Evolution of Money Laundering Typologies: A Concept Paper

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ABSTRACT

Money laundering (ML) remains a significant threat to global financial systems, with increasingly sophisticated typologies that exploit regulatory loopholes, professional enablers, and technological advancements. In Malaysia, the evolution of its Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) legal and regulatory framework since 2001 reflects continuous efforts to combat these illicit financial flows. However, high-profile cases such as the 1Malaysia Development Berhad (1MDB) scandal underscore persistent vulnerabilities across sectors and institutions.This report is motivated by the urgent need to understand how Malaysia's AML/CFT regime has responded to real-world challenges, particularly those involving cross-border laundering, beneficial ownership opacity, and abuse of professional services. The 1MDB scandal serves as a critical case study, illustrating the interplay between political influence, regulatory gaps, and transnational laundering techniques that enabled the misappropriation of over USD 4.5 billion. This study investigates the development of Malaysia's AML/CFT legal architecture, typological trends in ML which include ESG and AI driven laundering and sector-specific responses across financial and non-financial domains. It further assesses current enforcement actions, regulatory reforms, and future challenges such as virtual asset regulation, trade-based money laundering, and STR analytics. This paper investigates factors that influence the evolution in money laundering typologies through an article review. Three factors are discussed: technology and innovation, globalization and cross-border transactions, regulatory and legal frameworks, sectoral oversight and professional enablers. With these insights, recommendations are proposed for better evolution in money laundering typologies

Keywords: Money Laundering (ML), Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT), Typology Evolution, Regulatory Framework, Cross-Border Transactions, Professional Enablers, Technological Innovation, ESG Laundering, Artificial Intelligence (AI), Suspicious Transaction Reports (STRs)

INTRODUCTION

Money laundering remains a pervasive threat to global financial stability, with criminals constantly adapting their methods to exploit regulatory weaknesses and emerging technologies. Traditionally associated with financial institutions, money laundering activities have increasingly infiltrated non-financial sectors, such as insurance, real estate, legal services, and accountancy areas often subject to less stringent oversight. This shift

presents significant regulatory challenges, especially in jurisdictions like Malaysia, where the financial system is both advanced and vulnerable to transnational financial crimes.

Understanding the evolving typologies of money laundering is critical to strengthening the effectiveness of anti-money laundering and counter-terrorism financing (AML/CFT) regimes. The Financial Action Task Force (FATF) and domestic authorities like Bank Negara Malaysia have emphasized the need for robust risk-based frameworks and continuous typology updates to detect, prevent, and prosecute money laundering activities more effectively.

To counter these developments, Malaysia has implemented a comprehensive AML/CFT legal framework, guided by the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) and aligned with international best practices. These frameworks function through a combination of legal provisions, regulatory oversight, financial intelligence sharing, and sector-specific guidelines, aiming to mitigate risks and ensure compliance across both financial and non-financial industries.

Money laundering poses a serious threat to the integrity of global financial systems and enables a wide range of organized crimes, including corruption, drug trafficking, and terrorism financing (Financial Action Task Force [FATF], 2023). The typologies of money laundering and the various patterns and techniques criminals use to conceal illicit funds have continuously evolved in response to globalization, technological advancements, and increased regulatory scrutiny (Hellvig & Blanaru, 2023). Today's methods are more sophisticated, often involving complex corporate structures, digital assets, and the involvement of professional enablers such as lawyers and accountants, which together complicate efforts to detect and prevent illicit financial flows (Levi, 2022).

As criminal networks become more intricate and operate across borders, money laundering techniques adapt accordingly, reflecting shifts in technology, regulatory environments, and global financial flows (Shamloo & Parhizkary, 2024). These evolving typologies not only challenge existing anti-money laundering (AML) frameworks but also highlight the critical need for a deeper understanding of how laundering methodologies develop over time. This conceptual paper aims to explore these changes, focusing on the impact of globalization, cross-border transactions, and the role of professional facilitators in shaping the dynamic landscape of money laundering. By doing so, it seeks to provide insights that can inform more effective AML strategies to close the loopholes exploited by criminals (Goldbarsht & Benson, 2024; FATF, 2024).

