

Technology Transfer and its Role in Anti Money Laundering System go-AML a Model¹

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ABSTRACT

The phenomenon of globalization and global openness and the increase in the volume of electronic commerce and financial transactions, as well as the acceleration of the rates of great technological progress in many areas, especially financial and banking, and the digital transformation, which is accelerating, have contributed to the spread and growth of the crime of money laundering, which requires the supervisory authorities to keep pace with these developments and the use of technology. The same oversight aspect to reduce that crime. The research concluded that the process of technology transfer of the electronic reporting system in Iraq is one of the most important control systems related to combating money laundering and terrorist financing, which provided a direct and confidential means of communication between the office and reporting officials in banks and their counterpart units, with the aim of providing information by those officials to The office on the one hand and commitment to the directives that the office gives to those responsible, which increases the bonds of cooperation and reduces the time and effort in achieving the goals that both seek, in addition to that it provided the ability to follow up the movement of capital within the banking sector, classify clients and protect the confidentiality of whistleblowers. While the research recommended that the development of effective anti-money laundering programs should not be optional, but that financial institutions should meet the regulatory requirements of the sectoral authorities in this field, and the use of new technologies is the best way to remain committed as well as adopt a risk-based approach and examine clients to ensure that they are suitable to do so. Doing business with them, in addition to the need to take legal measures against banks that have not worked to send reports on the electronic reporting system until the present time.

Keywords: *Technology transfer; money laundering; technology development risks; go-AML system*

INTRODUCTION

The emergence of globalization and economic openness, the growing effectiveness of international capital markets, and the spread of expatriate banking centers in many countries of the world made it easy for capital to move across different countries. And the international, which made the issue of compliance in banking and non-banking financial institutions a major challenge as a result of the risks resulting from non-compliance and the lack of actual application of the specific regulatory controls and the policies and procedures established by the institutions themselves are no more than a few papers in the drawer, which are supposed to be aimed at combating This crime, and despite the great efforts made by the supervisory authorities around the world to combat money laundering and terrorist financing, these organized crimes still take a wide global reach and have a cross-border impact, as thorny and complex methods are resorted to due to financial technology innovations and the growth of banking services. Hence, those concerned with combating these crimes must attach great importance to this issue in order to overcome this dangerous scourge

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by identifying the modern technologies used in these crimes and how to confront them using the same technologies, as the financial sector is witnessing rapid stages of digital technology development on the In an unprecedented manner, and although the Iraqi banking sector has made good strides in keeping pace with digital technology, it faces risks of another kind represented by money laundering and terrorist financing, similar to the banks of the world as well, and accordingly new dimensions of electronic financial crime were born, which has become a complex international phenomenon due to digital technology.

Research problem

Since the events of 2003, Iraq has been suffering from the spread of the phenomenon of financial corruption and organized crime, and a significant weakness in the transfer of control-related technology to public and private institutions in order to reduce these crimes, which are eroding the Iraqi economy and have significant negative effects at the local and global levels.

Research hypothesis

The research stems from the hypothesis that "regulatory technology plays an important role in reducing the crime of money laundering in Iraq

Research aims

The research seeks to achieve the following:

- 1- Knowing what technology transfer is.
- 2- What is the crime of money laundering and its stages?
- 3- Statement of the risks of technological developments in the banking sector.
- 4- What is the go-AML system and its role in combating money laundering
- 5- A positive statement of the application of the go-AML system

Research Methodology

For the purpose of proving or denying the research hypothesis on the one hand and achieving the research objectives on the other hand, the researcher used the descriptive approach.

Technology transfer

The term technology carries with it many questions about the nature of its concept and content, as there are many concepts related to it, as it is defined as a set of techniques, skills, knowledge, methods of making and using useful tools and things that the country can attract or know, while some international organizations and institutions such as the United Nations have made it clear that Technology represents the total knowledge and applied practical methods that allow achieving a specific goal on the basis of mastery of basic scientific knowledge, that is, it lies in the knowledge associated with applied scientific methods that make it possible to use the results of research that includes services and other administrative, organizational and social activities, with the aim of reaching methods It is assumed that it serves the community and tries to develop it in various fields (Quraysh, 2000: 86)

