

# Money Laundering in the IT Era

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**Abstract**—This article was made with aim to criticize many legal reviews that happened because of the payment towards various property by using virtual currency such a bitcoin or known as cryptocurrency which arose crime method of digital money laundering. The study was implemented with normative method which involved with library study and there also approach in legislation issues along with conceptual approach that is money laundry concept, and cryptocurrency concept. The result of this article was the technology just like two sides of coin which had positive value and negative value. It arose new crime and also renewed the existing crime with more sophisticated concept like the problem that conveyed in this article concerning digital money laundry by using digital media and payment facility with virtual currency which had not had legislation yet and for it needed footprint digital for tracking digital money laundering. Conclusion, there were some lacks in tracking digital money laundering by using footprint digital media that need to be supported by all country and they have to work together against money laundering with arrangement of anti-money laundering.

**Keywords**—*digital money laudering, technology*

## I. INTRODUCTION

Money laundering is a crime that has big effect for a country. Its big effect making money laundering admitted as extraordinary crime by all world besides its effect, money laundering is not a crime which is easier to be tracked by looking its form or its crime method even for its existence because the influence of technology which is more sophisticated.

Technology has strong influence to the nowadays society and also countries. The development of technology influences the development of some sectors such as politic, economic, social culture and also the developing of criminality, but the legal instrument to prevent and fight against the criminality its self is not sufficient which is easy for a person, group or corporation to do crime by producing more wealth. The affect of technology making money laundering is easier to do in some countries at the same time. It could be categorized as group activity of organization (Activities of Transnational Criminal Organization). The characteristic of this crime is the high mobility with exclusive of organization network which supported by sophisticated of operational management. Modus can be done well by organized crime.

For more sophisticated of criminality network is created more difficult to prevent and fight against this crime. There many crimes in the media social by using virtual currency to pay property which altered its illegal result to become money and legal asset. Website is like Bitcoin Real

Estate offers everything such as suite penthouse and luxurious house even private island (160 hectare). it's all option can be bought by bitcoin. Unlike cash purchase is to follow the regulation and supervision, the property bought by cryptocurrency is not inspected carefully because cryptocurrency is not arranged by bank or government.

## II. RESEARCH METHODS

In this legal research, researcher ephasized to normative research by using Doctrinal research and Reform-oriented research. Doctrinal research is the research based on the library-based, by focusing on reading and analyzing from primary and secondary regulation. Reform-oriented research is the way to analyze regulation of statute which relates to the problem would be discussed in writing this dissertation.

In this legal research, researcher used approachment:  
 1. Statute approach Statute approach Is implemented by analyzing all statute and regulation which relates to legal issues, such as UU No. 15 year 2002, UU No.25 year 2003, statute of Indonesia Republic Number 18 year 2003 is about lawyer (paper of nation of Indonesia Republic Number 49, added paper of nation of Indonesia Republic Number 4288) statute of Indonesia Republic Number 30 year 2004 is about position of notary (paper of nation of Indonesia Republic year 2004 Number 117, added paper of nation of Indonesia Republic Number 4432); statute No. 8 year 2010, statute of Indonesia Republic Number 5 year 2011 is about public accountant (paper of nation of Indonesia Republic year 2011 Number 51, added paper of nation of Indonesia Republic Number 5215), statute of Indonesia Republic Number 2 year 2014 is about the change of statute Number 30 year 2004 is about position of Notary (paper of nation of Indonesia Republic year 2014 Number 3, added paper of nation of Indonesia Republic Number 5491), and also statute or regulations related. hopefully the result of the study could be argument to analyze issue that faced through legis ratio, ontology basis, philosophy basis which is found to come into being that statute. Peter Mahmud Marzuki argues that ontology basis and philosophy basis are related to the statute totally, legis ratio is in connection with an statute to answer the legislation issue that researcher faced.

In this research conceptual approach is used to analyze concept, to argue what concept would be studied such as money laundering concept, cryptocurrency concept.

### III. RESULTS AND DISCUSSION

#### A. Money laundering as Transnational criminal

Jacques Gelinias in his book juggernauts politics: Predatory Globalization have differentiated the development of world economy into three steps:

- a. Mercantilism era in 1497-1763
- b. Capitalism expansion era in 1763-1883
- c. Multinational corporation era in 1883-1980 [1].

Mercantilism era was begun by the cruise of Europe trader to some continents, such as Bartholomeus Diaz sailed to Africa continent in 1488, then Christopher Columbus in his cruise found America continent in 1492, and also Vasco Da Gama sailed to east India in 1498. Mercantilism century was the century where past international trade used colonial domination to deplete nature resource and human resource of the colony which effected the colony became poor and left behind.

