



Prevention and Eradication of Money Laundering Crime in Banking

Illa Fatika Syahda¹, Rizki Dwi Putra², Tazkia Suhaila Syafa³, Ester Stevany Putri Sinlae⁴

¹Faculty of Law, Pakuan Bogor University, E-mail: ilaafatikasy@gmail.com

²Faculty of Law, Pakuan Bogor, E-mail: rizkidwi180404@gmail.com

³Faculty of Law, Pakuan Bogor, E-mail: suhailasyf@gmail.com

⁴Faculty of Law, Pakuan Bogor, E-mail: esterstevany29@gmail.com

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ABSTRACT

Preventing and combating money laundering (AML) in the banking sector has become an important focus for governments and financial regulators in many countries. Money laundering has important implications for economic stability and the integrity of the global financial system. This article provides an overview of ML prevention and elimination strategies implemented in the banking sector. The emphasis is on existing policies, regulations and practices designed to identify, monitor and prevent the flow of illicit funds through the banking system. In addition, an effective control framework and cooperation between the government, financial institutions and the private sector are discussed. While the challenges of combating money laundering continue to increase, these joint actions demonstrate a commitment to reducing financial criminal risk and strengthening the integrity of the banking sector. In addition, the use of technology such as data analysis and artificial intelligence is also becoming an important tool for early detection and monitoring of suspicious transactions. Therefore, close cooperation between banks, regulators and law enforcement is essential to create a transparent banking system free from financial crime.

1. Introduction

A bank is a financial institution whose existence depends entirely on the trust of its customers, who trust their money and other services, especially through banks and the wider community. Therefore, banks are very interested in maintaining the trust of the public, savers and other users of banking services. Given that banks are part of the financial and payment system, the general public is interested in the health of the system. Public trust in banking is one of the important elements in the existence of a bank, so maintaining public trust in banking is also in the public interest. The central bank and banking are regulated by Bank Indonesia Law No. 23 of 1999 and Banking Law No. 7 of

1992 as amended by Law No. 10 of 1998. Banks can only withdraw public money directly in the form of deposits and issue debt securities. (Sutedi, 2010).

The role of the Central Bank is very important in the country's banking system. At the macro level, the role of the central bank is very important, because the banking world is the lifeblood of the country's economy, so the role of banking can affect the forward and backward of the country's economy. worried In addition to the macro level, at the micro level, the role of the central bank in minimizing risks in the banking world is very important, which in turn can protect the public, because banks hold public funds (Fuady, 1999).

Previously, only traditional crimes were known such as theft, murder and others that were punished by the Criminal Code (KUHP). But now new crimes such as corruption, drug and psychotropic trafficking, bribery, and terrorism are emerging. For example, corruption crimes, crimes committed by public officials are often referred to as white collar crimes. Crimes that are only committed by people who are imprisoned. Government funds are stolen by corrupt individuals in the amount of billions and even trillions of rupees, an amount that is not small if spent on education, health services, and expansion of employment opportunities (Rachman, 2010). Corruptors, terrorists, and other white-collar workers who have large amounts of money and assets often store the proceeds of their crimes in various financial institutions so that the proceeds of their crimes are not tracked by the security forces. This is done so that assets and money can be used to fulfill life needs in the long term.

The criminal offense or crime that includes finance or money is called money laundering, money laundering is called money laundering in English. The terminology of money laundering has actually not been used for a long time. Adrian Sutedi said that money laundering is the process or act of hiding or covering the origin of money or property obtained through criminal activities, which is then converted into property that seems to come from legitimate activities (Sutedi, 2007). money laundering has become an international phenomenon and challenge. (Government, 2000) All countries in the world agree that money laundering is a crime that must be faced and eradicated. Prosecutors and criminal investigation agencies, businessmen and companies, developing countries and third world countries each have their own definition based on different priorities and perspectives (Sjahdeini, 2003).