And by virtue of the positive effects that technology leaves that are reflected in the overall activity, countries began to think about transferring technology since the second half of the twentieth century, as the United Nations and its affiliated bodies called for the need to move towards making efforts to transfer technology from countries with advanced technology to countries with less technology. On the basis of this, developing countries began to transfer technology to their home countries through the purchase of physical capital, until the situation reached them to buy fully ready factories away from their view of the other side of technology, which takes a greater dimension than being represented by physical capital, but rather the knowledge and human capital that concentrates It depends on knowledge, awareness, know-how, creativity and innovation, as well as the social environment that incubates and manages it, the extent of the ability to localize it, and the basic requirements through which technology can be transferred and adapted (Wahab & Rose, 2012: 62)

Based on the foregoing, technology may be machines, equipment, and capital goods, or it may be in the form of knowledge related to the use, maintenance, and development of physical capital, and the conversion of scientific research abstracts and inventions into practical applications that contribute to the development of the economic, social, political, and regulatory structure in the country. This type of technology partially introduces us into what is known as technology transfer, which enables the exchange of technical information in a way that facilitates its scientific application.

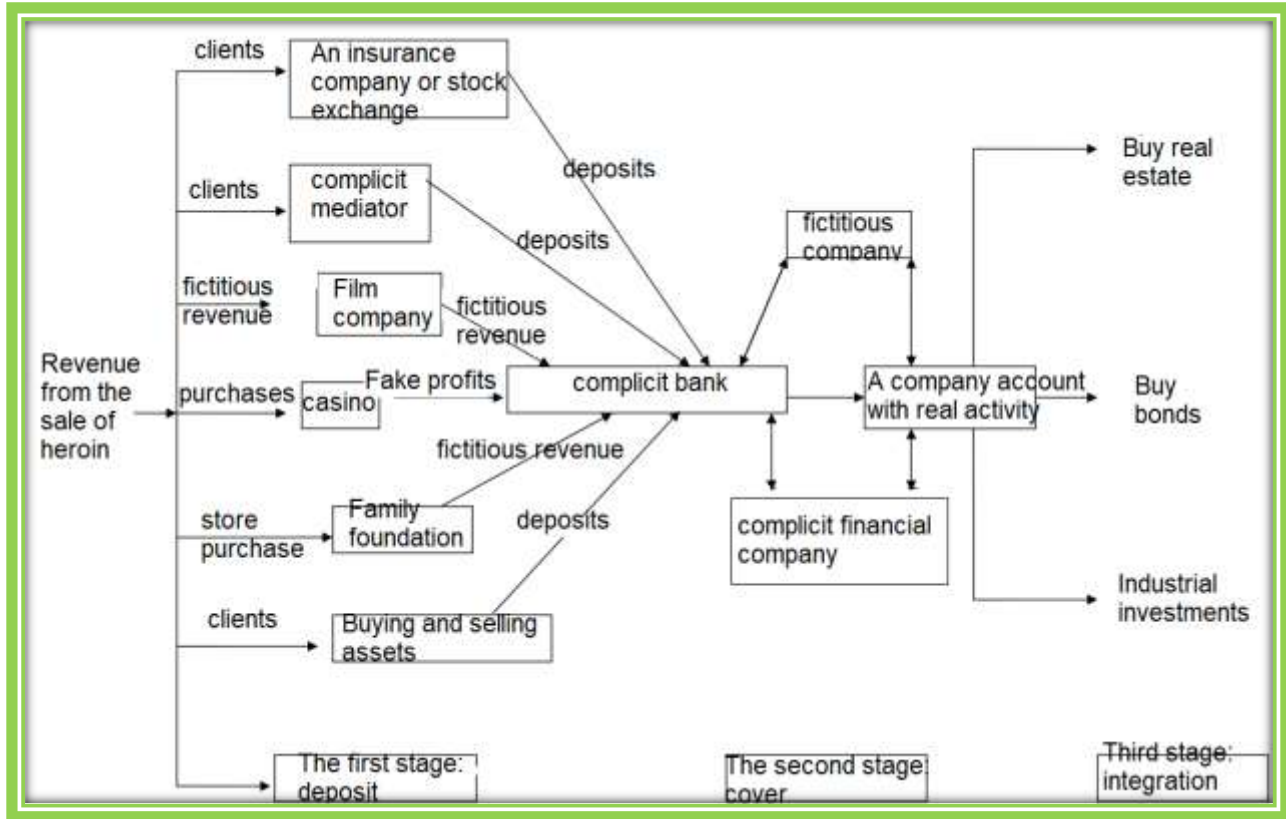
In our research, we focus on a specific aspect of technology, which is information and communication technology, which is a set of tools that help in receiving, processing, storing, retrieving, printing, and transmitting information electronically, whether in the form of text, sound, image, or video, through the use of a computer. This technology is scientifically intensive, in addition to the level of capital employed in it, and is limited to a few companies at the international level (Al-Zoubi et al., 2007: 4)

The focus on this aspect of technology came with the aim of strengthening the supervisory side and its role in combating crime in the Iraqi economy in general and the banking sector in particular. As information technology has become at the present time playing a leading role in the development of scientific and technological progress, and by means of this technology it was possible to manufacture various devices that take upon themselves the management, monitoring and analysis of information and carrying out some of the functions that were performed by man.

