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RESEARCH ARTICLE

Legal Protection and Banking Compliance in Preventing Money Laundering Crimes: A Qualitative Review

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Abstrak

Pencucian uang telah menjadi salah satu bentuk kejahatan keuangan transnasional yang paling signifikan, menimbulkan ancaman serius terhadap stabilitas ekonomi, integritas sistem keuangan, dan kepercayaan publik terhadap lembaga perbankan. Bank berfungsi sebagai gerbang utama untuk transaksi keuangan, sehingga sangat rentan dieksploitasi untuk mencuci hasil kejahatan. Akibatnya, mekanisme perlindungan hukum dan kerangka kepatuhan perbankan, termasuk implementasi prinsip Anti Pencucian Uang (AML), Kenali Pelanggan Anda (KYC), Uji Tuntas Pelanggan (CDD), dan Uji Tuntas yang Ditingkatkan (EDD), telah menjadi komponen penting dari upaya pencegahan pencucian uang. Meskipun terdapat kerangka peraturan yang komprehensif, tantangan tetap ada terkait harmonisasi peraturan, kepatuhan kelembagaan, dan efektivitas penegakan hukum. Studi ini bertujuan untuk meneliti peran perlindungan hukum dan kepatuhan perbankan dalam mencegah kejahatan pencucian uang dengan menganalisis teori hukum yang relevan, peraturan perundang-undangan, dan studi empiris sebelumnya. Lebih lanjut, penelitian ini berupaya mengidentifikasi tantangan hukum yang ada dan merumuskan rekomendasi untuk memperkuat kepatuhan perbankan dan kerangka hukum anti pencucian uang. Penelitian ini menggunakan pendekatan kualitatif dengan desain penelitian pustaka. Data dikumpulkan dari sumber hukum primer, termasuk peraturan perundang-undangan dan standar internasional, serta sumber sekunder seperti buku-buku ilmiah, artikel jurnal yang ditinjau sejawat, laporan resmi, dan komentar hukum. Data yang dikumpulkan dianalisis menggunakan analisis konten kualitatif melalui reduksi data, kategorisasi, interpretasi, dan sintesis untuk mengidentifikasi tema-tema yang berulang terkait dengan perlindungan hukum, kepatuhan regulasi, dan praktik anti pencucian uang. Temuan menunjukkan bahwa pencegahan pencucian uang yang efektif bergantung pada integrasi perlindungan hukum yang komprehensif dengan mekanisme kepatuhan perbankan yang kuat. Lembaga perbankan memainkan peran strategis melalui implementasi KYC, CDD, pemantauan transaksi, pelaporan transaksi mencurigakan, dan pendekatan berbasis risiko. Namun, beberapa tantangan masih ada, termasuk inkonsistensi regulasi, perbedaan kepatuhan antar lembaga keuangan, perkembangan teknologi yang memfasilitasi metode pencucian uang yang semakin canggih, dan masalah yurisdiksi lintas batas. Studi ini juga menemukan bahwa penguatan lembaga pengawas, peningkatan koordinasi regulasi, adopsi teknologi keuangan canggih, dan peningkatan budaya kepatuhan sangat penting untuk meningkatkan efektivitas upaya anti pencucian uang.

Key Word:
Banking Law, Banking Compliance, Legal Protection, Anti-Money Laundering, Financial Crime