Meanwhile capitalism expansion century was the advanced of mercantilism century where the physical colonization was not the priority but emphasized the authority and monopoly for the outcome of production that marketed to some efflorescent country by using unequal trade system, where the system put efflorescent country as the consumer, monopolistic and exclusive was especially about social and moral aspect. As the result of capitalism the efflorescent century was totally poor but more wealth for advance country. In the modern capitalism century was raising new countries and independent which made trade system was prosecuted for equal treatment and inclusive between countries. Then modern capitalism century developed to be post-modern capitalism century where viewed the future concerning the effect of modernization towards environment, health, nature resource, and the development of technology information and technology biology and medicine. In this century signed by advanced of multinational business or multinational corporation in the world. The various development of world was signed globalization era, moreover in various area was inclusive and freedom which effected to the change in various aspect of life be going on quickly. Globalization effected to inclusive information which made economy activity becomes inclusive and most people could be making a deal wherever and whenever. Indonesia cannot avoid the the influence of globalization as one of legal country which is still raising. Marwan Effendy argues that in a country, social legal or called as sociale rechtstaat said that the role of country or government is not only doing authority, duty, responsibility in security and orderliness but also to take responsibility in creating prosperity and justice for its society.

In achieving the aim of a country to create prosperity and justice is written in exposure of UUD 1945 fourth paragraph, needed a theory to support it which is construction law theory.

Necessary of construction law theory is based the following reasons:

- 1) Construction law theory is a theory that produced by Indonesia people based on dimension and culture of

Indonesia society, and its application would be adapted with condition and situation of Indonesia society.

- 2) Construction law theory referenced to life of Indonesia society based on characteristic of Pancasila which is norm, principle, institution, rule be found in construction law theory have encompassed structure, and culture.
- 3) Construction law theory gives basis function of law as tool to reform society and law as a system is needed for Indonesia as efflorescent country.

According to reference [2] last reason of construction theory where law as tool to reform society or called law as tool of social engineering although it is still agree with national law construction however it needs to be equipped with empowerment of beaurecratic (beaurecratic engineering) by giving priority to the guide or leadership concept and as the result function of law as a tool of engineering is able to create harmonization between element of beaurecratic and society in institution called beaurecratic and social engineering or abbreviated to BSE.

In the development of globalization which is occurred in Indonesia, this construction law theory is expected to be aim of the society and also achieved by advancement, inclusive, technology and education which is based the globalization era.

For more development in education and technology costs more development in crime and becomes difficult to be coped because there are development of methods and ways which is done by criminals in doing crime through transnational crime. Technology facilitates to get connected although in the different distance and country which enables to make a deal in other country at the second. That Facilitators costs various crime which is crosse over country for example money laundering crime.

Every anxieties above are not only felt by Indonesia its self but also to be anxiety of the world which could be described in High Panel of Threat report that formed by Kofi Annan secretary general of PBB states as follow:

The principal challenge in 21th century is how to make new wider understanding and harmonize every various development which means collective security including responsibility, commitment, strategy and institution which is related, when collective security is made to become effective, efficient, and equitable. However, in 21th century there is no one nation that really takes step alone. Collective strategy, collective institution, and collective responsibility could not be dissociated. Collective security concept at this time stands on three basis pillars. The threat at present does not know border of country, has related and needs to be overcome not only to national level but also regional and global level. No one nation is capable with their effort, free from the existing threats. We also cannot regard that every nation is capable or available to fulfill responsibility in protecting its society and not harm other country.

High panel report have decided six threats and challenges as follow: (1). Social and economic threat, including poverty, infect disease, and environment defect. (2). Nations conflict. (3) Internal conflict, including civil war, genosida, and national crime. (4) Nuclear weapon, radiology, chemistry, and biology. (5) Terrorism. (6) Organized transnational crime.

In effort to against threat and challenge that have decided in high panel report towards collective security anticipated multilateral by convention of PBB against organized crime (United Convention Against Transnational Crime, 2000) or well known as Palermo Convention and then ratified by Indonesia with statute of Indonesia Republic Number 5, year 2009. the convention decided five core crimes which are corruption, money laundering, human trade, human illegal, and weapon illegal, and besides five core crimes convention have decided two additional crimes which are participation and obstruction of justice.

the five type of threats and challenges (transnational crime) are regrettable because it could not be prevented or taking action cause there is different of characteristic and operandi modus of each crime, and the main similarity between five type of organized transnational crime is the principle purpose to obtain financial advantage by doing exploitation of nature and human resource which becomes crime object.

Money laundering crime have become concern of international because its development and case was wider every year. IMF stated money laundering in every country achieved about 3-4% from world GDP, in 1996 statistic presentation have shown the price about \$ 590 billion to \$ 1.5 trillion and lower price was equal with economy devisa of Spain, meanwhile FATF insisted money laundering have achieved \$ 500 billion per year, then parliament of England have estimated money laundering in its area was £ 650 billion.

