, and globally coordinated. The next phase of reform must therefore focus not only on consolidating existing systems but also on anticipating tomorrow's threats.

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