BACKGROUND OF STUDY

Malaysia's position as a regional financial hub and its deepening integration with the global economy have rendered it both influential and exposed in the fight against money laundering. The nation's diverse financial landscape including its Islamic finance sector, free trade zones, and growing digital economy offers rich opportunities for economic growth but also serves as fertile ground for sophisticated money laundering (ML) schemes.

The decision to focus this conceptual study on Malaysia is grounded in the country's recent experience with high-profile financial crimes and its dynamic legal responses. Major scandals such as the 1Malaysia Development Berhad (1MDB) case exposed vulnerabilities in the country's governance, enforcement mechanisms, and the accountability of professional intermediaries. These events catalyzed widespread regulatory reforms, prompting Malaysia to enhance beneficial ownership transparency, tighten due diligence requirements, and increase cross-sector compliance enforcement.

What makes Malaysia particularly compelling is not only the scale of its challenges but also the proactive, multi-agency response that continues to evolve. The collaborative efforts of Bank Negara Malaysia, the Securities Commission Malaysia, and the Companies Commission have led to improved reporting standards, intensified supervision of DNFBPs, and broader implementation of targeted financial sanctions. Malaysia's engagement in FATF follow-up processes and regional peer reviews further signals its commitment to combating money laundering on a global scale. In this context, Malaysia provides a valuable case study for analyzing the evolution of money laundering typologies. The country's transition from reactive enforcement to

risk-based regulatory innovation mirrors global AML/CFT trends while offering insights unique to emerging economies.

Problem Statement

Money laundering continues to pose a significant threat to the integrity of the global financial system, as criminals perpetually adapt their techniques to exploit regulatory loopholes and leverage technological advancements. This issue is especially critical in Malaysia, where the financial sector is both dynamic and increasingly integrated into the global economy. Data from Bank Negara Malaysia (2024) highlights that the majority of suspicious transaction reports (STRs) are submitted by institutions within the banking sector. Notably, there was a continued increase in the number of STRs received in 2023 compared to the previous year, indicating heightened vigilance and reporting activity across financial institutions. Compounding this challenge is the expanding involvement of non-financial sectors, including real estate, legal services, and virtual asset service providers (VASPs), which have created new pathways for illicit funds to be concealed and transferred, thereby complicating detection and enforcement efforts.

The rapid evolution of money laundering typologies presents substantial obstacles for Malaysia's anti-money laundering and counter-terrorism financing (AML/CFT) frameworks. Traditional regulatory mechanisms struggle to keep up with increasingly sophisticated schemes that involve cryptocurrencies, artificial intelligence-driven transaction layering, trade-based money laundering (TBML), and emerging risks such as ESG laundering. High-profile cases like the 1Malaysia Development Berhad (1MDB) scandal, which exploited shell companies and complex offshore structures, highlight systemic weaknesses related to transparency and beneficial ownership disclosure. Despite Malaysia's comprehensive AML legislation and strengthened regulatory oversight, enforcement challenges persist, as evidenced by ongoing supervisory actions and the continual need to update policies (Bank Negara Malaysia, 2024; Securities Commission Malaysia, 2024).

Several key factors contribute to these challenges. Technological innovations such as blockchain and AI enable rapid and opaque financial flows that outpace conventional monitoring systems. Malaysia's open economy and active participation in international financial networks facilitate cross-border transactions that complicate regulatory enforcement. Limitations within regulatory and institutional frameworks, including incomplete beneficial ownership registries and uneven enforcement across sectors, further weaken the effectiveness of Malaysia's AML/CFT regime. Additionally, the growing exploitation of non-bank financial institutions (NBFIs) and designated non-financial businesses and professions (DNFBPs) introduces additional regulatory blind spots.

Addressing these multifaceted issues is vital to strengthening Malaysia's financial system integrity and ensuring compliance with international AML standards. This conceptual paper, therefore, seeks to investigate the evolution of money laundering typologies within the Malaysian context, identifying emerging risks and proposing adaptive regulatory responses to enhance detection, prevention, and enforcement mechanisms.