Money laundering crime and technological developments in the banking sector

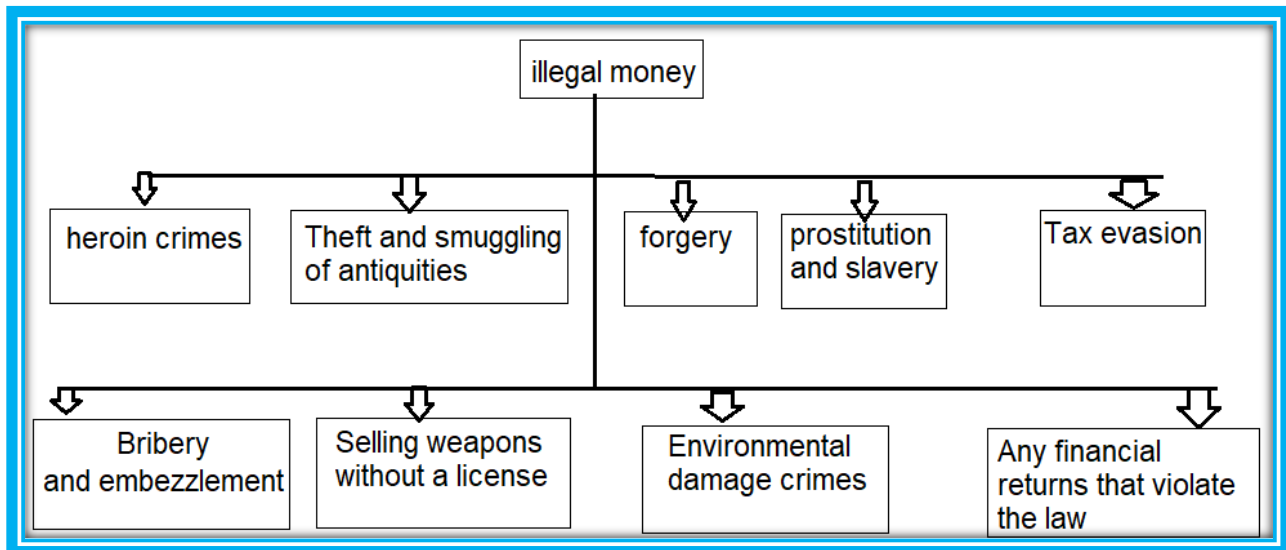
The historical roots of the crime of money laundering go back thousands of years, as in the past, merchants resorted to laundering their money by inserting it into investments outside the country in order to avoid confiscating it from the rulers on the one hand and legitimizing it on the other hand, and with the diversity of illegal activities (drugs, murder, theft) and the use of gangs The mafia has it, and as a result of the huge amounts of money these activities provide, in light of the difficulty of keeping this money inside the banks, these gangs resorted to establishing what is known as front companies in order to legitimize their money and show it as the profits of those companies. Accordingly, money laundering means that it is a set of overlapping financial operations carried out by money launderers to hide the illegal sources of their money and convert it into legitimate money after they show it in the form of money collected from legitimate sources. This money goes through three main stations. The first is deposit, that is, physical disposal of money. And then the stage of coverage by carrying out several complex financial operations, leading to the stage of consolidation, in which it entered the economy as if it were legitimate money (Kumar, 2012: 114). The researcher can explain this as follows:

Figure (1) Stages and methods of money laundering



Accordingly, there are many sources of illegal funds, which can be shown in the following figure

Figure 2: Sources of illegal funds



The prevalence and growth of money laundering is due to many factors and causes, the most important of which is the phenomenon of globalization and global openness, the increase in the volume of electronic commerce and financial transactions, as well as the acceleration of the rates of great technological progress in many areas, especially financial and banking, and the digital transformation that is accelerating with the weakness of the banking supervisory systems to reduce this crime. Weak supervision of financial institutions and others in light of economic openness and expansion of modern means of communication and the rule of freedom of capital movement between countries and with the growth of electronic commerce via the Internet, this increased the exacerbation of that crime under the pretext of administrative complexity and corruption, in addition to the spread of free financial centers such as the Cayman Islands, free zones and countries with Safe havens in which the means to combat this crime are weak (Wheeler, 2021: 3)

