



Exploring Innovative Financing Strategies for Illicit Flows: A Study of Current Trends and Implications

Bachelor Thesis for Obtaining the Degree

Bachelor of Science in

International Management

Submitted to Davis Gibbs, MSc

Younis Allosh

11743719

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Affidavit

I hereby affirm that this Bachelor Thesis Proposal represents my own written work and that I have used no sources and aids other than those indicated. All passages quoted from publications or paraphrased from these sources are properly cited and attributed.

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Abstract

Nowadays, technological advancements play an enormous role in almost every aspect of life by the fact that it is developing quickly and permitting more rapid transformation. This study examines the trends of the various illegal financial transactions such as tax evasion, money laundering, terrorist activity, as well as fraud. Internationally, this topic is a serious issue that needs to be addressed in order to examine how technological advancement and financial crime interact. Specifically, the study intends to investigate the major elements influencing this interaction and the impact of innovative financing strategies on the movement of illicit funds. Additionally, this paper exposes distinct and recent developments in the funding of illicit outflows in addition illustrating the complicated relationships among diverse illicit frameworks using a thorough assessment of the available literature and extensive interviews with experts. The results of the findings highlight how criminals use new technology, like cryptocurrency, predetermined cards, virtual games, and social networking channels, to make their illegal financial activities easier. It likewise highlights how crucial it is to battle such acts successfully to develop strict governing structures, accurate monitoring technology, and worldwide collaboration to early recognize and stop such activities. The results of this study have significance for dealing with the developing illicit financial activity environment and reducing its negative effects globally.

keywords: financial crime, money laundering, tax evasion, corruption, terrorism, illicit financial flows, technology, innovation, cryptocurrencies, prepaid cards, online gaming, social media.

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List of Abbreviations

AFIU – Anti-Financial Crime Intelligence Unit

AI – Artificial Intelligence

AML – Anti-Money Laundering

AMLDs – EU Anti Money Laundering Directives

ASEAN – Association of Southeast Asian Nations in Asia

ATM – Automated Teller Machine

BSA – Bank Secrecy Act

CBDCs – Central Bank Digital Currencies

CDD – Customer Due Diligence

CFT – Countering the Financing of Terrorism

DFSA – Dubai Financial Services Authority

EITI – Extractive Industries Transparency Initiative

EU – European Union

FATF – Financial Action Task Force

FCPA – Foreign Corrupt Practices Act

FIA – Financial Intelligence Authority

GAFILAT – The Financial Action Task Force of Latin America

GDPR – General Data Protection Regulation

IFFs – Illicit Financial Flows

IS – Islamic State

KYC – Know Your Customer

MENAFATF – Financial Action Task Force Middle East and North Africa

ML – Machine Learning

OECD – Organisation for Economic Co-operation and Development

OFCs – Offshore Financial Centers

TBML – Trade-Based Money Laundering

UAE – United Arab Emirates

UN – United Nations

UNCTAD – United Nations Conference on Trade and Development

UNODC – United Nations Office on Drugs and Crime

USA – United States of America

USD – United States Dollar

1 Introduction

For a quite long time, innovation has been a key factor in the development of the global economy, influencing businesses and sectors all over the world (Nooteboom & Stam, 2008). However, with the change in technology over the last decade innovation facilitated financing illicit flows in various ways (Tropina, 2016b). According to the UNODC and UNCTAD (2020), illicit financial flows can be defined as “financial flows that are illicit in origin, transfer or use; that reflects an exchange of value instead of purely financial transaction; and that cross-country borders”. Which in connection includes various illegal activities such as crime, money laundering, tax evasion, corruption, and terrorist financing., allowing a complex web of criminal networks to exist.

Recently, there has been more attention on the importance of addressing how criminals finance their illicit flows using innovation and technology, and how these criminals' activities are linked as criminal networks creating an interdependent chain-like relationship (Tropina, 2016b). Moreover, addressing these strategies has huge importance, since researching these methods help exposing and combating illicit flows, by making it easier for authorities to understand the scope, scale, and type of these criminal activities to find effective ways to limit criminals in financing their illicit flows through criminal activities (Erskine & Eriksson, 2018). Furthermore, this topic is critical and important because it helps expose vulnerabilities that can be found in financial systems and improve by protecting any weaknesses in these financial systems providing more stability (Tropina, 2017). As of today, financial crime keeps threatening societies and economies, due to its significant impacts that go beyond individuals, businesses, governments, and economies, therefore making it a crucial topic to address (Refinitiv, 2018).

Despite the attention to the importance of Illicit financial flows and their huge impact on different sectors, there is still a scarcity and a significant gap in academic research on innovation and technology in financing illicit flows (UNCTAD, 2021). Nonetheless, the Crime Opportunity often referred to as the

routine activity theory seeks to provide a useful framework for understanding the dynamics of illicit flows and their relationship to innovation and technology. This theory posits that criminal behaviour occurs when potential offenders, suitable targets, and the absence of capable guardians coincide (Cohen & Felson, 1979). In the context of illicit flows, technological changes have provided new opportunities for criminals to exploit, and investigating how these changes shape criminal opportunities can identify situational factors that sustain illicit flows (Böhme et al., 2015). Additionally, understanding the interconnected nature of different types of financial crime, is essential in comprehending the wider network of criminal activity.

1.1 Background Information

Illicit financial flows and organized financial crime have existed for decades. According to the UNODC report conducted by Pietschmann et al. (2011) an estimate of US 1.6 trillion or 2.1%-4% of the global GDP only in 2009 is the scale of the illicit financial flows. This results in governments suffering a huge loss in tax income, undermining governments to provide their essential crucial commitments including services, infrastructure, healthcare, and education. Financial crime also facilitates the weakening of the integrity of financial systems, income inequality and even sustain organized crime.

Overall, the past decade has seen various changes in the methods applied to finance illicit flows, due to breakthroughs in innovation and technology. Furthermore, the expansion of e-commerce, digitalized payment systems, cryptocurrencies, digitalized financial services and anonymity technologies has offered, making it more challenging for law enforcement to monitor and fight organized criminal networks (Tropina, 2017). On the other hand, criminals have been more successful in financing illicit flows in the past few years, impacting various sectors all over the world (Tropina, 2017). Unquestionably, criminals adopting innovation in their illicit financial flows might have higher successful outcomes. But according to Bachelet (2022), law enforcements have been having higher success combating criminals trying to finance their illicit

flows, due to researchers and governments increasing awareness and being up-to-date with any current trends arising.

1.2 Aim of Research

This research will explore the current trends in financing illicit flows, and how these trends exploit technological innovations and financial practises while discussing the challenges and opportunities these trends present. It is also important to define important terms in connection to illicit financial flows, organized crime, and financial crime. Which as result will help provide a better understanding of the topic and deliver clarity.

Furthermore, various strategies and approaches on how criminals adapt creative ideas in financing illicit flows will be explored. Deeper insight will be offered to understand the link between different criminal activities such as illicit financial flows, corruption, terrorism, tax evasion and money laundering while explaining how Illicit financial flows can take various forms. Besides exploring the progression of the role of innovation and technology in financing illicit flows, the research will give an overview of the implications these trends pose on people, governments, and economies. Additionally, this study will provide a regional analysis of financial crime in certain regions and corporates , demonstrating the variety of policy responses each region adapting in combating financial crime and illicit financial flows.

Moreover, the research will focus on new strategies using technology and innovation such as cryptocurrencies and online transactions done through apps and games such as TikTok and other social media platforms, which are being used to launder money and finance illicit flows. It should be noted that this research tries to cover and lay out scattered information regarding illicit flows that haven't been explored and brought to the surface. By incorporating the Crime Opportunity Theory, this research aims to unravel the complex structure of criminal networks, identify points of intersection, and examine how innovation and technology enable these interlinked crimes.

Finally, this research aims to explore financing strategies for illicit flows, reviewing the current trends and the contribution of innovation and technology in financing illicit financial flows over the years. While asking the questions:

RQ1: What are the key factors driving the interlinkage between different forms of crime and financial crime, such as money laundering, tax evasion, corruption, terrorism, and illicit financial flows, and how has the development of technology contributed to that?

RQ2: How have new technologies and innovative financing methods contributed to the development of these criminal networks including the flow of illicit finances?

2 Literature Review

2.1 Theory Selection

2.1.1 Crime Opportunity Theory

The Crime Opportunity Theory, often referred to as the Routine Activity Theory, first introduced by Cohen & Felson (1979), contends that criminal behaviour is driven by the coexistence of three crucial factors: “potential offender, a suitable target, and the absence of a capable guardian” as shown in figure 1. In accordance with this view, crime happens when certain factors come together at a particular time and location. It suggests that criminal behaviour is not exclusively the result of individual or social factors, but also the availability and attraction of opportunities for criminal activity (Cohen & Felson, 1979).



Figure 1: Factors that support committing a crime (Routine activity theory)
Source: Authors computation from Cohen & Felson, 1979

The Crime Opportunity Theory provides a useful framework for grasping the dynamics of illicit flows and their relationship to innovation and technology. According to Felson & Clarke (1998), "Social and technological changes produce new crime opportunities," while research suggests that technological innovation and advancement have produced new possibilities for criminals to take advantage of in their illegal operations (Tropina, 2016a). The Crime Opportunity Theory may be used to examine how criminals respond to these developments by utilizing technological improvements to assist their illicit flow of income (Böhme et al., 2015). By investigating how technological changes shape the opportunities available to criminals, this research seeks to identify the specific situational factors that enable and sustain illicit flows, thereby providing the research and knowledge for the development of effective prevention and intervention strategies (Böhme et al., 2015). In addition, this research aims to identify vulnerabilities in financial systems and propose measures to combat illicit flows by examining the absence of capable guardianship, such as regulatory frameworks and enforcement mechanisms. This study emphasizes the significance of situational factors and opportunities in shaping criminal behaviour in the context of financing illicit flows by incorporating the Crime Opportunity Theory within the research.

According to Felson & Clarke (1998) "one crime produces opportunities for another", which emphasizes that criminal activities are interlinked. Similarly, the concept of interconnection is highly relevant to the study of this research about illicit flows and their financing through innovation and technology. Understanding the connections between various types of financial crime, including money laundering, tax evasion, corruption, financing of terrorism, and illicit financial flows, is essential to understanding the wider network of criminal activity. Moreover, based on the theory, one crime might open doors or give resources for another, resulting in the continuation and growth of illicit flows. This research aims to unravel the complex structure of criminal networks, identifying the points of intersection and examining how innovation and technology enable these interlinked crimes by examining the interdependencies and interrelationships between various illicit activities. An in-depth understanding of how criminal networks function and ways to stop and prevent their illegal actions may be gained by looking at how different types of financial crime are connected within the context of the Crime Opportunity Theory.

2.2 Defining Illicit Financial Flows

The term Illicit financial flows can be tricky to comprehend for some, mainly the word illicit. According to Oxford dictionary (n.d.), the word illicit can be defined as "*not allowed by law*" or even "*not approved of the normal rules of society*", which simply means illegal in the context of the term illicit financial flows. As for the origin of the word illicit, it goes back to the 16th century, originally from French or Latin (Oxford Dictionary, n.d.).

The Global Financial Integrity (n.d.), defines illicit financial flows as "*illegal movements of money or capital from one country to another*". Whereas the UNDOC & UNCTAD (2020), defines IFFs as "*financial flows that are illicit in origin, transfer or use; that reflects an exchange of value instead of purely financial transaction; and that cross-country borders*". The ONODC and UNCTAD definition is more specific and differs from how the Global Financial

Integrity define IFFS, by emphasizing that IFFs include unethical and illegal activities, while arising from illicit origins . However, both definitions agree that IFFs are transfers of money capital that are transferred from different countries.

2.3 Forms and Sources of Illicit Financial Flows

Illicit financial flows can take different shapes and forms and come from a variety of sources. It is vital to differentiate between the forms of illicit flows and sources, the sources in the context of illicit financial flows are the roots where these financial flows generate from, e.g., human and drug trafficking, terrorism, tax evasion, corruption and any type of criminal activities being the origin of illicit flows and generating dirty money (Chauhan, 2021). Whereas the forms of illicit financial flows refer to the methods or ways used to transfer the illicit flows across borders (UNODC & UNCTAD, 2020).

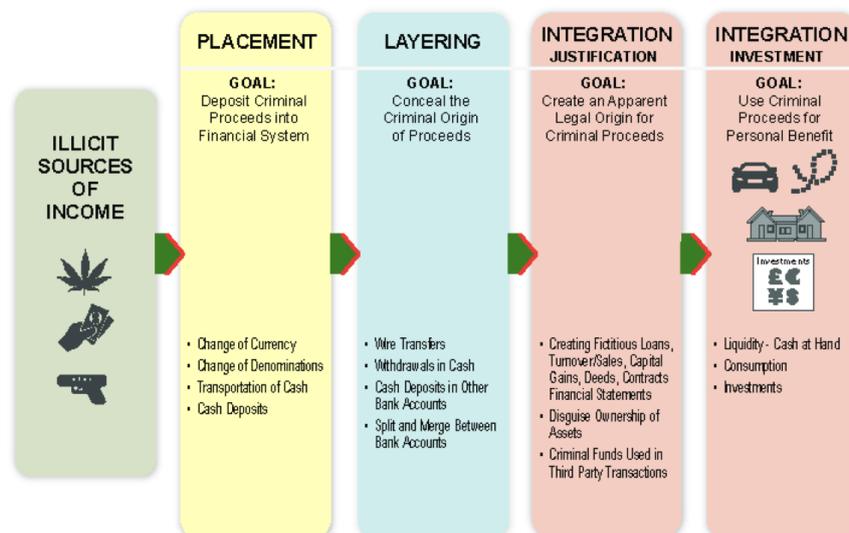


Figure 2: Illicit Money Transfers
Source: OECD, 2019

Figure 2 above draws attention to the various sources of illicit financial flows including crime, corruption, embezzlement, tax evasion, drug and human trafficking and terrorism. Such flows resulting from illegal activities have to go through a complex process in order to be legitimized and spent, this process

includes, placement, layering, integration (Justification) and integration (investment).

2.3.1 Interlinkage of Different Forms of Crimes with Financial Crime

The interlinkage between different forms of crimes and financial crime has been a topic of interest for researchers, organizations, and law enforcements for decades. Financial crime is a complex process that includes a series of steps and stages that involve various illegal activities including different forms of criminal activities (Jung & Lee, 2017). Despite the link between different forms of crimes such as bribery, money laundering and corruption, they have been addressed and researched in separation. Therefore, the lack of research makes in that area makes it difficult for law enforcements and policy makers approach this issue (Chauhan, 2021).

Research suggests that financial crime has evolved throughout time and become even more complex, some examples of financial crime include money laundering, corruption and tax evasion are now linked to different forms of crimes including terrorism, human trafficking, and illicit drug trafficking (Amara & Khlif, 2018). Law enforcements have been facing challenging obstacles, by cause of the interlinkage connecting financial crime to various forms of crimes. These challenges faced by law enforcements, come from the complexity, innovation, new technologies and blend of crimes applied through transcends borders and jurisdictions , resulting in the difficulty to control, track and take action (Jurith, 2003).

Furthermore, the interconnection of various kinds of crimes with financial crime has important social and economic implications. Financial crime not only jeopardizes the integrity of financial institutions and markets, but it also harms economic progress, political stability, and human rights. The revenues of financial crime, for example, are sometimes used to fund other types of criminal activity, such as drug trafficking or terrorism, which can destabilize entire areas and endanger national security (Jurith, 2003). Understanding the interconnections between various types of crimes and financial crime is

therefore critical for establishing effective methods to counteract these activities. This literature study will examine the numerous ways in which different types of crimes are related to financial crime, as well as the ramifications of these links for law enforcement, legislators, and society as a whole.

Transnational Crime	Estimated Annual Value (US\$)
Drug Trafficking	\$426 billion to \$652 billion
Small Arms & Light Weapons Trafficking	\$1.7 billion to \$3.5 billion
Human Trafficking	\$150.2 billion
Organ Trafficking	\$840 million to \$1.7 billion
Trafficking in Cultural Property	\$1.2 billion to \$1.6 billion
Counterfeiting	\$923 billion to \$1.13 trillion
Illegal Wildlife Trade	\$5 billion to \$23 billion
IUU Fishing	\$15.5 billion to \$36.4 billion
Illegal Logging	\$52 billion to \$157 billion
Illegal Mining	\$12 billion to \$48 billion
Crude Oil Theft	\$5.2 billion to \$11.9 billion
Total	\$1.6 trillion to \$2.2 trillion

Table 1: Estimated Values of Transnational Crime (US\$ billions) in 2014

Source: May 2017

As seen in Table 1, an estimated revenue generated from Transnational Crime ranges from \$1.6 trillion to \$2.2 trillion. Which comes from different forms of crime including, drug trafficking, weapon trafficking, human trafficking, cultural property trafficking, counterfeiting, illegal wildlife trade, IUU fishing, illegal logging, illegal mining, and crude oil theft. Table 1 is also connected to the interlinkage of crimes to financial crime, by showing the size of the illegal market that criminal can generate illegal money or revenue. This illegal money has then to be legitimized through money laundering or transferred as illicit financial flows. Moreover, furthermore illegal money that does not get money laundered gets spent illegally on crime such as buying drugs, buying organs illegally and even funding terrorism.

2.3.2 Money Laundering

According to Oxford Learners dictionary (2020), money laundering is defined as “the crime of moving money that has been obtained illegally into foreign bank accounts or legal businesses so that it is difficult for people to know where the money came from”. Similarly, the CFI Team (2023) defines money

laundering as “a process that criminals use in an attempt to hide the illegal source of their income. By passing money through complex transfers and transactions, or through a series of businesses, the money is “cleaned” of its illegitimate origin and made to appear as legitimate business profits”. Both the Oxford and CFI Team definitions are similar in concept and give a general idea about the concealment of money obtain through illegal activities through various complex criminal activities, trying to make them seem legitimate. However, despite the similarities in concept, the definitions differ in different ways.

Primarily, the Oxford definition specifically addresses foreign bank accounts specifically, while the definition of the CFI Team does not mention foreign accounts and only refers to “complex transfers and transactions”. Only specifying foreign bank accounts in the Oxford definition, implies that money laundering is associated with moving money abroad. However, in the real world money laundering can also occur domestically, as the CFI team definition generally acknowledges by not limiting it to only domestically or abroad. Moreover, the definition of CFI Team goes into further depth regarding the process of money laundering by mentioning the use of “complex transfers and transactions” and “series of businesses” to hide the source of money. Overall, the CFI Team definition offers more information and complexity about how the process of money laundering functions, while both definitions of money laundering express the same core idea.

According to McDowell & Novis (2001), Money laundering is frequently associated with other types of criminal activity, such as drug trafficking, terrorism financing, corruption, and organized crime. Criminals utilize money laundering to disguise the proceeds of their illegal actions as payments from a legitimate source. Money laundering fuels the operations and expansion of drug dealers, terrorists, illegal arms dealers, corrupt public officials, and others. Because of the significant technological advancements and the globalization of the financial services industry, the financial components of

crime have gotten increasingly complex. As a result, criminals have access to a diverse range of money-laundering methods, including currency exchange houses, stock brokerage firms, gold dealers, casinos, automotive dealerships, insurance companies, and trading firms. Moreover, Money launderers take advantage of technology in a variety of ways. Using personal computers and satellite dishes, they may instantaneously arrange the transfer of millions of dollars. They can even utilize digital currencies like Bitcoin to transfer money across borders undetected. Criminals can use private banking facilities, offshore banking, shell firms, free trade zones, wire systems, and trade finance , impacting financial institutions in the United States and around the world. They can also utilize online forums to facilitate criminal activities like drug trafficking and smuggling (McDowell & Novis, 2001).

2.3.3 Tax Evasion

Tax evasion is frequently linked to being a perpetrator of an unlawful act. It may be said to be the purposeful withholding of information from tax officials in addition being aware of failure to comply with the regulations of a taxation authority. When an individual attempts to avoid their statutory responsibilities through deception or similar criminal tactics, this is known as tax evasion. Tax evasion on revenue derived from criminal operations including illicit trade, drug dealing, and laundering funds may be the cause. regardless of whether there is no intentional concealing earnings or pertinent data, tax evasion might, in a wide sense, additionally involve an intentional or careless neglect to make payments for duties that are lawfully required. Although unintentional tax evasion typically just results in paying back taxes with penalty fees and interest, a frequent instance of tax evasion is when someone does not reveal their full earnings (UN, 2011).

The sophistication of tax evasion techniques was recently demonstrated by OECD (2018), research on worldwide fraud in taxes. Tax evasion is an unlawful act which yields an enormous quantity of illegal gains, and tax evaders have created more intricate, global systems which allow them to hide substantial

quantities of illegal earnings. The capacity of governments to employ public funds for the advancement of society at large is severely harmed by major tax violations. They undermine trust in government institutions, undermine equal trade, and annually drain enormous amounts from the public coffers. Tax violations may be related to additional monetary violations like corruption (IEWG & Egmont Group, 2020).

2.3.4 Corruption

Corruption is among one of the biggest problems in the modern world, which is described as a sickness that damages the health of critical tissues and nibbles away at the economic, social, and political foundation of civilization. In addition, it threatens effective governance, negatively impacts laws and regulations, causes inaccurate allocation of resources, affects the growth of the private sector, and disproportionately harms unwealthy nations (Amundsen, 1999). Further, corruption exists in any type of governance, even long-established democratic systems, and has many different shapes. It is present in all facets of private sector endeavours in addition to being present in the various departments of the federal government (Chauhan, 2021).

According to Duri (2021), many research efforts have examined the connection between corruption and financial crime, the majority have believed that the connection supports one another, meaning that corruption both promotes and fosters financial crimes. Corrupt systems and organized crime organizations have the potential to share a number of traits, fundamental processes, and outcomes as they interact. These consist of the utilization of covert legal entities like shell firms, dependency on a number of people who appear to be trustworthy, like attorneys, financiers, and investment consultants and lastly a propensity to attempt to influence state institutions and political organizations in order to minimize the likelihood of legal proceedings which could harm them. One instance is the utilization of shell businesses, that are particularly prevalent in financial centres located abroad that provide advantages like simple bank account opening and creation, useful taxation treatment, data

non-disclosure, and unwillingness to partner with external justice officials. The criminals in control of the earnings of illicit activity or corruption find overseas centres appealing because of their lax regulations, minimal taxes, and availability of disguise.

2.3.5 Terrorism

According to Nedelescu & Johnston (2005), global consciousness about the threat posed by terrorism and potential intricate effects on the financial system has increased as a result of the terrorist incidents which happened to take place over the past decade. Terrorism thus has a variety of effects on the world of finance primarily as the tragic September 11, which occurred in the year 2001, where assaults on the World Trade Center showed, terrorism may strike financial sectors in two ways: implicitly and explicitly. Another possibility is that financial institutions may be specifically designed to aid crime. Furthermore, banking institutions may be exploited to route money for terrorism outside their awareness.

According to the UNODC (2009a), the application of force for political objectives or philosophical or racial disputes from categories like defenders of liberty, emancipators, extremists, paramilitaries, rebels, and others is recognized by many as constituting terrorist acts, regardless of the reality that the concept of terrorism is extremely divisive. No matter their belief or country of origin, terrorist acts may be undertaken by individual perpetrators operating solely or by organizations of covert or semi-clandestine agents operating beyond the confines of legal conflicts (UNODC, 2009a). In addition, the practise of giving money or anything of significance to support terrorists, individuals or organizations involved in terrorist operations, or participating with monetary dealings with terrorist organizations intentionally and illegally is sometimes referred to as terrorism funding (UNODC, 2009b). Nations urge to make it a crime to finance terrorist activity and terrorist organizations, and they make sure that these types of offences are classified as predication crimes for laundering funds (UNODC, 2009a).