Despite significant advancements in AML regulations, understanding of the evolving typologies of money laundering remains inadequate, particularly in light of globalization and the expanding role of professional enablers (Valvi, 2023). Traditional AML models, which focus on financial institutions, do not fully capture the complexity introduced by the use of professional intermediaries and cross-border financial structures (Hellvig & Blanaru, 2023). This gap undermines the effectiveness of AML efforts, leading to regulatory and enforcement challenges.

Furthermore, the inclusion of DNFBPs within AML frameworks presents complex dilemmas, as their duties of confidentiality often conflict with obligations to detect and report suspicious activities (Levi, 2022; Joksta & Jurkeviča, 2023). The inconsistent application of AML obligations across jurisdictions exacerbates these challenges, creating regulatory loopholes exploited by money launderers (Tarmizi et al., 2023). In addition, limited awareness and understanding of new typologies among professionals and authorities hinder effective detection and prevention (Omar et al., 2016; Zavoli & King, 2020). This conceptual paper seeks to address these issues by critically exploring the evolution of money laundering typologies and the implications for

policy and practice.

The Gap in Research

Money laundering (ML) continues to pose significant challenges to financial systems worldwide, with Malaysia being no exception. Recent studies have delved into various aspects of anti-money laundering (AML) practices within the country. For instance, Yusoff et al. (2024) identified key elements affecting AML efficiency in Malaysia's business sector, emphasizing the roles of technology integration, personnel competency, and suspicious transaction reporting. Similarly, Ahmad Mahmud and Ismail (2023) assessed the effectiveness of AML regulations in Malaysian commercial banks, focusing on customer record-keeping, suspicious transaction reporting, and employee training. Furthermore, Karunanithi and Rajamanickam (2024) explored the legal intricacies surrounding the admissibility of illegally obtained evidence in ML cases, highlighting the discretionary power of Malaysian courts in such matters.

While these studies provide valuable insights into the operational and legal facets of AML in Malaysia, there remains a noticeable gap concerning the dynamic evolution of ML typologies. The rapid advancement of technology, globalization of financial systems, and emergence of new financial instruments have transformed the methods employed by money launderers. Yet, there is a paucity of research focusing on how these evolving typologies manifest within the Malaysian context and the implications they hold for existing AML frameworks.

This conceptual paper seeks to bridge this gap by examining the transformation of ML typologies in Malaysia, analyzing how these changes challenge current AML measures, and proposing adaptive strategies to enhance the country's AML regime. By focusing on the evolution of ML methods, this study offers a forward-looking perspective that complements existing literature centered on regulatory compliance and enforcement.The novelty of this research lies in its emphasis on the shifting nature of ML typologies and the consequent need for dynamic AML strategies. Unlike prior studies that predominantly address static regulatory components, this paper underscores the importance of agility and adaptability in AML practices to counteract the sophisticated and ever-changing tactics of money launderers.

The findings of this study are anticipated to benefit policymakers, financial institutions, and regulatory bodies by providing a nuanced understanding of emerging ML trends and offering recommendations to fortify Malaysia's AML framework against future threats.

LITERATURE REVIEW

Evolution of Money Laundering Typologies

The evolution of money laundering typologies refers to the continual transformation and diversification of methods used by criminals to conceal the origins of illicit funds. As financial systems grow more complex and globally interconnected, criminals adapt their techniques to exploit emerging loopholes, technological tools, and legal grey areas (FATF, 2023). Traditionally, money laundering followed a three-stage process: placement, layering, and integration. In the past, these stages primarily involved physical cash movements, deposits through legitimate businesses, and reinvestment into real estate or businesses. However, recent developments have led to more dynamic and less detectable methods. Today's typologies often bypass or obscure these stages using advanced techniques such as cryptocurrency transactions, artificial intelligence-based financial layering, and the exploitation of trade and professional services (Goldbarsht & Benson, 2024; Shamloo & Parhizkary, 2024).

Digital finance has significantly accelerated typological changes. The use of blockchain technology and privacy-focused cryptocurrencies such as Monero and Zcash has made tracing transactions increasingly difficult for regulators and law enforcement (De Koker & Symington, 2021). Additionally, artificial intelligence (AI) is now being deployed by criminal networks to automate laundering operations, simulate legitimate financial flows, and avoid detection by financial monitoring systems (Shamloo & Parhizkary, 2024). These digital advancements have allowed money launderers to operate across borders in near real-time, posing

unprecedented challenges to traditional anti-money laundering (AML) frameworks.

