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Money laundering crimes in Indonesian law

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Abstract
Money laundering in Indonesia is a serious crime. Criminals generally attempt to conceal or disguise the origin of their criminal assets in various ways to make it difficult for law enforcement officials to trace them. This allows them to freely use these assets for both legitimate and illegitimate activities. This study aims to analyze strategies for preventing and addressing money laundering from the perspective of national law and policy in Indonesia. This study uses a normative juridical approach with secondary data analysis from laws, regulations, and other official documents. The results show that although Indonesia has a comprehensive regulation, Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering, its implementation still faces various challenges. These obstacles include a lack of coordination between law enforcement agencies, low levels of business compliance with the obligation to report suspicious transactions, and limitations in utilizing modern technology to detect and prevent money laundering. Strengthening inter-agency cooperation, enhancing law enforcement capacity, and integrating technology-based financial reporting systems are strategic steps to strengthen efforts to eradicate money laundering in Indonesia.

Keywords: Laundering, money, law, crime, strategy

Introduction

The economic life of one country is increasingly interdependent with that of another, making legal provisions in the field of international trade and transnational business increasingly necessary. Increasingly sophisticated corporate crime, both in form and type, often transcends national borders (transborder crime) and is often influenced by other countries due to the era of globalization. Money laundering is a crime characterized by a unique characteristic: it is not a single crime but rather multiple crimes. This crime is characterized by money laundering as a follow-up crime, while the primary crime, or the original crime, is referred to as a predicate offense or core crime. Some countries define it as an unlawful activity, namely the original crime that generates money that is then laundered [1].

Money laundering is an attempt to conceal or disguise the origin of money, funds, or assets obtained from criminal activity through various financial transactions to make the money or assets appear to originate from legitimate activities. This began in America in the 1930s, when a criminal mafia purchased a laundry company to launder its proceeds. This is where the term "money laundering" originated [2]. Previously, in the 1900s, Alphonso Capone, better known as Al Capone, America's greatest criminal of the past, laundered black money from his criminal ventures using the genius of Meyer Lansky, a Polish man. Lansky, an accountant, laundered Al Capone's criminal funds through his laundry business. This is how the term "money laundering" originated.

Generally, criminals attempt to conceal or disguise the origin of their criminally obtained assets in various ways to make their criminal assets difficult for law enforcement to trace. This allows them to freely use these assets for both legitimate and illegitimate activities. Therefore, the crime of money laundering not only threatens the stability and integrity of the economic and financial systems, but can also endanger the foundations of social, national and state life based on Pancasila and the 1945 Constitution of the Republic of Indonesia [3].

Indonesia, as a developing country, is not immune to this threat. With an increasingly open economic system integrated with the global market, opportunities for money laundering are increasing. Data from the Financial Transaction Reports and Analysis Center (PPATK) shows a significant increase in the number of suspicious transaction reports in recent years. This demonstrates the urgency of strengthening efforts to prevent and eradicate money laundering. The Indonesian government has enacted various regulations, including Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering. However, the effectiveness of these regulations is often questioned, primarily due to challenges related to coordination between law enforcement agencies, the use of technology, and public awareness.

As a crime involving cross-border actors, money laundering also requires strong international cooperation. Various international conventions, such as the United Nations Convention Against Transnational Organized Crime (UNTOC) and the United Nations Convention Against Corruption (UNCAC), emphasize the importance of cooperation between countries in preventing and eradicating money laundering [4]. Although Indonesia has ratified a number of international conventions, domestic implementation still faces structural and cultural barriers. In this context, strategies for preventing and eradicating money laundering in Indonesia require not only a strong legal framework but also adaptive policies and synergistic collaboration between the government, the public, and the private sector.