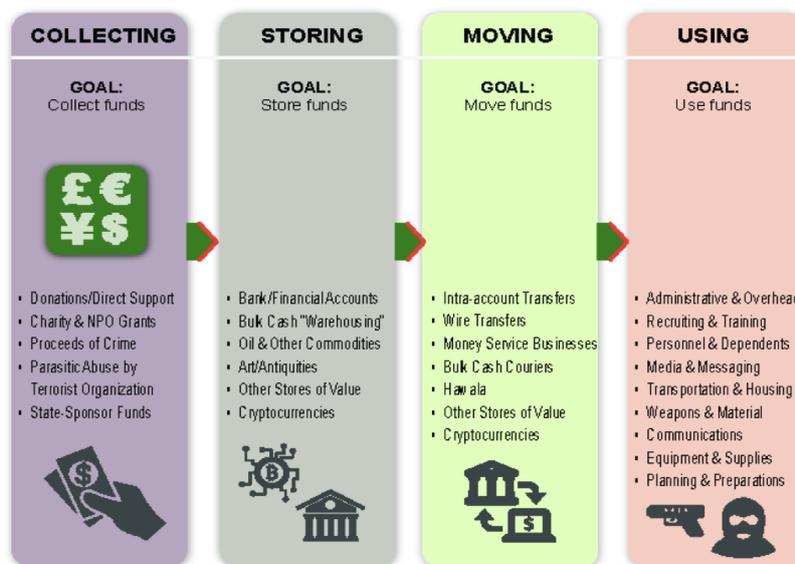


Figure 3: Process of Terrorist Financing

Source: OECD, 2019

As shown in Figure 3 terrorist financing is a multi-step process that includes collecting monies from various sources, storing them, moving them as needed, and finally using them to promote terrorist organizations aims. Direct contributions, charity and non-profit organizations, and criminal activity are all common sources of financial support. Individuals, corporations, and foreign countries can make direct offerings through different channels, such as small-scale fundraising efforts or internet platforms. Charities and non-profits are easy targets because they appeal to people's emotions and their hard to track cash transactions. Criminal operations including drug trafficking, fraud, and cybercrime are also used to support terrorism. The monies are then held in various ways, such as bank accounts, pre-paid cards, bulk cash storage, high-value commodities, or cryptocurrencies. The banking industry, remittance services, informal transfer networks, bulk cash smuggling, smuggling high-value goods, or cryptocurrencies are all involved in the flow of funds. The money is eventually used to finance many parts of terrorism, such as weapons and materials, administrative costs, media, and message, recruiting and training, travel services, and day-to-day operations. Terrorist financing is difficult to detect, especially in situations of lone players, however tracking suspicious behaviours and transactions might assist in prevention. Money

laundering and terrorist funding have certain parallels, but the emphasis is different, with money laundering emphasizing the source of funds and terrorist financing on their purpose.

2.4 Implications

The literature on the implications of illicit financial flows demonstrates that financial crime and illicit financial flows in particular have several implications. The research shows that these implications consist of social, political, and economic implications, having a strong impact on people, countries, and governments in general (United Nations Economic Commission for Africa, 2015). According to Chowla & Falcao (2016), such flows have their impact on both developing and developed countries in various ways, leading to governments getting deprived from tax revenue, increased corruption, and increased poverty, opening the door for more critical issues in the future.

2.4.1 Social Implications

Financial crime and mainly illicit financial flows, have their direct social implications, causing vital damage to societies (Cobham & Janský, 2017). Furthermore, the paper states that these significant social damages come as a sequence of the reduction in public or also called domestic expenditure, leading to the less availability of resources to spend on infrastructure, education, health, and less access to basic vital services causing a lower quality of life. Other research by Chowla & Falcao (2016), emphasizes that social implications of financial crime exist particularly in developing countries, where IFFs foster inequality, poverty, and corruption. The literature also confirms that IFFs eat the revenue of governments, resulting in less access to essential services like e.g., healthcare, education, and other necessities. According to the OECD (2014) developing countries suffer severely from the social implications of financial crime such as fewer bridges and roads, law enforcement officers, educational institutes, and hospitals, which happens as a result of reduced public and private domestic spending and investment.

Multiple researchers agreed that financial crime can increase poverty and inequality, which is strongly linked to higher rates of crime, since it affects the well-being of people where the lack of money and higher unemployment rates drive people to steal and kill to live, which as a result creates an unsafe environment for people (Anser et al., 2020). According to Kurebwa (2021), an estimate of over US\$32.279 billion was lost as a result of financial crime and illicit financial flows only during 2000 to 2020, that could have been used and directed towards the development of the country and its infrastructure.

Overall, the literature about the social implications of illicit flows agree that such flow have huge impacts on developing countries. Furthermore, such flows cause governments to have huge government losses that can be directed towards the improvement and development of those countries impacted from financial crime. Moreover, the research specifies that countries suffering from financial crime and IFFs, suffer from poverty and inequality, which as a result leads to a worse infrastructure, healthcare, education, and essential services in general.

2.4.2 Political Implications

The political implication of financial crime and illicit financial flows can be significant, leading to unstable political systems and decision-making transparency issues. The literature on the political implications draws upon a range of sources that focus on how financial crime and IFFs can impact political systems and governments.

According to Cobham and Janský (2017), governments that contribute to financial crime and have corrupted political system, using financial secrecy to hide financial crime and IFFs make it challenging for citizens and individuals to hold their governments accountable for such crimes. Such crimes contribute to governments being limited to offer public services, leading to social and political instability, due to resources being lost. Chowla and Falcao (2016), add that corruption can be fuelled by financial crime and IFFS, weakening the rule of law, while creating distress and mistress among citizens towards their

governments and political systems. Moreover, financial crime can lead to the power being concentrated in the wrong hands, giving power to few groups and individuals, while undermining democratic procedures and structures.

The United Nations Economic Commission for Africa (2015) emphasized the need of transparency in combating IFFs and other forms of financial crime. It is crucial for governments to be open about their spending plans, contracts, procurement procedures, ownership structures of corporations, and other financial dealings. In addition, trade misinvoicing, a popular tactic used to mask IFFs, needs greater supervision, as do the business routes of IFFs. Strengthening institutions like law enforcement, courts, and anti-corruption groups is crucial for combating corruption and the misuse of authority and reclaiming stolen wealth. To combat IFFs and financial crime, collaboration between governments, civil society organizations, international organizations, and other stakeholders is crucial.

In conclusion, IFFs and financial crime have substantial governmental consequences that can damage political systems, reduce public faith in government institutions, and spark civil unrest and instability. Transparency, monitoring of business channels, asset recovery, and tackling corruption and misuse of entrusted power are all necessary to combat IFFs and financial crime. IFFs and financial crime hinder political stability and development, but these problems may be mitigated via collaborative efforts between governments, civil society groups, international organizations, and other stakeholders.

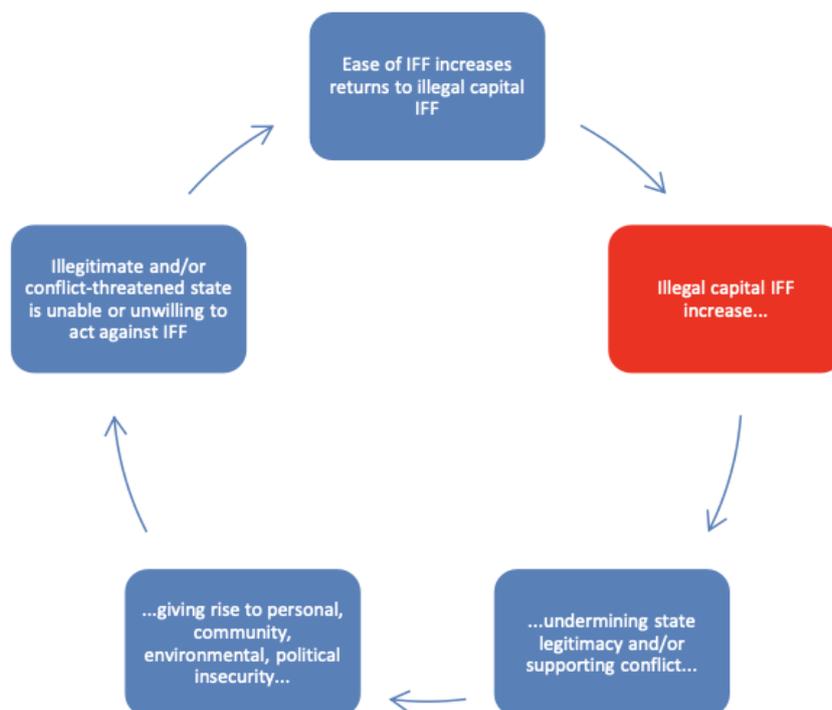


Figure 4: The Vicious Cycle of Negative Insecurity and Illegal Capital IFF
Source: Cobham, 2014

As shown in Figure 4 above taken from Cobham illustrates the chain reaction between unconstitutional income and adverse fear and shows that IFF may contribute to a vile downward spiral of unease where the expansion of the phenomenon more erodes the credibility of the authorities as well as exacerbates tensions within it, resulting in consequently decreasing the nation's ability to pursue action to combat the phenomenon and raises the benefits of the root cause as well as its motivation to engage in it.

2.4.3 Economic Implications

Financial crimes, such as money laundering, have a substantial economic impact. They jeopardize the integrity of financial markets and institutions, resulting in liquidity issues and bank runs. They distort corporate decisions, increase the danger of bank collapses, deprive the government of authority over economic policy, degrade a country's reputation, and expose its citizens to drug trafficking, smuggling, and other criminal activity. Furthermore, they reduce government tax collection, so indirectly harming honest taxpayers. This revenue loss often results in higher tax rates than would be the case if the

untaxed proceeds of crime were genuine (McDowell & Novis, 2001). Money laundering can also have a negative impact on currencies and interest rates because launderers reinvest cash in areas where their schemes are less likely to be caught rather than in areas with better rates of return (McDowell & Novis, 2001).

Moreover, these illegal practices, which frequently evade precise assessment in the near term, jeopardize the rule of law, effective economic management, and transparency, all of which are necessary for long-term progress. In general, only a small portion of society profits from illicit economic and financial activities, leaving the bulk of individuals in society poorer with less resources. Leading to large amount of money being in the wrong hands, leaving wrong people with dangerous power that can be used in even worse illegal activities. Therefore, financial crime may harm attempts to attain sustainable development and have a detrimental effect on such efforts (United Nations, 2005). Other research according to Achim et al., (2021), suggests that financial crimes result in lower tax revenues for national budgets, which lowers the degree of sustainable economic growth, lowers investment levels, and raises social inequality and poverty. Financial crimes may also cause people to lose faith in financial markets and institutions, which might have a long-term detrimental impact on economic growth.

Overall, a systematic review by Saddiq & Abu Bakar (2019) conducted a meta-analysis shows that economic growth does not drop when financial crime increases, the study demonstrates a moderately positive correlation between economic growth and financial crime in developing nations. However, Corruption and other financial crimes have a detrimental effect on every aspect of the economies of growing and developing economies. Financial crime rates in developing and growing economies. Despite strict regulatory measures put in place by the various governments in these countries, crime rates are high and rising in developing countries. The most severe rates of economic and financial crimes were seen in Africa specifically.

2.5 The History and Evolution of Financial Crime Strategies

Illicit monetary flows have been an ever-present problem for a long time, with actors using various tactics to launder their money. According to Cobham & Janský (2020), there has been a transition from simple techniques like smuggling and money laundering to more complicated and nuanced methods of financing illicit flows. As time went on and economies became more sophisticated, so did the means through which illegal money might be transferred. The laundering of criminal funds became increasingly prevalent in the 20th century (Nance, 2018). Through money laundering, criminals could profit from their unlawful endeavours without raising suspicion.

The idea that corruption is primarily or even entirely an issue in low-income nations gave rise in large part to the illicit flow agenda. The concept of illicit financial flows was made famous by US businessman Raymond Baker, who spent decades working in sub-Saharan Africa before founding the Global Financial Integrity organization in his 2005 publication, *Capitalism's Achilles Heel* (Cobham & Janský, 2020).

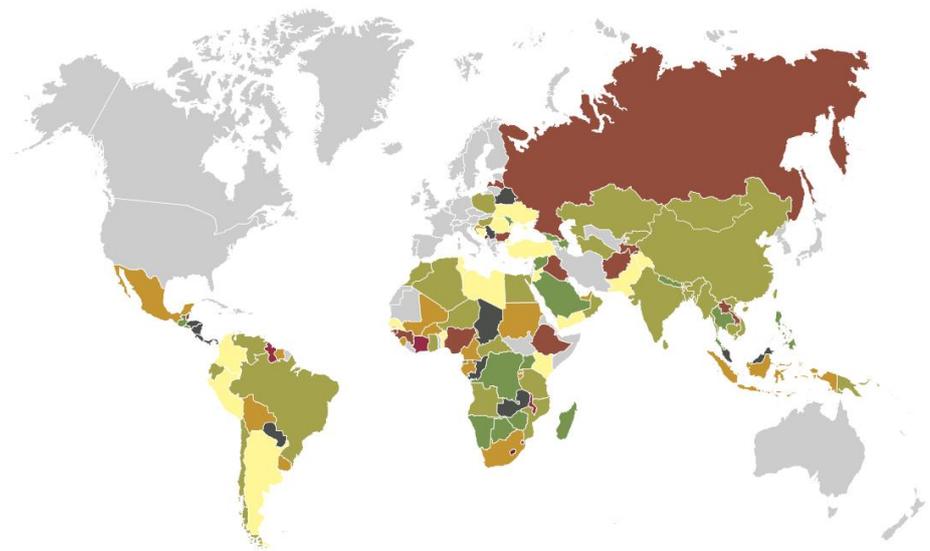
A new generation of illicit flow funding schemes has emerged in recent years thanks to technological advances and widespread economic integration. Cryptocurrencies, for instance, let users make anonymous monetary transfers devoid of intermediaries and government oversight (Cobham & Janský, 2020). Illicit money is also being transferred through cybercrime, with hackers stealing millions of dollars from individuals and businesses. Monitoring and stopping their occurrence have become more challenging as methods of financing illicit flows have developed. To uncover and prevent criminal activity, governments and law enforcement agencies must adopt new technologies and work jointly to stay ahead of the curve (Nance, 2018). The incidence of some of these activities has decreased thanks to the adoption of anti-money laundering rules and international cooperation agreements.

Overall, more straightforward techniques of financing illicit activities, like smuggling and money laundering, have given way to more complicated and sophisticated methods. The proliferation of globalization, unethical practices, and technological advancements have all made it easier to launder money obtained through illegal means. Governments and law enforcement agencies must be flexible and creative to detect and counteract these threats.

2.6 Regional Analysis of Financial Crime and Illicit Financial Flows

Financial crime is progressively endangering economies and societies globally. According to Herkenrath (2014), the illicit flows concept arose mainly as a disapproval of the significant exclusive challenge of corruption among low-income nations. Similarly, Cobham & Janský (2020) suggest that corruption has eroded public trust, weakened financial systems, and lost government revenues, creating massive economic consequences.

The illicit financial flows (IFFs) have gained prominence since 2000, and a global tax justice movement has formed in response. The concept was used as an umbrella word that helped garner political support for a goal to reduce IFF as part of the United Nations' Sustainable Development Goals (Chobham & Jansky, 2020). Despite this widespread agreement, there are still significant points of contention, such as the shift from viewing corruption as primarily an issue in low-income nations to the more recent acknowledgement of the significant role of mainly high-income financial secrecy regimes. In addition, technology has increased the volume and reach of financial crime in recent years, enabling criminals to launder monies and transport them across borders using digital currency and other financial technologies (Albukhitan, 2020). Due to technological strategies for moving illegal funds, new rules, and legislation to prevent financial crime have emerged in response to their proliferation.



>16
 14-16
 12-14
 10-12
 7-10
 5-7
 3-5
 1-3
 <1
 No data

Figure 5: Heat Map of Illicit Financial Flows by country as a Percentage of GDP
Source: Green, 2013

As can be seen in Figure 5 above, which was derived from Green and shows a heat map of illicit financial flows broken down by country and GDP. The graph demonstrates that although illicit financial flows are a global issue that warrants special attention, they are more prevalent in developing countries since they have fewer resources available to them for the purpose of pursuing economic development.

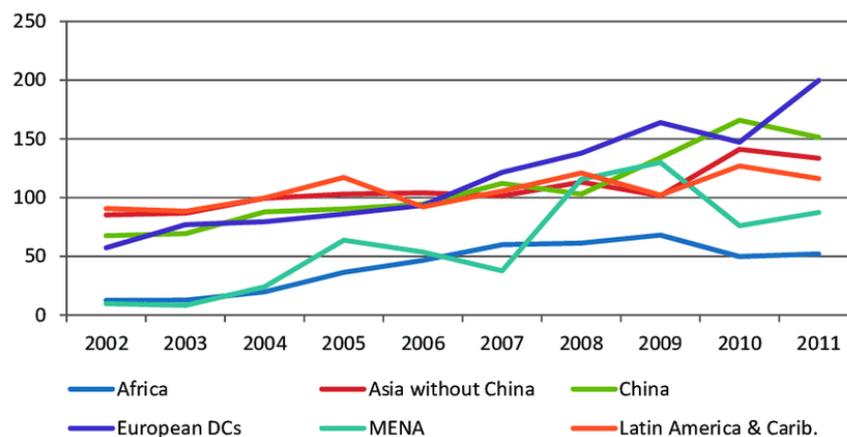


Figure 6: Illicit Financial Flows from Developing Countries 2002-2011 in Billions of USD
Source: Kar & LeBlanc, 2013

Figure 6 illustrates illicit financial transfers from poor nations between the years 2002 and 2011, and it demonstrates that rates have been rising across the continents over time, particularly in European DCs, where rates reached 200 billion dollars in 2011.

Understanding the dynamics of financial crime and illicit financial flows requires a geographical analysis of these phenomena because Illicit money flows and instances of financial crime are more common in some regions than others. For instance., since its formal inception in 2003, the Tax Justice Network has profoundly affected worldwide policies due to the formation of a global 'tax justice' movement. Therefore, the regional analysis of IFFs and financial crime is crucial in understanding the financial crimes' combating challenges, assessing policy responses, and identifying regional trends.

2.6.1 Policy Responses

Countries worldwide have taken crucial measures to prevent IFFs and crime sources. Cobham & Janský (2020) suggest that various policy responses include the introduction of international cooperation agreements, financial intelligence units, and regulatory frameworks. In Europe, the EU or the European Union established the AMLDs or the Anti-Money Laundering Directives to strengthen the legal framework for combating terrorist financing and money laundering. Likewise, the Latin American government introduced the GAFILAT, or the Financial Action Task Force of Latin America, to fight corruption and terrorism (Cobham & Janský, 2020). Additionally, ASEAN, or the Association of Southeast Asian Nations in Asia, introduced the AFIU, the ASEAN Financial Intelligence Units, to enable regional collaboration in fighting financial laundering.

Additionally, the Middle East established the MENAFATF, the Financial Action Task Force Middle East and North Africa. According to Herkenrath (2014), the countries launched the task force in 2004 to inhibit corruption and financial laundering. Similarly, in 2003, the African Union in Africa established the

African Union Convention on Preventing and Combating Corruption (Kar & Spanjers, 2015). The body demands that members cooperate with other member states in the fight against IFFs and corruption sources and enforce anti-corruption laws.

2.6.2 Corporate Responses

How businesses react to money laundering, and smuggling varies from region to region. Koehler (2012) states that countries like the United States have passed laws like the Foreign Corrupt Practices Act (FCPA) to combat bribery and corruption. Equally, European businesses must conduct due diligence on their customers and keep detailed records under the Fourth Anti- Money Laundering Directive.

More important, the risks associated with financial crime and IFFs can be mitigated with the help of corporate responses. According to Bussmann & Werle (2006), countries have reacted in various ways, including establishing customer knowledge (KYC) and anti-money-laundering (AML) policies, internal controls, and risk assessment procedures. Similarly, Croall (2009) suggests that Asian financial institutions such as Standard Chartered and HSBC have adopted KYC and AML policies to conform to international and domestic norms. The AfDB, or African Development Bank, has also implemented an AML/CFT compliance program to avoid serving as a conduit for illicit financial flows (IFFs) (AfDB, 2007). Equally, the Middle East and Europe have established the Dubai Financial Services Authority (DFSA) and stricter compliance measures and fines, respectively (Schlenger, 2018). These measures are significant in mandating that businesses do risk assessments on their customers and transactions.

2.6.3 Africa

Regarding money laundering and other forms of illicit financing, Africa is a hotspot. According to Tafirenyika (2013), illegal financial transactions, corrupt practices, and money laundering present formidable obstacles to progress and

prosperity in the global economy. Hence, the African Union and other regional organizations have established regulatory frameworks and financial intelligence units, among other measures, to deal with these threats. However, some countries' scant political will, lack of solid institutions, and scarce resources have slowed development. According to Ola et al. (2014), progress in fighting corruption and money laundering, for instance, has been slow in Nigeria due to political interference, weak institutions, and inadequate resources. Likewise, the government has strengthened its AML/CFT regime in South Africa, but the country remains a hub for IFFs sources, particularly in the mining sector.

Overall, Africa is one of the contents that has significantly suffered due to illegal financial transactions. For instance, the annual loss of illicit money flows to Africa is estimated at over \$50 billion by the African Union and the United Nations Economic Commission for Africa in their study (Albukhitan, 2020) To counteract these crimes, the area has instituted policy measures such as the African Anti-Corruption Board on Preventing, and the African Union Convention and Combating Corruption has been put into effect by the African Union to curb corruption and related financial crimes.

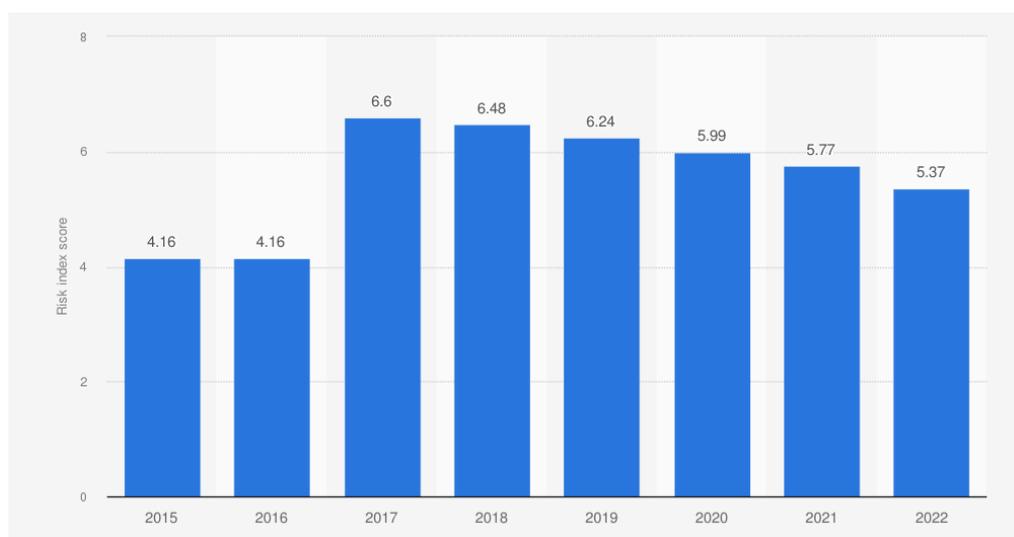


Figure 7: Risk Index Score of Money Laundering and Terrorist Financing in Jamaica from 2015 to 2022
0=best; 10 worst

Source: Basel Institute on Governance, 2022

In Figure 7 above the hazard scale rating for funds laundering and terrorism funding in Jamaica between 2015 until 2022 is shown, with zero representing "optimum" while 10 indicating "unfavourable". One can observe the fact that since 2017, Jamaica's risk scale has been declining. Jamaica is now amongst those nations in the continent of Latin America obtaining the greatest probability of criminal activity and illicit funding, having an index rating of 5.37. This risk scale is an aggregate index which incorporates multiple distinct variables related to fraud, economic requirements, governmental transparency, and justice compliance to assess the likelihood that illicit flows will occur in various nations.

2.6.4 Asia

Apart from Africa, high financial crime and illicit financial flows have also been observed throughout Asia (Sultan et al., 2021). To eradicate the act, multiple policy measures have been implemented in the region, including the formation of the Financial Action Task Force and the Asia-Pacific Group on Money Laundering, to help in stemming the tide of monetary corruption and illegal funding in the area.

Furthermore, different parts of Asia are more or less vulnerable to the same types of financial crime and IFFs. UNCTAD (2020) suggests that while some nations, like Japan, are less susceptible to IFFs than others, countries such as Singapore, Hong Kong, and China serve as central hubs for IFFs suppliers. The regional governments have established regulatory frameworks and financial intelligence units to combat economic crime and IFFs sources. Nevertheless, a lack of funding, corruption, and weak institutions hinder development. Mugarura (2017) suggests that China has taken measures to combat money laundering and corruption. Nevertheless, despite its transparency issues, the nation's economic system is still a major source of IFFs, seeing that the Chinese government has been singled out as a significant facilitator of money laundering (ASEAN, 2021).

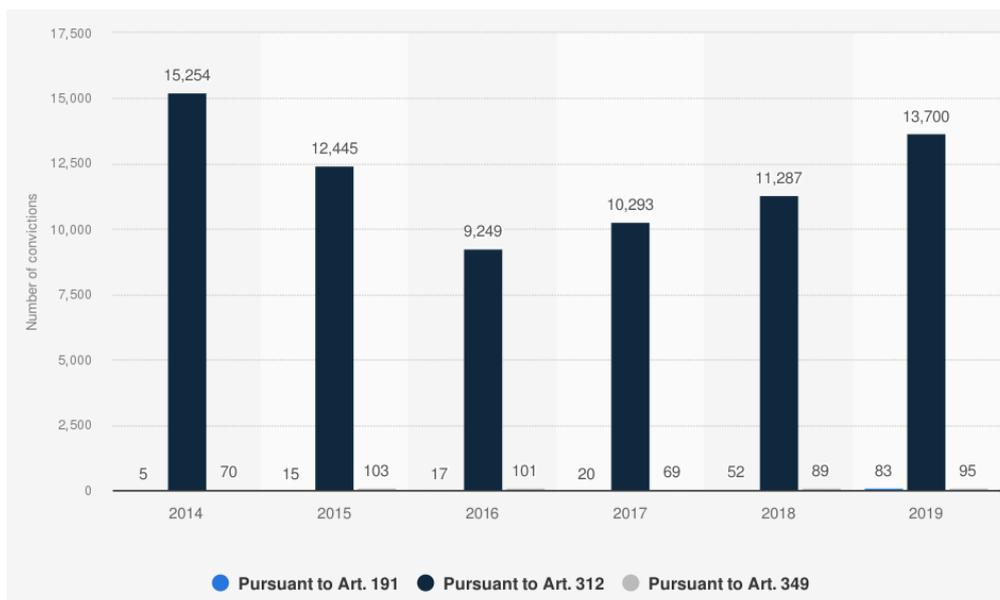


Figure 8: Number of Money Laundering Convictions in China from 2014 to 2019, by Crime Type
Source: People's Bank of China, 2020

Figure 8 displays the quantity of cash laundering verdicts in China between the years 2014 until 2019 through category of illicit activity, and the data demonstrates that pursuant direction and oversight of the Financial Action Task Force, China has substantially enhanced its structure on combating money laundering and its precautions. As of recent reckoning, China has a total of 13,878 illicit funding charges.

