**THE ROLE OF ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING IN BANKING OPERATIONS AND ITS REGULATION IN THE EUROPEAN UNION**

**Abstract**

**Purpose:**

This research has been providing an introduction to the topic related to the role of AML and CTF in stopping financial crimes such as money laundering in the EU. Hence, the growing issue related to money laundering and its effect on economic performance has been discussed and the aims and objectives and research questions have been formulated to gain relative information about the topic.

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# Chapter 1: Introduction

## 1.0 Introduction

The rise of financial fraud has been observed to be rising rapidly in this current age. Therefore, the priority on securing the financial aspect also increasing to deal with problems like financial fraud, money laundering, and terrorism-related funding. This research has been focused on research on this topic about the “role of anti-money laundering and counter-terrorist financing in banking operations and its regulations in the European Union”. Hence, the background of the research with rational aims and objectives, research questions, problem statement, and significance along with a synopsis of the chapters and summary.

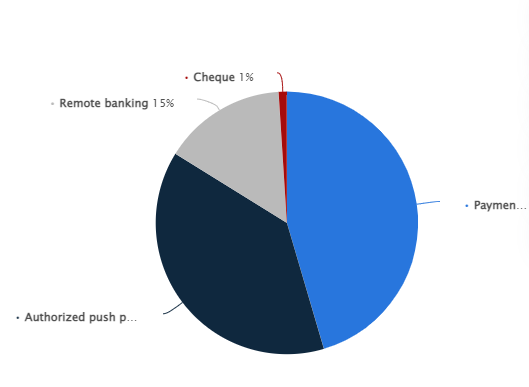
## 1.1 Background of the Research

Financial crimes are observed to be increasing in the banking and financial sectors in a rapid manner. Financial crimes are creating a serious impact on the economy by creating financial deficits end economic loss. Based on the view of Gilmour (2022) money laundering is considered the conduction of corruption or the hiding of money that has been earned from illegal activities. In this context, earning money through criminal activities related to drug trafficking, market manipulation, and tax evasion activities has been observed to be conducted by social criminals with the intention of carrying illegal money with them. These transactions are trans black money as it does not provide tax or conduct in economic benefits. Additionally, these transactions have a negative impact on the economy of a country and violate the legal norms to maintain international stability with the member countries. Therefore, a global anti-money laundering unit has been established to deal with the issues and combat these illegal activities. Therefore, the ***“Suspicious Transactions Reports" (STR)*** are sent to the “***Financial Intelligence Units”*** (FIUs) by different private sectors or the other governmental and financial entities that serve as the protectors of the finance and economy. Hence data shows that approximately 400 “banks and financial institutions'" advocated the action and also reported 7000 deceitful transactions and controlled an entire loss calculated at nearly GBP 70 million (Europol.europa.eu, 2023). Hence, to measure the risk and address the varieties the European Union has been focusing on this assessment on the European Commission. It helps in encouraging the adoption of a global response that counters the risk on a global scale. Additionally, the European Union also enacted strong form regulations to deal with financial crimes. In this context, the commission also focuses on ensuring the proper application of the legislation to work with the networks of competitive agencies.

## 1.2 Rationale

***Anti-money laundering (AML***) and ***counter-terrorist financing (CTR)*** are regarded by the banks and financial organisations as the source of risk prevention. This research highlights the issue related to financial crimes raising dues to money laundering and financial terrorism that affect banks or financial sectors. The ***banking and financial sectors*** face ***penalties*** in case of losing control and also losing the trust of the stakeholders in case of any activities. In this case, as a penalty organisation can face major reputational damage or immediate closure of the firms can happen due to the attack of financial terrorism.

This problem is prioritising as a serious issue by the financial sectors as its effect a country’s economy to a great extent. It rises financial scandals across the f globe and also impacts the financial activities of a country. Data shows that the criminal in the UK, in 2020 managed to steal around GBP 1.26 billion through conducting various fraud activities (Statista.com, 2023). In this context, can be said that this can impact the economic growth of a country along with printing crime and corruption. The below-mentioned figure shows the money laundering activities in various sectors in the UK.