Abstract

Money laundering has become one of the most significant forms of transnational financial crime, posing serious threats to economic stability, the integrity of the financial system, and public trust in banking institutions. Banks serve as the primary gateway for financial transactions, making them particularly vulnerable to being exploited for laundering illicit proceeds. Consequently, legal protection mechanisms and banking compliance frameworks, including the implementation of Anti-Money Laundering (AML) principles, Know Your Customer (KYC), Customer Due Diligence (CDD), and Enhanced Due Diligence (EDD), have become essential components of efforts to prevent money laundering. Despite the existence of comprehensive regulatory frameworks, challenges remain regarding regulatory harmonization, institutional compliance, and the effectiveness of legal enforcement.This study aims to examine the role of legal protection and banking compliance in preventing money laundering crimes by analyzing relevant legal theories, statutory regulations, and previous empirical studies. It further seeks to identify existing legal challenges and formulate recommendations for strengthening banking compliance and the anti-money laundering legal framework.This research employed a qualitative approach using a library research design. Data were collected from primary legal sources, including statutory regulations and international standards, as well as secondary sources such as scholarly books, peer-reviewed journal articles, official reports, and legal commentaries. The collected data were analyzed using qualitative content analysis through data reduction, categorization, interpretation, and synthesis to identify recurring themes related to legal protection, regulatory compliance, and anti-money laundering practices. The findings indicate that effective prevention of money laundering depends on the integration of comprehensive legal protection with robust banking compliance mechanisms. Banking institutions play a strategic role through the implementation of KYC, CDD, transaction monitoring, suspicious transaction reporting, and risk-based approaches. However, several challenges persist, including regulatory inconsistencies, compliance disparities among financial institutions, technological developments that facilitate increasingly sophisticated laundering methods, and cross-border jurisdictional issues. The study also finds that

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strengthening supervisory institutions, improving regulatory coordination, adopting advanced financial technologies, and enhancing compliance culture are critical to improving the effectiveness of anti-money laundering efforts.

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INTRODUCTION

Money laundering has evolved into one of the most complex forms of transnational financial crime in the era of globalization, driven by the rapid integration of international financial markets and the increasing mobility of cross-border capital flows(Tarmizi, 2020). The liberalization of financial services, coupled with advances in digital technologies, has significantly transformed the global financial ecosystem, enabling faster, more efficient, and increasingly borderless financial transactions(Saqlain & Hassan, 2024). Innovations such as internet banking, financial technology (fintech), mobile payment systems, cryptocurrencies, virtual assets, and decentralized financial platforms have expanded financial inclusion and economic efficiency; however, they have simultaneously created new opportunities for criminals to disguise, transfer, and integrate illicit proceeds into the legitimate financial system(Anjani & Widiastuti, 2024). These technological developments have made money laundering more sophisticated by facilitating anonymous transactions, complex layering schemes, cross-jurisdictional fund transfers, and the exploitation of regulatory disparities among countries. Consequently, money laundering is no longer viewed solely as a domestic financial offense but rather as a transnational organized crime that requires coordinated legal, regulatory, and institutional responses across national boundaries (Levi & Reuter, 2006; Unger & van der Linde, 2013).

The growing sophistication of money laundering poses substantial threats not only to the integrity of financial institutions but also to broader economic governance and sustainable development(Aidoo & Aml, 2025). Illicit financial flows undermine macroeconomic stability by distorting capital allocation, weakening market competition, discouraging legitimate investment, reducing tax revenues, and eroding public confidence in the banking sector. Furthermore, the infiltration of criminal proceeds into the formal financial system threatens banking integrity, increases systemic financial risks, and may facilitate other serious crimes(Go & Benarkah, 2018), including corruption, terrorism financing, human trafficking, and organized crime. Recognizing these global risks, the Financial Action Task Force (FATF) has established internationally accepted Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) standards through its Forty Recommendations, which emphasize risk-based supervision, customer due diligence, beneficial ownership transparency, suspicious transaction reporting, and international cooperation(Verhage, 2026). These standards have become the primary global benchmark for strengthening national legal frameworks, enhancing banking compliance, and promoting effective international collaboration to safeguard financial stability, protect economic development, and support the achievement of sustainable development objectives (Verhage, 2010).