2.6.5 Middle East

The Middle East is another area vulnerable to financial crime and IFFs effects. The region faces terrorism financing, money laundering, and corruption which hinder stability and economic growth. Ortega et al. (2020) opine that the Middle Eastern governments have established financial intelligence units and regulatory frameworks to counter these threats. Nevertheless, a lack of resources, weak institutions, and political instability remain obstacles to development. Equally, Al-Tawil (2022) suggests that the United Arab Emirates (UAE) government, for instance, has implemented a strict KYC and AML regime, leading to a comparatively low rate of financial crime in the country. However, the country continues to serve as an IFFs source hub because of its financial infrastructure and advantageous tax regime.

2.6.6 Europe

The European continent also faces high risk from international financial fraud. According to Koopmans (2010), terrorism financing, corruption, and money laundering present significant obstacles to economic growth and stability. Thus, European governments have established regulatory frameworks and financial intelligence units to counter these threats, though corruption, weak institutions, and a lack of funding remain obstacles to development. For instance, Tsingou (2005) suggests a relatively low rate of financial crime in the United Kingdom due to the government's rigorous AML and KYC measures. Nonetheless, the country progressively serves as an IFFs sources centre due to its financial stability and solid tax regime.

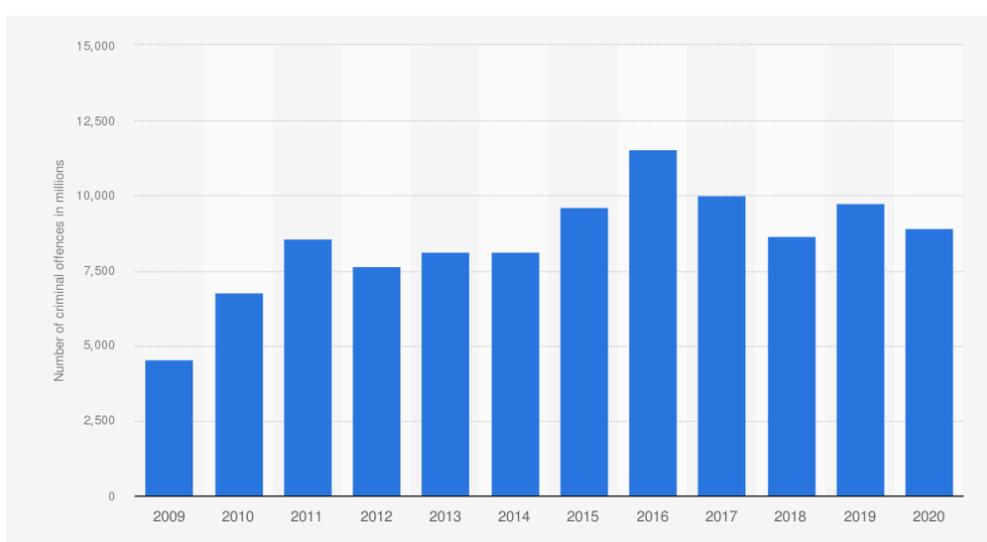


Figure 9: Number of Recorded Money Laundering Cases in Germany from 2009 to 2020 (in millions)
Source: Bundeskriminalamt, 2021

The information provided in Figure 9 relies on and comes from police investigations and the graph represents the total quantity of documented cases of money laundering in Germany during the years 2009 to 2020 which reveal that the most current record in 2020 was 8,942 instances, which is a smaller amount than the instances reported in year 2019.

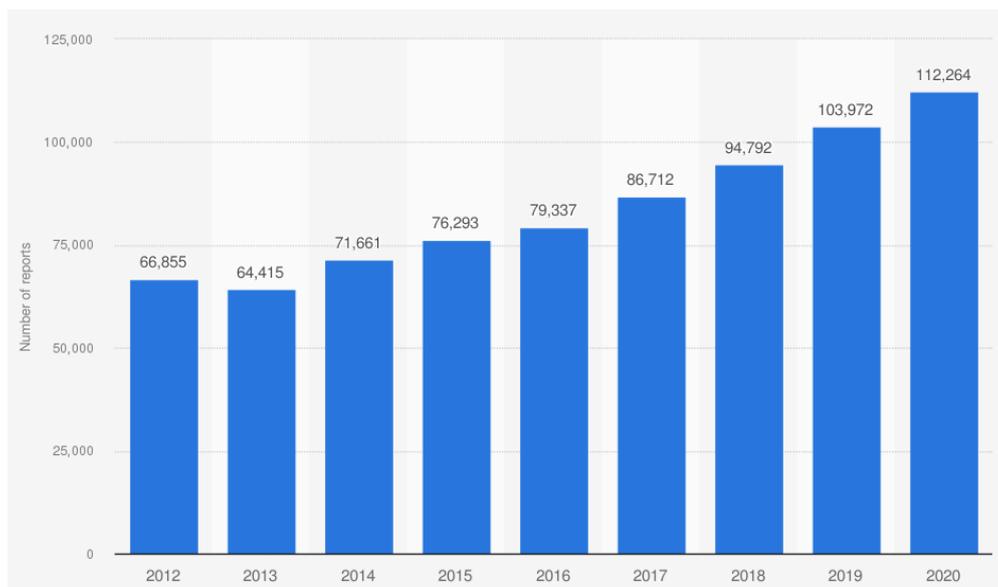


Figure 10: Reports of Suspected Money Laundering in Italy from 2012 to 2020

Source: Banca d'Italia, 2021

The data in the Figure 10 shows allegations of accused illicit financing in Italy during the years 2012 to 2020, and the results indicate an upward trend in incidents over time. 112,264 alleged financial transactions have recently been reported.

2.6.7 Latin America

Furthermore, the sources of financial crime and IFFs are particularly dangerous for the Latin American region. According to the UN (2018), significant barriers to economic stability and progress in the region include money laundering, migrant smuggling, and drug trafficking. Therefore, to counter these concerns, governments in Latin America introduced regulatory frameworks and financial intelligence divisions. Nevertheless, insufficient funds, weak institutions, and political instability remain obstacles to the region's development. For instance, TO (2021) suggests that because of the government's efforts to combat money laundering and identity theft, the banking industry in Mexico is under closer scrutiny than ever before. However, due to its role as a central drug trafficking hub and proximity to the United States, the country remains a significant source of IFFs.

In conclusion, the literature review highlights significant threats from financial crime and IFFs sources. Thus, risks associated with these crimes can be mitigated, partly by the policy and corporate responses that have emerged in each region. However, corruption, weak institutions, and a lack of funding hinder developing countries. Therefore, the world's governments and businesses must keep working together to prevent and punish IFFs and other forms of financial crime.

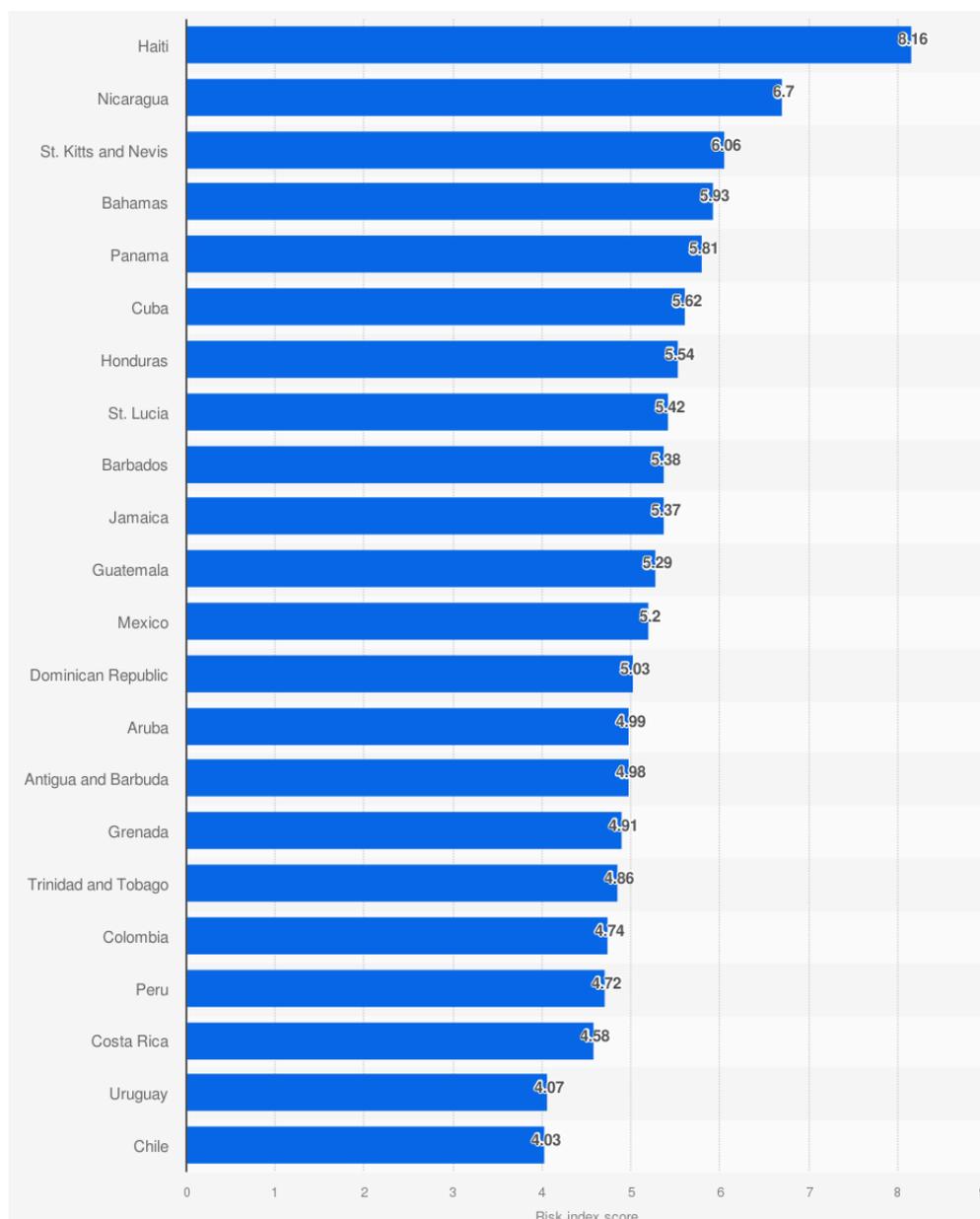


Figure 11: Risk Index Score of Money Laundering and Terrorist Financing in Latin America and the Caribbean in 2022, by Country

Source: Basel Institute on Governance, 2022

The Basel AML Index shown in the Figure 11 is a composite index that combines 16 distinct variables related to corruption, financial standards, political disclosure, and rule of law in an effort to assess the likelihood that money laundering and terrorist funding would occur in various nations. Furthermore, with an index score of 8.16, Haiti has the highest risk of supporting terrorism and money laundering in Latin America in 2022. With 6.7 points, Nicaragua came in second. With an index score of 4.03, Chile had the lowest risk in the area in that year. Overall, these numbers are relatively high, suggesting that the regions with such numbers have a significant chance that money laundering and terrorist funding would take place.

2.7 Traditional Methods used in Financial Crime

Globally, authorities have long been worried about the continued use of time-tested techniques for committing financial crimes. According to Suzumura et al. (2019), numerous criminal activity types that generate and launder money for illegal purposes fall under this umbrella. Therefore, these methods are crucial in challenging global financial systems' integrity, creating a significant need for extensive measures to combat, prevent, and detect financial crime sustainably.

2.7.1 Traditional Banking

Criminals have used conventional banking systems to launder money and transfer illicit funds. According to Mohammad et al. (2022), criminals use compliance measures and loopholes in banking regulations to conceal the fruits of their illegal endeavours and launder money. They might use multiple accounts or fake paperwork to hide the funds' destination and origin. Mohammad et al. (2022) suggest that "numerous banks are unsatisfied with their KYC or know-your-customer regulations." Thus, they need AML or anti-money laundering frameworks and international cooperation to combat financial crimes using conventional banking systems.

Various studies have explored ways of finding the weak spots in the traditional banking system and how to fix them. However, Shust & Dostov (2020) suggest that some banks need help implementing KYC measures effectively, leading to inadequate customer due diligence and transaction monitoring. This has simplified criminals' use of fake identities to open bank accounts and secretly move money around the financial system.

2.7.2 Hawala

Money laundering and terrorist financing have long been linked to hawala, an informal value transfer system. According to Teichmann & Wittmann (2022), this strategy surrounds a group of middlemen called hawaladars, who help people send money internationally without leaving their homes. However, hawala is challenging to regulate due to its confidential and opaque nature. Teichmann & Wittmann (2022) suggest that a single regulatory body is a significant obstacle to developing a coherent framework for hawala. Similarly, brokers typically operate within tight-knit communities and rely on personal relationships, credibility, and trust when making deals. However, because of a centralized authority's deficiency, the businesses are challenging to supervise and track (Marxen 2019). Thus, hawala operators and formal financial institutions can collaborate to prevent and detect illicit activities.

2.7.3 Money Mules

Money mules transfer finances illegally on others' behalf, enabling financial crime. Rani et al. (2022) opine that "this act facilitates money laundering through cyber-attacks and legitimate bank accounts, which creates a need for sustainable prevention approaches." Thus, Esoimeme (2021) suggests that improving public awareness, financial institutions' ability to identify suspicious transactions, and cooperation between law enforcement and financial institutions is necessary to track and disrupt criminal networks effectively.

2.7.4 Black Salaries

Black salaries are paid to employees in cash rather than through formal channels to avoid paying taxes and other fees. Lewis (2022) suggests that this system provides a medium for the generation of illicit funds by both individuals and corporations. Hence, Gullo & Montalbano (2022) opine that "reducing these salaries requires improving tax collection systems, enforcing effective penalties for noncompliance, and increasing financial transaction transparency." Likewise, organizational efforts to foster a culture of honesty and morality can deter dishonest economic behaviour.

2.7.5 Shell Companies

Companies formed to conceal the actual ownership and control of assets are known as shell companies, phantom companies, or front companies. According to Brown et al. (2020), The companies' ability to conceal the origin of stolen money makes them a popular tool in money laundering and other financial crimes. This is mainly due to needing help finding and keeping tabs on shell companies, especially in jurisdictions with weak oversight. Thus, Villányi (2021) opines that to combat the abuse of shell companies, "it is essential to improve reporting on beneficial ownership and institute rigorous due diligence processes." Governments and organizations should encourage international cooperation and promote beneficial ownership reporting.

2.8 Innovation and Technology in Financing Illicit Flows

The world of illicit financial operations has undergone a radical change as a result of the intersection of innovation and technology (Tropina, 2016a). The funding of illicit flows has been made easier because of the skilful use of developing technology by criminal networks (Böhme et al., 2015). The interaction between innovation, technology, and the financing of illegal activities—including the use of cryptocurrencies, the theft of works of art and other cultural assets, the trade of commodities, and the distribution of illegal drugs—is explored in this literature review.

	Earning	→	Transfers	→	Use
	Sources: <ul style="list-style-type: none"> • Laundering proceeds of crime • Abuse of power • Market/regulatory abuse • Tax abuse 		Stages: <ul style="list-style-type: none"> • Placement • Layering 		Integration: Integration of the laundered assets into the legal financial system
How digital technologies facilitate illicit financial flows	<ul style="list-style-type: none"> • Digital underground economy: cybercrime and "crime as a service" • Migration of traditional organized crime online • Embezzlement and fraud in the telecom sector 		Combination of: <ul style="list-style-type: none"> • Online and mobile banking: slicing and automation of transactions • Electronic payments via unregulated intermediaries • Digital/cryptocurrencies: ensuring anonymity • E-commerce: manipulation of supply of goods • Online gambling/online betting 		<ul style="list-style-type: none"> • Offshore electronic bank and investment accounts • Fake e-commerce companies • Offshore online casinos • Terrorist financing
How digital technologies help address the problem of illicit financial flows	<ul style="list-style-type: none"> • Tackling crime activities: detection, prevention, digital investigations • Increase transparency and public scrutiny to reduce corruption • Speed up introduction of e-government systems in areas such as tax administration or customs 		<ul style="list-style-type: none"> • Monitor suspicious transfers • Trace illegal transfers • Better information exchange (digital platforms, automatic exchange of information) • Facilitate due diligence 		<ul style="list-style-type: none"> • Ex-post identification of illicit sources • Databases of beneficial ownership • Leaks of electronic data transfer trails and electronic documents to the attention of public and competent authorities
 <p>Any technological means to fight illicit financial flows have to be combined with</p> <ul style="list-style-type: none"> - Harmonization of legal frameworks - Mechanisms for international cooperation and mutual legal assistance <ul style="list-style-type: none"> - Public-private collaboration - Awareness raising 					

Table 2: Digital Technologies and Illicit Financial Flows

Source: Tropina, 2016b

Table 2 sheds light on how innovation, technology, and the funding that illicit flows interact. The sources of money contributing to illegal flows fall under the heading "Earning," and include tax fraud, market/regulatory abuse, abuse of power, and laundering of the earnings of crime. The "Transfers" category includes phrases like "placement," "layering," and "integration," which entail injecting money into the financial system, hiding its source, and incorporating laundered assets into the legitimate financial system. The use of online and mobile banking, unregulated electronic payments, digital/cryptocurrencies for anonymity, e-commerce manipulation, online gambling/betting, offshore electronic bank and investment accounts, fake e-commerce companies, and offshore online fraud are just a few of the ways that digital technologies play a significant role in facilitating illicit financial flows through the digital underground economy, migration of traditional organized crime online, embezzlement and fraud in the telecom sector, and these and other practices.

Addressing illicit cash flows is another difficulty posed by these technologies. However, they can also help to prevent and detect crimes, speed up the implementation of e-government systems, increase transparency and public scrutiny, monitor, and track suspicious transfers, facilitate information exchange, identify illicit sources ex-post, create databases of beneficial owners, and take advantage of leaks of electronic data transfer trails and documentation. To successfully address the issue of illicit financial flows, it is essential to combine technology solutions with harmonized legislative frameworks, international cooperation, public-private engagement, and awareness building.

2.8.1 Cryptocurrencies and Illicit Funding

Generally, cryptocurrencies have been trending among younger generations for the past few years. However, cryptocurrencies such as bitcoin have been linked to illegal activities and cybercrime (Tropina, 2016a). Giving bitcoin as a focal example mainly because it was the first cryptocurrency ever established, developed in 2009, now having the highest value among all cryptocurrencies (Böhme et al., 2015). Nakamoto is the name of the anonymous individual or group that developed bitcoin, the main development idea was to create a flexible financial transaction system as a medium of exchange, outside the control of any government or banking system (Böhme et al., 2015). This established a transaction freedom with anonymity, facilitating a perfect environment for criminals on various scales, which as a result enhanced countless criminal activity (Tropina,2016a). Cryptocurrencies and digital technologies can take a huge part in almost all stages of criminal activities, whether it was money laundering, the use of arts and antiques for illicit funding, illicit commodity trading and even drug trafficking. In the context of illicit financial flows, criminals have been creative in tailoring the digital technologies according to their needs (Tropina, 2016a).

2.8.1.1 Bitcoin, Terrorism and Money Laundering

The extent of the harm criminals have been able to apply because of bitcoin is not only limited to cybercrime and simple criminal activities, but widely used in money laundering and terrorism (Foley et al., 2019). It has been easier for terrorists to move and store money using bitcoin, by illegally hiding or transferring their huge amounts of money for funding their terroristic groups (Bauer & Levitt, 2020). This opened the door for terrorists to enjoy better flexibility and make it easier for them to plan more attacks all around the world, buying weapons, recruiting, and even training their elements to disrupt the world (Bauer & Levitt, 2020). Besides from terrorism, according to Forley et al., (2019) bitcoin is used illegally by 27 million people, with a total of \$7 billion worth of bitcoin is held by these users, who also carry out about 37 million transactions worth about \$76 billion each year.

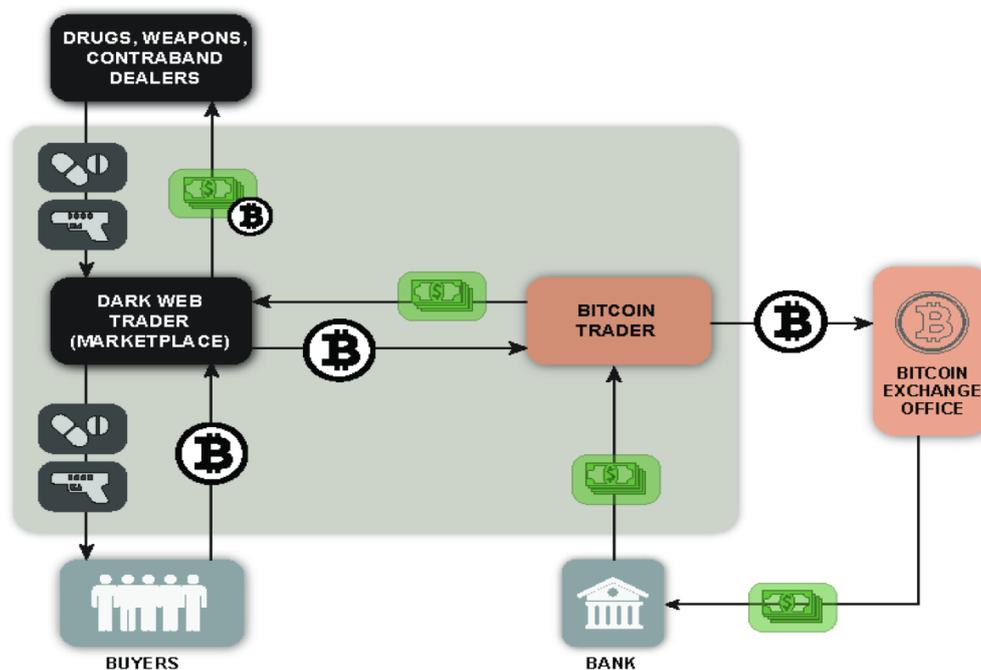


Figure 12: Bitcoin Trading: Illicit Goods
Source: OECD, 2019

As presented in Figure 12, a scenario involving illegal fundraising and the exchange of cryptocurrency for cash is shown in Figure 12 above. In a particular situation, a dark web merchant operating in anonymity sells illegal products such as drugs and weapons and takes cryptocurrency as payment. To cover

their expenditures, the trader aims to exchange their cryptocurrency for cash, a more frequently used method of payment. To do this, the trader contacts a nearby Bitcoin trader and arranges a face-to-face encounter. The illegal products are traded for Bitcoin during this gathering. The trader then sells the Bitcoin they have obtained to an established exchange, where they are paid in fiat money. After that, the fiat money is sent to the bitcoin trader's bank account. Figure 12 also demonstrates how the transfer of cryptocurrency into cash is made possible by middlemen like local Bitcoin traders. It illustrates how the proceeds from the sale of illegal products may be successfully converted into a form that is easier for the criminal to use and fund their operations (OECD, 2019).

2.9 Illicit Trafficking Art and Cultural Property

Art has been existing for millenniums expressing, culture, emotions, political opinions, beliefs and even symbolism, all contributing to the world currently existing and making a world with valuable history (Clowney, 2011). Generally, art consist of different types, tangible arts are the focal type of arts used in illegal funding because of the high value and exclusivity of certain art pieces. After any illegal activity, criminals need a way of storing or transferring their illegally owned dirty money, which makes a high-value-art a great method for doing that (Baranello, 2021). According to the U.S Department of the Treasury (2022) high-value-art has been used as a great cover for various illegal activities such as money laundering, by using art-shell companies and being able to freely clean dirty money coming from criminal activities and also funding further illegal activities.

