Research on Anti Money Laundering System and Its Effectiveness

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Abstract
On the basis of the original meaning, modern significance and legal definition of money laundering, this paper expounds the connotation and theoretical basis of anti-money laundering, and analyzes the system and effectiveness of anti-money laundering from two aspects of international cooperation and domestic implementation. Through literature review, it is considered that the current anti-money laundering system has evolved into a tool of multi-purpose governance, and the research results fully reveal the current situation of insufficient effectiveness of the anti-money laundering system, but there is no clear solution, which should be supplemented and improved.

Keywords
Anti-money laundering; System; Governance; Effectiveness.

1. The Connotation and Theoretical Basis of Anti-money Laundering

1.1. The Definition of Money Laundering
The meaning of the concept of "money laundering" at the beginning of its birth is completely different from that of now. At the beginning of the 20th century, the owner of a San Francisco restaurant washed the coins to prevent customers' white gloves from getting dirty, which was the earliest meaning of "money laundering" because there were many stains on the coins collected. The second meaning of the entry "launder" in the Oxford English Dictionary is "To transfer funds of dubious or illegal origin, usu." To a foreign country, and then later to recover them from what seem to be 'clean' (illegal legitimate) sources) refers to the transfer of funds from suspicious or illegal sources to legalize illegal proceeds, which is the modern meaning of money laundering.

With regard to the definition of money laundering, there is no uniform international standard so far. In many cases, the concept of money laundering is interpreted from the legal level. The 1988 United Nations Convention against illicit Traffic in Narcotic drugs and psychotropic substances gives States parties a treaty obligation to make money-laundering a crime through national legislation. In the statement on the Prevention of crimes committed by the use of the Banking system for the purpose of money laundering in December 1988, the Basel Committee on Banking Supervision made it clear that criminals transfer funds between different accounts through the bank or financial system, in the process of hiding the source of funds and income ownership, this behavior is money laundering. The Council of Europe drafted and adopted a convention on money-laundering, tracing, seizure and confiscation of the proceeds of crime, which was opened for signature on 8 November 1990 and was drafted on the basis of the United Nations Convention on Drug Control. In 1990, the Financial Action Task Force (FATF) (FATF) put forward 40 recommendations on money laundering, which defined money laundering as "money laundering is an act of money laundering that conceals or conceals the true nature, source, location, flow and transfer of property acquired as a result of a criminal act, or assists anyone associated with illegal activities to evade the law."

Cash is still widely used by money launderers. More than 30 per cent of all suspicious transaction reports in the EU are cash transactions. Information submitted to Europol in the
area of money-laundering also shows that cash dominates, particularly with regard to actual cross-border cash flows, where reports on cash detection have been accounting for about 1/3 of all money-laundering-related reports. The reason for choosing cash is that cash is a bearer negotiable instrument and, unlike the currency transferred by electronic money transfer, it is difficult to determine the source of the cash. Cash itself is not a way to launder the proceeds of crime, nor is it an illegal commodity; on the contrary, cash is a perfectly legal means of convenience that enables criminals to inject illegal proceeds into the legitimate economy, and the risk of being found is much smaller than that of other systems. However, with the development of technology, the form of money laundering is changing. Money laundering has shifted from a more controlled banking sector to more uncontrolled financial markets and from financial markets to other sectors. These new sectors include electronic payments (mainly stored value prepaid cards and mobile payments), trade and real estate.

1.2. The Connotation of Anti-money Laundering

Anti-money laundering is guided by policy objectives and guaranteed by institutional regulations. Therefore, the discussion on anti-money laundering can be divided into two aspects: policy objectives and institutional provisions.

Reviewing the above-mentioned influential international conventions against money laundering, we can see that the policy objectives of anti-money laundering include: reducing upstream crimes, maintaining the security of the financial system, and reducing other social hazards caused by money laundering. The current money-laundering prevention framework fails to achieve the original intention of reducing upstream crime, not because the current anti-money-laundering framework is not strong enough, but because the cost of money-laundering is only one of the many factors affecting criminal activities, not the decisive factor. The extension of the goal of anti-money-laundering from the initial reduction of upstream crime to other areas may hinder the achievement of the initial goal and may cause harm to the legitimate economic and social areas (Geiger & Wuensch, 2007).