Banking institutions occupy a strategic position within the global financial system as the primary intermediaries for fund mobilization, payment services, credit provision, and cross-border financial transactions(Shah, 2024). This central role makes banks particularly vulnerable to exploitation by criminal organizations seeking to disguise the origin of illicit assets through the placement, layering, and integration stages of money laundering. Consequently, banks are internationally recognized as the primary *gatekeepers* in the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) regime because they constitute the first line of defense in detecting and preventing suspicious financial activities before illicit funds are successfully integrated into the legitimate economy. This gatekeeping function extends beyond merely complying with statutory obligations; it requires financial institutions to implement comprehensive risk management systems capable of identifying high-risk customers, monitoring unusual transaction patterns, verifying beneficial ownership, and reporting suspicious transactions to competent authorities(Gaviyau, 2023). Therefore, the effectiveness of national anti-money laundering policies largely depends on the ability of banking institutions to integrate legal compliance with robust internal governance and risk-based supervision (Financial Action Task Force [FATF], 2023; Basel Committee on Banking Supervision [BCBS], 2020).

The effectiveness of banking institutions as gatekeepers is closely linked to the implementation of internationally recognized compliance mechanisms, including Know Your Customer (KYC), Customer Due Diligence (CDD), Enhanced Due Diligence (EDD), continuous transaction monitoring, and Suspicious Transaction Reporting (STR). These preventive measures enable banks to assess customer risk profiles, identify politically exposed persons (PEPs), detect complex or unusual financial transactions, and mitigate the misuse of banking services for illicit purposes(Verhage, 2010). Furthermore, the adoption of a Risk-Based

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Approach (RBA), as recommended by the FATF, allows financial institutions to allocate compliance resources proportionately according to the level of money laundering risk associated with customers, products, services, and geographic jurisdictions. Beyond fulfilling regulatory requirements, effective banking compliance strengthens corporate governance, preserves the integrity and reputation of financial institutions, enhances public confidence, and contributes to financial system stability. Accordingly, banking institutions are not merely financial intermediaries but also essential partners of governments and regulatory authorities in safeguarding the integrity, transparency, and sustainability of both national and international financial systems against increasingly sophisticated money laundering scheme (Helgesson & Mörth, 2018).

Legal protection within banking law constitutes a fundamental legal principle aimed at safeguarding the rights and interests of customers, financial institutions, and the broader public while ensuring the integrity and stability of the financial system. From the perspective of legal theory, legal protection is understood as the state's obligation to guarantee legal certainty, justice, and the effective enforcement of legal norms in social and economic relations(Sittlington et al., 2018). Hadjon emphasizes preventive and repressive legal protection as complementary mechanisms for preventing legal disputes and resolving violations, whereas Satjipto Rahardjo views legal protection as an instrument for realizing substantive justice through responsive legal institutions(Isolauri et al., 2022). Within the banking sector, these principles are operationalized through prudential banking regulations, customer protection frameworks, anti-money laundering (AML) obligations, risk-based supervision, and institutional oversight designed to prevent the misuse of banking services for illicit financial activities. Consequently, legal protection extends beyond safeguarding individual customers to preserving financial stability, strengthening public confidence in banking institutions, and supporting the broader objectives of economic security and sustainable development. In this context, effective legal protection requires the integration of comprehensive banking legislation, robust regulatory compliance, and coordinated supervision among financial authorities to ensure that the banking system remains resilient against money laundering and other forms of financial crime (Menon, 2023).

Previous studies have consistently demonstrated that banking compliance plays a pivotal role in strengthening anti-money laundering (AML) regimes and safeguarding the integrity of financial systems. Levi and Reuter (2006) argued that money laundering has evolved into an increasingly sophisticated transnational financial crime, requiring stronger regulatory frameworks and closer collaboration among financial institutions, supervisory authorities, and law enforcement agencies. Similarly, Unger and van der Linde (2013) emphasized that the effectiveness of AML policies depends not only on comprehensive legal regulations but also on the consistent implementation of customer due diligence, transaction monitoring, and institutional compliance within banking organizations. More recent studies by the Financial Action Task Force (FATF, 2023) further indicate that financial institutions implementing a risk-based approach (RBA), Know Your Customer (KYC), Customer Due Diligence (CDD), and beneficial ownership transparency are significantly more effective in detecting suspicious transactions and mitigating money laundering risks. Collectively, these studies underscore that banking compliance has become a fundamental pillar in preventing illicit financial flows while enhancing the credibility and stability of the global banking system.