Money laundering in the financial system in general and in the banking system in particular carries substantial risks. These risks include operational risk, legal risk, transaction concentration risk and reputational risk. For Indonesian banks, money laundering is a very vulnerable issue because first, the role of banking in the Indonesian financial system is very important, as explained earlier. Therefore, the banking system is the main concern when implementing an anti-money laundering system. Secondly, the high technological development and globalization of banking make banking an easy land for money laundering crimes and is the most effective way to carry out money laundering activities. Criminals can use banks for money laundering because

banking services and products allow money to be moved or transferred from one bank to another bank or financial institution, making it difficult for law enforcement agencies to trace the origin of the money. The involvement of banks in money laundering activities can be realized by storing money for criminal offenses by using a fake name, storing money in the form of deposits/savings/current accounts, exchanging fractions of money from illegal activities, applying for credit with guarantees, money is stored in their respective banks. Use of conveyances; Falsification of documents in collaboration with relevant bank officials; and establishment/use of illegal banks (Raihan, 2015).

The existence of money laundering can be proven by the existence of (serious) crime. Crime and money laundering are like two sides of a coin, always side by side, needing each other and cannot be separated. Money laundering may be as old as the existence of money. In accordance with the principle that money is the blood of crime, criminals can always rise and continue their crimes. Funds obtained from illegal activities can be used to finance and foster crime so that it becomes more developed and organized. The development of crime in terms of organization, mode of operation and scope of operation creates serious problems for society. For example, drug trafficking does not reduce its activities from day to day.

2. Method

The research method used is normative juridical. The normative juridical approach is an approach that refers to the applicable laws and regulations. This approach is also known as the literature approach, namely by studying books, laws and regulations and other documents related to this research. In essence, this approach is also known as the literature approach, namely by studying books, laws and regulations and other documents related to this research.

3. Discussion

3.1. Money Laundering Crime

Money laundering is the process of illegally concealing the origin of money, obtained from illicit activities such as drug trafficking, corruption, embezzlement or gambling, by transforming it into a legitimate source. It is a crime in many jurisdictions with varying definitions. It is usually the main operation of organized crime. The term money laundering has not been used for a long time. The term was first used by newspapers in reporting the Watergate scandal involving President Richard Nixon in 1973 (Yani, 2013).

Money Laundering, according to Sarah N. Welling, begins with the emergence of "dirty money". Money can be considered dirty through two main methods. First, by engaging in tax evasion, which means earning

money legitimately but reporting a lower amount to the government for tax purposes than the amount actually earned. Second, by obtaining money through unlawful activities. Techniques commonly used for this purpose include illegal drug sales or drug trafficking, illegal gambling, bribery, terrorism, smuggling of contraband alcohol, tobacco and pornography, and various types of white collar crime.

With the existence of money laundering, many resources and funds are used for activities that are not legal and can harm the community, besides that many funds are not optimally utilized, for example by making "sterile investments" in the form of expensive property or jewelry. This happens because the money from criminal acts is mainly invested in countries that are perceived.

The handling of money laundering crimes in Indonesia since the enactment of Law Number 15 Year 2002 on the Crime of Money Laundering has shown encouraging developments. This is reflected in the increase in public awareness of the implementation of the Law on the Crime of Money Laundering, including the involvement of financial service providers in carrying out reporting obligations, the role of supervisory and regulatory institutions in the formation of regulations, as well as the contribution of PPATK in conducting analysis and law enforcement to follow up on the results of the analysis to impose criminal sanctions and/or other sanctions that may arise due to different interpretations. The Bank always carries out preventive strategies and steps in order to prevent the risk of money laundering and terrorism financing activities as stipulated in Law No. 8 of 2010 concerning Prevention and Eradication of Money Laundering Crimes, then there is Law No. 9 of 2013 concerning Prevention and Eradication of Terrorism Financing Crimes, then Financial Services Authority (OJK) Regulation No. 8 of 2023 concerning the Implementation of Anti-Money Laundering Programs, Prevention of Terrorism Financing and Prevention of Financing the Proliferation of Weapons of Mass Destruction in the Financial Services Sector, and finally there are other regulations issued by PPATK.

In order for the implementation of anti-money laundering, prevention of financing of terrorism and prevention of financing of proliferation of weapons of mass destruction programs to run effectively, the Bank has established AML, CFT and PPPSPM implementation policies in the Internal Guidelines.