The anti-money laundering system includes international conventions and specific anti-money laundering regulations of various countries under the guidance of the conventions. There are two types of international participants in the formulation of anti-money laundering system: one is the traditional economic and financial organizations, such as the World Bank and the International Monetary Fund, and the other is specialized anti-money laundering organizations, such as the Financial Action Task Force (FATF). The forty recommendations against money laundering and nine special recommendations on counter-terrorism financing formulated by FATF are the most widely implemented in various countries. In accordance with the above-mentioned principles, countries establish anti-money laundering systems, organize legislation, clarify the types of upstream crimes, the obligations of regulators, and the obligations of financial institutions; set up regulatory institutions to form a normal regulatory mechanism; and set up financial intelligence agencies to deal with large amounts of suspicious transaction information submitted by financial institutions.

1.3. Theoretical Research on Anti-money Laundering

The theories to study the application of anti-money laundering include cost-benefit analysis, game theory, principal-agent theory, institutional economics theory, information economics theory and rational choice theory in criminology.

1.3.1. Cost-benefit Analysis

The research report of the British Financial Services Authority (2000) shows that the cost of financial regulation can be divided into direct and indirect, the former is the cost of regulatory authorities, while the latter is the compliance cost of financial institutions, but it is difficult to measure. Li Tiande et al (2006) examined the mechanism of money laundering and anti-money
laundering from the perspective of finance, and believed that money laundering is essentially a financial behavior in which risks and benefits are magnified to the extreme, and anti-money laundering is also an economic behavior. Therefore, penalties should be increased to reduce the expected returns of money laundering, and financial institutions should be appropriately rewarded to increase their enthusiasm for anti-money laundering.

1.3.2. Game Theory
Masciandaro (1999) uses game theory to analyze and find that there is an inverse relationship between the degree of diffusion of money laundering and the effectiveness of supervision. Legislators face a trade-off between protecting the integrity of the economic system through effective regulation and harming the efficiency of financial intermediaries because of the costs associated with regulation. Therefore, the damage caused by legislators to money laundering and the tolerance of regulatory costs determine the rigor of anti-money laundering policy. Yang Shenggang and he Jing (2004) believe that the information submitted by financial institutions is selective, and whether they report or not depends on the comparison between the gains obtained by non-reporting and the intensity of punishment. If they do not report, they will face greater penalties, and financial institutions will choose to report actively; if they do not report, they will choose not to report or part of the report. Dai Shugeng and Wu Jinrong (2008) analyze the static game relationship among money launderers, financial institutions, and regulators, and think that financial institutions are lack of initiative in anti-money laundering, the main reason is that the imperfect legal construction leads to "adverse selection" and "moral hazard" in financial institutions, and the lack of positive incentives to financial institutions leads to the "external effect" has not been compensated. Yan Lixin (2010) used the model derivation to find that the motivation of commercial banks to combat money laundering decreases with the increase of money laundering income. At the same time, if it is more difficult for banks to identify money laundering, the stronger the punishment for money laundering, or the greater the proportion of dirty money seized, the greater the motivation to combat money laundering. The regulatory authorities should pay attention to the reward while punishing. The reward is actually the sharing of the compliance cost of the bank. When money laundering is difficult to identify, the incentive should be increased to share the anti-money laundering cost of commercial banks. The author's analysis shows that incentives can improve the quality of information reporting in commercial banks, reduce the invalid "black sesame" in information reporting, and leave more effective "white sesame". International Monetary Fund expert Takáts (2011) uses game model analysis that the fine for not reporting money laundering is too high, forcing banks to report less suspicious transactions, which will lead to over-reporting and diluting the information value of the report. Measures to reduce fines and introduce reporting fees can correct this phenomenon.

1.3.3. Principal-agent Theory
Masciandaro & Filotto (2001) believe that banks are the business entities with the goal of profit maximization. At the same time, banks have information advantages in anti-money laundering. Using the principal-agent model, regulators must make regulations to provide incentives for banks participating in the function of anti-money laundering, so that the information advantage of banks can produce collective benefits in the war against money laundering. Yang Shenggang and he Jing (2004) analysis pointed out that financial institutions have unique transaction information, while regulators do not, the information is valuable, can be used for anti-money laundering, can also participate in money laundering. In order to make use of the advantage of information to combat money laundering, it is necessary to design reasonable and effective regulation. Gao Zengan (2010) pointed out that financial institutions and regulators have a biased understanding of the report of money laundering. The former believes that the report is the purpose, while the latter believes that this is only a necessary intermediate step in the fight
against money laundering; the former believes that as long as the report can be exempted from punishment, the latter pays more attention to quantity, while the latter believes that no matter how much the report is, the key should be valuable. The reason may be that anti-money laundering is the ultimate goal of regulators rather than financial institutions, which aims to reduce fines and improve credibility.

