



# **“DIRTY MONEY EXPLOITS WEAKNESS TO ENTER”**

A NARRATIVE LITERATURE REVIEW ON THE  
CHALLENGES OF COMBATTING MONEY  
LAUNDERING

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*Abstract:* Money laundering is believed to have been around since the introduction of money. It is a vast, international problem which challenges law enforcement agencies and legislating authorities, as well as financial institutions and organizations of interest, all over the world. The aim with this study is to get an overview of which the current focus’ areas are when combatting money laundering, as well as what the challenges are, and specifically challenges involving money laundering through cryptocurrency. The method used is a narrative literature review. The results show that the focus’ areas’ and challenges are; cryptocurrency and specifically the EU’s fifth anti-money laundering directive, challenges with international cooperation, and lastly, the role of financial institutions and identifying the beneficial owner.

*Keywords:* Money Laundering, Anti Money Laundering Regulations, Cryptocurrency, Cross-border Challenges, Beneficial Owner.

*Words:* 5882

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# INTRODUCTION

Money laundering (ML) is believed to have been around since the introduction of money. Simply put, it is the act of laundering dirty money and making them appear “clean”. There are numerous definitions of the term, but none officially claimed. However, the definition cited by Teichmann (2019) offers a good depiction of the act itself and its complexity; money laundering is considered the “act that is aimed at frustrating the identification of the origin, the tracing or the forfeiture of assets which [an individual] knows or must assume originate from a felony or aggravated tax misdemeanor” (p. 238).

To launder money is considered a by-product of criminal activity and it was not until recently it was labeled as a crime. The process started in the US in the 1980s, when drug trafficking was a major problem and Pablo Escobar’s empire was at its peak (Forsman 2020). This led to the government of the United States, in 1986, issuing a law making money laundering itself, a crime. In the years that followed, many countries did the same, including Sweden in 1991 (ibid). Since then, the legislature has evolved and the attention towards these types of crimes have only increased. Sweden, for instance, got a new legislature in 2014 and since then the number of charges and convictions have skyrocketed (Brottsförebyggande rådet, 2019).

Governments and the general public caught interest in the early 2000s due to the connection between ML and terrorist funding (Forsman, 2020). But implementing laws will not eliminate the crime on its own. The risk and cost of getting caught has to outweigh the possible benefits. This is not where we are right now. In 2019, it was estimated that the volumes of money laundering and terrorist funding was at 2-5 % of the total global GDP (1-2 trillion US dollars per year). And only 1 % of these illicit financial flows were detected and confiscated (Levchenko et al., 2019).

To combat these criminal acts, there are numerous legislations, regulations and restrictions on national and international levels. The need for cooperation across country borders is as necessary, as the amount of money being transferred across borders is common (Teichmann, 2019). The most established and well-known organization in this realm, is the Financial Action Task Force which operates internationally and educates governments and private sectors on how to work towards eliminating ML and terrorist funding (Financial Action Task Force [FATF] 2021). On a national level, there are Know Your Customer (KYC) and Customer Due Diligence (CDD) directives, to mention a few, which are essential for the financial industry to combat these issues (Bashir et al., 2020).

The past few years, something new has snuck up on law enforcement agencies and legislating authorities, namely Blockchain technology and cryptocurrency. This has caused a number of reactions, such as nations and international organizations quickly updating their anti-money laundering (AML) regulations. This goes to show how ML is constantly evolving, which makes targeting this crime a constant challenge. The patterns of which are used, are continuously changing (Forsman, 2020). This behavior is of criminological relevance due to its major effects on society, not only financially but also on its integrity. To adhere to that, this study aims to look at current research and to establish what is the current focus when combatting money laundering.

## **Aim and Research Questions**

There is a lot of research being conducted on Money Laundering and specifically research on how to tackle the issue (Teichmann 2019). This study wishes to give an overview of the recently published (year 2020), available literature on the matter, to facilitate the continuous work on how to best prevent and detect this crime. In short, the aim with this study is to look at already existing literature and to establish what the current focus is when combatting Money Laundering.

Looking at anti-money laundering regulations and current research,

- What are the three main focus' areas?
- What are the challenges?
- How is AML tackling cryptocurrency?

## **BACKGROUND**

To assist the reader, this section intends to define some of the terminology used as well as to give some background information, to facilitate the reading.