Not only art is limited in being used as method for money laundering, but also as a medium to fund terrorist groups. However, the U.S Department of the Treasury (2022) implies that the use of high-value-art as a method to move money is uncommon among terrorists in conflict areas, due to the high risk and danger involved in destroying the high-value-art pieces. Nevertheless, terrorist groups steal all resources and anything with high value around them, a great

example according to Westcott (2020) over a period of more than 3 years IS didn't only destroy the Iraqi historical heritage, but also stole countless artefacts and antiques of incalculable value in different territories under their regime. Which later was sold in black markets and distributed around the world, making IS generate enormous amounts of revenue. This can be compared to a similar situation in Africa specifically in war-torn regions, where criminals take advantage of weak government structures and law enforcements, allowing criminals to freely steal and trade high value cultural property and artefacts generating a lot of illegal earned money (Puskás, 2022), also later used to fund terrorist groups as the U.S Department of the Treasury (2022) noted. The black markets these artefacts being sold at, offer people to buy and sell at a certain level, which allows criminals to purchase these artefacts in order to store or transfer significant amounts of money. These transactions are also linked to money laundering, and the use of digital technologies and cryptocurrencies as the research previously reviewed (Dolce & Mullard, 2019).

2.10 Commodity Trading

2.10.1 Oil and Gas

Similarly, to how IS used cultural property in illicitly funding their flows by stealing and trading, IS did the same with oil and gas. Research indicates an estimation that IS generated over \$200 billion over the years, from multiple criminal activities including stealing oil, selling artifacts, using extortion, and forcing taxation on citizens under their regime (Westcott, 2020). Likewise, another paper proposes that from the \$200 billion in 2015 IS generated around \$500 million only from stealing, exporting, and selling oil and gas from the territories they had control over (Clarke, 2018). Recent research shows that IS used oil fields in Iraq and Syria to extract oil on their own and show their independence comparing their regime to actual governmental structures, in order to have bottom up fundings and rely less on external fundings (Clarke, 2018).

2.10.2 Diamonds and Luxury Watches

In connection to criminal activities, diamonds have their share in contributing to financing illicit flows. The light weight and significant value, makes diamonds a great target and another way to move or store money, according to the Financial Action Task Force (2013) diamonds attract criminals to be used as a currency. The research also highlights that diamonds are used as a money transaction medium, due to the anonymity it allows criminals to have and difficulty for their transactions to be traced (FATF, 2013).

Nowadays even Swiss watches have been trending among criminals as a way of financing their illicit flows. The light weight and higher value of these watches make them trend among ways to financing illicit flows, a single watch on someone's wrist could be worth millions of dollars. According to Smith (2022) the high-end-watches market was valued at \$40 billion, making it one of the most reliable methods to store money while saving its value. Moreover, luxury items like watches and jewellery have been linked to corruption and money laundering, these items can be used as payment means with a low risk of authorities controlling and tracking these transactions (Heywood & Ebrard, 2017). A Psychological link has been shown between obtaining these luxury items and to corruption and criminal activities, besides from the illicit fundings and money laundering involved in the watch industry, some people have been participating in various criminal activities to obtain these luxury items and satisfy their wants (Heywood & Ebrard, 2017).

2.11 Illicit Funding and Drug Trafficking

Narcotic crimes sometimes involve sizable reinvestment of illegal money in drug smuggling activities, which have severe consequences for the whole society. Drug addicts suffer damages that extend much beyond that they spend on drugs. For instance, it has been shown that a significant economic expense of drug consumption in the United States is lack of performance and efficiency (Pietschmann et al., 2011). Further issues on an international scale include mental issues, terrorism linked to human trafficking, and disruption. According

to findings from nations like Canada or the United States, where large sections of the proceeds generated by the sale of illegal drugs as well as certain organized crime actions are funnelled, drug fund is frequently routed to comparatively small rich business owners that do not require a lot of authorities' invoices (UNDCP, 1998). Moreover, current analytical research that examined information on drug trafficking especially for the previous five years, found that there has been a significant rise in trafficking mainly compared to the past (Janaki, 2016).

A few years ago, the authorities made several arrests as part of a global investigation into funds laundering conspiracy that involved digital drug trades through bitcoin and cryptocurrencies (Atlantic Council, 2017). Several accused individuals were engaged in bitcoin trading and had obtained the money from the illicit drug trade, while others were involved in converting cryptocurrencies into euro in order to obtain them in cash from multiple ATMs (Atlantic Council, 2017). Since criminals coupled their bank accounts to place substantial quantities of funds with the intention to later swiftly extract cash from several ATMs, the banks raised the red flag that sparked the whole investigation and started arresting suspects (Atlantic Council, 2017). Additionally, revenue generated from illicit drug trades, usually goes back to funding illegal actions, including terrorism.

According to Bauer & Levitt (2020), money obtained illegally is easier to be spent illegally, and if that's not the case, these amounts of money go through a series of steps and ways to be legitimized. These methods can be achieved through several strategies discussed previously, authorities have been always creative and innovative when it comes to combating illicit flows. However, criminals try to find a loophole and always need to be more creative and innovative, in order to finance their illicit flows, which have been shown through various research investigating all current innovative methods used in financing illicit flows (Atlantic Council, 2017). In contrast, different research according to Bachelet (2022) shows that law enforcements have been more

successful combating criminal efforts financing their illicit flows. Which shows that Innovation is the key element when it comes to both financing illicit flows and combating them.

In conclusion, financing illicit flows is a huge dark network, starting with criminal activities and ending with the way of dealing and handling dirty money, influencing all the world in various aspects. Since, these methods can be creative and innovative ranging in all sectors and industries, the connection between these aspects is focused on. According to Dolve & Mullard (2019) Recent research shows a positive link between corruption, drug trade and terrorism. The interconnection can be studied and used to fight these illicit flows, by using these dependences to break the cycle and stop these criminal actions contributing to various negative impacts (Dolve & Mullard, 2019).

3 Methodology

Research is a process that assists in the construction of new understandings, the gathering of new knowledge, and solving of problems in a systematic way (Asenahabi,2019). Moreover, Asenahabi (2019) suggests that research design is an essential step in the process of writing any research paper as it provides the opportunity to draught a comprehensive plan for the research, which is one reason why the research design stage is considered to be so important. According to Creswell (2014), research approaches can be primarily classified as qualitative, quantitative, or mixed. The research approach refers to the method used to collect data for the study and the format in which the data is presented.

The next section will present a full overview of the methodology that will be utilized within the thesis by providing greater insights into its methods that will be used to collect data in order to answer the research questions and fulfil the research goals.

3.1 Research design

Quantitative	Qualitative	Mixed Methods
<ul style="list-style-type: none"> • Experimental designs • Nonexperimental designs, such as surveys • Longitudinal designs 	<ul style="list-style-type: none"> • Narrative research • Phenomenology • Grounded theory • Ethnographies • Case study 	<ul style="list-style-type: none"> • Convergent • Explanatory sequential • Complex designs with embedded core designs

Table 3: Alternative Research Designs
Source: Creswell, 2014

Primarily, research methods can be categorised as qualitative, quantitative, or mixed as demonstrated above in Table 3. The qualitative research method concentrates mainly on information that is presented in the form of text, audio, or even visual data (Creswell,2014). According to Dickinger (2007), the qualitative approach enables researchers to gain a deeper understanding of their topics by providing them with additional theory knowledge, supporting the paper with some evidence that gives it credibility, and helps when using open-ended questions.

Qualitative research can be done through expert interviews, focus groups, consumer interviews, observation, case study etc. On the opposite side, quantitative approach deals with numeric figures investigating certain research topics through mathematics and statistics (Creswell,2014). Choosing quantitative research could be relevant when testing relationships between two groups, hypotheses testing and even discovering significant relationship insights (Creswell,2014). In research design quantitative research could be collected through surveys or experiments, taking into consideration the sample size and the influencing environment, that might contribute to the data being inaccurate. On the other hand, a mixed research method is a mix and combination of qualitative and quantitative research approaches. Using a mixed research method gives stronger evidence and a complete picture to the research, which is more complex (Creswell,2014).

The thesis topic *Exploring Innovative Financing Strategies for Illicit Flows: A Study of Current Trends and Implications* requires deeper research using a

qualitative research method that involves expert interviewing, to find innovative current trends and understand the theory behind it more in depth. Choosing a qualitative approach makes more sense for the chosen thesis topic and research questions, since the research question is an open-ended question and requires a qualitative research design for supporting any claims used for the paper. Qualitative research investigates certain views and expert perceptions, which could be relevant when researching and investigating all the trends and innovation used in financing illicit flows. Making it easier for the thesis researcher to dissect the topic seeking for accurate form of data, to be relevant and easier used in thesis writing process (Neri de Souza et al.,2016).

Narrative research	is a design of inquiry from the humanities in which the researcher studies the lives of individuals and asks one or more individuals to provide stories about their lives (Riessman, 2008). This information is then often retold or restoried by the researcher into a narrative chronology. Often, in the end, the narrative combines views from the participant's life with those of the researcher's life in a collaborative narrative (Clandinin & Connelly, 2000).
Phenomenology	is a design of inquiry coming from philosophy and psychology in which the researcher describes the lived experiences of individuals about a phenomenon as described by participants. This description culminates in the essence of the experiences for several individuals who have all experienced the phenomenon. This design has strong philosophical underpinnings and typically involves conducting interviews (Giorgi, 2009; Moustakas, 1994).
Grounded theory	Grounded theory is a design of inquiry from sociology in which the researcher derives a general, abstract theory of a process, action, or interaction grounded in the views of participants. This process involves using multiple stages of data collection and the refinement and interrelationship of categories of information (Charmaz, 2006; Corbin & Strauss, 2007, 2015).
Ethnographies	Ethnography is a design of inquiry coming from anthropology and sociology in which the researcher studies the shared patterns of behaviors, language, and actions of an intact cultural group in a natural setting over a prolonged period of time. Data collection often involves observations and interviews.
Case study	Case studies are a design of inquiry found in many fields, especially evaluation, in which the researcher develops an in-depth analysis of a case, often a program, event, activity, process, or one or more individuals. Cases are bounded by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time (Stake, 1995; Yin, 2009, 2012, 2014).

Table 4: Qualitative Designs
 Source: Creswell, 2014

Furthermore, Table 4 above demonstrates the different types of a qualitative research methods. Phenomenology is one of the types that involves conducting interviews, the researcher chooses a Phenomenological research design, specifically expert interviews.

3.2 Data Collection and Analysis

Above all, planning the data collection and the exact date to start is essential. The data collection of this paper began in February 2023, specifically once the literature review was almost completed, a base knowledge of the topic was established through reading various papers and materials relevant to the topic. Which as a result gave the researcher a strong understanding of the topic which is essential for expert interviewing and developing interview questions. It should be noted that the interview format was conducted based on the convenience and time of the experts. Therefore, the researcher decided to give the experts options on how they wanted to be interviewed. The options included different forms of interviewing such as normal interviews in person, synchronous online interviews via video call, and asynchronous interviews such as email interviewing. The researcher of the qualitative expert interviews aimed to have a sample size of 5, to make sure of having a diversity of perspectives from multiple experts in the researched field for more data accuracy. The researched field sought experts in particular areas such as financial crime, organized crime, technology, innovation, and financial law.

Finding experts was done through intense research for experts in the fields mentioned above, which was accomplished through innovative and traditional methods including social networks and modern ways such as internet and social media platforms. Great examples of traditional social networks included connections from professional careers or even university professors that had a knowledge that was relevant to the topic researched. Snowball sampling was also used, participants were asked to suggest more expert to contribute to the research. Moreover, some of the modern online methods to find experts involved professional social media platforms e.g., LinkedIn. Before searching for experts, the expert field had to be defined, in the example of this paper, the researcher required a variety of experts knowledge in politics, economy, history and finance. Moreover, to be specific, experts in financial crime, illicit financial flows, organized crime, financial law, and technology.

Finally, this research seeks to use the literature review to compare and evaluate the data collected from the qualitative research interviewing, literature review from solid academic sources. That plays a significant role in supporting the interview result or denying them. The literature data helps in giving an overview and viewing accurate trends used in financing illicit flows and offers a great understanding of the interlinkage of crimes, also how these trends developed over time.

3.2.1 Construction of Interviews

This paper utilized smartly chosen open questions, that helped in collecting relevant data. When picking and drafting interview questions, a prior knowledge and deep research must be done (Neri de Souza et al.,2016). More importantly, the writer broke down and structured the main ideas of the study. The interviews were planned to take 30 minutes to 1 hour that consisted of structured 16 questions. However, the data was collected through asynchronous interviews, in which English was the language used. The main goal was to analyse the answers of the experts to determine any similarities or dissimilarities that could shine. Moreover, the interview questions have been approved by Modul University's Institutional Review Board (IRB).

Appendix 1 provides a general idea with 6 topics on the questions that were relevant for the structured interview. The questions covered a mix of open-ended questions and choice questions, also questions that involved a ranking scale of 0-10 were asked, which will then help with comparing results and allow the writer to demonstrate the results in figures, graphs, and tables to make the results easier to analyse and comprehend. Moreover, 3 post interview questions were asked, to understand the professional experience background of the interviewees. However, the researcher decided to exclude any questions that could potentially reveal the identity of the interviewees. The expert's identity and responses will remain anonymized throughout the entire research and experts will be referred to as "interviewee", due to the reason that of the sensitive topic the research tackled. Some workplaces and organizations make

it difficult for experts to answer questions freely and have the freedom to answer the questions based on their true perspective, due to the bureaucracy and complexity of their organization regulations. Therefore, the researcher decided to keep the identity of the experts anonymous and only asked limited questions that helped in revealing their expertise in that field without risking their professional careers. Thereupon, the quality of data was more accurate and less bias, due to the freedom of speech the anonymity provided.

3.3 Limitations

Addressing the limitation of this study is crucial , as it helps in mitigating potential biases and enhancing validity and reliability of the findings conducted in this research. In the context of data collection , this study phased various challenges and limitations. Particularly with expert interviews, despite that over 150 experts were reached out to, since February 2023, and only 5 of them contributed by answering the questions asynchronously via LinkedIn and Email. The experts answered the questions by filling out the interview guide sent by the researcher in a written form. Asynchronous interviews were the only possible option to collect data, for the reason that all these experts did not have the time to be interviewed in person. Nevertheless, asynchronous interviews could give the interviewees the time to prepare and access external sources to answer the questions. However, for the results of the interviews, it is believed that the responses of the experts were fully based on their knowledge and experience, since most of the interviewees had significant professional experience that allowed them to answer the questions freely without using any external sources that might have potentially influenced the study results. Furthermore, it is believed that the specificity and sensitivity of the topic researched made it more challenging for the researcher to find experts that have an adequate knowledge to answer the interview questions. Further limitations include non-responsiveness, as some of the interviewees left some questions unanswered, which might impact the depth of the analysis in certain areas.

4 Results

4.1 Expert Interviews Data Analysis

The findings from the primary data gathered through expert interviews are presented in this section. The findings for each question posed are compiled and analysed by the researcher in the section that follows. 5 experts with multiple expertise, including financial law, technology, illicit networks, and gaming, which have contributed to this research by answering the interview questions via asynchronous interviews. There were only 1 set of interview questions that included 16 questions. The researcher asked all experts the same questions which were drafted so they can be relevant to most of the experts. Giving them the option to highlight their expertise within those questions, since the questions included a mix of different topics, which some experts were more knowledgeable about. Experts from various fields were asked to answer the same questions as their insights and opinions were important to the researcher.

Experts

Participant	Professional position	Workplace	Experience in the field researched
Interviewee 1	Partner at Guidehouse	Financial Crimes, Fraud and Investigative Services Guidehouse	25 years
Interviewee 2	Senior Legal Counsel	Greentube GmbH	8 years in the financial sector, 3 years in the online gaming sector
Interviewee 3	Academic	Masaryk University	10 years in the illicit network field
Interviewee 4	University Professor	Modul University Vienna	7 years
Interviewee 5	Compliance Manager	Greentube GmbH	1 Year

Table 5: Interview Participants

Referring to Table 5, one can see that there are different expertise within 5 participants. The interviewees experience time in the researched field ranged

from 1-25 years, the majority of experts had an experience above 7 years except for interviewee 4, which only had a relevant experience of 1 year. Among the 5 participants the expert with the greatest and longest experience in the topic of interest is interviewee 1. Not only interviewee 1 is the one with the longest experience, but they are a partner at Guidehouse (Washington, District of Columbia). In addition, interviewee 1 is an advisory board member in multiple respected associations and initiatives that each tackle various topics such as Human trafficking, digital assets & cryptocurrency, sustainability, and financial crime. More importantly, Interviewee 1 has extensive professional experiences in the past, that include working for the U.S. Securities and Exchange Commission, Financial Crimes Enforcement Network, U.S. Dept. of Treasury and even the Financial Industry Regulatory Authority (FINRA) (formerly NASD). Consequently, making interviewee 1 a perfect fit to provide crucial knowledge of the topic researched. On the other hand, interviewee 2 and 5 both work at Greentube GmbH, which is a company that develops entertainment and online gaming. Greentube GmbH is a division of the Austrian gambling company Novomatic, Greentube GmbH specifies more in developing digital casino entertainment games. Interviewee 2 has great expertise in law, since the interviewee is a lawyer currently working as a senior legal counsel. Moreover, interviewee 5 also working at the same company was part of snowball sampling, currently working as a compliance manager in Greentube GmbH has significant expertise in the field and provided valuable insights and delivering diverse perspectives to the research. Participants working in the gambling and gaming industry, were a perfect match for the interview and the research, since the industry has a lot of room for financial illegal activities to take place as the literature review validated. Furthermore, interviewees 3 and 4 are academic professors working in different universities. However, their expertise is significantly relevant to the topic researched and provides valuable insights.

Overall, each interviewee has impressive experience in the field, while some of them have longer experience than others. They all provide diverse

perspectives, which is vital for the quality of responses contributed to the research . Therefore, affecting the results of the research positively.

Interview Question 1

Interviewee 1	The key characteristics of illicit financial flows can vary dramatically based on the underlying criminal activity. Is it cash based? Is it securities based? Is it political corruption or trade based money laundering? That is what is so difficult, the typologies vary dramatically.
Interviewee 2	Illicit financial flows refer to the movement of money (usually across borders, between different countries and/or territories) and which money (i) has been obtained illegally (e.g. bribery, trafficking), or (ii) has been transferred illegally (e.g. tax evasion), or (iii) is used for illegal purposes (e.g. terrorist financing).
Interviewee 3	Illicit financial flow refers to the movement of money or other assets in a way that goes against the law, the rules, or moral principles. These flows entail a variety of unlawful or illicit activities, including smuggling, fraud, tax evasion, corruption, money laundering, and other criminal practices. Some characteristics: illegality, concealment, lack of transparency, consequences (social, economic, etc.)
Interviewee 4	Transferring money or other assets across borders in an illegal way. The main characteristic is that is illegal (by definition).
Interviewee 5	A movement of financial means between jurisdictions. The key characteristic would be the illegality of such flow which would be shown either in its origin (source), means of movement, intended purpose or the final real use.

Table 6: How would you define illicit financial flows and what are the key characteristics of such flows?

Different opinions are demonstrated in Table 6 above among the experts interviewed regarding the definition and main features of illicit financial flows. The first interviewee stressed that these flows could vary in nature and depend on the type of criminal activity involved. The definitions given by Interviewees 2 and 3 were more comprehensive, covering the unlawful obtaining, transfer, or utilisation of funds for illegal activities. The fourth and fifth interviewees mentioned that these flows are illegal and cross borders. In general, the results indicated that there is broad agreement that illicit financial flows involve the transfer of money or assets illegally, with key characteristics including illegality, concealment, lack of transparency, and their association with various criminal activities. These conclusions are in line with the body of

literature already in existence, which also acknowledges the illegal character of such flows and their involvement in crimes like money laundering, corruption, tax evasion, and financing of terrorism.

While these results add to the knowledge of illicit financial flows by incorporating these insights into the analysis. They also offer practical viewpoints that reinforce and complement existing literature.

Interview Question 2

Interviewee 1	Criminals are just like everyone else. They exploit new technologies to make laundering easier and safer for them. So hackers exploit cryptocurrency, fraudsters exploit payments apps, securities criminals exploit computerized trading and dark pools.
Interviewee 2	<ul style="list-style-type: none"> • Money Laundering • Terrorism financing • Corruption/Bribery • Crime/Criminal activities (organized or not) • Tax evasion • Human trafficking (exploiting adults or children for the purposes of forced labour or commercial sexual exploitation) • Smuggling (of items – e.g. drug cartels; or of persons – e.g. human smuggling, which usually consists of assistance with transportation or fraudulent documents to a person who voluntarily seeks to gain illegal entry into a foreign country. Consent is the main difference compared to Trafficking.) <p>The rapid development of technology has certainly helped criminals find new, innovative ways to facilitate illicit financial flows, mostly due to the option of anonymity and due to making it harder to trace criminals who use advanced technology (e.g. cryptocurrencies, social media platforms offering anonymity, dark web, etc.).</p>
Interviewee 3	<p>Different types of illicit financial flows:</p> <ol style="list-style-type: none"> 1. Money Laundering 2. Tax Evasion 3. Corruption 4. Fraud 5. Smuggling 6. Cybercrime <p>Here are some new technologies and financing methods that can be used for illicit financial flows:</p> <ol style="list-style-type: none"> 1. Digital Currencies: cryptocurrencies provide new avenues for money laundering and illicit transactions 2. Online Payment Systems: making it easier to move illicit funds across different jurisdictions. 3. Offshore Financial Centers: offshore tax havens allow to hide assets, evade taxes, and facilitate illicit financial activities.

Interviewee 4	Usually, the goals are money laundering, bribery, tax evasion or, in general, disguise of payment flows to hide illegal activity. In several ways new technologies have made it more efficient to conduct illicit financial flows but it has to be pointed out that they have existed for centuries and will continue to exist, independent of the available technology.
Interviewee 5	<ul style="list-style-type: none"> • Money Laundering • Corruption • Smuggling, • Tax evasion • International Sanction evasion (could cover several of the above) Human trafficking • Organised Crime • Terrorism financing <p>I believe in some ways the advancement of new technologies had a positive impact: E.g. increased connectivity, public access and transparency, multiple factor authentication, have created stronger and way more complex framework, regulations, regulatory bodies, which in the end are more effective in discovering in preventing illicit financial transfers. For example, the creation of FATF, public UBO registers, more granular KYCs make it harder for such transfers to take place.</p> <p>However, on the other hand, the advancements in the field of technology have created its own problems, such as, rise of new online platforms which circumvent these, creation of more complex transfer vehicles, more difficult ways to discover the UBOs, dark web, cybercrime, data privacy concerns, cryptocurrencies, identity theft, etc.-</p>

Table 7: What are the different types of illicit financial flows and how have they evolved with the advancement of new technologies and innovative financing methods?

Table 7 above sheds light to how new technologies and innovative financing methods are related to various types of illegal financial activities. The interviewees shared information about illegal actions such as hiding money, being corrupt, not paying taxes, deceiving others, smuggling goods, and committing cybercrimes. They highlighted how criminals take advantage of modern technologies to facilitate and secure their illicit actions. This is parallel to the body of literature already in existence, which also emphasises how technology facilitates illicit financial flows.

Both the interviewees and the academic literature agree that the quick development of technology has given criminals new ways to engage in illicit financial activities. Cryptocurrencies, online payment systems, and offshore financial centres can make it difficult to track and stop illegal transactions

because they allow for anonymity and concealment. It also demonstrates that regulatory bodies and law enforcement agencies have difficulties keeping up with the changing nature of financial crimes. Yet, it is worth mentioning that the literature recognises technology's beneficial role in preventing illegal financial activities. To tackle these challenges, rules have become more stringent, regulatory agencies have been set up, and detection methods have improved. Steps have been taken to improve transparency, reinforce KYC procedures, and employ technology for monitoring and identification. The goal of these actions is to reduce the harm caused by illegal money transfers and protect the honesty of the financial system. Generally, the interview findings with the literature both shed light on how technology and illicit financial flows interact. Although criminals have found new ways to exploit technology, measures have been taken to detect and prevent their actions. The results emphasise the importance of ongoing studies and teamwork to tackle the complicated issue of illegal money transfers, safeguard the financial system, and maintain the honesty of worldwide transactions.

Interview Question 3



Figure 13: Who is superior in the realm of illicit financial flows in terms of innovation and success law enforcement & organization or criminals?

In accordance to Figure 13 above which demonstrates the interviewees votes on who is superior in the realm of illicit financial flows. Only one out of 5 of the interviewees chose law enforcements& organizations as superior, while the rest 4 were divided between criminals are superior and it is difficult to say. The results suggest that it is difficult to define who is superior in the realm of illicit financial flows. However, it should not be overseen those 2 experts out of 5 viewed criminals as superior in the realm of financial crime and illicit financial flows. Moreover, Table 8 below will provide further information on why the experts picked the results demonstrated in Figure 13 above.

Interview Question 3

How do they manage to do that ?