The banking sector has witnessed great and rapid developments in the field of technology and the increasing reliance on it, and the heavy use of it has begun, especially information and communication technology, as well as in the field of financial services in terms of systems, applications and modern payment methods, through which it is possible to provide financial services that are highly efficient and that contribute positively to attracting customers. It increased the ability of money launderers to use these developments in their favour, as the means of electronic payment diversified rapidly and very large, and plastic cards appeared in various purposes and types with pre-payment and linked to a bank account, travel and tourism cards, promotion and marketing cards, etc., which enabled the holder to use them in multiple fields and for different purposes, especially Cards that are not linked to a bank account, which increases money laundering operations, in addition to that the emergence of digital money, which is a safe haven for money launderers, which is widely used in the world at the present time, down to the method of payment by electronic checks, which increased the levels of risks of banking technology that can be used in violation of the law.

The multiplicity of channels for delivering electronic banking services had a major role in the high levels of money laundering risks. Despite the great developments that this technology helped in the financial aspect, it came at the expense of the high level of risks associated with it. There is no doubt that anti-money laundering issues have an advanced position in terms of international attention, especially in light of the risks and challenges that the world is witnessing at the present time, which is characterized by the interdependence of its economies as a result of globalization and the development of electronic payment systems that allow the possibility of moving money very quickly between countries, which makes it difficult for the authorities Law enforcement to combat that crime. Despite these continuous efforts, however, there are still great difficulties in dealing with developments in the financial affairs, whether as a result of the expansion of the formal financial sector in providing services and improving financial inclusion, or in terms of shadow banking, which is carried out by non-banking institutions and provides mediation activities. Financial, in addition to the rapid development of financial technology services and companies that provide innovative solutions for various financial services and activities that simulate what is offered by the banking sectors, and may seek to act as an alternative to banks, which constitutes a major threat to the regulatory agencies, which should be guarded against, and all measures taken. Precautionary measures that achieve the safety, stability and integrity of the banking sector (Demetis, 2010: 3-7)

Anti-money laundering technology in Iraq

The efforts of the Iraqi government in combating the crime of money laundering and terrorist financing began to improve, and the Central Bank made that crime one of its priorities, which reflected positively on the level of confidence of international organizations in Iraq and opened opportunities for international financial institutions to enter Iraq on the one hand, and the high level of Iraq's international standing in combating that crime. As a result, the International Financial Labor Organization removed Iraq from the list of countries that failed to combat that crime. In 2015, Iraq issued Law No. 39 criminalizing money laundering and terrorist financing, and established a council and offices to combat that crime, as the council became the authority that undertakes the task of supervising compliance with the laws, and Article (8 first) of the above law granted the office moral personality and financial and administrative independence. And the responsibility for supervising its work has become within the powers of the Council, and its

tasks have become to receive notifications and suspected complaints, analyze the data contained in the complaints, exchange information with local and international security services and other control authorities, supervise and control banks and financial institutions, provide advice and training, and issue circulars to all banks and non-bank financial institutions licensed in Various issues related to combating that crime and coordinating with the relevant authorities (integrity, the judiciary, the National Security Agency, the Directorate for Combating Economic Crime) to follow up on suspicious operations (Central Bank of Iraq, 2014: 32)