### **Money Laundering**

ML is not a single process but rather multiple processes (El-Banna et al., 2020). It is the action of making illegally acquired proceeds appear as if they were acquired legally. When talking about ML, you normally refer to three different stages; placement, layering and integration (ibid.).

Placement is the initial act where the money is placed in a financial institution, such as a bank (El-Banna et al., 2020). This can be done in many different ways. For example, one can manipulate invoices to make it seem as if the transaction is actually a payment of said invoice. One can deposit money in foreign banks using Smurfs. Smurfing is where a large amount of money is being divided into smaller amounts of money and distributed between so called Smurfs. The Smurfs then deposit the money and deliberately avoid suspicion from financial organizations and government. One can also take loans and max out credit cards then pay the money back with illicit money, making the money appear legitimate. The second phase is called layering. It is considered the most complex stage. This is where the illegal money is diluted and smeared around, usually between several institutions and jurisdictions. Banks with lax AML regulation are often involved. The last stage, the integration, is where the money is returned to the criminal in an apparently legitimate way (ibid).

One of the problems with ML is that the act of laundering money itself is very difficult to identify (Brottsförebyggande rådet, 2019). It is easier if there is another crime prerequisite to the ML, like for example fraud. In Sweden, since the new legislature 2014, the number of convictions has increased drastically, but majority of them are cases where there has been such a prerequisite crime (fraud being the vast majority). The central issue targeting the act of ML remains. This is especially pressing since ML is a large contributor to organized crime and terrorist funding (ibid).

## **Anti-Money Laundering Regulations**

Anti-money laundering (AML) regulations exist on national and international levels. They are ways to prevent and detect money laundering. The most established organization to present these regulations is the Financial Action Task Force (FATF). They refer to themselves as a watchdog and works towards eliminating money laundering and terrorist funding. They continually come out with new recommendations and standards for the 200 countries and jurisdictions committed to implementing them (FATF, 2021). On a national level, the AML regulations has resulted in, for example, Customer Due Diligence (CDD) and Know Your Customer (KYC) initiatives. Simply put, it is all about knowing who is performing a transaction and reacting when a transaction is unusual in any way.

The FATF monitors countries and make sure they abide by the FATF standards, and countries that do not are held accountable (FATF, 2021). The countries that are not following the standards of FATF are more prone to ML (Forsman, 2020).

## **Cryptocurrency**

Cryptocurrency can be resembled to a peer-to-peer digital currency that works online (Dumitrescu & Dumitrescu, 2020). It was discovered in 2009 and has since then grown exponentially. The most established type of cryptocurrency is Bitcoin (Jozipović et al., 2020). Using Bitcoin as an example, there are three ways to obtain bitcoins; purchasing of coins (with fiat currency), purchasing/selling of goods/services (just like regular fiat currency) and mining. Mining is the process of creating new bitcoins by solving extremely complex computational math problems (Plassaras, 2013). Bitcoin is based on blockchain technology, which verifies and records transactions (Murray, 2019). Today, bitcoin and other types of cryptocurrency can be converted into US dollars, Euro, Japanese Yen etc.

The cryptocurrency differentiates itself from the fiat currency in that it is decentralized, meaning there is no need for a third party or intermediary, e.g. a bank, in order to complete a transaction (Dumitrescu & Dumitrescu, 2020). The transaction is from person to person (peer-to-peer). Once a transaction with the coin has been made, that coin is marked and the transaction is permanently visible on that blockchain (ibid). The fact that cryptocurrencies are decentralized also means there is no supervision of the transactions by any government or institution, and even though one has to identify oneself when creating a bitcoin wallet (for example), there is no one validating the information to be correct (Stokes, 2012).

### *Crypto Laundering*

Despite Bitcoin often being described as anonymous, because ones' identity is not being directly linked to the coins, there are still ways to trace the bitcoin through the different transactions (Crawford & Guan, 2020). As a result of this, bitcoin Tumbling, or Mixing, services has appeared. "These services effectively launder Bitcoin by accepting Bitcoin and "mixing" it through a complicated series of transactions involving multiple user's funds. After this mixing process, it is difficult or impossible to establish the correlation between Bitcoin entering the mixer and Bitcoin leaving. The result is that a Bitcoin user can submit their Bitcoin to a Tumbling service, and receive Bitcoin back that is not clearly linked to them." (Crawford & Guan, 2020, p. 38).