Although the existing literature has substantially contributed to understanding anti-money laundering governance, several research gaps remain. Most previous studies have concentrated on regulatory compliance, the implementation of AML standards, or the legal aspects of money laundering separately, with limited attention given to the integration of legal protection and banking compliance within a unified analytical framework. Moreover, many studies primarily focus on evaluating statutory provisions or institutional practices without comprehensively examining how legal protection principles reinforce banking compliance in preventing money laundering in the context of emerging financial technologies, including digital banking, fintech, cryptocurrencies, and virtual assets. Consequently, this study seeks to bridge these gaps by providing a comprehensive qualitative review that synthesizes legal protection theory, banking compliance principles, and international AML standards to develop a more integrated conceptual framework for strengthening banking law in preventing money laundering crimes.

RESEARCH METHODS

This study employed a qualitative approach using a library research design to comprehensively examine the role of legal protection and banking compliance in preventing money laundering crimes. A qualitative library research approach was selected because it enables an in-depth exploration of legal concepts, regulatory frameworks, theoretical perspectives, and scholarly debates concerning anti-money laundering (AML) governance within the banking sector. Rather than relying on empirical field data, the study focused on systematically reviewing and synthesizing legal doctrines, statutory provisions, international standards, and

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relevant academic literature to develop a comprehensive understanding of the legal and institutional mechanisms governing money laundering prevention. This approach is particularly appropriate for normative legal research because it facilitates critical analysis of legal norms, regulatory consistency, and conceptual developments within national and international banking law.The data were collected from both primary and secondary legal sources. Primary sources consisted of statutory regulations governing banking and anti-money laundering, including national legislation, regulatory policies, Financial Action Task Force (FATF) Recommendations, Basel Committee principles, and other international legal instruments relevant to financial crime prevention. Secondary sources comprised peer-reviewed journal articles, academic books, official reports, legal commentaries, and other scholarly publications discussing banking law, financial regulation, compliance, and anti-money laundering practices. Data were analyzed using qualitative content analysis through the processes of data reduction, categorization, interpretation, and thematic synthesis to identify recurring legal principles, regulatory approaches, compliance mechanisms, and contemporary challenges in preventing money laundering. The findings were subsequently interpreted using a normative legal perspective to formulate conceptual recommendations for strengthening legal protection and banking compliance within the anti-money laundering framework**.**

RESULTS AND DISCUSSION

Legal Protection in the Banking System Against Money Laundering

The findings of this study demonstrate that legal protection constitutes the fundamental cornerstone of banking law in preventing money laundering crimes. Within the banking sector, legal protection extends beyond safeguarding the contractual rights of customers and financial institutions; it also functions as a mechanism for preserving the integrity, credibility, and sustainability of the national financial system(Connell, 2022). The literature indicates that legal protection in banking law is implemented through preventive and repressive approaches. Preventive legal protection is reflected in regulatory instruments that establish prudential obligations before legal violations occur, including licensing requirements, customer identification, risk management, internal control systems, and anti-money laundering (AML) compliance mechanisms. Conversely, repressive legal protection operates through legal sanctions, administrative enforcement, criminal liability, and judicial remedies against institutions or individuals involved in money laundering activities. These complementary forms of legal protection strengthen legal certainty by ensuring that banking activities are conducted within a clear regulatory framework while simultaneously promoting justice through the effective enforcement of legal norms against financial crimes (Hadjon, 1987; Rahardjo, 2009).

The analysis further reveals that legal protection in banking law is inseparable from the broader objective of protecting public interests and maintaining financial system stability. Modern banking institutions operate as public trust institutions whose sustainability depends on confidence in the legality, transparency, and security of financial transactions. Consequently, legal protection must extend beyond individual customers to encompass depositors, investors, financial markets, and the national economy as a whole. Effective anti-money laundering regulations reduce systemic financial risks by preventing illicit funds from infiltrating the legitimate banking system, thereby preserving market integrity and minimizing reputational risks that could undermine financial stability. In this regard, legal certainty, legal justice, and public interest protection operate synergistically as essential components of banking governance that support sustainable economic development and strengthen resilience against financial crime (Anjani & Widiastuti, 2024)