Interviewee 1	The criminals and law enforcement are always in a race and the criminals are often one step ahead of law enforcement because law enforcement has a harder time trying to figure out what they will do next. It is the criminals job to stay one step ahead and they are frequently very good at it. Sometimes we in financial crime have to think like they do to find the areas for exploitation.
Interviewee 2	The answer to this really depends on the jurisdiction and the geographical region. Usually in the developed countries one can say that the Law enforcement is in general ahead of the criminals, and this is due to various reasons: first, due to the more concrete and robust legal framework these countries have in place, which makes it harder for criminals to navigate and find loopholes and opportunities to facilitate illicit financial flows. Second, due to the number of resources these countries have in their armoury in order to fight financial crime: developed countries have usually adequate financial means to invest in preventing financial crime (and not merely combating afterwards). Also, developed countries have usually more access to advanced technology, which makes tracking and tracing criminals easier than in the past. Advanced technology has enabled law enforcement in many countries to find and prevent criminals from being successful in their illegal acts (e.g. faster connectivity and increased collaboration between law enforcement on a cross-border level, rapid spread of information via social media and platforms accessible to public etc.). Last, most developed countries also depend on cross-country collaborations between authorities and law enforcement, which also helps tracking down criminals. Developing countries on the other hand, may not always have any and all of the means mentioned above, which leaves room for criminals to go one step ahead of the authorities and law enforcement, especially in case the criminals have access to advanced technology, or the lack of a concrete legal framework

	allows them more freedom of movement. Many developing countries have significant deficiencies in their strategy or regime to counter financial crime, esp. money laundering and terrorist financing, and they also face corruption problems. Many developing countries are also still widely using more “traditional” money transfer methods and channels (e.g. mobile money transfer, Western Union locations and agents etc.) which, contrary to a more technologically advanced system (e.g. multiple factor authentication) may be prone to human error (e.g. moving money with a fake ID). In addition to this, in some developing countries financial criminals have found their way to integrate themselves in the country’s financial or political regime, making it even harder for law enforcement to act.
Interviewee 3	<p>Criminals often appear to be a step ahead:</p> <ul style="list-style-type: none"> • Criminal networks can be highly adaptable and agile. • Criminal organizations often have significant financial resources and they might invest in advanced technologies • Criminal networks operate across borders and have extensive global connections. • Law enforcement agencies often face resource constraints and may not have the necessary expertise
Interviewee 4	It is a cat and mouse game. It is not possible to say that one group is ahead since regularly one specific criminal / group is caught but other ones succeed with more sophisticated procedures. In other words, not all criminals or law enforcement agencies are on the same technological level.
Interviewee 5	Access to intelligence networks, databases and multi-jurisdiction platforms with the budget and resources that the law enforcements have at their disposal make them in many areas one-step ahead in this field; Some other: Strict constantly evolving Regulator framework -see EU AML directives; Collaboration between state and international entities and NGOs; Specialized training ; FATF, FIUs,;

Table 8: : How do law enforcement or criminals manage to be superior in the realm of financial crime and illicit financial flows?

According to Table 8 the perspectives of the interviewees on the superiority in the area of financial crime and illicit financial flows varied. Some interviewees suggested that law enforcement and criminals are in a constant race, with neither consistently gaining the upper hand. The cat and mouse game is always changing, with some criminals getting easily caught while others come up with more effective methods to avoid getting caught. In contrast, other interviewees expressed differing viewpoints. They pointed out the factors that serve as an advantage to either criminals or law enforcement. For instance, some interviewees held the opinion that law enforcement in developed nations, which have strong legal systems, sufficient resources, and

cutting-edge technology, typically has an advantage over criminals. However, other interviewees emphasised how criminal networks can have an advantage due to their adaptability, financial strength, and global connections.

When comparing these viewpoints to the existing literature, it becomes clear that there are a variety of perspectives on this topic. The literature acknowledges the ongoing conflict between law enforcement and criminals, in which resources, technology, adaptability, and cooperation, as well as legal frameworks, play important roles. While some interviewees recognize the challenges faced by law enforcement, others highlight the progress made in leveraging technology, collaboration, and specialized training. Generally, after analysing the viewpoints demonstrated in Table 8 above and comparing them to existing literature, it is clear that there are various perspectives regarding the topic of superiority in financial crime. It emphasises how difficult it is for law enforcement to keep up with changes in such an environment and effectively combat illicit financial flows.

Interview Questions 4

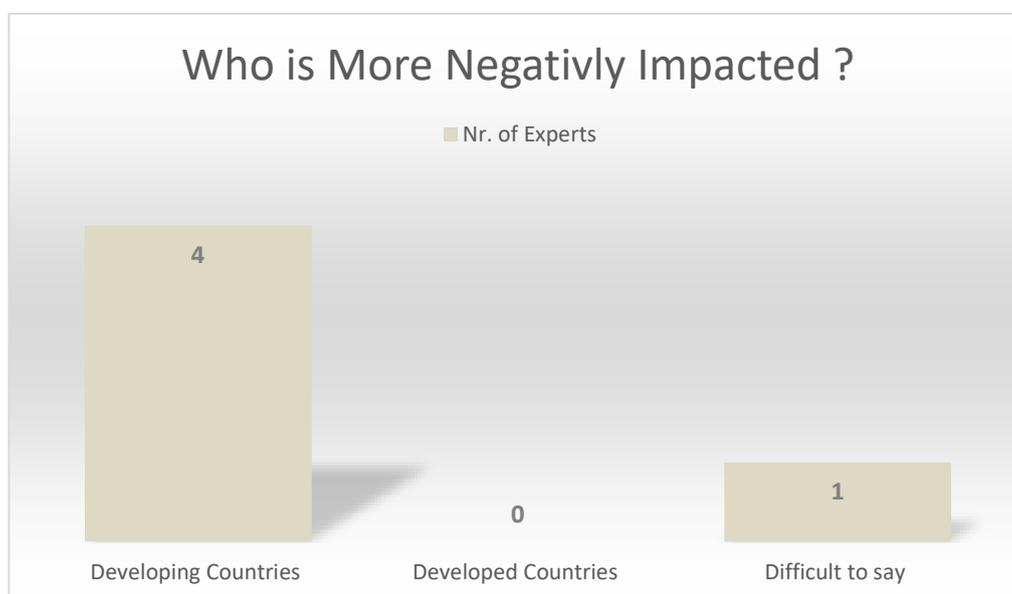


Figure 14: Who is more negatively impacted from financial crime and illicit financial flows ; Developing countries or developed countries

AS Figure 14 above illustrates four out of 5 interviewees think that developing countries are more impacted from financial crime and illicit financial flows,

while only one thinks it is difficult to say. However, it is important to mention that none of the interviewees suggested that developed countries suffer more. As a result, it can be concluded that developing countries suffer more from financial crime and illicit financial flows. Furthermore, Table 9 below will provide further information on why the experts picked the results demonstrated in figure 14 above.

Interview Question 4

Why?

Interviewee 1	The questions of which countries are more negatively impacted are difficult and may depend on where in the chain of criminal activity the citizens are. Are they victims of fraud? Are they buyers of illegal drugs? Are they the purchasers or sellers of child exploitation or human trafficking? The only clear answer is that illicit finance can help financial institutions and hurt citizens wherever it is happening.
Interviewee 2	Developing countries on the other hand, may not always have any and all of the means mentioned above, which leaves room for criminals to go one step ahead of the authorities and law enforcement, especially in case the criminals have access to advanced technology, or the lack of a concrete legal framework allows them more freedom of movement. Many developing countries have significant deficiencies in their strategy or regime to counter financial crime, esp. money laundering and terrorist financing, and they also face corruption problems. Many developing countries are also still widely using more “traditional” money transfer methods and channels (e.g. mobile money transfer, Western Union locations and agents etc.) which, contrary to a more technologically advanced system (e.g. multiple factor authentication) may be prone to human error (e.g. moving money with a fake ID). In addition to this, in some developing countries financial criminals have found their way to integrate themselves in the country’s financial or political regime, making it even harder for law enforcement to act.
Interviewee 3	Developing countries are often more negatively impacted by financial crime and illicit financial flows due to several factors: <ol style="list-style-type: none"> 1. Developing countries may have weaker governance structures, including inadequate regulatory frameworks and limited enforcement capacity. That creates opportunities for financial crimes. 2. Corruption undermines already weak governance structures and weak rule of law. 3. Developing countries may face economic challenges such as high levels of poverty, these vulnerabilities make them more susceptible to negative impacts.

	<p>4. Many developing countries are rich in natural resources (oil, minerals, etc.) and the extraction is often susceptible to corruption, tax evasion, smuggling, etc.</p> <p>5. Illicit flows divert resources away from essential public services (education, healthcare, infrastructure) and, therefore, represent a violation of Human Rights.</p>
Interviewee 4	Developing countries do not have the same means to fight crimes as developed countries do. Furthermore, their economy might be more sensitive to criminal activities (i.e., impacted more heavily).
Interviewee 5	Developing countries suffer more from IFFs negative impacts - weaker legal framework, higher corruption, less oversight e.g., from individual NGOs, many times less freedom and less impartiality to the press, weaker education standards, higher corruption tendencies, weak cooperation between other states and international organizations (e.g. grey-listing in FAATF), less robust and complex regulatory framework, regulatory loopholes weaker KYCs, weak review of UBOs, international policy may view favourably some sanctioned countries – e.g. some of these countries stance on Russia.

Table 9: Which of the following is more negatively impacted by financial crime and illicit financial flows and why: Developing countries or developed countries?

The vast majority of interviewees believe that financial crime and illegal financial flows have a more detrimental effect on developing countries. They point out factors that contribute to the increased vulnerability of developing nations, such as poorer governance frameworks, inadequate regulatory frameworks, limited enforcement capacity, corruption, financial challenges, and incorrect allocation of resources. This is consistent with the body of literature, which highlights the difficulties these nations have in tackling financial crime. On the other hand, other interviewees suggest that, regardless of the country's level of development, individuals and financial institutions are nonetheless affected by financial crime and illicit financial flows. They highlight that, regardless of whether citizens are in developed or developing countries, illicit financial flows can both help and hurt financial institutions.

Overall, the consensus supports the idea that developing nations suffer most from the impact of financial crime and illicit financial flows, because of the difficulties they face when combating them. These obstacles are a result of the unique characteristics and vulnerabilities of developing nations, such as weakened governance structures and limited enforcement resources. Nonetheless, it is crucial to acknowledge the varying viewpoints presented by

the Interviewees, which highlight the complexity of financial crime and its influence on various regions and economies.

Interview Question 5

Interviewee 1	I think all regions suffer from financial crimes, just in different ways. Developed and wealthier countries may just not see the damage as clearly.
Interviewee 2	Usually regions where cross-border transactions between developing countries are taking place and regions with political issues and instability or armed conflicts (e.g. some African, Latin American or Asian countries/regions). As said before, the situation and conditions in developing countries make it easier for financial criminals to act and to proceed with moving illicit money from one country to another. And political instability leads to absence of a concrete legal framework against financial crime and sometimes also to corruption.
Interviewee 3	I know best the situation in Latin America. I don't know if this region suffers most, but Latin America has a history of political instability, economic crises, and social inequality. This context and weak governance structures, corruption, and inadequate regulation have allowed illicit activities to thrive. Bribery, embezzlement, and other corrupt practises undermine the integrity of public institutions and erode trust in the financial system, facilitating financial crime. Latin America is a major hub for drug trafficking and organized crime, and the region has been identified as a region with significant money laundering activities. Latin America has a large informal economy, characterized by unregistered businesses, cash transactions, and limited oversight. This informal sector provides opportunities for illicit financial activities, tax evasion, and money laundering. Latin America faces high levels of economic inequality, and financial crime exacerbates these inequalities.
Interviewee 4	This is question that is hard to answer, since financial crime is a worldwide activity. I would say that many parts of Africa are severely affected, as are regions in Latin America and the Caribbean, Easter Europe and potentially several countries in Southeast Asia.
Interviewee 5	Regions where multiple less developed countries are present

Table 10: Which regions do you think suffer most from financial crime in the world and why?

The interviewees' views on the areas most impacted by financial crime are diverse as shown in Table 10 above. One perspective suggests that financial crime exists in all regions but may be less noticeable in developed and wealthy nations. This is consistent with the idea that financial crime is a worldwide problem that impacts many different regions of the world. According to

another viewpoint, regions with cross-border transactions between developing countries, political instability, and armed conflicts are more susceptible to financial crime. This viewpoint is reinforced by the literature, which emphasises the difficulties developing countries experience in battling financial crime because of poor governance, insufficient regulation, and a sizable informal sector. In addition, the concentration on Latin America reveals a historical context of political instability, economic crises, and social inequality, all of which have facilitated financial crime in the region. The literature identifies Latin America as an area with extensive money laundering operations, corruption, and an unofficial sector that offers opportunities for illicit financial activities, which lends support to this viewpoint.

Although the opinions of the interviewees may differ marginally regarding the specific regions most affected by financial crime, there is consensus that developing regions, which are characterised by political instability, poor governance, and economic challenges, face greater risks. This is consistent with the literature, which emphasises developing countries' susceptibility to financial crime.

Interview Question 6

Interviewee 1	Criminals raise money, sometimes for other crimes (terrorism), sometimes they launder money to hide that it is criminal, and sometimes they want to hide legal income or hide what they do with the legal income (tax evasion, purchase illegal goods), so that all of those activities are inextricably linked.
Interviewee 2	Many of these types of crime lead to fast financial gain of large amounts by individuals, which then needs moved, in order for criminals not to be traced and expose themselves, their network and their activity. The need to find illegal ways to move the money around leads to financial crime. Also, financial crime can be a means of facilitating some other criminal activities and sometimes there is even an ideological connection between criminals of a certain type of crime and financial criminals (e.g. terrorism financing).
Interviewee 3	Criminals engage in activities like drug trafficking, fraud, and corruption to amass illicit profits. And financial crimes allow them to integrate these funds into the legal economy.
Interviewee 4	Most crime is done to make money and therefore there is a strong connection between criminal activity and money laundering. This

	includes terrorist activities since the flow of money has to be hidden to remain undetected.
Interviewee 5	<ul style="list-style-type: none"> • Financial Gain; • Secrecy and anonymity; • Overlapping techniques; • Lack of transparency ;

Table 11: What are the main factors driving the interlinkage between different forms of financial crime and criminal activities, such as money laundering, tax evasion, corruption, terrorism?

Table 11 above shows that the interconnection between various types of financial crime and criminal activities, such as money laundering, tax evasion, corruption, and terrorism, is influenced by a number of important factors, as the interviewees noted. These operations are carried out by criminals to obtain funds for a variety of purposes, including financing terrorism and other crimes. Money laundering serves the purpose of hiding the criminal origin of funds or disguising the use of legal income for illicit activities or tax evasion. It enables criminals to integrate their illicit earnings into the legal economy, making it difficult to trace and expose their activities. These activities frequently need the movement of money in illicit methods to escape discovery due to the quick financial gains involved. Furthermore, as seen by the financing of terrorism, there is frequently an ideological link between specific criminal types and financial criminals. The interconnectedness of these types of financial crime is driven by the pursuit of financial gain, the need for secrecy and anonymity, the use of techniques that overlap, and the absence of transparency. These factors contribute to the complex relationship between various types of financial crime and criminal activities, thereby facilitating the illicit movement and integration of funds into the global financial system.

Interview Question 7

Interviewee 1	I think the general maturity of transnational organized crime in combination with the maturity of money movement options are making ways of laundering money expand.
Interviewee 2	It has certainly helped, but I do not think this is the main driver. Historically, criminals have always found innovative ways to facilitate their crimes, even when technology was less advanced.
Interviewee 3	The interlinkage of different forms of financial crimes is driven by structural factors rather than technological advancement alone. Key structural drivers may include:

	<ol style="list-style-type: none"> 1. The global financial system's structure facilitates the movement of funds, making it easier for criminals to engage in money laundering, tax evasion, and illicit financial flows. 2. Structural economic disparities and income inequality contribute to the motivation for financial crimes. 3. Structural deficiencies in governance and institutions allow criminals to operate with relative impunity. Political instability, conflicts, and geopolitical dynamics can influence the prevalence and interconnectedness of financial crimes. 4. Illicit markets, organized crime networks, corruption networks, etc. contribute to the interconnections among different forms of financial crimes.
Interviewee 4	Not really, since all these criminal activities have existed before the advent of sophisticated technology. They simply used different means to raise and transfer money.
Interviewee 5	No

Table 12: Do you think technological advancement is the main driver behind the interlinkage of different forms of financial crimes, including money laundering, tax evasion, corruption, terrorism and illicit financial flows?

According to those who participated in the interviews, Table 12 shows that advancement in technology is not seen as the primary cause of the interlinkage of various financial crimes. While technology has played a part, historical data reveals that criminals have always managed to engage in illicit activities despite the lack of sophisticated technology. Financial crimes are interconnected because of structural issues with the global financial system, economic inequality, governance deficiencies, and the presence of illicit markets and networks, among other things. While technology has influenced the evolution of financial offences, broader structural factors play a greater role.

Interview Question 8

Interviewee 1	I think a lack of resources or infrastructure for fighting financial crime is certainly a factor in developing countries sometimes weaker efforts to fight financial crime. But in developed and developing countries, there are a lot of people who make money from criminal activity and that makes it hard to stop entirely.
Interviewee 2	Certainly. See also answers on Q. 3 above.
Interviewee 3	<p>Yes, the lack of governmental control can contribute as a main driver and some ways in which that impacts both developed and developing countries include:</p> <ol style="list-style-type: none"> 1. Illicit financial flows can have negative consequences on both the source and destination countries, including undermining economic stability, eroding trust in financial systems, and impeding sustainable development.

	<p>2. Developed countries may become unwitting destinations for laundered money or face the consequences of financial crimes originating in countries with weak control. Developing countries may suffer from capital flight, brain drain, and reduced investment due to the perceived risks associated with financial crimes.</p> <p>However, it's not simple. For example, the Wirecard case represents a complex case with origins in European countries ("developed"), impacting also on financial markets in Asian countries ("developing").</p>
Interviewee 4	I do not think that it is "effortless" (except for countries such as North Korea that allegedly sponsors illegal activities) but some countries definitely make it easier for criminals to conduct their activities. Of course, this has a negative impact on other countries since it impedes criminal investigations.
Interviewee 5	Yes

Table 13: Does the lack of governmental control in certain regions (e.g.) developing countries contribute as a main driver behind the interlinkage of various forms of financial crime and make it effortless to succeed in financing illicit flows and how does that impact both developed countries and developing countries?

According to Table 13 above, one of the main factors contributing to the interlinking of different types of financial crime is the absence of effective governmental oversight in certain regions, especially in developing nations. This lack of control can make it easier for criminals to finance illicit flows and engage in successful unlawful activities. Both developed and developing countries are impacted by this scenario. Developed nations run the risk of unintentionally becoming money laundering hotspots or experiencing consequences of financial crimes committed to poorly regulated regions. On the other hand, due to the perceived risks associated with financial acts, developing countries may experience negative effects such as capital flight, brain drain, and a reduction in investment. However, as illustrated in Table 13 above by examples such as the Wirecard scandal, which featured complex relationships between developed and developing countries, which suggests that the issue is not simple. While the absence of government control does not make financial crime simple, it does create obstacles and impede criminal investigations, which ultimately affects both developed and developing regions.

Interview Question 9

Interviewee 1	I think how the interlinking works varies by criminal typology and region.
Interviewee 2	I believe a law enforcement expert would be more qualified to answer this Q, but I assume they use the technology (which may also offer more anonymity) and the variety of methods to move money between countries which exist nowadays.
Interviewee 3	—
Interviewee 4	Many criminal networks operate in numerous countries and use technology to communicate in confidential ways and to transfer money.
Interviewee 5	N/A

Table 14: In your opinion how do these criminal interlinked forces interact with one another to generate synergies and facilitate the movement of illicit finances?

As can be seen in Table 14 above the interviewees have various viewpoints on how interconnected criminal forces generate synergies and facilitate the transfer of illicit funds. As suggested by the interviewees, the specific dynamics of this interconnectivity can differ depending on the nature of the illicit activity and the region in question. Others argue that technology plays a significant role in facilitating these interactions by providing greater anonymity and a variety of methods for transferring money between countries. Not all interviewees responded to this question, highlighting the complexity and diversity of the factors influencing the movement of illicit funds.

Interview Question 10

Interviewee 1	Trade based money laundering is very difficult to identify and enables the movement of very large amounts of money. We don't even have a good idea of the scope of that.
Interviewee 2	The volume of illicit flows has probably increased, as the advancement of technology allows criminals to use different channels and methods to move money, and also to hide their traces by using a more complicated network and structure of transactions (e.g. by splitting a larger amount of money and moving it via different channels, not by a traditional bank transfer). See also answers to the previous Q. On the other hand, many countries (esp. the developed countries) have also introduced additional security features which are commonly and widely used by individuals when moving money or making payments (e.g. multiple factor authentication) and this has made it also harder for criminals to move money around without a trace.
Interviewee 3	Open access to information is important to combat illicit financial flows because it enables transparency, accountability, and

	scrutiny, making it more difficult for individuals and organizations to hide or manipulate financial transactions and assets. There are several initiatives aimed at promoting open access to information and combatting illicit financial flows. One such initiative is Open Ownership, which focuses on creating a global register of beneficial ownership information. This register provides public access to information about the individuals who ultimately own or control companies, trusts, and other legal entities. By making this information transparent and accessible, Open Ownership helps to expose hidden or anonymous ownership structures that can be used for illicit financial activities. Other initiatives include the Extractive Industries Transparency Initiative (EITI), which promotes transparency and accountability in the extractive sector, and the Financial Action Task Force (FATF), which sets international standards for combating money laundering and terrorist financing.
Interviewee 4	To some extent, new technologies have made it easier to conduct illicit flows, which led to an increase in volume. On the other hand, more sophisticated means of data analysis now support law enforcement agencies in detecting such activities. Importantly, new legislation has been developed to fight cybercrime.
Interviewee 5	See answer to Q. 2

Table 15: How have innovation and the advancement of new technologies impacted the volume and nature of illicit financial flows, and what measures have been taken to combat these activities?

Table 15 above shows the influence of innovation and the development of new technologies on illicit financial flows is a topic that generates various views in Table 15 above. It can be seen that technological advances have contributed to an increase in the volume of illicit flows, as criminals are now able to use multiple channels and methods to move money while concealing their traces through complex transaction networks. Nevertheless, it is important to note that steps have been taken to combat these activities. Additional security features, such as multiple-factor authentication, have been implemented in some countries, particularly developed nations, making it more difficult for criminals to conduct transactions without leaving a trace. Furthermore, initiatives promoting open access to information, such as Open Ownership and the Extractive Industries Transparency Initiative (EITI), aim to enhance transparency and accountability, thereby making it more challenging for individuals and organisations to manipulate financial transactions and assets for illicit purposes. In addition to the implementation of new legislation to combat cybercrime, illicit financial transactions have been affected by the

implementation of new legislation to combat cybercrime. Moreover, that the true extent of trade-based money laundering and the complete impact of innovation on illicit financial flows may still be understated or not fully understood.

Interview Question 11

Interviewee 1	Crypto currencies are used frequently in certain criminal arenas such as ransomware, fraud and dark net markets. But they are not necessarily the currency of choice for criminals because for now, it is difficult to buy things with crypto and they still have to do quite of a bit of work to turn them back into fiat to use them to further their criminal enterprises.
Interviewee 2	Prepaid cards, prepaid mobile phones, cryptocurrencies, dark web: all these methods/channels make is hard to track the individual and they also offer anonymity, as there is no or very limited need to identify the individual using them. Online casinos may also be used sometimes, as the need for identification (“KYC” – know your customer) may vary between jurisdictions. And of course the more “traditional” methods such as money mules and money transfers where a transaction is split into many smaller ones in order not to be easily traced to the same person are still being widely used.
Interviewee 3	—
Interviewee 4	The most innovative methods include the use of cryptocurrencies. They do not necessarily exploit legal loopholes but simply make use of the technology.
Interviewee 5	Cryptocurrencies, Dark web, Prepaid cards, Online Casinos , Money Mules

Table 16: Can you discuss the most innovative ways/methods criminals have been using in facilitating illicit financial flows, and how these methods exploit loopholes in the financial systems and international regulations?

Table 16 above includes utilizing potential loopholes in financial systems and international regulations, criminals have resorted to a variety of creative strategies to facilitate illicit financial flows. Criminals frequently employ cryptocurrencies, especially for ransomware, fraud, and dark web marketplaces. Although cryptocurrencies offer benefits such as anonymity, their widespread use in everyday transactions is still restricted due to the additional steps required to convert them back into fiat currency. Prepaid cards and mobile phones have also become popular among criminals, allowing them to remain difficult to trace and maintain a degree of anonymity. The use of the dark web provides another avenue for illegal financial transactions, as it

provides a concealed platform for undertaking illegal transactions. Online casinos may also be utilized on occasion, taking advantage of jurisdiction-specific variances in identification requirements. In addition, traditional methods such as money mules and the fragmentation of transactions into multiple smaller transactions are still extensively used to avoid detection. While these innovative methods do not inherently exploit legal loopholes, they utilize technology and existing systems to facilitate illicit financial flows.