And after Iraq made a great stride in combating money laundering and terrorist financing, starting with the measures taken by Iraq during the previous period, which resulted in Iraq officially exiting from the status of enhanced follow-up to the regular follow-up or what is called (updating every two years), and since the Republic of Iraq underwent the first evaluation process Participated during the year 2012 to evaluate the anti-money laundering and terrorist financing system that was operating in accordance with the provisions of the Anti-Money Laundering Law No. 93 of 2004 (in force at the time and currently canceled), and based on the results and outputs of the evaluation report submitted by the resident experts at the time, the Republic of Iraq was included in the list As a result of identifying strategic deficiencies in that system, and as a result, Iraq took a series of corrective measures for the AML/CFT system to ensure its compliance with international standards and recommendations, in light of the action plan and follow-up with the International Review Team of the Financial Action Task Force (FATF). In addition to some local requirements for the purpose of combating these crimes, and these procedures began with the issuance of Law No. 39 of the aforementioned, which is one of the most recent laws in the region and in compliance with international standards, in addition to the issuance of many regulations, instructions, controls, generalizations and relevant guidelines, and the Republic of Iraq presented it to the general meetings of the group (9) Reports during the period between 2013-2018, which included the intensive procedures and efforts that were made in order to fulfill the shortcomings that were diagnosed in the system. After discussing the above reports and completing the work plan and follow-up with the international review team with the FATF, those efforts culminated and the field visit achieved during June 2018 officially exited Iraq from the status of enhanced follow-up to regular follow-up, especially after we have a solid legislative base and the control and supervisory authorities have been identified for each sector of The sectors included within that system, for the purpose of exercising their roles in monitoring and supervising related activities and following up the extent of compliance of the entities subject to their supervision and supervision with the above law and related controls, and how to tighten control in a way that contributes to monitoring suspicious financial activities and reporting them to the office, as well as developing capabilities in order to enhance the increase in the number of reports Suspicion submitted to the Public Prosecution and the support of the investigative and judicial authorities to prove suspicions of money laundering and terrorist financing or not (<https://aml.iq>). After all these efforts, and with the approaching date of mutual evaluation, an unfortunate incident occurred, and the banking sector was exposed to a crisis of confidence between it and the international and local regulatory circles, against the background of what is known as the theft of the century, to lead to its delusion of all these efforts due to the complicity of the banks concerned in that, in which the Central Bank took firm decisions and under the supervision US treasury.

In order to enhance the supervisory aspect of AML/CFT operations, the competent office has acquired a modern system (technology transfer) known as the go AML system, as this system is an integrated software solution that was developed by the United Nations Office for Drug Control. and crime, to be then used by financial intelligence units with the aim of collecting, managing and analyzing data to determine trends in money movement. This system is set up to receive, process and analyze reports submitted by financial institutions or other entities in accordance with the requirements of local anti-money laundering laws and regulations and international standards. These reports and other information collected by the FIU often provide the basis for investigations into money laundering, terrorist financing and other serious crimes, and it is currently approved by 60 FIUs around the world.

Picture (1) shows the main interface of the system



Source: Anti-Money Laundering and Terrorism Financing Office, official website <https://aml.iq/>

Despite the live start of using this system in banking circles, some banks suffer from the problem of preparing the reports required by the office, which negatively affects the office's work system in tracking the movement of funds between banks. With regard to his reports that have been identified for the purpose of receiving them through this system:

- Cash Transactions Report (CTR): which is sent on a daily basis to the office for all daily financial movements of the bank that exceed (10,000) dollars or its equivalent in Iraqi dinars, whether it was done in the form of one time or in retail.

Suspicion of STR money laundering report: This report is sent by the money laundering reporting officer in the bank in the event that a financial transaction was formed, so he must notify the office of that, along with attaching all the elements of the suspicion and the suspect's information, including identification documents, his bank account record and any information useful so.

- Suspected Terrorist Financing SAR Report: This report is sent when there is suspicion of a financial movement intended to finance terrorism, provided that the above-mentioned is sent.

- AIF information request report: sent by the office to the reporting officer in the bank for the purpose of providing information on the natural or legal person subject of the request.

Benefits of using go-AML

There are many benefits of using the electronic reporting system, and they can be summarized as follows:

- 1- This system provides a direct and confidential means of communication between the office and the reporting officials in banks and their counterpart units, with the aim of providing information by those officials to the office on the one hand, and adhering to the directives that the office gives to those officials, which increases the bonds of cooperation and reduces time and effort in achieving the goals that are set. Both seek it.
- 2- Upgrading the operational level of the Reporting Department to a large extent, as well as raising the level of its ability to deal with the office in a highly confidential manner.
- 3 - Sending suspicious notifications very quickly, in addition to being more secure than the traditional paper method.
- 4 - The ability to obtain information from the office and the department is characterized by ease, ease and speed in performance.
- 5 - The office classifies the banking system's clients in general according to the risk-based approach and the possibility of monitoring any suspicious operations that the reporting officer did not have the ability to realize or deliberately overlooked, and this is what the CTR report provides.