The findings also indicate that legal protection in banking law is operationalized through several fundamental legal principles that govern banking activities. The prudential banking principle serves as the primary regulatory foundation requiring banks to conduct their operations with sound risk management, professional judgment, and regulatory compliance to minimize operational, legal, and reputational risks. Complementing this principle are legal certainty, accountability, transparency, proportionality, and public interest protection(Shah, 2024). Legal certainty requires that banking regulations be clear, predictable, and consistently enforced, enabling financial institutions to fulfill their compliance obligations effectively. Accountability obliges banks and supervisory authorities to assume responsibility for regulatory compliance and internal governance, while transparency enhances openness in customer identification, beneficial ownership disclosure, and suspicious transaction reporting. Furthermore, proportionality ensures that regulatory measures correspond appropriately to the level of identified money laundering risks, thereby supporting the implementation of the risk-based approach recommended by international AML standards (Gaviyau, 2023).

Another significant finding is that these legal principles collectively strengthen banking compliance as the first line of defense against money laundering. The integration of prudential banking, accountability,

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transparency, and proportionality facilitates the implementation of Know Your Customer (KYC), Customer Due Diligence (CDD), Enhanced Due Diligence (EDD), and continuous transaction monitoring. Such mechanisms enable banking institutions to identify high-risk customers, detect suspicious financial activities, and report potential money laundering transactions to competent authorities before illicit funds are successfully integrated into the legitimate financial system. The literature consistently demonstrates that banking institutions implementing these legal principles exhibit stronger compliance cultures, more effective internal controls, and greater resilience in responding to increasingly sophisticated financial crime schemes, particularly those facilitated by digital banking, fintech platforms, and virtual assets (Basel Committee on Banking Supervision, 2020; Financial Action Task Force [FATF], 2023).

Finally, the findings indicate that the ultimate objective of banking regulation extends beyond ensuring institutional compliance to safeguarding the broader public interest through financial stability, banking integrity, and sustainable economic development. Banking regulation aims to maintain public confidence in financial institutions by ensuring that banking services are conducted lawfully, transparently, and responsibly while preventing their misuse for criminal purposes. At the same time, robust legal protection contributes to preserving financial system integrity by reducing systemic vulnerabilities associated with illicit financial flows, corruption, terrorism financing, and organized crime. Accordingly, effective banking regulation should be viewed as a comprehensive governance framework that simultaneously protects customers, strengthens institutional accountability, prevents financial crimes, and promotes national and international financial stability. These findings reinforce the proposition that legal protection and banking compliance are complementary legal instruments whose integration is indispensable for establishing an effective anti-money laundering regime within the contemporary banking system.

Banking Compliance as the Core Mechanism of AML

The findings of this study indicate that the Know Your Customer (KYC) principle constitutes the primary foundation of banking compliance in preventing money laundering crimes. KYC is designed to ensure that banking institutions possess a comprehensive understanding of their customers before establishing or maintaining a business relationship. This obligation encompasses customer identification and verification through reliable documentation, independent data validation, and continuous updating of customer information throughout the business relationship. The literature further demonstrates that KYC extends beyond identifying individual customers to include the identification of beneficial ownership, namely the natural persons who ultimately own or control legal entities or transactions(Verhage, 2010). Moreover, banking institutions are required to determine whether customers qualify as Politically Exposed Persons (PEPs), whose public positions may expose them to elevated risks of corruption, bribery, or illicit financial activities. Accordingly, effective KYC implementation enhances transparency, reduces customer anonymity, and strengthens the capacity of financial institutions to detect and prevent the placement of illicit proceeds into the formal banking system (Isolauri et al., 2022)

The study further reveals that Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) serve as essential mechanisms for translating KYC principles into practical compliance measures. CDD requires banks to develop comprehensive customer risk profiles by evaluating the nature of business relationships, the source of funds, expected transaction patterns, and the legitimacy of customers' financial activities. Through systematic customer risk assessment, banks are able to classify customers into low-, medium-, or high-risk categories, thereby enabling proportionate compliance measures. For customers identified as presenting higher risks—such as PEPs, cross-border businesses, complex corporate structures, or entities operating in high-risk jurisdictions—EDD requires enhanced verification procedures, more detailed documentation, senior management approval, and intensified scrutiny of financial transactions. The findings suggest that the integration of CDD and EDD significantly strengthens banking institutions' ability to detect abnormal financial behavior while reducing vulnerabilities associated with sophisticated money laundering schemes (Menon, 2023).

