MONEY LAUNDERING WITH FINANCIAL TECHNOLOGY

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Abstract

The current pattern of city development is influenced by various aspects, one of which greatly influences the development is the development of the economic sector. The financial services sector, which is one of the pillars of people's lives, has given rise to very rapid development and of course this is what also ends up causing many problems in the financial sector, especially fundamental problems. This research was conducted with a qualitative approach and was descriptive with data collection tools, namely in-depth and gradual interviews. Without synergy between the government, law enforcement agencies, and the community, the potential for money laundering will continue to occur and even massive. Therefore, a short-term solution that can be presented to overcome money laundering in financial technology is the need to optimize regulations governing obligations and prohibitions related to financial Technology systems.

Keywords: Finance, Money Laundering, Financial Technology

Introduction

The pattern of development both in the city and in the regions is influenced by various aspects, one of which greatly influences the development is the development of the economic sector (Fan et al., 2016). The economic sector is a factor that encourages business activities to be more advanced (Urbano et al., 2020). One of the sectors that supports the economic sector is the financial services sector. The role of the financial services sector in people's lives has given rise to very rapid development. The use of technology is an innovation for financial service actors to offer convenience for potential customers and customers and even reach all corners of the country (Cao, 2014).

Opening accounts, transferring and receiving funds, and applying for financing through online have become activities that cannot be separated from the community. The COVID-19 pandemic is one of the drivers of how technological developments continue to drive the economy, without having to meet face to face and carry out the submission and transfer process no longer needs to be face-to-face. With an internet connection and a gadget, it can all be done anywhere and anytime (Tyagi & Goyal, 2020).

These facilities are not without risks. These facilities become like a double-edged knife, on the one hand able to provide extraordinary benefits to society and encourage the economy to keep moving and growing, on the other hand also raises the risk of deviation to be used by criminals to commit crimes. These efforts are very likely to occur considering the increasingly diverse business activities carried out by utilizing technology. One form of crime committed is money laundering, account break-in, online loan applications, and fraud (Singh & Singh, 2015).

In line with the development of finance-based technology, lately many financial service institutions have become the main targets for money laundering activities, considering that this sector offers many instrument services in financial traffic that can be used to hide or disguise the origin of funds

As of June 2023, financial transactions from the Cumulative Fund Transfer Financial Transaction Report (LTKL) involving technology-based finance have reached IDR 14.5 trillion with the following details:

Table 1. Cumulative Number of LTKL Positions January – July 2023

No	**Industry Group**	**Number of Reports (in thousands)**
1	Bank	17.219.311
2	Money transfer business organizer	63
3	E-money and/or e-wallet organizer	21.010
Total		**17.240.384**

Source: PPATK Statistical Bulletin July 2023

Relating to Money Laundering (TPPU) cannot be separated from the existence of a system that allows criminals to easily take advantage of technological sophistication. Money laundering through this technological means not only benefits from finance, but also this crime and one of them also affects the confidentiality of data for victims who are targeted by the perpetrators of these crimes. Money Laundering (TPPU) through financial technology is a type of crime that is relatively new, so the investigation can be said to be still difficult because it requires special expertise and accuracy from law enforcement investigators.

Finance

Finance is the art and science of managing money, whether money owned by business entities, governments, and individuals. As art means involving expertise and experience, while as science means involving principles, concepts and constructs, theories, propositions, and models that exist in financial science (Sadalia, 2010).

In organizations, money is one of the resources owned in addition to other resources such as humans (man), materials, machines, methods, and markets. Financial resources can be money in the real sense, that is, cash, but they can also be assets that can be valued with money, both movable property, and immovable property. Assets that are worth money include supplies, machinery and equipment, buildings, and building land (Siswanto, 2021).

(Emery et al., 2007) states that finance is a discipline related to value determination and decision making. The finance function allocates resources that include acquiring, investing, and managing these resources.

According to (Sundjaja & Barlian, 2002), finance is a science and art in managing money that affects the lives of every person and every organization. Finance deals with the processes, institutions, markets, and instruments involved in transfers between individuals and between businesses and governments.