**Figure 1: Financial fraud losses in the United Kingdom (UK) in 2020**

(Source:Statista.com, 2023**)**

It has been observed as a serious issue now in the UK and therefore AML and CTR play a significant role in r timing proper actions to the financing terrorism. In this case, the AML and the CTR have been playing important role in controlling the negative impact of this issue in the financial sectors. Additionally, the price to “banks and other financial institutions” can also be extremely immense without “AML and CTF” observance in terms of “money and credit rating”. Contrarily, customers are urged to rely on “banks and other financial institutions” since they have taken the required protection to defend society and the monetary system, and they handle more safe trading with banks which are AML appreciative (Saleeby, 2023). On the other hand, it has been observed that the adverse effect of money laundering results in the slower economic growth of a country that reduces the efficiencies of the financial sectors. The rate of online crime in payment and transaction processes are increasing in recent times in a huge manner. Data shows that the value of ***“online banking fraud losses”*** fluctuated and was estimated during 2020, to reach approximately GBP 159.7 million (Statista.com, 2023). This data shows the rising issue today has become a prior concern now within the financial sectors as well the government in the UK.

This research helps in understanding the role of anti-money laundering and counter-terrorist financing 2 in corporate Street regulations in the European Union to protect the finance perspectives and banking operations securely and safely.

## 1.3 Aims & Objectives

***1.3.1 Aim***

The aim of this research is to analyse the role of Anti-money laundering (AML) and Counter-Terrorist Financing (CTF) in terms of financial and banking operations and setting regulations in the European Union to deal with financial fraud or money laundering issues.

***1.3.2 Objectives***

* To determine the rules followed by the European Union in maintaining “***Risk-Management”*** in terms of “AML &amp; CTF”.
* To evaluate a proper understanding of the Framework of “AML and CTF embraced in the European Union
* To specify the change in terms of “regulatory instruments” created by “the EBA”, the ***“European Securities and Market Authority***” and the “European Commission”
* To evaluate the strength of security in the context of the money transactions in the county EU

## 1.4 Research Question

* How nicely the AML-CTF Framework is developed to combat financial crime?
* What are the main factors that cause the “European Union” substantial in terms of the standards they embrace against “Financial Crime”?
* What is the strength of security in the context of the money transactions in the county EU?
* How to measure the actions implemented by the various member states in the EU for preventing Financial crimes such as “money laundering” and “terrorist financing”?

## 1.5 Problem Statement

This research has focused on o identifying the new path for extending this study through the significance and relevance of AML and CTF in the European banks, governments and regulators and also on the governments and customers. It also focuses on evaluating how the issues related to money laundering or financial crimes can be controlled or measured in the EU through the assistance of the AML and CTF. Therefore, it also concentrates on “Anti-money laundering” by recognising the details that “drive international” steps to prevent the “financing of terrorists' and “money laundering”.

## 1.6 Significance of research

This research has helped in describing the importance of AML and CTF which play a crucial role in measuring the crypto asset transactions and modifying the regulations in order to deal with the issues related to money laundering or financing terrorism. It has generated a complete idea about the topic and helped in identifying the role of the two agencies to stop money laundering and funding of terrorists. Therefore, this research helps in meeting the goals of closing the loopholes that allow criminals to use the monitor system of a government and conduct illegal activities

## 1.7 Synopsis of Chapter

This research discussion introduction for the background of the research rationale and problem statement has provided a clear idea about the topic. Hence, the second chapter literature review provides the depth analysis of the research topic and provides a complete idea about it. The third chapter methodology provides the details of the method following that the research has been conducted. The fourth chapter's results and discussion critically analyse the topic by providing relevant information related to the topic. The last chapter's conclusion summarizes that topic and contains a brief discussion about the entire topic and also provides recommendations along with future gaps.

## 1.8 Chapter Summary

This particular research has been focused on analysing the role of AML and CTF in order to deal with financial crimes such as money laundering in the European Union. The details of the issue have been discussed in the rationale section and the background also discusses the topic in detail in this chapter. The aims and objectives of this research have been said to provide a proper direction to conduct this research. Research questions are also for formulated to critically evaluate the different aspects of the topic and provide a concrete idea about it. Additionally, the problem statement and significance of the discharge highlighted in this study along with a synopsis of the chapters help to gain a complete idea about the research.

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