Interview Question 12

Interviewee 1	I think the FATF 40 + 9 recommendations have helped to standardize a lot of the money laundering regulations which helps to avoid more loopholes that criminals can exploit.
Interviewee 2	<ul style="list-style-type: none"> • AML Directive, • EU and USA Sanctions lists • FATF lists. <p>The European Commission has also performed its analysis on the topic which lead to issuing a list of “high-risk third countries” (19 December 2022), which may also be used as a point of reference for professionals and authorities.</p> <p>And there are also of course lists of individuals drafted at national levels and being updated by law enforcement for national and cross-border/international use.</p> <p>There is still a long way to go, as there is no harmonization between the legal and regulatory systems of different countries, and there is still a huge gap between developed and developing countries on how they treat financial crime, therefore we cannot discuss about a global approach at this point.</p>
Interviewee 3	—
Interviewee 4	Laws/regulations include a) Know your Customer (KYC), b) Anti Money Laundering (AML), c) Customer Due Diligence (CDD). International agencies such as the Financial Action Task Force (FATF) have been created to develop standards and foster international cooperation. The legal foundation is quite solid and it is more a question of whether law enforcement agencies can detect and trace such flows. In general, they are getting better at it.
Interviewee 5	e.g. AML directive, EU Sanction map, US sanction policy,

Table 17: What international laws and regulations have proven to be most effective in preventing and combating illicit financial flows? How well-equipped are law enforcement agencies at spotting and stopping these flows? And how well-suited are the current international laws and regulations at reducing the volume and effects of illicit financial flows?

As Table 17 illustrates, international laws and regulations, including the FATF 40 + 9 recommendations, AML directives, EU and US sanctions lists, and customer due diligence (CDD) requirements, have proved to be effective instruments for preventing and combating illicit financial flows. These initiatives seek to standardize money laundering regulations, increase financial transaction transparency, and promote accountability. In addition, international organizations such as the Financial Action Task Force (FATF) have contributed significantly to the development of global standards and the promotion of international cooperation in the fight against financial crime. Even though the legal basis is solid, the effectiveness of these laws and regulations depends on the capacity and capabilities of law enforcement agencies to detect and trace illicit flows. Utilizing advanced technology, data analytics, and international cooperation, law enforcement agencies have made significant progress in enhancing their capacities. However, obstacles persist, such as the lack of harmonization between legal and regulatory systems across nations and the varying levels of commitment and resources devoted to combating financial crime. Reducing the volume and effects of illicit financial flows worldwide requires closing these gaps and establishing a comprehensive international framework.

Interview Question 13

Interviewee 1	Crypto currencies are used frequently in certain criminal arenas such as ransomware, fraud and dark net markets. But they are not necessarily the currency of choice for criminals because for now, it is difficult to buy things with crypto and they still have to do quite of a bit of work to turn them back into fiat to use them to further their criminal enterprises.
Interviewee 2	The anonymity offered when using cryptocurrencies and blockchain technologies enables financial criminals to hide the track of their funds. Also, the fact that the infrastructure used is not located in one physical place makes it very hard to track and trace criminals. In other words, both the source of the funds and the individual financial criminal cannot be traced easily.
Interviewee 3	—
Interviewee 4	Cryptocurrencies are being used for illicit transactions. According to recent reports (e.g., Chainalysis) their proportion is relatively small. In general, the role of Bitcoin is overestimated since it is a

	transparent system. In the future, so-called privacy coins (Monero, Zcash) will get more attention.
Interviewee 5	Criminals can leverage crypto like Bitcoin for money laundering due to their pseudonymous nature and decentralized infrastructure. They exploit the anonymity cryptocurrency offers to obscure the origin and destination of funds.

Table 18: What role do cryptocurrencies and blockchain technologies play in the financing of illicit flows, and how have these technologies evolved in terms of their involvement in illicit financial activities?

According to the interviewees' responses in Table 18, cryptocurrencies and blockchain technologies have surfaced as significant factors in the financing of illicit flows. The anonymity provided by cryptocurrencies, such as Bitcoin, is frequently exploited by criminals for ransomware, fraud, and dark web markets. Both the source of the funds and the individuals involved are complex to identify due to the decentralized nature of blockchain technology. While the current use of cryptocurrencies for illicit transactions may be relatively insignificant compared to traditional financial systems, there is growing concerns regarding the potential impact of privacy coins such as Monero and Zcash on money laundering. As these technologies keep on developing, and their role in illicit financial activities may grow, necessitating robust measures and laws and regulations to address these challenges.

Interview Question 14

Interviewee 1	It has been documented that online gaming, where there is "money" involved can be used for illicit finance. Basically anything where value is transferred from one person to another is fair game to be exploited for illicit finance. The issue is resource allocation. Until law enforcement views it as a major avenue, it is hard to spend resources regulated that area.
Interviewee 2	Online Games may allow payout of virtual currency into real money, or actual amounts won to be used for illicit purposes. Putting robust and adequate KYC tools in place and apply enhanced or regular due diligence where there are indications and "red flags" may mitigate the risk to this regard. Social media platforms and similar Apps (e.g. TikTok) make it easy for criminals to not only access personal data of individuals but also to connect with them to "lure" potential victims, incl. minors, and involve them in financial or other types for crimes (e.g. trafficking). Identity theft of an individual is also easy via social media. As legal professionals, we have seen a tendency to make data privacy laws stricter in the last years, as a measure to combat this (e.g. GDPR in Europe).

Interviewee 3	—
Interviewee 4	Social media platforms can definitely play an important role in illicit money flows and money laundering. Apart from the sale of illegal goods and services, criminals can use “money muling” or use these platforms for money laundering. Any kind of service that allows for the transfer of money can potentially be used for such purposes.
Interviewee 5	Data Theft due to weak data privacy laws or easy state access to personal data of the data subject in the country where the controller resides (e.g. China with TikTok) Online Games – payout of virtual currency into real money, insufficient KYCs, lootbox problem, easy access of young adults and children to credit,debit cards of their parents, KYC checks when registering, ongoing monitoring

Table 19: Can you discuss how can online games, social media platforms and other digital platforms and apps, such as TikTok contribute to the financing of illicit flows and money laundering? and what measures have been implemented to address this issue?

It can be seen that Table 19 demonstrates that Online gaming, social networking, and other digital platforms, such as TikTok, can help finance illicit activities and money laundering. It is suggested that online games involving real money or virtual currencies pose risks since they can be used in financing illicit flows. These risks may be reduced by implementing strong know-your-customer (KYC) technologies and improved due diligence. Criminals may access personal information, communicate with potential victims, and commit financial crimes including trafficking and identity theft through social networking applications and platforms that are similar to them. To address these problems, more stringent data privacy regulations, like the GDPR in Europe, have been put in place. The selling of unlawful products and services is another way that social media platforms may be used for money laundering. To reduce these risks, steps have been made such as enforcing KYC checks at registration, continuing oversight, and enforcing data privacy laws. These steps are intended to reduce the use of online gaming for illegal purposes, stop the flow of money through social media, and limit online money laundering.

Interview Question 15

This question was presented as graphs of the responses of each interviewee, to demonstrate the effectiveness various methods associated with illicit financial flows of the interviewees separately.

Interviewee 1

All of the different ways of laundering will be helpful to a particular type of illicit finance. So you can't really rank them. Shell companies for example may be preferable for tax evasion and to hide the proceeds of corruption, Hawala for terrorist financing and money transfer for human trafficking and drug smuggling, gaming to cover for illegal gaming, etc.

Table 20: On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated below in financing illicit flows: Cryptocurrencies, Money transfer services (e.g., Western Union), Online payment systems (e.g., Venmo PayPal), Gift cards & prepaid cards, Online Gaming, virtual currencies, Social media (e.g., TikTok, Facebook, Instagram), e-commerce (e.g., eBay), Money mules (e.g., smurfing), Traditional Hawala, Shell companies, Valuable materials (e.g., gold, diamonds, and luxury watches), Art and cultural property (e.g., artefacts)

As seen in Table 20, Interviewee 1 didn't rate the methods of financing illicit flows as the other interviewees did, as a result the result of interviewee 1 can not be illustrated in a graph as other interviewees. The results in Table 20 above emphasizes that each method can be helpful in particular situations, while stating how can each method be helpful in certain situations, such as Hawala in terrorist financing and money transfer for human and drug.



Figure 15: On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated in financing illicit flows:

Based on the numbers provided by Interviewee 2 in Figure 15, the methods ranked highest in terms of effectiveness for financing illicit flows are gift cards & prepaid cards, money transfer services (e.g., Western Union), and money mules, all receiving a rating of 9. These methods are perceived as highly effective due to their potential for anonymity and ease of use. On the other

hand, e-commerce platforms (e.g., eBay) received the lowest rating of 3, indicating that they are considered less effective in facilitating illicit flows.

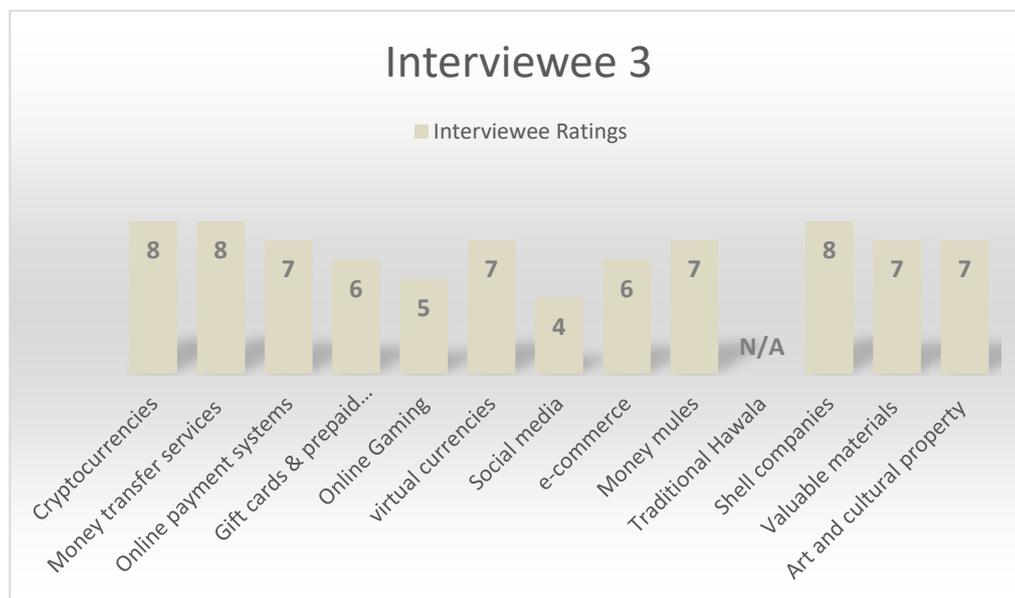


Figure 16: On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated in financing illicit flows:

Based on the ratings on Figure 16, the methods that ranked highest in terms of effectiveness for financing illicit flows are cryptocurrencies, money transfer services (e.g., Western Union), and shell companies, all receiving a rating of 8. These methods are perceived as relatively effective in facilitating illicit financial transactions due to their potential for anonymity and ease of use. On the other hand, social media platforms (e.g., TikTok, Facebook, Instagram) received the lowest rating of 4, indicating that they are considered less effective in financing illicit flows. It is worth to mention that traditional Hawala was not rated by Interviewee 3.



Figure 17: On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated in financing illicit flows

As shown in Figure 17, the methods that ranked highest in terms of effectiveness for financing illicit flows are traditional Hawala and shell companies, both receiving a rating of 8. These methods are perceived as relatively effective in facilitating illicit financial transactions. Privacy coins within the category of cryptocurrencies were also considered relatively effective, receiving a rating of 8, while Bitcoin received a lower rating of 4. Valuable materials, such as gold, diamonds, and luxury watches, as well as art and cultural property, received a rating of 6, indicating a moderate level of effectiveness. On the other hand, gift cards & prepaid cards, social media platforms (e.g., TikTok, Facebook, Instagram), online payment systems (e.g., Venmo, PayPal), money transfer services (e.g., Western Union), e-commerce platforms (e.g., eBay), and money mules (e.g., smurfing) were perceived as less effective methods for financing illicit flows according to figure 17, all receiving ratings between 3 and 5. It is important to note that Interviewee 4 expressed uncertainty regarding the definition of virtual currencies and did not provide a rating for this category.

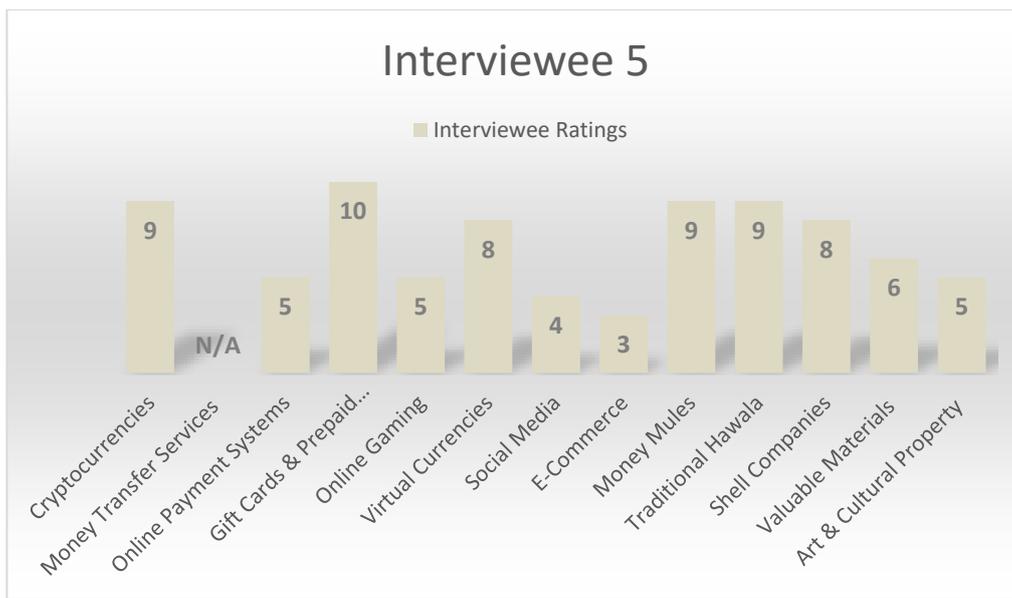


Figure 18: On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated in financing illicit flows

Figure 18 ranked gift cards & prepaid cards, cryptocurrencies, money mules (e.g. smurfing), traditional Hawala, and shell companies as the most effective methods for financing illicit flows, with ratings between 8 and 10. These techniques are considered as relatively effective at facilitating illicit financial transactions. The effectiveness of virtual currencies, particularly those used in social media and online gaming, was rated as 8 out of 10. Valuable materials, such as gold, diamonds, and luxury timepieces, were given a score of 6, indicating a level of efficacy that is moderate. Both online payment systems (e.g., Venmo, PayPal) and online gaming were rated a 5, indicating a level of efficacy that is moderate. Social media platforms (e.g., TikTok, Facebook, and Instagram) and e-commerce platforms (e.g., eBay) received lower ratings of 4 and 3, indicating a relatively lower perceived efficacy in financing illicit flows. It is significant to note that Interviewee 5 claimed to have a lack of knowledge regarding money transfer services (like Western Union) and didn't provide a score for this method.

Interview Question 16

Interviewee 1	We can improve international cooperation, public/private partnerships and more info from law enforcement to financial institutions would be extremely helpful.
Interviewee 2	<ul style="list-style-type: none"> • More robust and concrete legal framework between countries taking into consideration rapid technological developments, harmonization of laws where possible (at least between countries with similar law system or common economic system, e.g. within the EU). • Stronger collaboration and cooperation between counties. • Stronger cooperation between countries' law enforcements and easier access to a centralized system. • Elimination and/or screening of tax havens. • Implementation of screening and detailed KYC methods in money transfer systems and payment methods. • Educating people, especially re the use of social media platforms and the risks involved.
Interviewee 3	<p>Collaboration among countries is crucial to combatting illicit financial flows. Sharing information, intelligence, and best practices can help identify cross-border illicit activities and facilitate coordinated efforts to disrupt illicit networks.</p> <p>Advanced technologies and complex systems approaches, such as social network analysis, machine learning, and data analytics can significantly enhance the detection, analysis and control of illicit activates, including illicit financial flows.</p>
Interviewee 4	The most important instrument is the development of software that is able to detect potentially illicit money flows. AI can help in that. Of course, CBDCs might also help but care has to be taken not to take it to far and violate individuals' privacy rights.
Interviewee 5	Stronger international cooperation, elimination of tax havens, implementation of KYCs in payment methods and purchases which can create loopholes (such as prepaid cards), developments in field of traceability of cryptocurrencies, interconnectivity between registers, making sure the regulations keep up with the developments of new technologies, constant education of the different stakeholders.

Table 21: Lastly, in your opinion what can be done to improve detecting and limiting illicit financial flows, and what are the strategies that should be focused on, and prioritized?

Table 21 answers the question that covers solutions for improving the identification and restriction of illicit financial flows. Approaches suggested by interviewees involve strengthening international cooperation and public-private partnerships, establishing stricter legal frameworks, encouraging cooperation and information sharing among countries, implementing strict know-your-customer (KYC) methods, employing cutting-edge technologies like machine learning, Ai and data analytics, educating stakeholders about social

media risks, and addressing the role of tax havens and cryptocurrencies. The purpose of these measures is to make it easier to identify and prevent illicit financial transactions.

5 Findings and Discussion

The examination of the results from expert interviews in relations to the research questions of this study, a variety of findings surface that adds significant insights to the world of financial crime, touching the interconnectedness, rising use of advanced technology and how most elements interact within that world. Moreover, this section discusses the results of the expert interviews presented in the previous section of this study, while contrasting the results with the evaluated literature.

Addressing RQ1: What are the key factors driving the interlinkage between different forms crime and financial crime , such as money laundering, tax evasion, corruption, terrorism, and illicit financial flows, and how has the development of technology contributed to that?

The Results from the interviewees' input offered various answers on the factors driving the interlinkage between different forms of financial crime. Such factors include:

- Chasing financial gain
- Lack of resources and infrastructure
- Lack of governmental control
- The development of technology

Criminals adapt numerous activities through their crimes, they begin with generating profits from illegal ways , such as drug and human trafficking and also to obtain funds for a variety of purposes, including financing terrorism and other crimes. Financial crimes such as money laundering serves the purpose of hiding the criminal origin of funds or disguising the use of legal income for illicit

activities or tax evasion. It enables criminals to integrate their illicit earnings into the legal economy, making it difficult to trace and expose their activities. These activities frequently need the movement of money in illicit methods to escape discovery due to the quick financial gains involved, which shows that financial gain is a main driver of such interlinkages. Moreover, as the crime opportunity suggest, lack of legal infrastructure and governmental control, m incentivizes criminals to generate profit from illegal activities, as it offers them numerous opportunities to generate profit with a low risk and high profitability, then integrating such illegal earnings into a legitimate economy or even continuing to use it illegally and support other crimes such as funding terrorism.

As for technological advancement, the results indicates that technology is driver behind the interlinkage in the crime realm but not a main one. However, the findings suggest that advancement in technology and innovation expanded the scope and scale of such crimes, while providing additional methods for moving money and offering a degree of anonymity. Historically, criminals have always found innovative methods for illicit activities and financing. The interconnectivity of financial crimes is primarily driven by structural factors such as the dynamics of the global financial system, economic disparities, and institutional deficiencies. While technology has influenced the evolution of these offences, it is part of a larger structural and societal issue. More importantly, the influence of globalization, regulatory gaps and lack of international cooperation are some of the main drivers behind such complex interlinkage of various crimes with financial crime.

Moving on to **RQ2: How have new technologies and innovative financing methods contributed to the development of these criminal networks including the flow of illicit finances?**

The results reveal the role of innovations and new technologies with the innovative financing methods as major facilitators in the development of

criminal networks and illicit financial flows. Various methods have been found to be popular and effective in financing illicit flows including:

- Gift cards
- Prepaid cards,
- Money transfer services
- Money mules

Moreover, such methods is another reflection of the crime opportunity theory, as such methods offer a great opportunity for criminals with a low risk to illicitly finance their flows. Furthermore, The results ranked traditional methods such as Hawala and shell companies as equally or more effective than technologically advanced methods. This variation suggests that the choice of method is not universal, but rather dependent on specific factors, such as the local regulatory environment, technical capabilities, and the nature of the illicit operation at hand.

When comparing the findings with the existing literature review, one can see that the findings highlight a crucial element of illicit crimes continuous development and that organized crime groups utilize and combine conventional as well as modern approaches to get through security protocols, adjust to shifting conditions, and eventually prevail in committing crimes. To summarize, one can say that to successfully prevent plus combat such illegal transactions, it is necessary to conduct ongoing investigations and create flexible policies, as well as strengthen our collaborations on a global level. The findings and interviews also reveal that the study does correspond with the theories presented (theory of selection & theory of crime opportunity) in the aforementioned academic analysis. Moreover, specialists stressed the necessity for expanded global collaboration, legislative integration, and adoption of modern technologies in order to combat the myriad strategies implemented by financial offenders. They further emphasized the importance of educating society about the dangers that might come accompanied by technology advancements, like the exploitation of online social networking

sites. All of these above-mentioned approaches support the previous literature's focus on the need for a thorough and multifaceted strategy to successfully address financial misconduct within our constantly attributed and modern society.

6 Conclusion

The outcomes of this study reveal insight into the primary drivers of the relationships among numerous kinds of monetary illicit activity, including avoidance of taxes, fraud, laundering of funds, terrorist activities, as well as illegal transfers of funds. The evaluation of interviews with specialists, along with the assessment of pertinent scholarship offers insightful information about the intricate dynamics of illegal monetary operations and how technologies serves a part in their facilitation. The key conclusions, distinctive contemporary developments and patterns in the funding of illegal circulation, and consequences for combatting illicit finance will all be highlighted in this section of the thesis. The evident application of the theories of selection and crime opportunity in the context of financial crimes is one of the main findings of this study. The choice of illicit financing methods, as reported by the interviewees, appears to be consistent with these theories. It has been noticed that criminals take advantage of opportunities presented by new technologies and select methods that offer high returns with minimal detection risks.

Further, the results of the interviews with professionals show that offenders use a variety of tactics and techniques to fund their illegal activity. In order to accumulate unlawful earnings, offenders commit crimes like trafficking in illegal drugs, deception, as well as extortion. This leads to the realization that the objective of earning money is their fundamental goal. The sources and movements of such monies are concealed via the use of laundering of funds, evasion of taxes, as well as various illicit activities, thus rendering it difficult for law enforcement to track down and find their illegal operations. Technological

advances, primarily those related to digital coins as well as internet systems, have been important in making such endeavours possible. Particularly cryptocurrency has grown in popularity as a way for fraudsters to carry out illegal monetary transactions and send funds discreetly. The distributed layout of such virtual coins and its hidden characteristics make it extremely difficult for criminal justice organizations to detect and trace such activities in an efficient manner.

Additionally, the findings also point to distinct modern patterns in the funding of illegal movements. Disposable credit cards, cell phones, as well as internet betting sites have become prevalent instruments for criminals, giving them ways to stay undetected and retain their identity. The employment of payment traffickers and the dispersed structure of operations make it more difficult to track down unlawful payments. In order to obtain sensitive information, get in touch with prospective aggressors, and commit illicit activities like smuggling and stealing identities, offenders take use of the confidentiality provided by social networking sites. Such modern patterns show how adaptable fraudsters are in employing cutting-edge financial strategies and novel tools to further carry out their unlawful operations.

Moreover, the outputs presented make it abundantly clear that stopping illicit financial transactions demands a thorough yet complex strategy. To successfully identify, monitor, and avoid criminal activity, legal authorities must cooperate internationally while exchanging data. The dangers posed by technological advances and creative funding strategies are capable of being reduced by tougher regulations along with additional controls, particularly rigorous know-your-client (KYC) standards. The creation of sophisticated indicators driven via information analysis as well as AI may boost the ability of criminal justice organizations to spot and stop illegal monetary transactions.

To sum up, persistent awareness-raising and education initiatives are essential for giving individuals the information they need to identify and notify authorities of questionable monetary transactions. Taxation secure havens, as

have been highlighted as possible channels for laundering funds, ought to be eliminated, and legislation governing the trading of priceless goods as well as artistic works must be strengthened. By raising awareness in individuals to make them recognize those illegal activities, people will more effectively identify, restrict, and stop illegal money movements by using a holistic strategy, thereby assisting in the maintenance of monetary transparency and the advancement of worldwide safety. Considering the field is broad and will keep expanding, there should be adequate and sufficient research conducted in the future in order to assess solutions to address the detrimental effects associated with illicit financial flows and ways to stop them.

6.1 Recommendations for Organizations and Law Enforcement Agencies

According to the findings conducted by this thesis, it is clear that some regions and sectors require the attention of law enforcement organisations. There are multiple suggestions that organizations and law enforcements could consecrate on to be more efficient.

This study identifies the global nature of financial crime as one of the main issues. Law enforcement agencies and regions should work together to strengthen the international cooperation. This can be achieved through sharing intelligence, data, and even successful methods used in competing and cutting down financial crime and illicit financial flows from the root . The study focused on the role of technology in facilitating illicit financial flows, the results show a positive relationship between technology and financial crime. Criminals always seek to always find innovative methods to facilitate their illicit flows, and usually these methods are new and not researched enough, because technology keeps evolving and new technologies arise every day. Thereupon, law enforcement agencies and organizations should invest heavily in technology that can detect and combat any form of financial crime. Examples on technologies that can help law enforcement agencies include AI, machine learning and data analytics that could potentially improve the speed and

efficiency of fighting financial crime. Additionally, this study addressed the role of blockchain, mainly cryptocurrencies in financing illicit flows and financial crime. Making it a focal point that law enforcement agencies should concentrate on, through building an underground framework that could detect any suspicious flows through cryptocurrencies. The field of cryptocurrencies is still young, therefore investing in research and experts would unlock the potential to be a step ahead in fighting illicit flows through cryptocurrencies.