Thus, finance is the science of managing money that affects the life of every organization and finance deals with the processes, institutions, markets, and instruments involved in transfers between individuals as well as between business and government.

Money Laudering

According to (Sjahdeini, 2007), money laundering or money laundering as a series of activities is a process carried out by a person or organization against illicit money, namely money derived from crime with the intention to hide or disguise the origin of the money from the government or authorities authorized to take action against criminal acts by mainly inserting the money into the financial system (finacial system) so that the money It can then be removed from the financial system as lawful money.

Money laundering is a crime that has a distinctive characteristic, namely, this crime is not a single crime, but is a double crime. This crime is characterized by the form of money laundering is a crime that is a follow-up crime or follow-up crime, while the main crime or the original crime is referred to as predicate offense or core crime or there are countries that formulate it as unlawful activity, namely the original crime that produces money which is then carried out the laundering process (Nyayu et al., 2012)

According to Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering, Money Laundering is any act that meets the elements of a criminal act in accordance with the provisions in the Law. These elements are Any Person/Corporation that places, transfers, transfers, spends, pays, grants, deposits, carries abroad, changes form, exchanges for currency or securities or other acts on Assets that he knows or reasonably suspects are the proceeds of criminal acts as referred to in Article 2 paragraph (1) with the aim of concealing or disguising the origin of Assets (Article 3 jo Article 6).

The definition of money laundering in the formulation of regulations in various countries is not exactly the same, but there is a certain principle that is always the same, namely that money laundering is an act related to enjoying or using the proceeds of crime. So, the most important thing is that there are proceeds of crime and there are deeds that enjoy or use the proceeds of crime (Garnasih, 2016).

According to PPATK (2018: 6) there are 3 (three) stages in the money laundering process, namely:

1. Placement

It is an effort to place money derived from criminal acts into the financial system or institutions related to finance. The placement stage is the first stage in the process of separating the proceeds of crime from the source of crime.

2. Layering

It is an attempt to separate the proceeds of crime from the source through several stages of financial transactions to hide or disguise the origin of funds. In this activity there is a process of transferring funds from several accounts or certain locations to other places through a series of complex transactions and designed to disguise and eliminate traces of the source of these funds.

3. Integration

It is an effort to use assets resulting from criminal acts that have been placed and / or layered that appear as legitimate assets, for halal business activities or refinance criminal activities. This stage of integration is the last stage of a complete money laundering operation because it puts the proceeds of the crime back into legitimate economic activities. Thus, criminal offenders can freely use the wealth of the proceeds of crime without arousing suspicion from law enforcement to conduct checks and pursuits

From some of the explanations of the definition above, it can be concluded that money laundering is any attempt made to hide or disguise the origin of money / funds or gifts, funds resulting from criminal activities generated through various financial transactions. Money or funds appear as if they were created for legitimate activity. Criminals usually try to disguise or disguise the origin of the funds generated in various ways to generate wealth.

Financial Technology

Financial technology is an innovation in finance that refers to modern technology. It was mentioned in (Puschmann, 2017) research that the term "fintech" is short for "financial technology" and was most likely first mentioned in the early 1990s by Citicorp chairman John Reed in the context of the novelty and consortium of the newly established "Smart Card Forum". As a general term, fintech includes the innovation of financial solutions enabled by IT and, in addition, fintech is often used for new companies that provide these solutions, although fintech can also be used by incumbent financial services such as banks and insurance companies (Fauji & Widodo, 2020).

Bank Indonesia Regulation No. 19/12/PBI/2017 Article 1 point 1 explains that financial technology is a user of technology in the financial system that produces new products, services, technologies and/or business models and can have an impact on monetary stability, financial system stability and/or payment system efficiency, smoothness, security and reliability.

Article 1 point 3 of the Financial Services Authority Regulation Number 77/ POJK.01/ 2016 concerning information technology-based money lending and borrowing services states that information technology-based money lending and borrowing services (fintech) provide financial services to bring together lenders and loan recipients in the context of making loan and borrowing agreements in rupiah directly through an electronic system using the internet network.