In the member of OECD country was more from Europe Union and also Japan with total price of money laundering was 12.7% from GDP in 1998 total price was \$ 2.004.9 billion, then in 2001 was raising to \$ 3.402.7 billion or 16.7%, it was more from tax and smuggling. Money laundering has been difficult fought by government because there was various new method of money laundering everyday. It has been distinct seen at this time where advancement of technology also brought bigger effect toward payment method which used by society especially doers of money laundering by using virtual cryptocurrency.

#### *B. Influence of Cryptocurrency toward Money Laundering Crime*

Money laundering was advanced crime which belonged to white collar crime and based on that case the doers of money laundering were educated people which made development of crime method was more advancement every day. Doers of money laundering with their abilities they had which made theme easier to accept a new payment method by using technology called as virtual currency which had no special regulation to arrange it.

One of virtual currency was cryptocurrency which defined as open source, price transfer connection point to point (P2P) and relied on evidence of cryptography to validate transaction and give consensus about connection activity without rely on third side, like bank or other finance institution. Cryptocurrency was function as 'digital cash' with P2P, transfer between two sides immediately, as many as two people could change fiat physical currency, but without the same limit of room and distance.

Bitcoin was the first cryptocurrency of world that created in 2008 by Satoshi Nakamoto developer of software.

It did not attract society's attention but then became famous as the economic phenomenon. Bitcoin was the effort to activate "electronic case" as alternative for conventional banking in the crisis of global finance. When it was released in 2009, digital currency obtained less price than one cent AS per coin. Now, vjust nine years later, one bitcoin obtained price \$ 20.000, and capitalization of cryptocurrency trade was price more than \$ 200 billion. Many criminals in media social used virtual currency to do payment of property and changed the illegal product to be legal money and asset. Website is like Bitcoin Real Estate offers everything such as suite penthouse and luxurious house even private island (160 hectare). it's all option can be bought by bitcoin. Unlike cash purchase is to follow the regulation and supervision, the property bought by cryptocurrency is not inspected carefully because cryptocurrency is not arranged by Bank or government. Various advantage and in form of digital was the additional price for doers of money laundering like a case in 2017 occurred in U.S. which was done by Russian namely Alexander Vinnik accused as brain of digital money laundering crime as price as \$ 4 billion. He was presumed as operator of BTC-e, since 2011 the trade was used to bargain digital currency bitcoin, which used to lauder more than \$ 4 billion for involved people of crime was like hacking computer and drug trade. U.S. authority also related it with Mt Gox's failure, in 2014 bitcoin trade of Japan base collapsed after hacked. Vinnik obtained fund from hacking of Mt Gox and laundered it through BTC-e and Tradehill, and his own other trade of San Francisco base, they said in that statement.

Because the characteristic of bitcoin or cryptocurrency was more efficient and more privacy which created a worry for economists because in some years later there will be inviting criminals to offend trade of global property. Besides of economists worry, it was also felt by many country. Digital footprint is the solution to track money laundering.

It is possible because it had written before that bitcoin or cryptocurrency defined as open source, price transfer connection point to point (P2P) and relied on evidence of cryptography to validate transaction and give consensus about connection activity. Implementation of digital footprint involves verification tes that provided by various OFSP, to make sure that identity verification steps for every trade of electronic transaction are maintained, and is the standard obtained totally could be avoid by giving fake information. At last there should be prohibition for every provider service that arranges and trade cryptocurrency and and digital currency in employing proksi undercover of software when user makes or buys account or sells Bitcoin or other cryptocurrency. Besides that, there need to be integration information resource of Bitcoin account with other form of date identification that collected from external resource, like email address, credit information which makes esier to track Bitcoin transaction to the real life of user. But it all could be done with work together and global ommitment because the characteristic of money laundering is transnational crime that involves various jurisdiction.

#### IV. CONCLUSION

Bitcoin was the first cryptocurrency, but not the only one. In last some years, developer have created new protocol cryptocurrency, like Zcash, Manero, and Dash with privacy

vitur that made it difficult to be tracked by using blockchain analysis technique especially Monaro.

Good privacy can be priority vitur in employing legal cryptocurrency to grow, but this should be equal with maintenance of law to track transaction in some conditions. Some years later, maintenance of law of cyber crime should have ability of technology to against their illegal using, and regulator should understand risk which is rose by this anonymous cryptocurrency.

It is possible to identify and insist doer of money laundering through digital footprint with transaction history analysis by tracking their transaction which uses Bitcoin. At last there should be prohibition for every provider service that arranges and trade cryptocurrency and and digital currency in employing proksi undercover of software when user makes or buys account or sells Bitcoin or other cryptocurrency. Besides that, there should be integration information resource of Bitcoin account with other form of date identification that collected from external resource, like email address, credit information which makes esier to track Bitcoin transaction to the real life of user. But it all could be

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By putting into effect of finance sanction is targeted to online service provider which is not agree with regulation of anti-money laundering, and all country should work together to control transaction, country is totally ready to against new threat of white collar, cyber crime, and financing activity of terrorist and the offender will be punished effectively.

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