1.3.4. Institutional Economics Theory
Han Guanglin (2010) makes an in-depth analysis of the causes of the defects of China’s anti-money laundering system, and thinks that it is caused by the path dependence in the institutional change, specifically, the lack of game among the subjects in the process of formulating the anti-money laundering system. It’s a distorted game equilibrium.

1.3.5. Criminology: Rational Choice Theory
Gilmour (2016), from the perspective of criminology, uses the theory of rational choice to clarify the scope of understanding of money laundering. Through the understanding of the rational decision-making of the criminals of money laundering, the rational choice theory reveals the relationship between the daily situation and explicit motivational activities, thus revealing how criminals make consistent and reasonable decisions in the high-risk process of money laundering.

2. Research on Anti-money Laundering System

2.1. Anti-money Laundering System as A Multi-purpose Governance Tool
As a multi-purpose governance tool, the anti-money laundering system is a concept at the global level. Technological progress has led to the integration of the world as a whole, the strengthening of ties between countries and regions, many problems have crossed geographical boundaries and require cooperation between countries and regions, and global governance has begun to emerge. Compared with government management, global governance does not rely on national coercive force, and its connotation is richer.

2.1.1. Safety Governance
Since the end of the Cold War, in the absence of a unified military threat, the concept of security has expanded from the State to society. Since the early 1990s, security policy arrangements have become more and more different, not only the proliferation of international institutions, but also private organizations such as non-governmental organizations and private security companies have also made a great impact. Unlike other efforts in global security governance, the global anti-money-laundering regime provides the best example of security governance in all these areas (Jakobi, 2018). The original intention and primary goal of the international anti-money laundering system is to reduce the occurrence of upstream crimes (Boorman & Ingves, 2001). Therefore, the success of the system should not be judged by the extent to which it reduces money laundering, but by the extent to which it reduces criminal activities that lead to money laundering (Reuter & Truman, 2005). After the "9 / 11" incident, combating the financing of terrorism has become an important part of anti-money laundering. In response to this problem, FATF has formulated nine special recommendations in Paris, which are also related to the illegal international flow of cash, and other informal or regional anti-money-laundering organizations are also established on the premise of strict compliance with the FATF recommendations. It should be noted that financial counter-terrorism is only one of the many tools to deal with terrorism, not all (Zagaris, 2004). The anti-money-laundering regime may become an effective way to combat piracy and may help some parts of the world to solve the piracy problem in the long run (Gikonyo, 2018) by preventing pirates from reinvesting their illegal proceeds in the future piracy cause.
2.1.2. Financial Governance
Cash money laundering is not only the initial form of money laundering, but also the most common, dissociated from the financial system, but with the progress of technology, the concealment ability is getting better and better, and money laundering is carried out more and more in the system. This has caused serious damage to the integrity and stability of the modern financial system. In an integrated world economy, the ability of States to provide market regulation or crisis management has been greatly weakened. Financial governance requires full cooperation among countries and regions to prevent possible risks in the financial system through the establishment of global or regional non-governmental organizations and the formulation of common treaties. The anti-money laundering system is essentially a financial governance tool to control the flow of funds. On the one hand, it can protect the modern financial system from the possible impact of money laundering, but it also objectively reduces the pressure of overseas competition from the financial centers of developed economies, and may inadvertently consolidate the market position of the private sector (Tsingou, 2010). What can not be ignored is that the financial governance system is unfair in dealing with financial problems between countries and regions, that is, big countries or developed countries have more say, the system is mainly formulated by them, and small or developing countries are at a disadvantage. more multilateral cooperation mechanisms should be established to improve this situation (Cai Weihong, 2015).