According to the National Digital Research Center (NDRC), fintech is a term to refer to technological innovation and digitalization in financial services. This allows various financial activities such as fund transfers, payments, to borrowing funds to be done faster.

From some of the definitions above, it can be concluded that financial technology is the result of a combination of financial services with technology that eventually changes the business model from conventional to moderate, which initially in paying had to be face-to-face and carry a certain amount of cash, now can make remote transactions by making payments that can be made in seconds.

Method

This research uses qualitative and descriptive research methods with data collection tools, namely in-depth and gradual interviews (Sugiyono, 2013). The interview was conducted through a face-to-face method and informants were interviewed for approximately 10-15 minutes. The informants who are the targets of this study are leaders who oversee the compliance function of Financial Service Institutions and the public. The data analysis technique used in this study is descriptive qualitative which is a research technique that describes and explains the data that has been collected by paying attention to and recording as many aspects as possible under study, so as to get a comprehensive account of the actual situation (Creswell & Poth, 2016). The steps of data analysis in this study are:

1) Data Collection
2) Data Reduction
3) Data Display
4) Conclusion Drawing/Verification

Result and Discussion

In this section, the results of the analysis obtained through the results of interviews conducted with one of the leaders of Finance Companies and the public related to how money laundering in financial technology.

According to the Head of the Financial Services Institution interviewed argued, fintech is able to offer ease of financial services, applying for financing is easy only through a smart phone can apply for a loan. In addition, fintech is able to encourage effective and efficient companies. Financial technology also supports financial inclusion, thereby encouraging the improvement of the country's economy.

Although there are many benefits obtained, he also believes that fintech can also be a loophole for criminals to use the funds obtained to launder money. Although when applying for financing the form on the source point of funds is written from other salaries/incomes, at the time of the financing period of financial service institutions it is quite difficult to check whether the payment uses funds resulting from money laundering unless the customer makes accelerated debt repayment.

Meanwhile, the informant interviewed argued that the public as consumers of financial service institutions feel that the current regulations have not been accommodating in protecting consumers, as seen from the increasing number of fintech and the use of customer data without prior permission to customers. The informants interviewed also hoped that regulations on technology-based finance could also provide protection to consumers so that users would be more comfortable in transacting and were also expected to be able to encourage efforts to move people who were literate and educated at all ages.

We know OVO, GOPAY, LINK AJA are examples of forms of innovation from the combination of technology and finance which are included in the payment system category. The category of fintech implementation does not only include payment systems, some are in the form of loans, financing, capital provision, investment management, risk management, market support and other financial services. If it is seen that the existence of financial technology today can help the public to facilitate financial transactions, but it should be noted that this convenience is also very vulnerable to being used by irresponsible parties.

Indonesia itself in an effort to prevent money laundering has issued several laws and regulations to suppress the rampant number of trafficking crimes in Indonesia, including Law Number 15 of 2002 concerning Money Laundering, Law Number 25 of 2003 concerning Amendments to Law of the Republic of Indonesia Number 15 of 2002 concerning Money Laundering and Law Number 8 of 2010 concerning Prevention and Eradication of Acts Criminal Money Laundering. The regulation was issued with the hope of preventing money laundering crimes from occurring and if it is related to financial technology, it is certainly very relevant considering that the regulation also binds the provision of financial facilities through technology.

In order to complicate the space for crimes related to financial technology, the Financial Services Authority as the Regulator issued Financial Services Authority Regulation Number 8 of 2023 concerning the implementation of the Anti-Money Laundering Program, Prevention of Terrorism Financing, and Prevention of Financing of Proliferation of Weapons of Mass Destruction, Article 69 Paragraph 5 explains that every financial service institution company must consider information technology factors that have the potential to be misused by traffickers, Information technology factors that have the potential to be misused include the ease of access to other people's accounts and the possibility of using false documents in opening business relationships electronically. The sanctions are also clear with the imposition of administrative fines, namely:

a. A written warning or reprimand accompanied by an order to perform a specific action;
b. Fines;
c. Restrictions on certain business activities;
d. Decreased assessment of factors forming the value of health level;
e. Suspension of certain business activities; and/or
f. Prohibition as the main party.