Another important finding concerns the implementation of the Risk-Based Approach (RBA) as the central strategy recommended by international anti-money laundering standards. Rather than applying identical compliance measures to all customers, RBA enables banks to allocate supervisory resources proportionately according to identified levels of risk. The literature identifies several dimensions of risk assessment, including customer risk, geographic risk, transaction risk, product and service risk, and delivery channel risk(Patel et al., 2023). Customer risk relates to the characteristics and business profile of account holders, while geographic risk concerns customers or transactions involving jurisdictions with weak AML regulations or elevated financial crime exposure. Transaction risk evaluates the frequency, value, and

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complexity of financial activities, whereas product risk examines banking products susceptible to abuse, such as private banking or correspondent banking services. Delivery channel risk assesses the potential vulnerabilities associated with non-face-to-face services, digital banking, mobile applications, and online financial platforms. Collectively, these risk dimensions enable financial institutions to prioritize monitoring activities and implement more effective preventive controls against money laundering.

The findings also emphasize the strategic importance of Suspicious Transaction Reporting (STR) as a critical component of banking compliance and financial intelligence. Effective transaction monitoring systems enable banks to identify unusual, inconsistent, or high-risk financial activities that deviate from customers' normal transaction profiles. When suspicious activities are identified, financial institutions are legally obligated to submit Suspicious Transaction Reports (STRs) to the competent Financial Intelligence Unit (FIU) without notifying the customer concerned. In addition to STRs, banks are generally required to submit Cash Transaction Reports (CTRs) for cash transactions exceeding regulatory thresholds, thereby facilitating regulatory oversight of potentially illicit financial flows. These reporting obligations establish a vital link between banking institutions and regulatory authorities, enabling the early detection, investigation, and disruption of money laundering networks through timely financial intelligence and inter-agency cooperation (Menon, 2023).

Overall, the findings demonstrate that KYC, CDD, EDD, the Risk-Based Approach, and Suspicious Transaction Reporting are not independent compliance instruments but rather mutually reinforcing components of an integrated anti-money laundering framework. Their combined implementation strengthens banking governance by improving customer transparency, enhancing risk management, promoting regulatory accountability, and supporting effective financial supervision. Furthermore, these mechanisms contribute to preserving the integrity of the banking system, protecting public confidence, and reducing systemic risks associated with illicit financial activities. Consequently, the effectiveness of banking compliance in preventing money laundering depends not only on the existence of comprehensive legal regulations but also on the consistent implementation of these preventive mechanisms, supported by technological innovation, institutional commitment, and continuous regulatory supervision in accordance with international Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) standards.

International Anti-Money Laundering Framework

The findings of this study indicate that the Financial Action Task Force (FATF) Recommendations constitute the principal international benchmark for preventing and combating money laundering and terrorist financing. The Forty FATF Recommendations provide a comprehensive legal and institutional framework that guides countries in developing effective Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) systems(Saqlain & Hassan, 2022). These recommendations encompass criminalization of money laundering, preventive measures for financial institutions, transparency of legal entities, financial intelligence, law enforcement, international cooperation, and asset recovery. A significant finding of this study is that the FATF framework places particular emphasis on beneficial ownership transparency, requiring competent authorities and financial institutions to identify the natural persons who ultimately own or control corporate entities and financial transactions. This requirement is intended to prevent the misuse of shell companies, nominee arrangements, and other complex legal structures frequently exploited to conceal illicit assets. Consequently, the FATF Recommendations have become the global reference point for harmonizing national legal systems and strengthening banking compliance in addressing increasingly sophisticated financial crimes (Helgesson & Mörth, 2018)