This type of service is, by definition, non-compliant with the numerous-anti-money laundering requirements that other financial institutions are faced with (Crawford & Guan, 2020).

## **METHOD**

This section will outline the process of which the data was gathered. The method used is a Narrative Literature Review and its characteristics will be explained following this paragraph. This section will include search criteria, inclusion and exclusion criteria, as well as the study's reliability, validity and potential ethical dilemmas.

### **Narrative Literature Review**

There are multiple different types of literature reviews (Pati & Lorusso 2018). The purpose of a literature review is to give the reader a summary and a critical analysis of currently available literature within a specific field or topic (Cronin et al., 2008). The information is gathered from multiple different sources. The presentation of the information is conducted in an objective, strategic and well-written manner. Inclusion and exclusion criteria are explicit and potential limitations as well as referencing are thorough (ibid).

This study is based on a Narrative Literature Review, sometimes called a Traditional Review. In comparison to, for example, a Systematic Review or a Meta-Analysis, this method is characterized by being faster and easier, and it normally uses less resources (which is appropriate given the time frame for this study) (Cronin et al. 2008). A Narrative Review is, first and foremost, a way of giving the reader a thorough background to current knowledge and to identify areas of which new research is needed (Cronin et al. 2008; Rejeb et al., 2021). This type of method is also appropriate when the aim of the study and the research question (questions) are broader (Cullen & Walsh, 2019).

### **Search Criteria**

A systematic approach when conducting the search is beneficial, not only for the reliability of the study, but also in order for the result to be informative to the reader (Cronin et al. 2008). The following 4 criteria had to be met in order for the article to be included; the article had to include money laundering and anti-money laundering regulations, the article had to be peer-reviewed, the article had to be published in 2020 and the article had to be published in English. The literature was retrieved from the Malmö University's Electronic Library, which has access to numerous other databases. In this study, the articles included were from the following databases: Emerald Insight, Google Scholar, Social Science Citation Index, IEEE Xplore Conference, Scopus, Scencedirect, MEDLINE PubMed, Academic Search Elite, Complementary Index, Supplement Index and Directory of Open Access Journals.

The search was conducted using the following "keywords": "money laundering" AND "anti money laundering regulations"; "money laundering" AND "AML"; "money laundering" AND "AML regulations" (Cronin et al. 2008).

The initial search gave 158 results. The 158 articles and texts were screened by reading the title and the abstract. Duplicates were removed as well as articles that

did not seem relevant to the study. After this step was conducted, 46 articles remained (meaning 112 were excluded). These 46 articles were read and analyzed, with the research questions and the aim of the study as a filter and were either included or excluded from the study. All these steps narrowed it down to a total number of 22 articles, all of which fit the criteria and were relevant to the study.

### **Inclusion and Exclusion Criteria**

When conducting a Narrative Literature Review, it is important to have distinct inclusion and exclusion criteria for which articles and texts will be considered for the analysis (Cronin et al., 2008).

In order for a text to be included in this study, the text had to include money laundering and anti money laundering regulations (1). It had to be peer-reviewed (2). It had to have been published year 2020 (3). The text also had to have been published in English (4), due to the limited knowledge in other languages by the author.

This means, texts were excluded if they did not meet the inclusion criteria, as well as if they were not available (by the author) in full text (which was the case for two out of the 46 articles that initially seemed relevant).

### **Analysis**

According to Grant and Booth (2009), one of the benefits with using a Narrative Literature Review is the potential for building on previous work, to facilitate future research, to avoid duplication and to identify where there are gaps in the research. At the same time, literature reviews in general may face limitations when it comes to the authors capacity in collecting data as well as the absence of validation of the statements made in the published material. They also risk biases when collecting data (ibid). Seeing as one of the inclusion criteria for this study, is for the article or text to be published in English, there is the potential for a substantial bias regarding selection (de Almeida & Goulart 2017).

### **Validity and Reliability**

Internal validity is measured as the extent to which a concept or, in this case, the study, measures what it sets out to measure (Bryman, 2012). The study is intended to give an overview, which means its focus is on what is repeatedly brought up when searching AML. When that has been identified, not every topic has been searched separately, which could lead to limitations. For example, if cryptocurrency is mentioned in numerous articles as a focus area in AML, the study has not expanded its search to ML and different typologies of cryptocurrency. This is because the sample size simply would have been too large for the premises of this study. The external validity is measured as the extent to which the result can be generalized to a larger population (Bryman 2012). The intent for this study was not to generalize the result to a larger population but rather to get an overview of what the current literature points at.