- 6- Obliging banks to apply due diligence towards their customers, to accurately identify the true beneficiary of bank accounts, to collect all his information and submit it to the universal banking system, as it represents the database of the electronic reporting system, as any deficiency in the beneficiary's data could hinder the acceptance of the report sent to The office weakens its oversight role in tracking the movement of funds.
- 7 – The application of this system reflects a positive image of the supervisory authority in Iraq in combating money laundering and terrorist financing, which positively affects its international standing in this aspect in general and the degree of its expected mutual evaluation in the second half of 2023, which we passed above.
- 8- The success of applying this system enables the supervisory authorities to expand its application in other non-banking financial institutions.
- 9 - Preserving the confidentiality of information exchanged between the two parties to the system, which reduces cases of administrative corruption that greatly affects reporting officials and may lead them to leave the position or cover up operations marred by a kind of suspicion of money laundering.
- 10 - Effectively rooting the independence of the reporting department, as a result of severing the traditional link between the office and the department, and only communicating through this system, which gives a good space for the reporting officer to implement all his legal duties.
- 11 - The institution's inability to identify the information exchanged between the office and the department on the one hand, as well as its ability to enter the system due to the presence of technological barriers represented by the user name and the password of the reporting officer or his representative.
- 12 - The possibility of monitoring retail deposit operations in various Iraqi banks, especially for one customer, which gives an indication of suspicion of money laundering, and then the possibility of requesting information and data related to him and submitting them to the Public Prosecution, if the office confirms that.
- 13 – Establishing a very large database for all bank customers, and then the possibility of analyzing data and collecting facts by accessing links among suspected customers.
- 14- Reducing the use of the banking system in money laundering operations due to its effective precautionary measures that are difficult for money launderers to bypass, unless there is collusion between the money launderers and the banking institution.
- 15 – Reducing the cases of financial failure that may affect the banking institution in which the anti-money laundering measures are weakened by asking the office for reinforcements related to the deposited funds, which can be monitored very quickly by it, which makes that institution fully prepared to implement this part at the very least. Avoid sudden withdrawal of funds by money launderers and threaten their liquidity position towards regular customers.
- 16 - Reducing cases of concentration of deposits under one type on the one hand and not increasing the volume of bank reserves with the Central Bank on the other hand, and this is due to the effectiveness of the electronic system in monitoring and the weak collusion of the institutional body with money launderers.

CONCLUSIONS

1- The process of technology transfer of the electronic reporting system in Iraq is one of the most important control systems related to combating money laundering and terrorist financing, which provided a direct and confidential means of communication between the office and reporting officials in banks and their counterpart units, with the aim of providing information by those officials to the office from side and adhere to the directives given by the office to those responsible, which increases the bonds of cooperation and reduces the time and effort in achieving the goals that both seek.

2- Technological developments, economic openness, globalization, and the development of electronic payment systems that allow the possibility of moving money quickly between countries have played a major role in increasing the level of money laundering risks on the one hand, and the difficulty of law enforcement agencies in combating that crime. Despite the continuous efforts in this regard, there are still great difficulties in dealing with developments in the financial affairs, whether as a result of the expansion of the financial sector in providing services and improving the levels of financial inclusion.

3 - Iraq has come a long way in combating money laundering and terrorist financing, starting with the measures it took to approve the law criminalizing money laundering and terrorist financing in 2015 and other control measures represented in policies and procedures and the acquisition of electronic examination systems, which contributed to Iraq's official exit from the enhanced follow-up mode. To the regular follow-up in 2018 after it was on the gray list.

4 - The go-AML electronic reporting system, which was acquired by the Anti-Money Laundering and Terrorist Financing Office and imposed on licensed banks, had a major role within its second phase in providing the ability to follow up the movement of capital within the banking sector as well as classifying customers and protecting the confidentiality of whistleblowers.

Recommendations

1 - An effective AML compliance program should be multifaceted and highly dependent on technology as a minimum, institutions need to build a training program for employees and establish an advanced screening system.

2 - The development of effective anti-money laundering programs is not optional, but financial institutions should meet the regulatory requirements of the sectoral authorities in this field, and the use of new technologies is the best way to remain committed as well as adopting a risk-based approach and examining customers to ensure that they are suitable to do business with them .

3 - The need to apply artificial intelligence to everything in the financial ecosystem, from cybersecurity to data management, with the aim of reducing the risks of money laundering, making compliance efforts more effective and less time-consuming.

4 - The need to take legal measures against banks that have not worked to send reports on the electronic communications system until the present time.

5- The need to include non-banking financial institutions in the application of the electronic reporting system in the next stage, after providing the appropriate environment by the supervisory authorities.

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