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College of Science
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Ethical and social Issues for computing professions (COMP4100)

Online Money laundering

LITERATURE REVIEW

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Among the last centuries, money laundry developed through numerous ways and techniques specifically after the technology revolution. Before 90s, Money laundering was a crime that has been practiced for thousands of years. According to the Kyc-chain article, in the old days in China when the government was not supporting commercial trading the wealthy Chinese merchants moved their profits in other countries and then reinvested them into other enterprises[1].

In the US, money laundering actually started in the twenties of the last century, as alcohol was made illegal, a profitable black market soon arose. As a result there was a huge set up of laundromats across the city in order to disguise the origin of the money earned from alcohol sales[1].

In 1986, for the first time in history, money laundering became a federal crime. Where the US passed the American Anti-Money Laundering Act, which is one of the first laws that were quickly followed by similar laws in other countries of the world. Later, over the years, money laundering became at its most extreme, they used it to clean up money earned in drug crimes, terrorist financing and other crimes[1]. There were so many techniques of this act such as hawala in India, and casinos in North America. [2]

50 years ago, some countries began to use strict laws against money laundering, especially with the bank secrecy act of 1970. Which made it much more difficult for the criminals to hide illicit funds. Few years later many other countries have enacted many regulations to reduce this kind of act[3]. For instance, in the 21st century ,the USA patriot act of 2001, Prevention of Money Laundering Act of 2002 in India, Third European Directive of 2003, Law of the People's Republic of China on Anti-Money Laundering of 2006 in China, and The Act on the Prevention of Criminal Proceeds of 2007 in Japan[2]. Here, the age of the technology came where

the money launder goes electronic and hiding behind the computer screen gives them a chance to money launder anonymously [3].

In 2009, the first widely used cryptocurrency, Bitcoin, was launched. This type of digital currency allows transactions and services to be performed safely, fast, cheap as well as completely anonymous in the world of virtual space. It is possible to exchange bitcoins and other similar cryptocurrencies for traditional money although payments via bitcoins in the real world are not yet prevalent. This strategy is used a lot especially in cybercrime where black hat hackers extort ransom in the form of cryptocurrency although current evidence shows that, at least for the time being, it has only gained limited popularity in offline crime[4]. After 12 years, in 2021, UK law enforcement seized a record £114 million worth of cryptocurrency as part of an ongoing money laundering investigation. Where the United Kingdom has taken standard controls to adjust encryption in the verification of money laundering[5].

Since the Internet consists of unique and modern features resulting from the development of 4G and 5G connectivity and the simultaneous growth of the information technology industry, these aspects attract money laundering[6]. Which led to new techniques that were developed such as structuring and credit cards. Lately, techniques found were in the insurance sector, open security market, and cyber crime which is known as online money laundering[2]. Moreover, The online banking system is developing so fast and it's available for the consumers each and every day. The increase in Mobile wallets, cryptocurrencies, and in the online financial sector has become a huge opportunity for the laundromats for online money laundering without going to the bank physically. They will have online access to their bank accounts regardless of the location. Which will make it more difficult to determine the activities done with e-cash than real money laundering activities[7].

Similar to that, The huge development of online video games in the last few years has been the most targeted area for the laundromats due to the lack of regulations in this sector. There are around millions of people who play these games across the world. For example, Fortnite online game has its own currency v-bucks, so what the criminals do is that they use stolen credit cards to purchase V-Bucks, then resell the V-Bucks at a discount rate to turn a profit. It is unclear how much money had been laundered this way since it's difficult to trace[1].

Furthermore, in the last decade, the increase in social media applications have also been a new technique for money laundering and because it needs complex transactions it's difficult to detect its process[8].

From all this we conclude that money laundering is a crime and an illegal issue. In the past, money laundering was steadily increasing. But due to the laws adopted by some countries to combat this crime, the percentage has decreased. The noticeable increase quickly took off as the technological development nowadays caused an increase in money laundering and it also became an opportunity to reduce its detection to a minimum. This led to the need for a profound change in the methodology for combating it.

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