Sultan Qaboos University
College of Science
Department of Computer Science
Ethical and social Issues for computing professions (COMP4100)

Online Money laundering

Society Effects and Real Life Applications

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Introduction

Online money laundering is growing significantly. "Electronic retail sales worldwide are estimated at up to $2.2 trillion annually" . So this has enables criminals's money laundering activities to be hidden among large amounts of legitimate transactions. Digital world is nowadays providing new and innovative ways and methods of online money laundering differently than it was in the past. Technology supports online money laundering at the same time it provides the solution to this problem because there are a lot of organizations with modern and advanced technologies that track online money laundering criminals and help to identify suspicious patterns. They use big data analytics by monitoring software to create non-fake links between transactions and launderer, and this is done via external and internal data sources. It enables companies to gain a complete view of their customers and clearly identify unusual or illegal transactions among millions of legitimate interactions (Bell, 2018).

Effects of online money laundering on Society

Money laundering has very few advantages compared to its disadvantages , and these advantages are only reflected on a very small group of people. Where money laundering has become more attractive due to the development of technology with more simplicity, speed, and low cost, some individuals are turning to it to obtain income with less effort since there is no need to create a fake business or other identities, and there is no need to transport goods to maintain the illusion of legitimacy because all of these processes happen online (Bell, 2018).

On the other hand, Money laundering has extremely negative effects on economic , political , and social aspects because it is considered a critical crime operation. To start with economic aspects, it is possible that this sector will suffer greatly from the financial instability in the country, so foreign investors will flee because of the instability in prices and it will affect the credibility of the economy, as well as entrepreneurs will see that it is not appropriate to invest in this country because they take the risks of this country into account. This leads to decrease in investment rates and there will be a long decline in growth (Negative effects of money laundering on the economy, 2021). Also, disguise for money laundering activities slows down the process of solving problems such as budget deficits and high inflation and negatively affects the effective management of the

economy. The stability of markets is also affected, and the economy of one country may decline over other countries (Negative effects of money laundering on the economy, *2021*).

In addition, it affects the revenues that come from taxes which are used for public expenditures. The income resulting from money laundering is the gains that countries do not impose on taxes since they do not have control over it, and this will leads to a huge decrease in tax revenues. If the value of these revenues decreases, it will constitute a deficit for the government to meet the public expenditures. (Negative effects of money laundering on the economy, *2021*).

from political aspects, Money laundering destabilizes political institutions, if a money launderer can keep a large part of the economic gains, he possibly can increase political control and expand his goals. These goals are achieved through bribery or tampering with the elections, which leads to a defect in the country's democratic process (Gjoni et al., 2015).

Among social consequences, governments will spend more money on law enforcement and AML (Anti-money laundering) regulations as a reaction against online money laundering. Correspondingly, public spending decreases which led the citizens to suffer. Likewise, money laundering creates significant problems in the financial system's functioning , since black money causes severe losses to sources of income for many people. The increase of enrichment of specific groups in society causes differentiation in income distribution. The gap between individuals in terms of income distribution raises the tendency to commit crimes for gaining money (Negative effects of money laundering on the economy, *2021*).

Once Corruption and the laundering of money begin, the public and government employees could be encouraged to follow suit. Criminals Should not be incentivised to commit further offences. If money laundering exists in society, then everyone loses out. Finally, governments need to draft efficient anti-money laundering regulations for companies to respond with. Compliance is in everyone's interests for a safe society (Swann, 2019).

Challenges of the ethics issue

During steps of money laundering a number of challenges appear. In the placement phase, criminals are forced to use different techniques to hide the illegal origin of their gains to avoid being exposed. Later on, in layering phase, to conceal the deposit cash origin, a convoluted scheme of cable transfers or alien money orders is used (Villányi, 2021). Money laundering was not facing serious risks in the past. However, after the development of technology and the high rates of online money laundering, it grabs international attention. The explicit extension of the anti-money

laundering legislation is considered a challenge of online money laundering in terms of transactions made by virtual currencies. It puts this phenomenon under the scope of the fintech players and of the supervisory Authorities (CTech, 2021). Furthermore, law enforcement's willingness to track money laundering cases disregard the kind of resources used, besides regulators' capability to trace digital currency (Heim & Thomas, 2021). In the 21st century online money launderers have a reason to be worried as the AML regulations are beginning to synchronize with the digital universe. Regulators nowadays have much more power versus online money laundering. As new Regulatory Technology (RegTech) gets in the scene, it gives the regulators the ability to benefit from imminent technologies such as machine learning and AI to higher effective fight against online money laundering. Also, advanced RegTech and Newfound regulatory confidence are forming the prevention and detection of Transaction Laundering, a common responsibility among fintech providers, law enforcement agencies, e-commerce players and individual users. With the proper digital tool online money laundering will be a tougher process for launderers and others who benefit from it (Teicher, 2018).