One of the most prominent emerging typologies is trade-based money laundering (TBML), particularly relevant in export-oriented economies like Malaysia. In TBML schemes, criminals manipulate invoices, understate or overstate shipment values, or conduct phantom trades to integrate illicit proceeds into legitimate trade flows (UNODC, 2022; FATF, 2023). This method takes advantage of the high volume and complexity of international trade, making transactions difficult to monitor. Malaysia's integration into global trade networks heightens its vulnerability to this typology.

Another evolving threat is ESG laundering, which involves the misuse of environmental, social, and governance investment channels to legitimize illicit funds. For example, criminals may route illegal money through ESG-labeled funds or green bond markets under the guise of ethical investment (Goldbarsht & Benson, 2024). This typology reflects the strategic adaptation of money launderers to trends in global finance, especially as sustainable finance gains popularity among investors and regulators.

Professional enablers have also played a growing role in the evolution of laundering typologies. Legal practitioners, accountants, and real estate agents—often referred to as "gatekeepers"—can either knowingly or unknowingly facilitate complex financial schemes that obscure beneficial ownership and disguise the origins of criminal funds (Levi, 2022; Tarmizi et al., 2023). Lawyers, for instance, may establish shell companies or hold funds in client trust accounts under attorney-client privilege, creating a legal shield around suspicious financial flows (Joksta & Jurkeviča, 2023). Accountants may manipulate financial records to integrate illegal income, while real estate agents help structure deals that obscure the identity of buyers and the source of funds, particularly in high-value property markets (Zavoli & King, 2020; Munge et al., 2024).

The Malaysian case provides a compelling lens through which to view these changes. Although Malaysia has implemented a comprehensive AML framework under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA), typologies continue to evolve more rapidly than regulations. For instance, the 1MDB scandal exposed the ease with which international financial systems, offshore structures, and professional services can be manipulated to launder billions of dollars (Bank Negara Malaysia, 2024). Despite enhancements in suspicious transaction reporting (STR), beneficial ownership registries, and inter-agency cooperation, enforcement and compliance remain uneven across sectors, especially among Designated Non-Financial Businesses and Professions (DNFBPs) (Securities Commission Malaysia, 2024; Yusoff et al., 2024).

The evolution of money laundering typologies is therefore not merely a shift in criminal strategy but also a direct consequence of regulatory gaps, technological advancements, and inconsistent global cooperation. As such, it demands a flexible, risk-based, and forward-looking regulatory response that keeps pace with criminal innovation. Understanding this evolution is essential for designing AML strategies that not only react to known threats but also anticipate emerging typologies in an increasingly digital and interconnected world.

Technological Innovation

The rapid acceleration of technological innovation has dramatically transformed the landscape of global finance, introducing new tools, platforms, and systems that, while fostering economic growth and inclusion, have simultaneously enabled more sophisticated methods of money laundering. As digitalization becomes pervasive, so too does the complexity of illicit financial flows. Consequently, technological innovation has emerged not merely as a background factor but as a principal catalyst in the evolution of money laundering typologies.

Digital Currencies and the Disruption of Traditional AML Models

Among the most notable innovations affecting money laundering are cryptocurrencies. These digital currencies leverage cryptographic technologies and decentralized architectures that significantly hinder conventional anti-money laundering (AML) practices. Bitcoin, the first and most prominent example, operates on a blockchain, allowing users to engage in pseudonymous transactions. As Joksimović et al. (2024)

articulate, the anonymity afforded by cryptocurrencies complicates the tracing of funds, making them attractive for illicit use. Moreover, the emergence of privacy-enhancing cryptocurrencies such as Monero and Zcash further exacerbates this issue. These digital assets employ features like ring signatures, stealth addresses, and zero-knowledge proofs, which obscure sender and recipient identities, thereby undermining traceability (Almeida et al., 2023). Consequently, law enforcement agencies encounter significant challenges in tracking transactions across blockchain ecosystems, particularly when funds pass through mixers or tumblers designed to scramble transaction trails.