2.1.3. Other Governance
In addition to being a tool of security governance and financial governance, anti-money laundering system also plays an equally important role in other fields. The research of Mugarura & Norman (2010) shows that money laundering and corruption are highly related, and money laundering cases are rampant in highly corrupt countries. The reason lies in two aspects, one is that the successful whitening of the proceeds of corruption has led to the continuation of corruption, and the other is that the corruption of the money laundering institution itself threatens the implementation of the money laundering system. Anti-money-laundering regimes have also been shown to promote the development of inclusive finance and in fact they complement each other to ensure the safety integrity and integrity of the financial system. The combination of anti-money laundering and financial inclusion requires countries to recognize specific social strata and provide services to every qualified person on the principle of flexibility (Shehu, 2012).

2.2. International Experience in Anti-money Laundering
2.2.1. Experience from International Organizations
With the development of electronic technology, modern money laundering often has a transnational tendency, so the international cooperation of money laundering is particularly important. Since the promulgation of the United Nations Anti-Drug Convention in 1988, international and regional anti-money laundering organizations such as FATF and Egmont Group have been established one after another to strengthen the fight against cross-border money laundering, among which FATF is the most authoritative.
In the early 1990s, FATF issued 40 recommendations to combat money laundering across borders. At the beginning of the twenty-first century, special recommendations were added, focusing mainly on combating financial support for terrorism. After many times of improvement, a whole set of anti-money laundering system has been gradually formed, which targets upstream crimes and provides financial support to terrorism. FATF hopes that countries will formulate and implement consistent laws and regulations at home in accordance with their guiding principles (Macdonald, 1992).
The fight against money laundering emphasized by FATF is not to restrict the free flow of funds in different geographical areas, but from two aspects. First, at the legislative level, the relevant domestic legislation must be consistent with international principles. For example, the crime of anti-money laundering is clearly defined in the criminal law, and once a commercial bank finds suspicious behavior, it must be reported to the intelligence center of the regulatory agency, and the suspicious transaction is suspended at the same time. Second, at the level of law enforcement, different countries and regions should work together. In the whole process from discovering suspicious transactions to finally confirming whether it is a real act of money laundering, we should share information, communicate with each other and take consistent actions, which avoids the differences in international coordination (Alexander, 2001) from the institutional level.

2.2.2. Experience from Developed Countries

America. The United States is the country with the largest number of money laundering, and it is also the country that implements the most stringent international agreements on anti-money laundering. It mainly constructs its anti-money laundering system from the following aspects: first, legislation, since the 1980s, a relatively complete system has been established, covering all aspects related to money laundering. Second, the intelligence system, relevant enterprises and government departments are responsible for reporting suspicious information, once suspicious behavior is found, it should immediately be reported to the financial crime law enforcement network (FinCEN), to deal with in the database; third, the effective cooperation between institutions and departments. Fourth, objectively from the supervision of international organizations, because the United States is a major member of FATF, and is not the main maker of FATF regulations, so it is objectively subject to strong supervision (He Jing et al., 2004). It is worth mentioning that FinCEN plays an important role in anti-money laundering in the United States, especially in the process of information transmission, probably because the use of cash is relatively small, and online payments cover most of the transactions in life, which makes abnormal transactions easy to detect (Qu Wenzhou and Xu Wenbin, 2007).

England. Britain has always attached importance to the role of various economic entities in the construction of various systems, so that they have a greater initiative, and so is the anti-money laundering system. The agency responsible for handling anti-money laundering information from various industries is the Economic Crime Division (ECB), which is affiliated to the National Criminal Intelligence Agency (NCIS). ECB is not only responsible for processing data from various industries and maintaining the normal operation of data systems, but also provides knowledge and skills guidance to specific industries or departments, assists international anti-money laundering investigations, and even provides assistance to foreign countries to equip them with the necessary anti-money laundering capabilities. British anti-money laundering intelligence comes from a wide range of sources, from a variety of front-line employees, because of this, data processing is very difficult, resulting in a great waste of resources and reduced efficiency. To this end, the British Government formulated the Anti-money laundering Strategy in 2007 to improve efficiency by encouraging interdepartmental cooperation and reducing repetitive work; set up a task force to assess individual and overall efficiency; and set up a professional anti-money laundering regulatory office in 2017 to promote effective cooperation between regulators and law enforcement officers (Qu Wenzhou and Xu Wenbin, 2017).