Reliability in the context of qualitative research, is measured as how consistently a method measure something (Bryman, 2012). So, if this study was to be conducted again, would it receive the same results? Since this is a study which covers many topics, depending on what databases are used, the results might differ. For example, if one were to use a database which is directed to crime,



finance or technology, it might not generate the same data. Since the study is looking at trends of combatting ML, the data will vary but the study might still be able to accomplish the same goal, which is to give an overview.

### **Ethics**

When conducting research it is crucial to do so in an ethical way with the integrity of the people involved as top priority (Tracy, 2019). However, when conducting a literature review, it is based on already published material which means there is no “new” participant subjected to the study. There is no one to ask for permission, confidentiality, participation and no relationship to establish. There is however need for transparency (ibid), which has been accomplished by thoroughly describing each step of the data collection process.

This study has not been subjected to the ethical board of Malmö University seeing as the methodology and criteria for the study did not require such an approval.

## **RESULTS**

This section is a presentation of the recurrent themes in the articles. Specifically, three main themes were identified; cryptocurrencies and challenges with the EU’s new AML directive (AMLD5), cross-border challenges as a result of ML being a global crime and finally, financial institutions and identifying the beneficial owner.

### **Cryptocurrency**

Dupuis & Gleason (2020), Shanaev et al. (2020) and Covolo (2020) all refer to a study conducted by Foley et al. (2019), which estimates that 46 % of the Bitcoin transactions, per year, are linked to illicit activity. At the same time, Jozipović et al. (2020), says that it is estimated that by 2027, 10 % of the global GDP will be stored in blockchain technology, which clearly points at the need for regulation of such technology (Jozipović et al., 2020; Shanaev et al., 2020; Hamil, 2020; Velkes, 2020; Haffke et al., 2020).

While Bitcoin is still the most well-known cryptocurrency, there are more than 7000 other types of coins on the market (Jozipović et al., 2020). Amongst these coins, there are some referred to as Privacy Coins (Covolo, 2020). ”These are currencies specifically designed to provide users with a high level of anonymity, to the extent that their developers readily compare them with digital cash” (ibid, p. 241). Unlike, for example, Bitcoin, these privacy coins are extremely difficult to identify who they belong to, and therefore represent a big problem to law enforcement and regulation authorities (Covolo, 2020; Velkes, 2020; Dupuis & Gleason, 2020).

One way for criminals to actually launder their cryptocurrency is through Tumblers, or Mixers (Dupuis & Gleason, 2020; Velkes, 2020; Haffke et al., 2020). For example, Dupuis and Gleason (2020) conducted a study on cryptocurrency and so-called open doors, which refers to the ways criminals can launder their money, still, through cryptocurrency, even with the current regulations. One of these open doors, is through something called Tumbler or Mixing services. A Tumbler basically cuts off the transactional link between wallets, by mixing legitimate Bitcoin transactions with illegitimate coins, and then

sends them back to a new address. By using this service, the user is charged a small fee. It is also worth mentioning that this type of service is not available for all coins. Most of these services are available on the dark net (such as TOR) and are difficult for law enforcement to take on (ibid). As mentioned in Covalo's study (2020), this service could be looked at as an intermediary, in which case they should be subjected to the same regulations as other financial institutions with AML directives. But they could also be looked at as a provider of an anonymizing software, in which case the provider is not the one performing the service, but is simply offering a software to an individual, which in turn can choose to anonymize one's own transactions. Herein lies another challenge, seeing as AML regulation does not forbid anonymizing services per se, but rather obliges those services to report important information to the correct authorities (ibid).

### *The EU's fifth Anti-Money Laundering Directive*

One issue that is mentioned in numerous articles is the European Union's fifth AML Directive (AMLD5) and its attempt to include cryptocurrencies in their regulations (Covolo, 2020; Hamil, 2020; De Vido, 2020; Jozipović et al., 2020; Haffke et al., 2020).