Decentralized Finance (DeFi) and Regulatory Blind Spots

Beyond cryptocurrencies, the rise of decentralized finance (DeFi) platforms has created new avenues for laundering. Unlike traditional financial systems that rely on intermediaries, DeFi leverages smart contracts to facilitate peer-to-peer financial services without centralized control. Pocher et al. (2023) argue that the decentralized structure of DeFi ecosystems poses substantial regulatory challenges, as these platforms operate beyond the jurisdiction of national regulators and often lack KYC and AML procedures.

DeFi protocols can be exploited for layering, the second stage of money laundering, whereby illicit funds are dispersed across multiple contracts, assets, and chains, often in fractions to avoid detection. In some cases, criminals use flash loans and yield farming mechanisms to inject, circulate, and withdraw illicit capital, effectively integrating it into the legitimate economy. The programmable nature of DeFi contracts enables the automation of these processes, accelerating laundering cycles and reducing the need for human intermediaries (Pocher et al., 2023).

Artificial Intelligence (AI), Machine Learning (ML), and Laundering Automation

AI and ML are double-edged swords in the AML domain. On one hand, financial institutions deploy AI to detect suspicious patterns and anomalies in real-time, enhancing their capacity to flag and investigate potential laundering activities (Mallik et al., 2025). On the other hand, malicious actors utilize AI to automate laundering strategies, simulate legitimate behavior, and exploit system vulnerabilities.

One advanced technique includes the use of generative adversarial networks (GANs), which can create synthetic data mimicking real customer transactions or identities. These fabricated records may then be used to build seemingly legitimate transactional histories or customer profiles, enabling criminals to 'clean' illicit funds with a digital paper trail that is algorithmically indistinguishable from genuine activity. This blurs the boundary between real and synthetic financial behavior, complicating efforts to delineate lawful from unlawful transactions (Mallik et al., 2025).

Cybercrime, the Dark Web, and Obfuscated Transactions

Technological innovation has also fueled the growth of cybercrime and its interconnection with money laundering. The dark web functions as a parallel economy where illegal goods and services are traded using digital currencies. These transactions are not only anonymized but also often encrypted end-to-end, limiting surveillance. Adel and Norouzifard (2024) note the increasing prevalence of privacy coins in dark web marketplaces, which effectively erase transaction visibility for third-party observers.

Additionally, ransomware attacks exemplify the convergence of cybercrime and laundering. Criminals demand payments in cryptocurrency, channel the ransom through mixers and DeFi protocols, and eventually withdraw funds via non-compliant offshore exchanges. As noted by Almeida et al. (2023), these activities signal a strategic shift in laundering techniques from physical cash smuggling to digital laundering, with enhanced speed, scale, and concealment.

Technological innovation has fundamentally altered the modalities and methodologies of money laundering. From the use of cryptocurrencies and DeFi to AI-driven laundering schemes and cybercrime-linked anonymization, the typologies of money laundering are more dynamic and complex than ever before. While regulatory frameworks are beginning to evolve, they often lag behind the rapid pace of technological change.

Future efforts must emphasize a balanced approach that integrates innovation, regulatory compliance, and cross-border cooperation to combat technologically facilitated financial crime effectively.

Globalization and Cross-Border Transactions

Globalization

Globalization is often described as the growing interconnectedness of economies, societies, and governance systems across the world. This process is driven by rapid technological advances, trade liberalization, and the free movement of capital. While globalization has opened many doors for economic growth and cultural exchange, it has also posed significant challenges for law enforcement and crime control, particularly in relation to transnational crimes like money laundering.

Traditionally, states have relied on territorial jurisdiction and border controls to regulate economic activity and fight crime within their borders. However, with globalization, the idea of fixed, impermeable borders is increasingly outdated. Borders have become more porous, and supranational institutions have risen in influence, enabling goods, services, and money to flow more freely across countries. While this facilitates legitimate commerce, it also creates opportunities for criminals to exploit gaps in regulation and enforcement. Criminal networks now find it easier to move illicit funds internationally, thereby diminishing states' control over their financial systems and creating new vulnerabilities (Mugarura, 2014; Amrani & Ali, 2022).