Japan. Japan's economy and finance are at a developed level, and the incidence of money laundering is relatively high. Due to the development of modern finance, the frequency of money laundering by using new technologies has increased, especially by using payment platforms. In addition, Japan is export-oriented and developed in trade, and the phenomenon of money laundering by criminals using import and export transactions is also more serious. Since joining the FATF in 1990, Japan has made great achievements in anti-money laundering.
and there are many practices that can be used for reference. First, the Financial Countermeasures Law of Underground Banks has been formulated. In addition, there are laws and regulations such as the reporting system for suspicious transactions, the punishment Law for organized Crime, and the personal confirmation Law, which legally block multiple sources of money laundering. Second, establish a risk-based anti-money laundering method, on the premise of evaluating the risks of different financial products and services, use the Analytic hierarchy process to give different weights to different risk elements and resolve the risks one by one; third, full communication between departments responsible for anti-money laundering to integrate different information from different functional departments into useful intelligence. Fourth, to prevent corruption and money-laundering, mainly by monitoring the financial information of public figures, transactions with countries with higher levels of corruption, and specific financial products; fifth, third-party payment processors, as customers of financial institutions, are required to update anti-money-laundering procedures in order to prevent the payment system from being undermined by fraudulent acts such as money-laundering, identity theft and fraud (Li Xiaoou, 2014).

2.2.3. Reflection on the System of Anti-money Laundering

The implementation of the international anti-money laundering system has brought no small deterrent to the criminals of money laundering, and has also played an important role in enhancing the confidence of maintaining the financial system, but some scholars have reflected on it or even questioned it, mainly in two aspects: one is that the anti-money laundering system does not play an obvious role in achieving its original intention, that is, reducing upstream crimes, and the other is that there are problems in the system itself, as follows.

First, the success of the anti-money laundering system should be judged not by the extent to which it reduces money laundering, but by the extent to which it reduces the criminal activities that lead to money laundering. However, there is no strong information on the extent to which money-laundering controls help to reduce drug trafficking and other criminal activities, or even the extent to which money-laundering regimes contribute to the capture of criminals (Reuter & Truman, 2005).

Second, the major FATF member states take advantage of their dominant position to compel foreign judicial organs to adopt their recommendations, which violates the core principle of international law—the integrity of sovereign states. Money laundering can cleanse the proceeds of crime and breed crime, and as a kind of criminal activity, it reduces the stability of the world financial system, and it is indeed a crime that needs to be eradicated. However, two mistakes do not represent right, and it is a failed decision to use another form of error to eliminate one form of error. Therefore, the FATF should lift the threat of sanctions and encourage member States to carry out domestic anti-money laundering efforts to achieve the same results, while respecting the integrity of the judiciary of non-member States (Doyle, 2002).

Third, the mutual assessment report of FATF member States measures success in terms of the number of prosecutions and convictions, in which case legitimate activities are extremely vulnerable to interference and the role of the judiciary as guardians of individual rights becomes even more important. In fact, the study of Mccarthy et al. (2014) found that the current financial review methods do not prevent money launderers from providing funds to the market, but only increase the profitability of money laundering and reduce the profitability of legitimate business. Duyne et al. (2005) argues that the arguments on the integrity of the financial system are usually superficial and prove to be incoherent. The author compares anti-money laundering legislation with computer crime legislation and finds that anti-money laundering legislation fails to achieve "restraint", that is, it fails to strike a balance between financial threats and legitimate interests.
3. Research on the Effectiveness of Anti-Money Laundering System

The establishment of anti-money laundering mechanism requires the cooperation of financial institutions, regulatory departments, scholars and the whole society, so anti-money laundering needs to invest a lot of resources, but in the practice of anti-money laundering for a long time, the effectiveness of anti-money laundering has been ignored. The concept of "risk-oriented" is put forward to solve this problem. This concept is put forward by FATF, which aims to make the investment of anti-money laundering resources more targeted by identifying the risk of money laundering, so as to improve the effectiveness of anti-money laundering (Tang Xu et al., 2011).

To judge the effectiveness of anti-money laundering is generally to measure the effectiveness of the anti-money laundering system against money laundering. The research on international anti-money laundering shows that the effectiveness of the anti-money laundering system is insufficient, which is embodied in two aspects: first, the failure of international cooperation, some countries do not abide by or strictly abide by international conventions, among which there are objective reasons for the defects of the system itself, there are also subjective reasons for countries, and doubts about the legality of compulsory measures against money laundering. Second, the effect of implementing the anti-money laundering system in various countries is not obvious, the most obvious is the failure of the suspicious transaction reporting system.