Moreover, the potential benefits of public-private partnerships was highlighted in this study. Furthermore, such collaborations could benefit organizations and law enforcement agencies to have a stronger grip accessing more data and expertise that could bridge gaps that exist in the detection of financing illicit flows and financial crime. More importantly, it was identified in the study that international legal frameworks suffer from inconsistency. Therefore it is vital to address this issue and start working on a global legislative harmonization of financial crime legal framework.

Furthermore, criminals keep changing their strategies and methods, as law enforcement agencies keep discovering them. However, Law enforcement agencies are not always a step ahead and sometimes slow in competition to criminals. Therefore Law enforcement agencies should focus heavily on training and education in that field. But also, try to go to the root of the problem and prevent it from happening before it even happens. As researched in this study, criminals seek opportunity, lack of strict legal frameworks, and enforcement of such laws. Additionally, the results of this study concluded that certain regions especially developing countries suffer from a lack of governmental control, being a significant factor in facilitating illicit financial flows and financial crime. Thereupon, countries should unite and support developing nations to strengthen their ability to fight all sorts of crime being the root of illicit financial flows and help them with all the resources including knowledge and technology. Considering that financial crime has various implications and what happens in one part of the world can heavily impact

other parts even if it is not the same geographical location , however the economic, political and social consequences could be alarming.

6.2 Limitations

It is Inevitable to fully avoid limitations in a study, however it is important to tackle this issue and point out the limitations as it helps in justifying potential biases and improving legitimacy and consistency of the findings conducted in this study. The researcher managed to answer the research questions through the qualitative expert interviews conducted. Moreover, the literature review in this study provided a significant foundation that contributed to the topic researched. However, the field of financial crime mainly illicit financial flows, is a poorly researched field. As a result this made it challenging to give adequate overview of the literature already conducted. Furthermore, multiple sources that tackled the topic needed for the literature review were old sources. Which made it even more challenging, due to the rapid technological advancement. Moreover, insights could be outdated quickly, due to the technology rapidly evolving in facilitating financial crimes and criminals seeking new ways that haven't been discovered by law enforcement agencies . Finally , this research used a qualitative research design , and lacked a quantitative one , which might have provided more insights and a better perspective. Furthermore , this study phased a time constraint, due to the deadline of submitting this thesis, a limited sample size of 5 interviewees was collected, and certain areas of financial crime and their interlinkages could not be thoroughly examined.

6.3 Future Research

Moreover, future research could focus more on the awareness and education of the topic, and research the impact people have from financial crime in their daily life. Extending the topic of this study and researching it again would be beneficial, as technologies develop and criminals try to always be a step ahead to avoid law enforcements, making it vital to keep refreshing and filling the knowledge gap in this field. Furthermore, future research should explore the

real realm of financial criminality, with a different research design. Also, as the field of illicit financial crimes and financial flows has huge gaps especially in the accuracy of numbers of such flows. The majority of sources that touch this topic, only provide an estimate of numbers. Therefore, researchers should focus more on providing more accurate data and numbers that could provide a better idea on how the real situation is.

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Appendices

Appendix 1

Topics	Questions
Expert professional background	<ul style="list-style-type: none"> • Please state your current professional position (occupation) • Please state your current workplace • How long do you have experience in that field?
Understanding illicit financial flows	<ul style="list-style-type: none"> • How would you define illicit financial flows and what are the key characteristics of such flows? • What are the different types of illicit financial flows and how have they evolved with the advancement of new technologies and innovative financing methods?
Criminals vs law enforcement	<ul style="list-style-type: none"> • When considering the facilitation of illicit financial flows by criminals and the efforts of organizations and law enforcement to counteract them, which one is superior and one step ahead in terms of innovation and success, and how do they manage to do that? Please choose one that is superior: <ul style="list-style-type: none"> ○ Criminals are ahead ○ Law enforcements How?
Regions and illicit financial flows	<ul style="list-style-type: none"> • Which of the following is more negatively impacted by financial crime and illicit financial flows and why: Developing countries or developed countries? Please pick one and state why: <ul style="list-style-type: none"> ○ Developing countries suffer more from IFFs negative impacts ○ Developed countries suffer more from IFFs negative impacts • Which regions do you think suffer most from financial crime in the world and why?
Interlinkage of different forms of criminal activities with financial crime	<ul style="list-style-type: none"> • Research shows that there is significant connection between different forms of crime (e.g., terrorism, corruption, drug trafficking and human trafficking) and financial crime. What are the main factors driving the interlinkage between different forms of financial crime and criminal activities, such as money laundering, tax evasion, corruption, terrorism? • Do you think technological advancement is the main driver behind the interlinkage of different forms of financial crimes, including money laundering, tax evasion, corruption, terrorism, and illicit financial flows?

	<ul style="list-style-type: none"> • Does the lack of governmental control in certain regions (e.g.) developing countries contribute as a main driver behind the interlinkage of various forms of financial crime and make it effortless to succeed in financing illicit flows and how does that impact both developed countries and developing countries? • In your opinion how do these criminal interlinked forces interact with one another to generate synergies and facilitate the movement of illicit finances?
<p>Innovation and technology</p>	<ul style="list-style-type: none"> • How have innovation and the advancement of new technologies impacted the volume and nature of illicit financial flows, and what measures have been taken to combat these activities? • Can you discuss the most innovative ways/methods criminals have been using in facilitating illicit financial flows, and how these methods exploit loopholes in the financial systems and international regulations? • What role do cryptocurrencies and blockchain technologies play in the financing of illicit flows, and how have these technologies evolved in terms of their involvement in illicit financial activities? • Can you discuss how can online games, social media platforms and other digital platforms and apps, such as TikTok contribute to the financing of illicit flows and money laundering? and what measures have been implemented to address this issue? • On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated below in financing illicit flows: <ul style="list-style-type: none"> ▪ Cryptocurrencies ▪ Money transfer services (e.g., Western Union) ▪ Online payment systems (e.g., Venmo PayPal) ▪ Gift cards & prepaid cards ▪ Online Gaming ▪ virtual currencies ▪ Social media (e.g., TikTok, Facebook, Instagram) ▪ e-commerce (e.g., eBay) ▪ Money mules (e.g., smurfing) ▪ Traditional Hawala ▪ Shell companies ▪ Valuable materials (e.g., gold, diamonds, and luxury watches)

	<ul style="list-style-type: none"> ▪ Art and cultural property (e.g., artefacts)
<p>Strategies to detect and limit financial crime, mainly illicit financial flows</p>	<ul style="list-style-type: none"> • What international laws and regulations have proven to be most effective in preventing and combating illicit financial flows? How well-equipped are law enforcement agencies at spotting and stopping these flows? And how well-suited are the current international laws and regulations at reducing the volume and effects of illicit financial flows? • Lastly, in your opinion what can be done to improve detecting and limiting illicit financial flows, and what are the strategies that should be focused on, and prioritized?

Table 22: Expert Interview topics & Questions

Appendix 2 Interview Guide

Interview Guide

Younis Allosh

BSc student

Am Kahlenberg 1

1190, Wien

Research:

The purpose of this research is to examine the strategies criminals use in financing illicit flows and the policies used in combating them. Moreover, the research will explore the link and relationship between different criminal activities such as money laundering, tax evasion, corruption, terrorism, and illicit financial flows. Questions regarding financial crime and current trends used in financing illicit flows will be asked, to build an understanding of the current situation and scope of strategies used in financing illicit flows. Furthermore, the interview questions will help the researcher view the information and build relationships and interactions, finding information similarities the experts provide and have in common. Each interview is expected to last around 30 minutes to a maximum of one hour with 16 questions. Experts in the field of illicit financial flows and financial crime will be requested to participate and interviewed. The main goal is to analyse the answers of the experts to determine any similarities or dissimilarities that might shine. The expert's identity and responses will remain anonymized throughout the entire research and experts will be referred to as "interviewee". Additionally, post-interview questions will be asked regarding their current position, workplace, and experience duration in their field as part of a structured interview. Finally, the interviews can be conducted either through a written form, or by online and actual physical interviews based on what experts prefer.

Please note by answering these questions you consent and authorize the researcher to use your answers only for the purpose of the study. The researcher consents to keep your identity anonymous throughout the whole study, and the information you provide will not be connected to your identity in any way.

Interview Questions:

- 1) How would you define illicit financial flows and what are the key characteristics of such flows?
- 2) What are the different types of illicit financial flows and how have they evolved with the advancement of new technologies and innovative financing methods?
- 3) When considering the facilitation of illicit financial flows by criminals and the efforts of organizations and law enforcement to counteract them, which one is superior and one step ahead in terms of innovation and success, and how do they manage to do that?

Please choose one that is superior :

- Criminals are ahead
- Law enforcements are ahead

How ?

- 4) Which of the following is more negatively impacted by financial crime and illicit financial flows and why: Developing countries or developed countries?

Please pick one and state why :

- Developing countries suffer more from IFFs negative impacts
- Developed countries suffer more from IFFs negative impacts

- 5) Which regions do you think suffer most from financial crime in the world and why?
- 6) Research shows that there are significant connections between different forms of crime (e.g, terrorism , corruption , drug trafficking and human trafficking) and financial crime.
What are the main factors driving the interlinkage between different forms of financial crime and criminal activities, such as money laundering, tax evasion, corruption, terrorism?
- 7) Do you think technological advancement is the main driver behind the interlinkage of different forms of financial crimes, including money laundering, tax evasion, corruption, terrorism and illicit financial flows?

- 8) Does the lack of governmental control in certain regions (e.g.) developing countries contribute as a main driver behind the interlinkage of various forms of financial crime and make it effortless to succeed in financing illicit flows and how does that impact both developed countries and developing countries?
- 9) In your opinion how do these criminal interlinked forces interact with one another to generate synergies and facilitate the movement of illicit finances?
- 10) How have innovation and the advancement of new technologies impacted the volume and nature of illicit financial flows, and what measures have been taken to combat these activities?
- 11) Can you discuss the most innovative ways/methods criminals have been using in facilitating illicit financial flows, and how these methods exploit loopholes in the financial systems and international regulations?
- 12) What international laws and regulations have proven to be most effective in preventing and combating illicit financial flows? How well-equipped are law enforcement agencies at spotting and stopping these flows? And how well-suited are the current international laws and regulations at reducing the volume and effects of illicit financial flows?
- 13) What role do cryptocurrencies and blockchain technologies play in the financing of illicit flows, and how have these technologies evolved in terms of their involvement in illicit financial activities?
- 14) Can you discuss how can online games, social media platforms and other digital platforms and apps, such as TikTok contribute to the financing of illicit flows and money laundering? and what measures have been implemented to address this issue?
- 15) On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated below in financing illicit flows:
 - CryptocurrenciesAnswer:
 - Money transfer services (e.g., Western Union)

Answer:

- Online payment systems (e.g., Venmo PayPal)

Answer:

- Gift cards & prepaid cards

Answer:

- Online Gaming

Answer:

- virtual currencies (currencies used in social media , and online gaming that have no actual value in the real world)

Answer:

- Social media (e.g., TikTok, Facebook , Instagram)

Answer:

- E-commerce (e.g., eBay)

Answer:

- Money mules (e.g., smurfing)

Answer:

- Traditional Hawala

Answer:

- Shell companies

Answer:

- Valuable materials (e.g., gold, diamonds, and luxury watches)

Answer:

- Art and cultural property (e.g., artefacts)

Answer:

16) Lastly, in your opinion what can be done to improve detecting and limiting illicit financial flows, and what are the strategies that should be focused on, and prioritized?

Post-Interview Questions

- 1) Please state your current professional position (occupation)
- 2) Please state your current workplace
- 3) How long do you have experience in that field?

Appendix 3 Interviewee 1

Questions:

- 1) How would you define illicit financial flows and what are the key characteristics of such flows?**

The key characteristics of illicit financial flows can vary dramatically based on the underlying criminal activity. Is it cash based? Is it securities based? Is it political corruption or trade-based money laundering? That is what is so difficult, the typologies vary dramatically.

- 2) What are the different types of illicit financial flows and how have they evolved with the advancement of new technologies and innovative financing methods?**

Criminals are just like everyone else. They exploit new technologies to make laundering easier and safer for them. So hackers exploit cryptocurrency, fraudsters exploit payments apps, securities criminals exploit computerized trading and dark pools.

- 3) When considering the facilitation of illicit financial flows by criminals and the efforts of organizations and law enforcement to counteract them, which one is superior and one step ahead in terms of innovation and success, and how do they manage to do that?**

Please choose one that is superior :

- Criminals are ahead**
- Law enforcements are ahead**

How ?

The criminals and law enforcement are always in a race and the criminals are often one step ahead of law enforcement because law enforcement has a harder time trying to figure out what they will do next. It is the criminals job to stay one step ahead and they are frequently very good at it. Sometimes we in financial crime have to think like they do to find the areas for exploitation.

- 4) Which of the following is more negatively impacted by financial crime and illicit financial flows and why: Developing countries or developed countries?**

Please pick one and state why :

- Developing countries suffer more from IFFs negative impacts
- Developed countries suffer more from IFFs negative impacts

The questions of which countries are more negatively impacted are difficult and may depend on where in the chain of criminal activity the citizens are. Are they victims of fraud? Are they buyers of illegal drugs? Are they the purchasers or sellers of child exploitation or human trafficking? The only clear answer is that illicit finance can help financial institutions and hurt citizens wherever it is happening.

5) Which regions do you think suffer most from financial crime in the world and why?

I think all regions suffer from financial crimes, just in different ways. Developed and wealthier countries may just not see the damage as clearly.

6) Research shows that there are significant connections between different forms of crime (e.g, terrorism , corruption , drug trafficking and human trafficking) and financial crime.

What are the main factors driving the interlinkage between different forms of financial crime and criminal activities, such as money laundering, tax evasion, corruption, terrorism?

Criminals raise money, sometimes for other crimes (terrorism), sometimes they launder money to hide that it is criminal, and sometimes they want to hide legal income or hide what they do with the legal income (tax evasion, purchase illegal goods), so that all of those activities are inextricably linked.

7) Do you think technological advancement is the main driver behind the interlinkage of different forms of financial crimes, including money laundering, tax evasion, corruption, terrorism and illicit financial flows?

I think the general maturity of transnational organized crime in combination with the maturity of money movement options are making ways of laundering money expand.

8) Does the lack of governmental control in certain regions (e.g.) developing countries contribute as a main driver behind the interlinkage of various forms of financial crime and make it effortless to succeed in financing illicit flows and how does that impact both developed countries and developing countries?

I think a lack of resources or infrastructure for fighting financial crime is certainly a factor in developing countries sometimes weaker efforts to fight financial crime. But in developed and developing countries, there are a lot of people who make money from criminal activity and that makes it hard to stop entirely.

9) In your opinion how do these criminal interlinked forces interact with one another to generate synergies and facilitate the movement of illicit finances?

I think how the interlinking works varies by criminal typology and region.

10) How have innovation and the advancement of new technologies impacted the volume and nature of illicit financial flows, and what measures have been taken to combat these activities?

Trade based money laundering is very difficult to identify and enables the movement of very large amounts of money. We don't even have a good idea of the scope of that.

11) Can you discuss the most innovative ways/methods criminals have been using in facilitating illicit financial flows, and how these methods exploit loopholes in the financial systems and international regulations?

Crypto currencies are used frequently in certain criminal arenas such as ransomware, fraud and dark net markets. But they are not necessarily the currency of choice for criminals because for now, it is difficult to buy things with crypto and they still have to do quite of a bit of work to turn them back into fiat to use them to further their criminal enterprises.

12) What international laws and regulations have proven to be most effective in preventing and combating illicit financial flows? How well-equipped are law enforcement agencies at spotting and stopping these flows? And how well-suited are the current international laws and regulations at reducing the volume and effects of illicit financial flows?

I think the FATF 40 + 9 recommendations have helped to standardize a lot of the money laundering regulations which helps to avoid more loopholes that criminals can exploit.

13) What role do cryptocurrencies and blockchain technologies play in the financing of illicit flows, and how have these technologies evolved in terms of their involvement in illicit financial activities?

Crypto currencies are used frequently in certain criminal arenas such as ransomware, fraud and dark net markets. But they are not necessarily the currency of choice for criminals because for now, it is difficult to buy things with crypto and they still have to do quite of a bit of work to turn them back into fiat to use them to further their criminal enterprises.

14) Can you discuss how can online games, social media platforms and other digital platforms and apps, such as TikTok contribute to the financing of illicit flows and money laundering? and what measures have been implemented to address this issue?

It has been documented that online gaming, where there is “money” involved can be used for illicit finance. Basically anything where value is transferred from one person to another is fair game to be exploited for illicit finance. The issue is resource allocation. Until law enforcement views it as a major avenue, it is hard to spend resources regulated that area.

15) On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated below in financing illicit flows:

- **Cryptocurrencies**
Answer: —
- **Money transfer services (e.g., Western Union)**
Answer: —
- **Online payment systems (e.g., Venmo PayPal)**
Answer: —
- **Gift cards & prepaid cards**
Answer: —
- **Online Gaming**
Answer: —
- **Virtual currencies (currencies used in social media , and online gaming that have no actual value in the real world)**
Answer: —
- **Social media (e.g., TikTok, Facebook , Instagram)**
Answer: —
- **e-commerce (e.g., eBay)**
Answer: —
- **Money mules (e.g., smurfing)**
Answer: —
- **Traditional Hawala**
Answer: —

- **Shell companies**
Answer: —
- **Valuable materials (e.g., gold, diamonds, and luxury watches)**
Answer: —
- **Art and cultural property (e.g., artefacts)**
Answer: —

All of the different ways of laundering will be helpful to a particular type of illicit finance. So you can't really rank them. Shell companies for example may be preferable for tax evasion and to hide the proceeds of corruption, Hawala for terrorist financing and money transfer for human trafficking and drug smuggling, gaming to cover for illegal gaming, etc.

16) Lastly, in your opinion what can be done to improve detecting and limiting illicit financial flows, and what are the strategies that should be focused on, and prioritized?

We can improve international cooperation, public/private partnerships and more info from law enforcement to financial institutions would be extremely helpful.

Post-Interview Questions

- 1) Please state your current professional position (occupation)**
Partner
- 2) Please state your current workplace**
Financial Crimes, Fraud and Investigative Services
Guidehouse
- 3) How long do you have experience in that field?**
Since 1998

Appendix 4 Interviewee 2

Questions:

1) How would you define illicit financial flows and what are the key characteristics of such flows?

Illicit financial flows refer to the movement of money (usually across borders, between different countries and/or territories) and which money (i) has been obtained illegally (e.g. bribery, trafficking), or (ii) has been transferred illegally (e.g. tax evasion), or (iii) is used for illegal purposes (e.g. terrorist financing).

2) What are the different types of illicit financial flows and how have they evolved with the advancement of new technologies and innovative financing methods?

- Money Laundering
- Terrorism financing
- Corruption/Bribery
- Crime/Criminal activities (organized or not)
- Tax evasion
- Human trafficking (exploiting adults or children for the purposes of forced labor or commercial sexual exploitation)
- Smuggling (of items – e.g. drug cartels; or of persons – e.g. human smuggling, which usually consists of assistance with transportation or fraudulent documents to a person who voluntarily seeks to gain illegal entry into a foreign country. Consent is the main difference compared to Trafficking.)

The rapid development of technology has certainly helped criminals find new, innovative ways to facilitate illicit financial flows, mostly due to the option of anonymity and due to making it harder to trace criminals who use advanced technology (e.g. cryptocurrencies, social media platforms offering anonymity, dark web, etc.).

3) When considering the facilitation of illicit financial flows by criminals and the efforts of organizations and law enforcement to counteract them, which one is superior and one step ahead in terms of innovation and success, and how do they manage to do that?

Please choose one that is superior :

- Criminals are ahead
- Law enforcements

The answer to this really depends on the jurisdiction and the geographical region. Usually in the **developed countries** one can say that the Law enforcement is in general ahead of the criminals, and this is due to various reasons: first, due to the more concrete and robust legal framework these countries have in place, which makes it harder for criminals to navigate and find loopholes and opportunities to facilitate illicit financial flows. Second, due to the number of resources these countries have in their armory in order to fight financial crime: developed countries have usually adequate financial means to invest in preventing financial crime (and not merely combating afterwards). Also, developed countries have usually more access to advanced technology, which makes tracking and tracing criminals easier than in the past. Advanced technology has enabled law enforcement in many countries to find and prevent criminals from being successful in their illegal acts (e.g. faster connectivity and increased collaboration between law enforcement on a cross-border level, rapid spread of information via social media and platforms accessible to public etc.). Last, most developed countries also depend on cross-country collaborations between authorities and law enforcement, which also helps tracking down criminals.

Developing countries on the other hand, may not always have any and all of the means mentioned above, which leaves room for criminals to go one step ahead of the authorities and law enforcement, especially in case the criminals have access to advanced technology, or the lack of a concrete legal framework allows them more freedom of movement. Many developing countries have significant deficiencies in their strategy or regime to counter financial crime, esp. money laundering and terrorist financing, and they also face corruption problems. Many developing countries are also still widely using more “traditional” money transfer methods and channels (e.g. mobile money transfer, Western Union locations and agents etc.) which, contrary to a more technologically advanced system (e.g. multiple factor authentication) may be prone to human error (e.g. moving money with a fake ID). In addition to this, in some developing countries financial criminals have found their way to integrate themselves in the country’s financial or political regime, making it even harder for law enforcement to act.

How ?

See above.

- 4) Which of the following is more negatively impacted by financial crime and illicit financial flows and why: Developing countries or developed countries?**

Please pick one and state why :

- **Developing countries suffer more from IFFs negative impacts**
See reply to the previous Q.
- Developed countries suffer more from IFFs negative impacts

- 5) Which regions do you think suffer most from financial crime in the world and why?**

Usually regions where cross-border transactions between developing countries are taking place and regions with political issues and instability or armed conflicts (e.g. some African, Latin American or Asian countries/regions). As said before, the situation and conditions in developing countries make it easier for financial criminals to act and to proceed with moving illicit money from one country to another. And political instability leads to absence of a concrete legal framework against financial crime and sometimes also to corruption.

- 6) Research shows that there are significant connections between different forms of crime (e.g, terrorism , corruption , drug trafficking and human trafficking) and financial crime.**

What are the main factors driving the interlinkage between different forms of financial crime and criminal activities, such as money laundering, tax evasion, corruption, terrorism?

Many of these types of crime lead to fast financial gain of large amounts by individuals, which then needs moved, in order for criminals not to be traced and expose themselves, their network and their activity. The need to find illegal ways to move the money around leads to financial crime. Also, financial crime can be a means of facilitating some other criminal activities and sometimes there is even an ideological connection between criminals of a certain type of crime and financial criminals (e.g. terrorism financing).

- 7) Do you think technological advancement is the main driver behind the interlinkage of different forms of financial crimes, including money laundering, tax evasion, corruption, terrorism and illicit financial flows?**

It has certainly helped, but I do not think this is the main driver. Historically, criminals have always found innovative ways to facilitate their crimes, even when technology was less advanced.

- 8) Does the lack of governmental control in certain regions (e.g.) developing countries contribute as a main driver behind the interlinkage of various forms of financial crime and make it effortless to succeed in financing illicit flows and how does that impact both developed countries and developing countries?**

Certainly. See also answers on Q. 3 above.

- 9) In your opinion how do these criminal interlinked forces interact with one another to generate synergies and facilitate the movement of illicit finances?**

I believe a law enforcement expert would be more qualified to answer this Q, but I assume they use the technology (which may also offer more anonymity) and the variety of methods to move money between countries which exist nowadays.

- 10) How have innovation and the advancement of new technologies impacted the volume and nature of illicit financial flows, and what measures have been taken to combat these activities?**

The volume of illicit flows has probably increased, as the advancement of technology allows criminals to use different channels and methods to move money, and also to hide their traces by using a more complicated network and structure of transactions (e.g. by splitting a larger amount of money and moving it via different channels, not by a traditional bank transfer). See also answers to the previous Q.

On the other hand, many countries (esp. the developed countries) have also introduced additional security features which are commonly and widely used by individuals when moving money or making payments

(e.g. multiple factor authentication) and this has made it also harder for criminals to move money around without a trace.

11) Can you discuss the most innovative ways/methods criminals have been using in facilitating illicit financial flows, and how these methods exploit loopholes in the financial systems and international regulations?

Prepaid cards, prepaid mobile phones, cryptocurrencies, dark web: all these methods/channels make it hard to track the individual and they also offer anonymity, as there is no or very limited need to identify the individual using them. Online casinos may also be used sometimes, as the need for identification (“KYC” – know your customer) may vary between jurisdictions. And of course the more “traditional” methods such as money mules and money transfers where a transaction is split into many smaller ones in order not to be easily traced to the same person are still being widely used.