Economic globalization, with its emphasis on free trade, open capital markets, and the establishment of large free trade zones, further accelerates this process. Criminals cleverly take advantage of these environments by integrating illicit proceeds into legitimate trade channels, giving rise to complex laundering methods such as trade-based money laundering (TBML). Through TBML, criminals manipulate trade documentation and transactions to disguise the origins of dirty money, making it appear as legitimate income (Hataley, 2020).

Adding another layer of complexity is technological globalization. Advances in digital payments, blockchain, and cryptocurrencies have revolutionized financial transactions but have also introduced new avenues for laundering money. These technologies enable faster, often anonymous, and cross-border transactions that can evade traditional regulatory oversight. Cryptocurrencies, in particular, with their pseudonymous features, pose significant challenges to regulators trying to track illicit flows and enforce compliance (Thommandru & Chakka, 2022).

The COVID-19 pandemic has further accelerated globalization's influence by increasing digital financial activity and complicating AML enforcement (Kamensky, 2021). While globalization enables economic opportunity, it also necessitates stronger, coordinated international efforts and adoption of advanced technologies such as artificial intelligence and blockchain analytics to counter evolving laundering methods (Yi, 2024).

In sum, globalization has created an environment that not only facilitates the evolution of money laundering techniques but also demands that governments and international agencies rethink and adapt their traditional legal frameworks and regulatory approaches to keep pace with these changes (Mugarura, 2014; Amrani & Ali, 2022).

Cross-Border Transactions

Cross-border transactions are a hallmark of globalization, involving the movement of goods, services, capital, and money across multiple jurisdictions. While essential for global commerce, these transactions also provide fertile ground for criminals to launder illicit funds and embed them into the legitimate economy.

Among the emerging typologies, Trade-Based Money Laundering (TBML) stands out as particularly sophisticated and challenging. This method involves manipulating trade-related documents such as invoices, certificates of origin, and shipping manifests to misrepresent the price, quantity, or quality of goods. By doing so, criminals can covertly transfer value across borders without raising suspicion. The intricacy of TBML schemes is heightened by inconsistent regulations and poor information sharing between customs and law

enforcement agencies in different countries, which hampers detection and enforcement efforts (Hataley, 2020).

Moreover, cross-border laundering complicates traditional legal notions based on territorial jurisdiction. Since laundering typically involves a sequence of activities, placement of illicit funds, layering through complex financial transactions, and eventual integration into the legitimate economy occurring in multiple countries, prosecuting offenders becomes legally complex. To address this, many states have broadened their legal frameworks to include extraterritorial and long-arm jurisdiction, allowing them to pursue money laundering cases involving foreign actors or assets located abroad (Amrani & Ali, 2022).

The rapid adoption of cryptocurrencies and other cashless transaction methods intensifies these challenges. Virtual currencies provide launderers with a higher degree of anonymity and facilitate quick, cross-border transfers, making regulatory oversight even more difficult. Meanwhile, fraudulent activities on cryptocurrency exchanges, as well as scams involving digital currencies, are on the rise, underscoring the urgent need for adaptive regulatory and compliance frameworks both nationally and internationally (Thommandru & Chakka, 2022).

Tiwari et al. (2025) define TBML as the deliberate manipulation of trade documentation such as over or under invoicing, misreporting quantity or quality of goods to move value across borders illicitly. This typology leverages legitimate trade processes to integrate dirty money into the legal economy, making detection by financial institutions and regulators highly challenging.

Case studies such as Gobena (2023) on Ethiopia reveal that a significant share of illicit financial outflows between 55% and 80% arises from trade mis-invoicing and related TBML schemes. Criminals use fictitious trades, shell companies, and complicit actors within financial and trade institutions to facilitate laundering, especially in economies with less stringent oversight.

Regulatory and Legal Frameworks

The global effort to combat money laundering is inextricably linked to the development and enforcement of regulatory and legal frameworks. These frameworks not only shape the behaviors of financial institutions and intermediaries but also influence the evolution of money laundering typologies. The dynamic interplay between legislation, enforcement capacity, and transnational coordination plays a pivotal role in shaping the strategies used by illicit actors to circumvent detection.