As of right now, the AMLD5 and the way it is worded leaves room for criminal loopholes and legal shortcomings (Haffke et al., 2020). The main issues have been the actual wording in the directive. The definitions are vague, which in itself leads to uncertainty. For example, De Vido (2020) conducted a literature study where she looked at the relationship between the AMLD5 and GDPR, and she concludes that "the legal instruments in force are not able to keep the pace of the evolving world of blockchain" (p. 2) and that, referring to the directive, "it was old as soon as it was adopted" (p. 2). In their study, Haffke et al. (2020), also analyzed the fifth AMLD and they conclude by saying "Its wording is at best unclear." (p. 21).

Some of the critique has been that the directive does not include all necessary virtual currency services nor key players. For example, Haffke et al. (2020) discuss the definition of virtual currencies, and specifically the part that says virtual currencies has to be accepted as a 'means of exchange', in order for it to be considered a virtual currency. The reference 'means of exchange' can either be interpreted very broadly, covering all types of tokens (currency coins, investment tokens and service tokens) or more restrictively. A wide interpretation is problematic because, "if 'means of exchange' were to be interpreted widely, the term would have almost no limiting function. Nearly everything (stones, buttons, etc.) can be used as a means of exchange in that way. This would expand AML legislation to a system that seeks to monitor all transactions of private goods" (Haffke et al., 2020, p. 11). At the same time, if applying a more restricted interpretation of the definition, specifically looking at 'means of exchange' as an economic expression which means to "facilitate trade between people that have no interest in consuming each other's goods" (p. 12), "only tokens that are accepted by natural and legal persons as an intermediary asset in trade without their traders' own interest in their use or consumption are virtual currencies within the meaning of AMLD5" (p. 12). This in turn, would exclude currency tokens (another word for cryptocurrency) (Haffke et al., 2020). This conundrum is also mentioned in the study by Covolo (2020), who claims referring to the exchange function evokes the economic meaning of the expression, which is normally used to describe money. And if using that perspective, the definition of virtual currencies would not be

sufficient for all types of tokens but rather the tokens used to facilitate trading of goods and services.

The term virtual currencies is problematic from another perspective as well, seeing as it is not clear whether it includes all types of tokens; currency tokens (coins), investment tokens and service tokens, or just the currency tokens (Haffke et al., 2020). This uncertainty also affects other requirements in the directive that includes the term. An example of this is the service Currency Exchanges (these can be resembled to regular currency exchange offices), which could possibly be included in the AMLD5 directive – if the Currency Exchange offers trade from crypto to fiat, or vice versa - but not if they only trade crypto to crypto (token to token). Same thing goes for Crypto Markets (these can be resembled to stock exchanges) - depending on what the definition virtual currencies entail, they fall under regulatory rule (ibid).

This section has mentioned the difficulties in regulation cryptocurrency and specifically looking at the EU's fifth directive. It has given some examples of the challenges. It is clear that this is an evolving issue in need of urgent attention, spanning from clarification of definitions to legislation on an international level.

### **Cross-border challenges**

Money laundering is a global problem. Criminals commonly move their money from different jurisdictions, across country borders, in an attempt to make the money less traceable (Pazluk et al, 2020; Steblianko et al. 2020; Demetriades & Radveta, 2020). What countries they target depend on multiple factors. They avoid territories with strict regulations and law enforcement and instead, gravitate towards countries with lax regulations and weakened law enforcement agencies (ibid). As Demetriades and Radveta (2020) writes in their report “dirty money exploits weaknesses to enter”. (p. 511).

It is not uncommon that criminals conduct their business in one country and place their money in another country (Steblianko et al. 2020). In fact, country borders can facilitate ML if the country in which the ML is being conducted has lax AML regulations itself and on top of that has high bank secrecy. Steblianko et al. (2020) conducted a study on ML and the need for international cooperation between law enforcement agencies. One of the identified factors was the lack of legal framework and the difficulties in communicating between law enforcement agencies of different nations, and how this has led to national borders contributing, rather than preventing ML. This makes it more difficult for prosecution authorities to file charges and stresses the importance of cooperation between nations (ibid).

Lack of communication between countries, and loopholes in jurisdiction, are reasons for choosing to conduct ML in one country over another (Pazluk et al, 2020; Steblianko et al. 2020; Demetriades & Radveta, 2020; Cruz & Marie, 202). Another reason for choosing to place your illicit money in a bank abroad, is the bank secrecy (as previously mentioned). High bank secrecy does not only facilitate the initial stages of the laundering, but also complicates prosecution if the criminal is caught (Steblianko et al. 2020; Pazluk et al. 2020; Cruz & Marie, 2020).