12) What international laws and regulations have proven to be most effective in preventing and combating illicit financial flows? How well-equipped are law enforcement agencies at spotting and stopping these flows? And how well-suited are the current international laws and regulations at reducing the volume and effects of illicit financial flows?

- AML Directive,
- EU and USA Sanctions lists
- FATF lists.

The European Commission has also performed its analysis on the topic which led to issuing a list of “high-risk third countries” (19 December 2022), which may also be used as a point of reference for professionals and authorities.

And there are also of course lists of individuals drafted at national levels and being updated by law enforcement for national and cross-border/international use.

There is still a long way to go, as there is no harmonization between the legal and regulatory systems of different countries, and there is still a huge gap between developed and developing countries on how they treat financial crime, therefore we cannot discuss about a global approach at this point.

13) What role do cryptocurrencies and blockchain technologies play in the financing of illicit flows, and how have these technologies evolved in terms of their involvement in illicit financial activities?

The anonymity offered when using cryptocurrencies and blockchain technologies enables financial criminals to hide the track of their funds. Also, the fact that the infrastructure used is not located in one physical place makes it very hard to track and trace criminals. In other words, both the source of the funds and the individual financial criminal cannot be traced easily.

14) Can you discuss how can online games, social media platforms and other digital platforms and apps, such as TikTok contribute to the financing of illicit flows and money laundering? and what measures have been implemented to address this issue?

Online Games may allow payout of virtual currency into real money, or actual amounts won to be used for illicit purposes. Putting robust and adequate KYC tools in place and apply enhanced or regular due diligence where there are indications and “red flags” may mitigate the risk to this regard.

Social media platforms and similar Apps (e.g. TikTok) make it easy for criminals to not only access personal data of individuals but also to connect with them to “lure” potential victims, incl. minors, and involve them in financial or other types for crimes (e.g. trafficking). Identity theft of an individual is also easy via social media. As legal professionals, we have seen a tendency to make data privacy laws stricter in the last years, as a measure to combat this (e.g. GDPR in Europe).

15) On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated below in financing illicit flows:

- **Cryptocurrencies**
Answer: 9
- **Money transfer services (e.g., Western Union)**
Answer: 9
- **Online payment systems (e.g., Venmo PayPal)**
Answer: 5
- **Gift cards & prepaid cards**

Answer: 10

- **Online Gaming**
Answer: 6
- **virtual currencies**
Answer: 8
- **Social media (e.g., TikTok, Facebook , Instagram)**
Answer: 6
- **e-commerce (e.g., eBay)**
Answer: 3
- **Money mules (e.g., smurfing)**
Answer: 9
- **Traditional Hawala**
Answer: 9
- **Shell companies**
Answer: 8
- **Valuable materials (e.g., gold, diamonds, and luxury watches)**
Answer: 6
- **Art and cultural property (e.g., artefacts)**
Answer: 6

16) Lastly, in your opinion what can be done to improve detecting and limiting illicit financial flows, and what are the strategies that should be focused on, and prioritized?

- More robust and concrete legal framework between countries taking into consideration rapid technological developments, harmonization of laws where possible (at least between countries with similar law system or common economic system, e.g. within the EU).
- Stronger collaboration and cooperation between countries.
- Stronger cooperation between countries' law enforcements and easier access to a centralized system.
- Elimination and/or screening of tax havens.
- Implementation of screening and detailed KYC methods in money transfer systems and payment methods.
- Educating people, especially re the use of social media platforms and the risks involved.

Post-Interview Questions

1) Please state your current professional position (occupation)

Senor Legal Counsel

2) Please state your current workplace

Greentube GmbH

3) How long do you have experience in that field?

8 years in the financial sector (money transfers)

3 years in the online gaming sector.

Appendix 5 Interviewee 3

Questions:

- 1) How would you define illicit financial flows and what are the key characteristics of such flows?**

Illicit financial flow refers to the movement of money or other assets in a way that goes against the law, the rules, or moral principles. These flows entail a variety of unlawful or illicit activities, including smuggling, fraud, tax evasion, corruption, money laundering, and other criminal practices.

Some characteristics: illegality, concealment, lack of transparency, consequences (social, economic, etc.)

- 2) What are the different types of illicit financial flows and how have they evolved with the advancement of new technologies and innovative financing methods?**

Different types of illicit financial flows:

1. Money Laundering
2. Tax Evasion
3. Corruption
4. Fraud
5. Smuggling
6. Cybercrime

Here are some new technologies and financing methods that can be used for illicit financial flows:

1. Digital Currencies: cryptocurrencies provide new avenues for money laundering and illicit transactions
2. Online Payment Systems: making it easier to move illicit funds across different jurisdictions.
3. Offshore Financial Centers: offshore tax havens allow to hide assets, evade taxes, and facilitate illicit financial activities.

- 3) When considering the facilitation of illicit financial flows by criminals and the efforts of organizations and law enforcement to counteract**

them, which one is superior and one step ahead in terms of innovation and success, and how do they manage to do that?

Please choose one that is superior :

- Criminals are ahead
- Law enforcements

How ?

Criminals often appear to be a step ahead:

- Criminal networks can be highly adaptable and agile.
- Criminal organizations often have significant financial resources and they might invest in advanced technologies
- Criminal networks operate across borders and have extensive global connections.
- Law enforcement agencies often face resource constraints and may not have the necessary expertise

4) Which of the following is more negatively impacted by financial crime and illicit financial flows and why: Developing countries or developed countries?

Please pick one and state why :

- Developing countries suffer more from IFFs negative impacts
- Developed countries suffer more from IFFs negative impacts

Developing countries are often more negatively impacted by financial crime and illicit financial flows due to several factors:

- a. Developing countries may have weaker governance structures, including inadequate regulatory frameworks and limited enforcement capacity. That creates opportunities for financial crimes.
- b. Corruption undermines already weak governance structures and weak rule of law.
- c. Developing countries may face economic challenges such as high levels of poverty, These vulnerabilities make them more susceptible to negative impacts.

- d. Many developing countries are rich in natural resources (oil, minerals, etc.) and the extraction is often susceptible to corruption, tax evasion, smuggling, etc.
- e. Illicit flows divert resources away from essential public services (education, healthcare, infrastructure) and, therefore, represent a violation of Human Rights.

5) Which regions do you think suffer most from financial crime in the world and why?

I know best the situation in Latin America. I don't know if this region suffers most, but

Latin America has a history of political instability, economic crises, and social inequality. This context and weak governance structures, corruption, and inadequate regulation have allowed illicit activities to thrive. Bribery, embezzlement, and other corrupt practices undermine the integrity of public institutions and erode trust in the financial system, facilitating financial crime. Latin America is a major hub for drug trafficking and organized crime, and the region has been identified as a region with significant money laundering activities. Latin America has a large informal economy, characterized by unregistered businesses, cash transactions, and limited oversight. This informal sector provides opportunities for illicit financial activities, tax evasion, and money laundering. Latin America faces high levels of economic inequality, and financial crime exacerbates these inequalities.

6) Research shows that there are significant connections between different forms of crime (e.g, terrorism , corruption , drug trafficking and human trafficking) and financial crime.

What are the main factors driving the interlinkage between different forms of financial crime and criminal activities, such as money laundering, tax evasion, corruption, terrorism?

Criminals engage in activities like drug trafficking, fraud, and corruption to amass illicit profits. And financial crimes allow them to integrate these funds into the legal economy.

See also previous answers.

7) Do you think technological advancement is the main driver behind the interlinkage of different forms of financial crimes, including money laundering, tax evasion, corruption, terrorism and illicit financial flows?

The interlinkage of different forms of financial crimes is driven by structural factors rather than technological advancement alone. Key structural drivers may include:

1. The global financial system's structure facilitates the movement of funds, making it easier for criminals to engage in money laundering, tax evasion, and illicit financial flows.
2. Structural economic disparities and income inequality contribute to the motivation for financial crimes.
3. Structural deficiencies in governance and institutions allow criminals to operate with relative impunity. Political instability, conflicts, and geopolitical dynamics can influence the prevalence and interconnectedness of financial crimes.
4. Illicit markets, organized crime networks, corruption networks, etc. contribute to the interconnections among different forms of financial crimes.

8) Does the lack of governmental control in certain regions (e.g.) developing countries contribute as a main driver behind the interlinkage of various forms of financial crime and make it effortless to succeed in financing illicit flows and how does that impact both developed countries and developing countries?

Yes, the lack of governmental control can contribute as a main driver and some ways in which that impacts both developed and developing countries include:

1. Illicit financial flows can have negative consequences on both the source and destination countries, including undermining economic stability, eroding trust in financial systems, and impeding sustainable development.

2. Developed countries may become unwitting destinations for laundered money or face the consequences of financial crimes originating in countries with weak control. Developing countries may suffer from capital flight, brain drain, and reduced investment due to the perceived risks associated with financial crimes.

However, it's not simple. For example, the Wirecard case represents a complex case with origins in European countries ("developed"), impacting also on financial markets in Asian countries ("developing").

9) In your opinion how do these criminal interlinked forces interact with one another to generate synergies and facilitate the movement of illicit finances?

N/A

10) How have innovation and the advancement of new technologies impacted the volume and nature of illicit financial flows, and what measures have been taken to combat these activities?

Open access to information is important to combat illicit financial flows because it enables transparency, accountability, and scrutiny, making it more difficult for individuals and organizations to hide or manipulate financial transactions and assets.

There are several initiatives aimed at promoting open access to information and combatting illicit financial flows. One such initiative is Open Ownership, which focuses on creating a global register of beneficial ownership information. This register provides public access to information about the individuals who ultimately own or control companies, trusts, and other legal entities. By making this information transparent and accessible, Open Ownership helps to expose hidden or anonymous ownership structures that can be used for illicit financial activities. Other initiatives include the Extractive Industries Transparency Initiative (EITI), which promotes transparency and accountability in the extractive sector, and the Financial Action Task Force (FATF), which sets international standards for combating money laundering and terrorist financing.

11) Can you discuss the most innovative ways/methods criminals have been using in facilitating illicit financial flows, and how these methods

exploit loopholes in the financial systems and international regulations?

N/A

12) What international laws and regulations have proven to be most effective in preventing and combating illicit financial flows? How well-equipped are law enforcement agencies at spotting and stopping these flows? And how well-suited are the current international laws and regulations at reducing the volume and effects of illicit financial flows?

N/A

13) What role do cryptocurrencies and blockchain technologies play in the financing of illicit flows, and how have these technologies evolved in terms of their involvement in illicit financial activities?

N/A

14) Can you discuss how can online games, social media platforms and other digital platforms and apps, such as TikTok contribute to the financing of illicit flows and money laundering? and what measures have been implemented to address this issue?

N/A

15) On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated below in financing illicit flows:

- **Cryptocurrencies**

Answer: 8

- **Money transfer services (e.g., Western Union)**

Answer: 8

- **Online payment systems (e.g., Venmo PayPal)**

Answer: 7

- **Gift cards & prepaid cards**

Answer: 6

- **Online Gaming**

Answer: 5

- **virtual currencies (currencies used in social media , and online gaming that have no actual value in the real world)**

Answer: 7

- **Social media (e.g., TikTok, Facebook , Instagram)**

Answer: 4

- **E-commerce (e.g., eBay)**

Answer:6

- **Money mules (e.g., smurfing)**

Answer:7

- **Traditional Hawala**

Answer: N/A

- **Shell companies**

Answer:8

- **Valuable materials (e.g., gold, diamonds, and luxury watches)**

Answer:7

- **Art and cultural property (e.g., artefacts)**

Answer:7

16) Lastly, in your opinion what can be done to improve detecting and limiting illicit financial flows, and what are the strategies that should be focused on, and prioritized?

Collaboration among countries is crucial to combatting illicit financial flows. Sharing information, intelligence, and best practices can help identify cross-border illicit activities and facilitate coordinated efforts to disrupt illicit networks.

Advanced technologies and complex systems approaches, such as social network analysis, machine learning, and data analytics can significantly enhance the detection, analysis and control of illicit activities, including illicit financial flows.

Post-Interview Questions

- 1) **Please state your current professional position (occupation):**
academic
- 2) **Please state your current workplace:** Masaryk University
- 3) **How long do you have experience in that field?:** about illicit networks: around 10 years

Appendix 6 Interviewee 4

Questions:

- 1) **How would you define illicit financial flows and what are the key characteristics of such flows?**

Transferring money or other assets across borders in an illegal way. The main characteristic is that is illegal (by definition).

- 2) **What are the different types of illicit financial flows and how have they evolved with the advancement of new technologies and innovative financing methods?**

Usually, the goals are money laundering, bribery, tax evasion or, in general, disguise of payment flows to hide illegal activity. In several ways new technologies have made it more efficient to conduct illicit financial flows but it has to be pointed out that they have existed for centuries and will continue to exist, independent of the available technology.

- 3) **When considering the facilitation of illicit financial flows by criminals and the efforts of organizations and law enforcement to counteract them, which one is superior and one step ahead in terms of innovation and success, and how do they manage to do that?**

Please choose one that is superior :

- Criminals are ahead
- Law enforcements

It is a cat and mouse game. It is not possible to say that one group is ahead since regularly one specific criminal / group is caught but other ones succeed with more sophisticated procedures. In other words, not all criminals or law enforcement agencies are on the same technological level.

How ?

The most important reason is the application of new technologies

- 4) **Which of the following is more negatively impacted by financial crime and illicit financial flows and why: Developing countries or developed countries?**

Please pick one and state why :

- X Developing countries suffer more from IFFs negative impacts
- Developed countries suffer more from IFFs negative impacts

Developing countries do not have the same means to fight crimes as developed countries do. Furthermore, their economy might be more sensitive to criminal activities (i.e., impacted more heavily).

5) Which regions do you think suffer most from financial crime in the world and why?

This is question that is hard to answer, since financial crime is a worldwide activity. I would say that many parts of Africa are severely affected, as are regions in Latin America and the Caribbean, Easter Europe and potentially several countries in Southeast Asia.

6) Research shows that there are significant connections between different forms of crime (e.g, terrorism , corruption , drug trafficking and human trafficking) and financial crime.

What are the main factors driving the interlinkage between different forms of financial crime and criminal activities, such as money laundering, tax evasion, corruption, terrorism?

Most crime is done to make money and therefore there is a strong connection between criminal activity and money laundering. This includes terrorist activities since the flow of money has to be hidden to remain undetected.

7) Do you think technological advancement is the main driver behind the interlinkage of different forms of financial crimes, including money laundering, tax evasion, corruption, terrorism and illicit financial flows?

Not really, since all these criminal activities have existed before the advent of sophisticated technology. They simply used different means to raise and transfer money.

8) Does the lack of governmental control in certain regions (e.g.) developing countries contribute as a main driver behind the interlinkage of various forms of financial crime and make it effortless to succeed in financing illicit flows and how does that impact both developed countries and developing countries?

I do not think that it is “effortless” (except for countries such as North Korea that allegedly sponsors illegal activities) but some countries definitely make it easier for criminals to conduct their activities. Of

course, this has a negative impact on other countries since it impedes criminal investigations.

9) In your opinion how do these criminal interlinked forces interact with one another to generate synergies and facilitate the movement of illicit finances?

Many criminal networks operate in numerous countries and use technology to communicate in confidential ways and to transfer money.

10) How have innovation and the advancement of new technologies impacted the volume and nature of illicit financial flows, and what measures have been taken to combat these activities?

To some extent, new technologies have made it easier to conduct illicit flows, which led to an increase in volume. On the other hand, more sophisticated means of data analysis now support law enforcement agencies in detecting such activities. Importantly, new legislation has been developed to fight cybercrime.

11) Can you discuss the most innovative ways/methods criminals have been using in facilitating illicit financial flows, and how these methods exploit loopholes in the financial systems and international regulations?

The most innovative methods include the use of cryptocurrencies. They do not necessarily exploit legal loopholes but simply make use of the technology.

12) What international laws and regulations have proven to be most effective in preventing and combating illicit financial flows? How well-equipped are law enforcement agencies at spotting and stopping these flows? And how well-suited are the current international laws and regulations at reducing the volume and effects of illicit financial flows?

Laws/regulations include a) Know your Customer (KYC), b) Anti Money Laundering (AML), c) Customer Due Diligence (CDD). International agencies such as the Financial Action Task Force (FATF) have been created to develop standards and foster international cooperation. The legal foundation is quite solid and it is more a question of whether law

enforcement agencies can detect and trace such flows. In general, they are getting better at it.

13) What role do cryptocurrencies and blockchain technologies play in the financing of illicit flows, and how have these technologies evolved in terms of their involvement in illicit financial activities?

Cryptocurrencies are being used for illicit transactions. According to recent reports (e.g., Chainalysis) their proportion is relatively small. In general, the role of Bitcoin is overestimated since it is a transparent system. In the future, so-called privacy coins (Monero, Zcash) will get more attention.

14) Can you discuss how can online games, social media platforms and other digital platforms and apps, such as TikTok contribute to the financing of illicit flows and money laundering? and what measures have been implemented to address this issue?

Social media platforms can definitely play an important role in illicit money flows and money laundering. Apart from the sale of illegal goods and services, criminals can use “money muling” or use these platforms for money laundering. Any kind of service that allows for the transfer of money can potentially be used for such purposes.

15) On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated below in financing illicit flows:

- **Cryptocurrencies**
Answer: This fully depends on they type of cryptocurrency. Bitcoin: 4, Privacy Coins: 8
- **Money transfer services (e.g., Western Union)**
Answer: 4
- **Online payment systems (e.g., Venmo PayPal)**
Answer: 4
- **Gift cards & prepaid cards**
Answer: 3
- **Online Gaming**
Answer: 5
- **virtual currencies**
Answer: I am not sure how you define virtual currencies

- **Social media (e.g., TikTok, Facebook , Instagram)**
Answer: 3
- **e-commerce (e.g., eBay)**
Answer: 4
- **Money mules (e.g., smurfing)**
Answer: 4
- **Traditional Hawala**
Answer: 8
- **Shell companies**
Answer: 8
- **Valuable materials (e.g., gold, diamonds, and luxury watches)**
Answer: 6
- **Art and cultural property (e.g., artefacts)**
Answer: 6

16) Lastly, in your opinion what can be done to improve detecting and limiting illicit financial flows, and what are the strategies that should be focused on, and prioritized?

The most important instrument is the development of software that is able to detect potentially illicit money flows. AI can help in that. Of course, CBDCs might also help but care has to be taken not to take it too far and violate individuals' privacy rights.

Post-Interview Questions

1) Please state your current professional position (occupation)

University Professor

2) Please state your current workplace

Modul University Vienna

3) How long do you have experience in that field?

7 years

Appendix 7 Interviewee 5

Questions:

1) How would you define illicit financial flows and what are the key characteristics of such flows?

A movement of financial means between jurisdictions. The key characteristic would be the illegality of such flow which would be shown either in its origin (source), means of movement, intended purpose or the final real use.

2) What are the different types of illicit financial flows and how have they evolved with the advancement of new technologies and innovative financing methods?

Money Laundering

Corruption

Smuggling,

Tax evasion

International Sanction evasion (could cover several of the above)

Human trafficking

Organized Crime

Terrorism financing

I believe in some ways the advancement of new technologies had a positive impact: E.g. increased connectivity, public access and transparency, multiple factor authentication, have created stronger and way more complex framework, regulations, regulatory bodies, which in the end are more effective in discovering in preventing illicit financial transfers. For example, the creation of FATF, public UBO registers, more granular KYCs make it harder for such transfers to take place.

However, on the other hand, the advancements in the field of technology have created its own problems, such as, rise of new online platforms which circumvent these, creation of more complex transfer

vehicles, more difficult ways to discover the UBOs, dark web, cybercrime, data privacy concerns, cryptocurrencies, identity theft, etc-

- 3) When considering the facilitation of illicit financial flows by criminals and the efforts of organizations and law enforcement to counteract them, which one is superior and one step ahead in terms of innovation and success, and how do they manage to do that?**

Please choose one that is superior :

- Criminals are ahead
- **Law enforcements**

How ?

Access to intelligence networks, databases and multi-jurisdiction platforms with the budget and resources that the law enforcements have at their disposal make them in many areas one-step ahead in this field;

Some other:

Strict constantly evolving Regulator framework -see EU AML directives;

Collaboration between state and international entities and NGOs;

Specialized training ;

FATF, FIUs,;

- 4) Which of the following is more negatively impacted by financial crime and illicit financial flows and why: Developing countries or developed countries?**

Please pick one and state why:

- **Developing countries suffer more from IFFs negative impacts**
 - weaker legal framework, higher corruption, less oversight e.g., from individual NGOs, many times less freedom and less impartiality to the press, weaker education standards, higher corruption tendencies, weak cooperation between other states and international organizations (e.g. grey-listing in FAATF), less robust and complex regulatory framework, regulatory loopholes weaker KYCs, weak review of UBOs, international policy may view favorably some sanctioned countries – e.g. some of these countries stance on Russia
- Developed countries suffer more from IFFs negative impacts

- 5) Which regions do you think suffer most from financial crime in the world and why?**

Regions where multiple less developed countries are present

- 6) Research shows that there are significant connections between different forms of crime (e.g, terrorism , corruption , drug trafficking and human trafficking) and financial crime.**

What are the main factors driving the interlinkage between different forms of financial crime and criminal activities, such as money laundering, tax evasion, corruption, terrorism?

Financial Gain;
Secrecy and anonymity;
Overlapping techniques;
Lack of transparency ;

- 7) Do you think technological advancement is the main driver behind the interlinkage of different forms of financial crimes, including money laundering, tax evasion, corruption, terrorism and illicit financial flows?**

No

- 8) Does the lack of governmental control in certain regions (e.g.) developing countries contribute as a main driver behind the interlinkage of various forms of financial crime and make it effortless to succeed in financing illicit flows and how does that impact both developed countries and developing countries?**

Yes

- 9) In your opinion how do these criminal interlinked forces interact with one another to generate synergies and facilitate the movement of illicit finances?**

N/A

- 10) How have innovation and the advancement of new technologies impacted the volume and nature of illicit financial flows, and what measures have been taken to combat these activities?**

See answer to Q. 2

11) Can you discuss the most innovative ways/methods criminals have been using in facilitating illicit financial flows, and how these methods exploit loopholes in the financial systems and international regulations?

Cryptocurrencies, Dark web, Prepaid cards, Online Casinos , Money Mules

12) What international laws and regulations have proven to be most effective in preventing and combating illicit financial flows? How well-equipped are law enforcement agencies at spotting and stopping these flows? And how well-suited are the current international laws and regulations at reducing the volume and effects of illicit financial flows?

e.g. AML directive, EU Sanction map, US sanction policy,

13) What role do cryptocurrencies and blockchain technologies play in the financing of illicit flows, and how have these technologies evolved in terms of their involvement in illicit financial activities?

Criminals can leverage crypto like Bitcoin for money laundering due to their pseudonymous nature and decentralized infrastructure. They exploit the anonymity cryptocurrency offers to obscure the origin and destination of funds.

14) Can you discuss how can online games, social media platforms and other digital platforms and apps, such as TikTok contribute to the financing of illicit flows and money laundering? and what measures have been implemented to address this issue?

Data Theft due to weak data privacy laws or easy state access to personal data of the data subject in the country where the controller resides (e.g. China with TikTok)

Online Games – payout of virtual currency into real money, insufficient KYCs, lootbox problem, easy access of young adults and children to credit,debit cards of their parents,

KYC checks when registering, ongoing monitoring

15) On a scale from 1 – 10 (1 certainly not – 10 extremely) rate the effectiveness of the methods stated below in financing illicit flows:

- **Cryptocurrencies**
Answer: 9
- **Money transfer services (e.g., Western Union)**
Answer: no knowledge
- **Online payment systems (e.g., Venmo PayPal)**
Answer: 5
- **Gift cards & prepaid cards**
Answer: 10
- **Online Gaming**
Answer: 5
- **virtual currencies (currencies used in social media , and online gaming that have no actual value in the real world)**
Answer: 8
- **Social media (e.g., TikTok, Facebook , Instagram)**
Answer:4
(depends on the social media in questions, data privacy is higher risk here)
- **E-commerce (e.g., eBay)**
Answer:3
- **Money mules (e.g., smurfing)**
Answer: 9
- **Traditional Hawala**
Answer: 9
- **Shell companies**
Answer: 8
- **Valuable materials (e.g., gold, diamonds, and luxury watches)**
Answer: 6
- **Art and cultural property (e.g., artefacts)**
Answer: 5

16) Lastly, in your opinion what can be done to improve detecting and limiting illicit financial flows, and what are the strategies that should be focused on, and prioritized?

Stronger international cooperation, elimination of tax havens, implementation of KYCs in payment methods and purchases which can create loopholes (such as prepaid cards), developments in field of traceability of cryptocurrencies, interconnectivity between registers, making sure the regulations keep up with the developments of new technologies, constant education of the different stakeholders.

Post-Interview Questions

1) Please state your current professional position (occupation)

Compliance Manager

2) Please state your current workplace

Greentube GmbH

3) How long do you have experience in that field?

1 year