3.2. The Role of Banking in the Prevention and Eradication of TTPU

According to Samsudin, the obligations of banks to customers consist of several aspects, the first of which is the bank's obligation to maintain the financial secrets of depositing customers. One of the obligations arising from the relationship between banks and customers is the bank's obligation to keep confidential all transactions that occur between banks and depositing customers. This form of transaction relationship must be

kept confidential by the bank to any party except in certain cases, namely: In the context of guidance and supervision, in the context of tax interests, in the context of judicial interests in criminal cases, in the context of civil judicial interests between banks and customers, in the context of exchanging information between banks.

Then there is the obligation to secure customer funds The obligation to secure customer funds, in relation to the responsibility of securing customer money, Indonesia actually has PP No. 34 of 1973 concerning money guarantees in banks. In one of the dictums, it is stated that in order to achieve the goal of binding the deposit of funds from the public, it is necessary to hold a money deposit guarantee at the bank. It's just that PP No. 34 of 1973 is not running until now. In accordance with the main function of banking as a collector of public funds, the bank is obliged to receive a certain amount of money from customers for selected banking products, such as savings and deposits, which the bank will then channel into other banking products, for example providing credit. There is also an obligation to report banking activities transparently to the public. The obligation in question is that banks are required to report activities carried out during a certain period of time in the form of a profit and loss balance sheet and financial statements which must be published in the mass media every 3 months. What is meant by this obligation is that the bank is obliged to ask for evidence from the customer which aims to prevent unwanted things in the future if someone will take or withdraw their money from the bank concerned. The problem that is also present with regard to the implementation of each responsibility is that sometimes customers do not understand their rights as stipulated in the legislation. Thus, customers who do not understand this often lose their rights as consumers and lose the opportunity to demand what is the bank's obligation. The implementation of the AML/CFT program is a responsibility that must be adhered to by all parties, especially financial institutions such as banks. Given the increase in money laundering activities and the use of accounts to fund terrorism, comprehensive support from all entities is needed to implement this AML/CFT program. Money laundering has become a global issue that significantly affects the economic stability of a country. Therefore, the Financial Action Task Force on Money Laundering (FATF) organization was established to set policies and provide recommendations for measures to prevent money laundering and the financing of terrorism that must be effectively adopted by all countries.

Financial institutions have a high level of vulnerability to potential use as a tool for money laundering and terrorism financing because there are various transaction options for the perpetrators of these crimes to launch their criminal activities. With various transaction options, such as money transfer, financial institutions become a place where wealth obtained from criminal acts or used to fund terrorism activities enter the financial system, which can then be utilized by criminals. For example, for money

launderers, the wealth can be reclaimed as legitimate wealth and is difficult to trace its origin. Meanwhile, for terrorism financing perpetrators, the wealth can be used to finance terrorism activities.

With the development of increasingly complex products, business models, and information technology, all Financial Services Providers supervised by Bank Indonesia are required to implement Anti-Money Laundering (AML) and Countering the Financing of Terrorism (PPT) Programs optimally and effectively. The implementation of AML and CFT programs is not only important to combat money laundering and prevent the financing of terrorism, but also to support the implementation of prudential principles that can protect providers and service users from various potential risks. The AML/CFT Framework is designed to support the achievement of SPI Vision 2025 and to avoid money laundering, terrorism financing, and weapons of mass destruction financing activities that pose various risks. These include threats to economic stability and the integrity of the financial system, a decline in Indonesia's international credibility, and increased risks to investment. The financing of terrorist activities is also considered a threat to state sovereignty. The ultimate objectives of implementing the AML/CFT Framework in the SPI are as follows: strengthening the integrity of Indonesia's financial system to support economic stability, enhancing Indonesia's credibility and reputation at the international level by complying with international standards, and creating a conducive investment climate. In addition, through the prevention of terrorism financing, acts of terrorism can be effectively minimized or prevented.