Another aspect of the cross-border challenges is offshore cooperation and tax evasion (Steblianko et al. 2020; Cruz & Marie, 2020). This is also linked to capital outflow and corruption, which in turn are tightly linked to ML (ibid). One of the most well-known cases in modern time is the Panama Papers, which despite there being AML regulations and legislature in place, exposed serious shortcomings in the work towards eliminating ML and resulted in more rigorous AML regulations in multiple countries (Cruz & Marie, 2020). In their case study, Marie and Cruz conclude by saying that ML (and other financial crimes) is a transnational, collective problem, and it should be handled as such.

Some critique to the current AML regulations are that they are not specific enough, but rather, in an attempt to cover more ground and be applicable to more countries, too general (Cruz & Marie, 2020; Naheem, 2020). The need for countries to help one another to combat these issues is also mentioned frequently (Pazluk et al. 2020; Cruz & Marie, 2020; Mugarura, 2020).

In conclusion, there needs to be better collaboration, more transparency, information sharing, guidance and methodology, in between countries and the different sectors in each country (government and financial) in order tackle the international nature of ML (Pazluk et al., 2020; Steblianko et al., 2020; Demetriades & Radsveta, 2020; Cruz & Marie, 2020).

### **Financial Institutions and the Beneficial Owner**

The financial institutions (mostly banks) have a major role in the fight against ML (Ferrari, 2020; Gilmour, 2020; Ball et al., 2020; Yeoh, 2020; Gikonyo, 2020). They are considered a private intermediary, expected to comply with the government accepted regulations and to work with prevention as well as detection (Ball et al., 2020; Gikonyo, 2020). An example of this is Know Your Customer (KYC), which means that new clients have to ID themselves and provide other personal information. Another example is Customer Due Diligence (CDD), which the banks are expected to perform. It means they have to keep track of transactions and react if they notice anything unusual or suspicious. This obligation can cause difficult situations between the bank and the client, seeing as the banks also have obligations to protect the client's interests and in extension, personal data (ibid). Ball et al. (2020) has conducted a thematic analysis based on interviews with senior staff working in the financial sector and construction industry. They conclude their study by saying "This dual role created tensions between the activities required for the delivery of the original (commercial) service to its customers on the one hand, and those required for the performance of the new (AML/CTF) service to law enforcement on the other." (p. 8).

Another difficulty with the obligations pushed onto the financial sector, is that a lot of the responsibility is placed on the people working "the front line", which in this case are people working at banks and financial institutions, not specialized in ML. This leads to inconsistent compliance (Gilmour, 2020; Ball et al., 2020). Other reasons for inconsistencies are lack of guidance on how to apply the regulations. As is stated by Gilmour (2020), "neither the FATF Recommendations, nor AMLDs offer any advice to professionals carrying out CDD in how to assess risk, leading to inconsistent CDD compliance" (p. 720).

### *Identifying the Beneficial Owner*

A lot of the focus in AML has been to identify the beneficial owner (Gilmour, 2020; Ball et al., 2020; Yeoh, 2020). The beneficial owner is the physical person behind a cooperation or a business. The responsibility to identify this beneficial owner, has been placed on the financial institutions (ibid). In order to adhere to this comply, the financial institutions (banks) gather and save personal information on its clients. This has been identified as compromising in multiple aspects, seeing as this type of surveillance not only affect the banks relationship to its client but also affect the banks competitiveness in relation to other banks, especially if you look internationally (Gilmour, 2020; Ball et al., 2020). This is portrayed in, for example, Gilmour's (2020) systematic literature review, where it is mentioned the importance of keeping the financial information confidential to keep up with the competitive market of banks, which by extension is essential to ensure viable economies. Another example is Steblianko et al. (2020) who, in their study, describe how banks and other financial institutions sometimes deliberately hide information about their customers' accounts, because they worry exposing the information will mean they loose their business reputation, or they refer to the bank secrecy. This in turn makes it difficult to detect and investigate potential criminal activities (ibid).