Based on Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering, which replaces Law Number 15 of 2002 concerning Money Laundering and Law Number 25 of 2003 concerning Amendments to Law Number 15 of 2002 concerning Money Laundering. The material contained in Law Number 8 of 2010 includes: (1) redefinition of the meaning of matters related to the crime of Money Laundering, (2) improvement of the criminalization of the crime of Money Laundering, (3) regulations regarding the imposition of criminal sanctions and administrative

sanctions, (4) strengthening the application of the principle of recognizing Service Users (5) expansion of Reporting Parties, (6) determination of the types of reporting by providers of goods and/or other services, (7) arrangement regarding Compliance Supervision, (8) granting authority to Reporting Parties to postpone Transactions, (9) expansion of the authority of the Directorate General of Customs and Excise regarding the carrying of cash and other payment instruments into or out of customs areas, (10) granting authority to investigators of predicate crimes to investigate suspected crimes of Money Laundering, (11) expansion of agencies entitled to receive the results of analysis or examinations by the Financial Transaction Reports and Analysis Center, (12) restructuring the institutional structure of the Financial Transaction Reports and Analysis Center, (13) addition of the authority of the Financial Transaction Reports and Analysis Center, including the authority to temporarily suspend Transactions, (14) restructuring the procedural law for examining money laundering crimes; and (15) regulations regarding the confiscation of assets derived from criminal acts [5].

This article aims to explore various aspects of preventing and eradicating money laundering in Indonesia, from the regulatory framework to policy implementation. Using a normative juridical approach, this research seeks to provide a comprehensive analysis of the effectiveness of national law in addressing the threat of money laundering and offers strategic recommendations to improve the state's response to this phenomenon.

Method

This research uses a normative juridical approach, often referred to as doctrinal legal research. This approach focuses on the analysis of legal norms contained in laws and regulations, legal documents, and applicable principles [6]. In the context of Money Laundering, this research examines Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering and various other implementing regulations. Furthermore, this research also refers to international conventions ratified by Indonesia, such as the United Nations Convention Against Transnational Organized Crime (UNTOC) and the United Nations Convention Against Corruption (UNCAC). The data sources used in this research consist of primary and secondary data. Primary data includes national laws and regulations relevant to Money Laundering, official documents published by the Financial Transaction Reports and Analysis Center (PPATK), and court decisions related to Money Laundering cases in Indonesia. Secondary data were obtained from academic literature, scientific journals, annual reports from the Financial Transaction Reports and Analysis Center (PPATK), reports from international institutions such as the Financial Action Task Force (FATF), and articles from reputable media outlets. These data were analyzed to explore the effectiveness of the national legal framework in addressing the threat of money laundering. A qualitative approach was used in data analysis. Descriptive analysis methods were used to describe in detail the applicable legal regulations and their application in handling money laundering cases in Indonesia. The author also used evaluative methods to assess the effectiveness of existing policies, taking into account obstacles that arise in regulatory implementation. To provide an in-depth analysis, this study also adopted a comparative perspective by reviewing best practices from other countries in preventing and eradicating money laundering. This research was conducted through an in-depth literature review. Various legal documents and relevant literature were collected and organized to ensure that the resulting analysis was holistic and appropriate to the Indonesian context. During the data collection process, the author adhered to the principles of research ethics, including ensuring the validity and reliability of the data sources used. With this research method, the article is expected to provide theoretical and practical contributions in developing more effective strategies for the prevention and eradication of Money Laundering Crimes in Indonesia.

Results and Discussion

This study reveals several key findings related to the prevention and eradication of money laundering in Indonesia. First, Indonesia has a comprehensive legal framework in the form of Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering. This law includes regulations regarding the definition of money laundering, a mechanism for reporting suspicious financial transactions, and criminal sanctions for perpetrators of money laundering. In addition, Indonesia has established the Financial Transaction Reports and Analysis Center as an independent institution that functions to analyze and investigate suspicious financial transactions. However, the effective implementation of this regulation still faces various challenges, including a lack of coordination between law enforcement agencies and low levels of business compliance with reporting obligations. One significant obstacle to eradicating money laundering is the complexity of money laundering mechanisms involving cross-border networks. This study found that although Indonesia has ratified various international conventions such as the United Nations Convention Against Transnational Organized Crime (UNTOC), the implementation of international cooperation remains limited. This is due to differences in legal frameworks between countries and technical obstacles in the exchange of information. For example, money laundering cases involving the flow of funds abroad are often hampered by a lack of access to financial data from the destination country. Furthermore, the application of technology to detect and prevent money laundering in Indonesia remains suboptimal. Technologies such as big data analysis and artificial intelligence can be used to identify suspicious transaction patterns more efficiently. However, this study found that most financial institutions in Indonesia still rely on manual or semi-automated systems that are prone to human error [7].