Material regulation regarding electronic evidence has been regulated in several special laws such as Law Number 19 of 2016 concerning the Prevention and Eradication of Money Laundering, but the formal regulations are not yet clear, although in practice judges in deciding money laundering cases have paid attention to the existence of this electronic evidence. The development of technology that is often misused and becomes a medium and means used in money laundering crimes, needs to get serious handling, including in evidence. Multi-interpretation as a result of the meaning of elements can be accessed, displayed, guaranteed intact and accountable based on Article 6 of Law Number 19 of 2016 concerning Electronic Information and Transactions can affect the judge's confidence in assessing the validity of an electronic evidence.

Money laundering crimes are part of multiple and related offenses, so that the offense can be said to be non-existent if there are no other offenses as the origin of the delict. Based on article 2 of Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering, it is stated that the proceeds of criminal acts are assets from various original crimes, such as corruption, illegal drug trafficking, trafficking in persons, and so on.

In addition, keep in mind that washing practices do not have to consist of placement, layering, or integration. Because it is possible that criminal actors do not place the proceeds of crime into the formal financial system (placement) in order to avoid detection by the relevant authorities, so they choose to directly use their money for the purchase of assets (integration) on behalf of others.

In carrying out money laundering practices, the perpetrators do not really consider the results to be obtained, and the amount of costs that must be incurred, because the goal to be achieved is to disguise or eliminate the origin of money so that the final results can be enjoyed or used safely without being sniffed by law enforcement officials.

The involvement of the financial services sector in money laundering activities, whether carried out by perpetrators without involving financial service institutions or by involving financial service institutions, generally in the form of:

1) Use of transfer facilities or Electronic Funds Transfer (EFT)
2) Storage of money in the form of deposits/savings/current accounts
3) Storage of money from crime under false names or in Safe Deposit Box (SDB).

The implementation of the RTGS system on interbank fund transfer transactions is also targeted by criminals to move their proceeds easily. Likewise, the use of electronic payment media today can be said to be more difficult to trace, especially if the funds enter the banking system in a country that is strict in applying bank secrecy provisions. In addition, the high level of technological development and globalization flows in the banking sector make this industry a soft ground for money laundering crimes.

Increasing the role of financial service institutions, especially in financial technology, is also a very important part of ensuring that the system used can provide security and comfort to the public so as to minimize crime, especially related to the financial sector and of course financial technology can help drive the country's economy.

Conclusion

Without synergy between the government, law enforcement agencies, and the community, the potential for money laundering will continue to occur and even massive. Therefore, short-term solutions that can be presented to overcome money laundering in financial technology are the need to optimize regulations governing obligations and prohibitions related to the financial technology system itself and socialization of the benefits and dangers of technology-based money and the need for public attention to it for the creation of healthy finances and for the sake of improving public welfare.

Based on the results of research and discussion, this study recommends things that need to be done related to money laundering through financial technology:

1) Strengthening a better and more detailed legal umbrella to make it easier to ensnare money launderers through financial technology and building cooperation with other countries in handling various money laundering cases.
2) Effective and efficient application in efforts to prevent technology-based money laundering crimes and by developing insights to the wider community and stakeholders, especially investors, business people, and financial service providers to be tighter in dynamic continuous supervision. As well as increasing public awareness to obey and have legal integrity.
3) Improving the quality of human resources for independent professionals and related institutions, so that in carrying out the cyber forensic process, especially in data mining, detailed evidence is obtained. This is expected to optimally recover undetected virtual wealth to be converted back to its economic value in the real world, so as to cover state losses due to money laundering crimes.

Theoretically, this research notes that without the full commitment of all lawmakers, law implementers, law supervisors, and the active role of the public, it will be difficult to realize financial technology that is free from money laundering aspects. Therefore, synergy can be the main key in realizing this strengthening.

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