To identify the beneficial owner has also been proven, in for example the Panama Papers, to be further complicated by so called professional enablers, or gatekeepers (Gilmour, 2020; Levi, 2020; Goldbarsht, 2020). It is especially difficult identifying the beneficial owner if the company is located offshore and if it is hidden behind other professional agreements, such as the Legal Professional Privilege (LPP). This is believed to be more common in large scale ML (Levi, 2020).

The involvement and reliance of banks to combat ML has many challenges, at the same time it is clear how dependent law enforcement is on their contribution (Ferrari, 2020; Gilmour, 2020; Ball et al., 2020; Yeoh, 2020; Gikonyo, 2020).

## **DISCUSSION**

This section will briefly summarize the result, discuss the study's limitations as well as contemplating potential future research.

The first research question is answered by the three different themes; cryptocurrency, financial institutions and the beneficial owner and lastly, cross-border challenges. There were of course other potential themes but none as distinct as the ones presented in this study.

The second research question is answered under each theme, where there is a presentation of each focus' area as well as what the challenges are of said area. In short, the most obvious theme was the one of cryptocurrency and how this fairly new phenomenon has affected AML internationally as well as nationally. The fact that the act in itself is so new makes it difficult to tackle and law enforcement agencies and organizations of interest have had to start at a very basic level by defining cryptocurrency and its related services, to a more holistic level by looking at the potential for criminal activity vs the integrity of ones' identity. The second theme identified was brought up in many different contexts and was

perhaps the most versatile one, seeing as every challenge mentioned the international nature of ML in one way or another. For example, it goes without saying, since cryptocurrency in itself is international, targeting it will be an international issue. The third theme concerned the role of financial institutions and the importance of establishing the beneficial owner, the latter being a large focus area in AML and a task that has been assigned financial institutions.

The third research question is answered under the first theme; cryptocurrencies, and further problematized under the sub-theme; the EU's fifth AMLD. Some of the challenges brought up are Privacy Coins and Tumbler Services, both of which are problematic because they are very difficult for law enforcement to track. The section then continues to present some of the critique to AMLD5.

The results in this study are not controversial in any way. In fact, two of the themes in this study are included in the FATF's most previously published recommendations; beneficial ownership and international cooperation, which is in favor of the significance of the results (FATF, 2021). It makes sense that all three themes point out the difficulties in targeting this crime because of its international nature. It also makes sense that it is a huge challenge for old institutions such as banks (not all) and law enforcement agencies, to keep up with the technological advancements.

For future research, it would be beneficial to conduct meta analyses, in order to get a broader, more generalized result (Bryman, 2012). A meta analysis, or quantitative literature review, is a good place to start if the goal is to improve the current regulations. And lastly, given how fast the technology behind cryptocurrency and virtual assets is developing, it is essential that the regulations aiming to target criminal activity using such technology, is evaluated frequently, thoroughly and with an open mind. As concluded by Teichmann (2019) in his study based on interviews with both money launderers as well as compliance officers, despite massive efforts to stop ML, it continues to be "extraordinarily" (p. 245) feasible.

## **Limitations**

When conducting a qualitative literature review, some say it is important to also include "grey literature" (Pati & Lorusso 2018; de Almeida & Goulart 2017; Juntunen & Lehenkari, 2019). However, in this study, only peer-reviewed articles have been included due to the uneven quality of grey literature.

This study is based on articles published year 2020, which could be a limitation in itself. Perhaps the results would have turned out differently if the search would have included a longer period of time. This also limits the possibilities to make any long term observations, either historically or looking into the future.

Another limitation is the author's decision to only include literature published in English. This leads to potential laps in data (de Almeida & Goulart 2017). Although, when choosing English as a search criteria at Malmö University Electronic Library, the number of hits went from 165 to 158, which proves there is very little (available) research on the matter which is not published in English.

## **CONCLUSION**

The aim with this study was to look at already existing literature and to establish what the current focus is when combatting Money Laundering. The aim was further solidified via the three research questions; what are the three main focus' areas, what are the challenges and how is AML-regulations tackling cryptocurrency. The answers to these questions are intertwined with one another and portray the complexity of the crime. As have already been presented, the main focus is cryptocurrency, cross-border challenges due to the international nature of the crime, as well as working with the financial institutions and establishing the beneficial owner (of a transaction). This is a subject that needs constant evaluation, in order to keep up with the criminals who are (almost) always one step ahead.

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