3.1. Failure of International Cooperation

Omar et al. (2014, 2015) reviewed the evaluation report issued by the Asia-Pacific Group and found that only the United States fully complied with the eighth special recommendation, that is, the recommendation to prevent the abuse of money laundering by non-profit organizations, 33% of the member States did not comply, and the rest of the member States partially complied with it. Specific non-financial businesses and professional (DNFBPs), such as lawyers, accountants, company secretaries and real estate agents, have very low compliance with FATF40 + 9 recommendations, which means that regulators either lack awareness or law enforcement. The International Monetary Fund ((IMF)) and the World Bank (WB) and the Financial Action Task Force (FATF) launched a joint programme in early 2002: anti-money laundering and Combating the financing of Terrorism (AML/CFT). The evaluation of the programme by Arnone & Padoan (2008) found that States suppressed money-laundering and the financing of terrorism sufficiently, but failed to take adequate preventive measures. In addition, small countries (Gnutzmann et al.,2010) and poorer tax havens (Schwarz,2011) have a stronger incentive to tolerate money-laundering and even tend to attract money-laundering.

What are the main reasons for the failure of international cooperation against money laundering? It can be summed up as follows:

3.1.1. Defects of National Risk Assessment (NRA) System

FATF advocates countries to conduct national risk assessments ((NRA)) to increase governments' understanding of money-laundering risks. However, its methodology document is designed to provide guidance to reviewers of national and multilateral institutions, with few specific recommendations on how to conduct national risk assessments, leaving countries a great deal of autonomy, which leads to significant differences in the depth of data, analytical methods and policy analysis used by countries. Ferwerda & Reute (2018) analyzed the published national risk assessment reports NRAs in Italy and Switzerland and found that Italian NRA focused on domestic criminal threats and relied almost entirely on expert advice, while Swiss NRA focused on threats from other countries and provided more quantitative data, which came almost entirely from suspicious activity reports.
3.1.2. National Differences

Take FATF as an example, FATF is currently composed of 38 member states, but the development level of each country varies greatly, and the financial risk structure is also different, so it is objectively difficult to bring it into the same institutional framework, which is due to the paradox of anti-money laundering cooperation caused by different national conditions. There are great differences in the formulation and implementation of anti-money laundering systems in different countries. A typical example is the Patriot Act of the United States. There is evidence that US regulators do not follow the risk-based approach (Dolar & William, 2011) to a large extent when enforcing the anti-money laundering provisions of the Patriot Act on banks. Passas & Groskin (2001) studied the International Commercial Credit Bank, one of the largest international financial frauds in history, and found that the division of intergovernmental supervision and law enforcement, the contradiction between different government political objectives, the influence of companies on the government, legal differences and other factors facilitate the crime of transnational money laundering. In the international context where international conventions seek to provide direct incentives to promote anti-money-laundering legislation and enforcement, anti-money-laundering legislation can easily be misused as a political weapon (Lewisch, 2008) in the cross-border struggle against "unwanted individuals".

3.1.3. Interest-driven: Advantages of Small Countries and Tax Havens

In a closed economic system, there is a strong incentive to regulate and prevent money-laundering, as the total social costs of crime will be borne by domestic society, and these costs will outweigh any potential benefits of tolerance policies. However, in an open and globalized economy, because the cost of crime and the return on investment resulting from tolerance policies can be easily separated, countries will adopt beggar-my-neighbour policies in an attempt to attract the proceeds of crime and deregulation, of which small countries and poor tax havens have the strongest incentives to provide money-laundering services. Smaller countries bear only a fraction of the total cost relative to the potential investment income provided by money-laundering, so they have a higher incentive to tolerate money-laundering than their larger neighbours (Gnutzmann et al., 2010). Tax havens usually attract capital by virtue of their tax-free or low-tax advantages, but if you divide it by per capita GDP, you will find that poor tax havens are more willing to provide money laundering services because of the relatively low returns from their tax haven status (Schwarz, 2011).

3.1.4. Coercion Is Unreasonable

The anti-money laundering policy was initiated by the western developed countries and extended to the global countries and regions in a short time, this process is very mandatory, the rationality of which is open to question. Empirical evidence shows that the proliferation of anti-money-laundering regimes to developing countries is power-based, not voluntary, and that the mechanisms that promote policy proliferation (direct coercion, imitation and competition) are also scattered (Sharman, 2008). Attempts by developing countries to use anti-money-laundering systems to combat corruption have also been unsuccessful because of the lack of "ownership" of anti-money-laundering systems in developing countries, which are often established only as symbols of strengthening international legitimacy and reputation (Sharman & Chaikin, 2010).