Existing Real-Life Applications of the Ethics Issues
Online Games

The huge development that's shown in the online gaming industry has been a phenomenon. The Gamer's community is increasing day by day. In US, 63% of families has at least one person who spends playing online games more than 3 hours a day. The growth in this industry has been enormous, it has risen from more than $51 billion in 2008 to $92 billion in 2015(Crijns, 2021).
It's very clear how attractive this market is for criminals. The money laundering in this way is easy since a huge amount of money circulate in a relatively nontransparent way and there are no clear ways of what game owners can or should do to identify criminal activities through their site (Moiseienko & Izenman, 2019). Money laundering through online gaming is done through financial values in games that are purchased by the players for getting advancement in their games. This item can be bought by virtual currencies and can also be resell to other gamers by using an actual money this is what is called Real Money Trading RMT(Crijns, 2021). In online games numerous random players pay for their purchases with anonymous values, criminals use this way

and bring huge number of fake players into the game so that they buy the game's values and resell them to other players either with discount or without, there transactions get lost in myriads of legitimate ones and this is how their illegal money is nicely legalized (Suryavanshi & Menon, 2021).

Online banking and e-cash transactions

Digital banking is our life now. Instead of waiting in long queues at banks, we can make our transactions through computers or mobile phones while we are sitting at home, we just have to enter our personal id and password, then the online banking system will automatically verify the person. The real problem comes when it can not identify an individual's real identity who actually accesses the account since they are less likely to be watched. It makes our financial life easy, but it also increases the rate of money laundering crimes. In addition, it's more difficult to keep track of the activities that are done through e-cash than real-money laundering activities, so how is money laundering done here?. Worldwide our businesses are now using e-banking systems which makes them exposed to more risks such as accessing and copying their user credentials or stealing the credit cards that have been used through these businesses (The relationship between Digital Banking and Money Laundering). What they do is that they use an unknown online business that uses a legal merchant's payment accounts to process e-cash transactions for unknown products and services. For example, a laundromat can set up a business website or an application in a matter of minutes, accept payment via card, and hide their income from illegal activities by redirecting the payments through a legitimate trader's account. According to research, In USA transaction laundering for the online businesses of products and services reach over an estimated $200 billion a year, $6 billion of this involves illicit goods. In other countries such as Russia, the daily Beast reported that the criminals are using Airbnb to launder the money, basically it is an app related to tourism and renting vacations**.** The process that they use is simple, the criminals meet the Airbnb hosts through online meetings. They book the advertised accommodation and do the transaction process of booking but actually no one stays there. Then the two sides split the payment and create fake reviews to close the transactional loop (Team, 2018).

Social media

The increase in social media platforms these days is so rapid, people are spending more and more time on different social media applications. Money laundering through these apps is also increasing. The criminals essentially use different methods from which they can launder money through social media. One of them is by making fake money-making programs and making the people involved in these programs begin to be influenced by their social media influencers that they follow. Criminals target the social media users because they do not have a criminal record since these accounts are less chances of getting caught. Then the money is transferred from the people's account to the third-party bank account via bank transfer, and the money received is converted into either cash or virtual currencies. Due to difficult transactions, this process is difficult to detect *(The change of money laundering in the Digital age)*. A real life example of that, Kayla Massa an Instagram influencer with more than 330,000 followers that she used for money laundering by posting "If you have a bank account and trying to make some bread dm me (serious ppl only)", here where Massa received so much bank account information including debit card numbers and passwords from her followers. Then she used these accounts for her own purposes*(Social Media influencers introduce new AML risks to Banks - CPA & Advisory professional insights, 2021)*.

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