In line with the latest developments related to the AML/CFT program and in connection with the OJK Regulation No.12/POJK.01/2017 concerning the Implementation of Anti-Money Laundering and Countering the Financing of Terrorism Programs in the Financial Services Sector which, among others, regulates the implementation of AML/CFT within the scope of the Financial Conglomeration, Bank Mandiri has improved the AML/CFT Program implementation policy, which is based on 5 (five) Pillars of AML/CFT Program Implementation, namely: Active Supervision of the Board of Commissioners and Board of Directors, Policies and Procedures, Internal Control, Management Information Systems, and Human Resources and Training. The refinement of the Policy, among others, aims to: Equalize the perception and understanding of all levels of Bank Mandiri on the importance of AML/CFT program implementation, Become a guideline in mitigating risks including legal risk, reputation risk, and operational risk, Become a guideline in the preparation of Standard Operating Procedures for products and other banking activities based on prudential banking principles, and also comply with the provisions in the OJK Regulation regarding the Implementation of AML and CFT Programs in the Financial Services Sector.

3.3. Inhibiting Factors in the Prevention and Eradication of TTPU in Banking

Obstacles in combating banking crime can be classified as: Structural barriers that refer to obstacles originating from the practice of state and government administration that hinder the effective handling of corruption crimes. This group includes: sectoral and institutional egoism that encourages the application of as much funds as possible for the benefit of their respective sectors and agencies without regard to overall national needs, as well as trying to cover up existing irregularities in the sectors and agencies concerned; failure of effective supervisory functions; lack of coordination between supervisory and law enforcement officials; and weaknesses in internal control systems that are positively related to irregularities and inefficiencies in the management of state assets and a decrease in the quality of public services.

Then there are Cultural Barriers which refer to obstacles arising from negative habits that develop in society. Part of this group includes: there is still a "reluctance" and tolerance among government officials that can hinder the handling of criminal acts in the banking sector; lack of transparency from agency leaders who often seem tolerant and protect perpetrators of corruption; interventions from the executive, legislative and judiciary in handling criminal acts of corruption; low commitment to deal with corruption firmly and thoroughly; and the permissive attitude of most people towards corruption eradication efforts. Then there are Instrumenta Barriers which refer to obstacles that come from the lack of supporting instruments in the form of laws and regulations that hinder the handling of criminal acts in the banking sector.

Part of this group includes: there are still overlapping laws and regulations, causing corrupt acts such as inflation of funds within government agencies; the absence of a single identification that applies to all public needs (such as driver's license, tax, bank, etc.), which can reduce opportunities for abuse by individuals; weak law enforcement in handling corruption; and difficulties in proving corruption. And finally, there are Management Barriers, which refer to obstacles arising from the lack of application of good management principles, such as a strong commitment to carrying out tasks in a fair, transparent and accountable manner, which results in the handling of corruption crimes not going well. Parts of this group include: lack of commitment from management (Government) in following up the results of supervision; lack of coordination both between supervisory officers and between supervisory officers and law enforcement officers; lack of information technology support in government administration; lack of independence of supervisory organizations; lack of professionalism of most supervisory officers; lack of support for supervisory systems and procedures in handling corruption; and inadequate personnel systems, including recruitment systems, low

formal salaries for civil servants, performance appraisals, and reward and punishment systems.

4. Conclusion

The Role of Banking in the Prevention and Eradication of ML According to Samsudin, the obligations of banks towards customers consist of several aspects, the first is the bank's obligation to maintain the financial secrets of depositing customers. One of the obligations arising from the relationship between banks and customers is the bank's obligation to keep confidential all transactions that occur between banks and depositing customers. In one of the dictums, it is stated that in order to achieve the goal of binding the deposit of funds from the public, it is necessary to hold a guarantee of money deposits in the bank. In accordance with the main function of banking as a collector of public funds, the bank is obliged to receive a sum of money from customers for selected banking products, such as savings and deposits which the bank will then channel into other banking products, for example providing credit. The obligation in question is that banks are required to report on activities carried out during a certain period of time in the form of a profit and loss balance sheet and financial statements which must be published in the mass media every 3 months.

And finally, there is the bank's obligation to know its customers in depth. What is meant by this obligation is that the bank is obliged to ask for evidence from the customer which aims to prevent unwanted things in the future if someone will take or withdraw his money from the bank concerned. The problem that is also present with regard to the implementation of each responsibility is that sometimes customers do not understand their rights as stipulated in the legislation. Thus, customers who do not understand this often lose their rights as consumers and lose the opportunity to demand what is the bank's obligation.

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