A typical coercive measure is the blacklist system, which is regarded as a third-party connection and is likely to produce two interactive effects. First, it can consolidate the commitment of (LFR) countries to loose financial regulation. Second, the transaction attribute of reputation investment is added. The actual intention of some countries to join the blacklist process is to increase expected national interests rather than to improve international political law enforcement. They make rules that meet international requirements, but in fact they do not
actively combat money laundering (false friend effect) (Masciandaro, 2005). Doyle (2002) believes that coercive measures are not in line with the spirit of the international rule of law, and countries have strict policies, but in fact they will not be strictly implemented. Huelsse (2008) believes that the blacklist system is illegal, even if it is an international anti-money laundering organization, its behavior also needs legitimacy, only when the rules are considered to be legal, will have a practical effect.

3.2. Domestic Implementation of Weak Efficiency

The implementation effect of the domestic anti-money laundering system in various countries is weak, which is mainly manifested in two aspects: the "sub-optimal" solution caused by supervision and the ineffective implementation of financial institutions. Since it is difficult to determine in the short term whether serious implementation and enforcement of rules has any significant impact on money-laundering, regulators and financial institutions alike tend to pursue "second-best" goals such as reputation, suspicious activity reporting, prosecution and asset recovery. The anti-money laundering behavior of financial institutions is largely "fear-driven", aimed at compliance rather than risk prevention, which leads to "blind compliance with rules" (Harvey, 2008). Financial institutions often fall into the extremes of non-reporting and over-reporting when implementing large and suspicious information reporting systems.

The effect of the implementation of anti-money laundering system in various countries is not obvious, the main reason is that it is difficult to balance the game relationship between regulators and financial institutions. Regulators can protect the integrity of the economic system through effective regulation, but the efficiency of financial institutions will be impaired, so regulators are faced with a trade-off. The tolerance of regulators to the harm of money laundering and the cost of supervision determines the rigor of anti-money laundering policy. Financial institutions face hefty fines if they fail to report money-laundering activities, with excessive fines forcing banks to report less suspicious transactions. However, if institutions are less likely to be caught (and fined) for failing to meet their reporting obligations, coupled with a low conviction rate for money-laundering crimes, financial institutions will choose an inaction attitude to reduce the number of suspicious transaction reports (Jayantilal, 2017).

4. Summary and Comment

This paper combs the literature on the governance of money laundering, the system of anti-money laundering and the effectiveness of its implementation, and draws the following conclusions through refinement and induction.

First, the anti-money laundering regime is no longer for the single purpose of reducing upstream crimes, but has become a multi-purpose governance tool. Combating money laundering can combat transnational organized crime and piracy from economic sources; combating the financing of terrorism can protect the integrity and stability of the financial system; and anti-money laundering can also curb corruption and improve the universal benefits of finance, bring positive social effects.

Second, the ineffectiveness of the anti-money laundering system can be explained from two aspects: international cooperation and domestic implementation. The domestic implementation of weak efficiency is due to the fact that it is difficult to balance the game relationship between financial institutions and regulators, while the failure of international cooperation is due to the deviation of system implementation caused by objective differences in national conditions, the subjective tendency to pursue profits, the defects of the national risk assessment (NRA) system, and the mandatory measures in the FATF treaty are against the spirit of international law.
At the same time, it should also be noted that there are still the following deficiencies in the research on anti-money laundering:

First, the economic method used in the research is single. The research mainly uses game theory to study. By analyzing the game relationship of anti-money laundering related subjects, game theory can find out some of the reasons for the lack of effectiveness of anti-money laundering. However, if we use this method alone, there will be similar research conclusions and reveal the problem that the problem is not comprehensive.

Second, there are many researches on the defects of the anti-money laundering system, but there are few literatures to put forward specific solutions. Many studies have pointed out that the effect of the implementation of the current anti-money laundering system is not obvious, and there are deficiencies in the design of the system itself, but there is very little literature on how to improve the system to overcome the existing defects, even if there is, it is only briefly put forward. It has not been carried out in detail, which provides space for the follow-up research of researchers.

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