Another important finding concerns the central role of AML governance within the FATF framework. The literature demonstrates that effective anti-money laundering regimes depend not only on comprehensive legislation but also on institutional governance capable of integrating legal compliance, financial supervision, operational risk management, and inter-agency coordination. AML governance requires financial institutions to establish internal compliance policies, conduct periodic risk assessments, implement customer due diligence procedures, and develop effective reporting mechanisms for suspicious financial activities. Furthermore, the FATF emphasizes international cooperation as an indispensable element of global financial crime prevention because money laundering frequently involves cross-border transactions, multiple jurisdictions, and complex financial networks. Accordingly, cooperation among Financial Intelligence Units (FIUs), supervisory authorities, law enforcement agencies, and judicial institutions enables the timely exchange of financial intelligence, mutual legal assistance, extradition, and coordinated investigations, thereby enhancing the effectiveness of international anti-money laundering enforcement.

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The findings further reveal that the Basel Committee on Banking Supervision (BCBS) complements the FATF framework by providing internationally recognized standards for banking governance and prudential supervision. While the FATF primarily establishes legal and regulatory standards for AML/CFT, the Basel Committee focuses on strengthening institutional resilience through sound governance, effective risk management, and robust compliance systems. The BCBS emphasizes that banking institutions should establish independent compliance governance structures supported by clearly defined responsibilities, qualified compliance officers, effective board oversight, and strong organizational ethics. Moreover, banks are expected to implement comprehensive internal control mechanisms capable of identifying operational weaknesses, monitoring regulatory compliance, and preventing the misuse of financial services for illicit purposes. These governance principles contribute significantly to strengthening institutional accountability while enhancing public confidence in the integrity of the banking sector.

The study also identifies risk management and corporate governance as essential pillars of the Basel Committee standards in preventing money laundering. Effective risk management requires banking institutions to identify, assess, monitor, and mitigate legal, operational, reputational, and financial risks associated with money laundering(Sittlington et al., 2018). This process should be integrated into enterprise-wide governance systems through continuous monitoring, internal audits, employee training, and independent compliance reviews. Simultaneously, sound corporate governance ensures that boards of directors and senior management maintain effective oversight of AML compliance, promote ethical organizational cultures, and allocate adequate resources for compliance functions. The findings demonstrate that integrating risk management with corporate governance significantly strengthens banking resilience against financial crime while supporting regulatory compliance and sustainable institutional performance (Verhage, 2010).

Overall, the findings indicate that the international anti-money laundering framework is founded upon the complementary relationship between the FATF Recommendations, the Basel Committee standards, and mechanisms of international cooperation. The FATF establishes the global legal and policy framework for AML/CFT, whereas the Basel Committee reinforces banking governance through prudential supervision, internal controls, and comprehensive risk management. International cooperation further enhances these frameworks by facilitating information sharing, coordinated investigations, mutual legal assistance, and cross-border regulatory supervision in response to increasingly transnational money laundering activities. Therefore, an effective anti-money laundering regime requires the integration of international legal standards, robust institutional governance, and collaborative enforcement mechanisms to preserve financial integrity, strengthen banking stability, and protect the global financial system from illicit financial flows (Anjani & Widiastuti, 2024); (Ali et al., 2024).

CONCLUSION

The findings indicate that effective prevention of money laundering depends on the integration of comprehensive legal protection with robust banking compliance mechanisms. Banking institutions play a strategic role through the implementation of KYC, CDD, transaction monitoring, suspicious transaction reporting, and risk-based approaches. However, several challenges persist, including regulatory inconsistencies, compliance disparities among financial institutions, technological developments that facilitate increasingly sophisticated laundering methods, and cross-border jurisdictional issues. The study also finds that strengthening supervisory institutions, improving regulatory coordination, adopting advanced financial technologies, and enhancing compliance culture are critical to improving the effectiveness of anti-money laundering efforts

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