Developed countries such as the United States and Singapore have demonstrated success in utilizing technology to combat money laundering, which could serve as models for Indonesia. From a policy perspective, there is an urgent need to raise public and business awareness regarding the importance of complying with regulations related to money laundering. Data from the Financial Transaction Reports and Analysis Center (PPATK) shows that compliance with suspicious financial transaction reporting by businesses remains low. Public education through legal awareness campaigns and specialized training for businesses in the financial sector could be a solution to improve this level of compliance. This study also highlights the importance of better coordination between law enforcement agencies, including the Financial Transaction Reports and Analysis Center (PPATK) [8], the Police, the Prosecutor's Office, and the Courts. Evaluations of several money laundering cases in Indonesia show that the lack of coordination often results in slow investigations and prosecutions. In some cases, assets that should have been

confiscated have even been transferred before the legal process is completed, indicating weaknesses in the illegal asset oversight system. Overall, although Indonesia has made significant strides in establishing a legal and institutional framework to combat money laundering, many aspects still require attention. The study's key recommendations include strengthening international cooperation, optimizing the use of technology, improving public education, and more effective coordination between law enforcement agencies. Implementation of these recommendations is expected to strengthen efforts to eradicate money laundering in Indonesia while maintaining the integrity of the national financial system [9].

This study also found that the effectiveness of law enforcement in handling money laundering cases still requires in-depth evaluation. Many money laundering cases involving complex networks of perpetrators remain unsolved. The investigation process is often hampered by lengthy bureaucracy, a lack of competent human resources, and minimal support from advanced technology. Furthermore, the existence of corrupt practices within some law enforcement agencies can undermine efforts to eradicate money laundering, as corruption often serves as a gateway to protect perpetrators from legal action. International cooperation is a crucial aspect in handling transnational money laundering cases [10]. However, this study noted that the implementation of such cooperation is often hampered by differences in legal systems between countries. Some countries remain reluctant to provide access to the financial data necessary to uncover illicit fund flows, both due to limited domestic regulations and political reasons. Therefore, Indonesia needs to optimize legal diplomacy to strengthen international cooperation in combating money laundering globally [11].

On the other hand, preventative approaches through education and supervision in the financial sector are still not fully effective. Although the Financial Transaction Reports and Analysis Center (PPATK) has issued various guidelines for detecting suspicious transactions, business actors' awareness and compliance with these obligations remains low. This study notes that more intensive educational efforts, both through in-person training and digital campaigns, could provide businesses with a better understanding of the risks and legal consequences of non-compliance. Furthermore, this study highlights the importance of technological updates to support monitoring and reporting. The use of artificial intelligence-based systems can not only increase efficiency in detecting suspicious transaction patterns but also reduce the risk of errors caused by human limitations [12].

The government and financial institutions need to invest more in this cutting-edge technology, learning from developed countries that have successfully implemented it. Overall, this study's findings suggest that preventing and eradicating money laundering requires a more holistic approach. By integrating regulatory strengthening, law enforcement capacity building, technological development, and public education, Indonesia is expected to overcome the various challenges. These steps are crucial for maintaining financial system stability and Indonesia's international reputation as a country committed to combating money laundering [13].

Conclusion

This study concludes that although Indonesia has an adequate legal framework, such as Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering, its implementation still faces various challenges. These obstacles include a lack of coordination among law enforcement agencies, low levels of business compliance with the obligation to report suspicious transactions, and limitations in utilizing modern technology to detect and prevent money laundering. Furthermore, suboptimal international cooperation is a barrier to handling complex, cross-border cases. To improve the effectiveness of eradicating money laundering, it is recommended that the government strengthen coordination among law enforcement agencies, including the Financial Transaction Reports and Analysis Center, the Police, the Prosecutor's Office, and the Courts, by establishing a more integrated collaboration mechanism. The use of technologies such as big data and artificial intelligence should be a priority to improve early detection of suspicious transactions. Education for the public and business actors also needs to be improved through legal awareness campaigns and special training to improve compliance with regulations related to money laundering. Furthermore, the government must strengthen international cooperation, both through ratifying new conventions and optimizing existing agreements, to ensure the effective handling of cross-border cases. These measures are expected to maximize efforts to eradicate money laundering in Indonesia, maintain the stability of the national financial system, and strengthen the country's economic integrity.

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