Evolution of International Standards

The Financial Action Task Force (FATF), established in 1989, remains the most influential intergovernmental body setting AML standards. Its 40 Recommendations serve as the global benchmark for anti-money laundering and counter-terrorist financing measures. Over the years, FATF has continually updated these recommendations to reflect emerging risks, including the misuse of digital assets and shell companies. Notably, the introduction of Recommendation 15 and its interpretative note on virtual assets in 2019 represented a significant milestone in extending AML requirements to the digital asset space (FATF, 2021).

These regulatory advancements have encouraged national legislatures to amend their legal frameworks accordingly. For instance, the European Union's Fifth and Sixth Anti-Money Laundering Directives (5AMLD and 6AMLD) incorporate provisions to regulate cryptocurrency exchanges and custodial wallet providers, as well as expand the criminal liability for money laundering offenses. The directives illustrate the growing consensus that AML laws must evolve in tandem with technological innovation (European Commission, 2018; 2021).

National Implementation and Jurisdictional Variability

Despite the proliferation of international standards, national implementation remains inconsistent. Some countries exhibit high levels of compliance, equipped with strong legal systems, trained enforcement personnel, and advanced technologies for monitoring and analysis. Others lag behind due to limited resources, political instability, or strategic incentives to attract capital through lax oversight.

Jurisdictional discrepancies create vulnerabilities within the global financial ecosystem. Criminal networks exploit regulatory arbitrage by operating in or routing funds through low-compliance jurisdictions. According to Klinton and Kashar (2024), weak enforcement in some offshore financial centers significantly contributes to the proliferation of transnational

laundering networks. These gaps in enforcement compromise the effectiveness of the global AML regime and necessitate increased international collaboration.

The Role of Financial Intelligence Units and Interagency Coordination

Financial Intelligence Units (FIUs) play a central role in national AML strategies. These agencies collect, analyze, and disseminate financial data to combat money laundering and other financial crimes. The Egmont Group, a global network of FIUs, facilitates cross-border information sharing and collaboration. However, the effectiveness of FIUs depends heavily on their access to data, technological infrastructure, and ability to act independently (Reuter & Truman, 2004).

Interagency coordination within and across countries is critical for successful enforcement. Regulatory agencies, tax authorities, customs, and police forces must operate in concert to track, investigate, and prosecute complex laundering schemes. The lack of interoperability between institutions and databases often results in fragmented responses, allowing criminals to exploit institutional silos.

Enforcement Challenges and Legal Loopholes

Legal systems often struggle to keep pace with the rapid changes in laundering methodologies. Traditional statutes based on predicate offenses and property-based definitions may not encompass newer typologies, such as cyber laundering, trade-based laundering, and the misuse of virtual assets. As Levi and Reuter (2006) observe, the complexity and adaptability of money laundering outstrip the evolutionary speed of legal doctrines.

Additionally, the burden of proof in money laundering prosecutions is often high, requiring a demonstrable link between illicit origins and the proceeds. This evidentiary threshold can deter prosecutions, especially in cases involving complex international networks or emerging technologies. Strategic litigation by well-resourced defendants further hampers judicial efficiency, contributing to low conviction rates globally.

Professional Enablers (Designated Non-Financial Businesses and Professions (DNFBPs)

The Financial Action Task Force (FATF) identifies four primary gatekeeper sectors: lawyers, accountants, trust and company service providers (TCSPs), and real estate agents. These professionals are targeted due to their ability to provide legitimacy to financial transactions,

create complex corporate structures, and navigate cross-border regulatory systems. These actors often act as "gatekeepers" who may unknowingly (or deliberately) enable laundering. For example, lawyers can establish companies or handle real estate transactions that make it harder for authorities to trace money. Accountants may be involved in manipulating accounts to legitimize dirty money, while real estate agents deal with high-value properties that are perfect for laundering large sums (Omar et al., 2016; Zavoli & King, 2020).

Lawyers and Legal Professionals: Gatekeepers with Dual Responsibilities

Lawyers occupy a unique and complex position in the fight against money laundering, largely due to the privileged and confidential nature of their work. They frequently assist clients in setting up companies, managing assets, and facilitating transactions—activities that can be manipulated to obscure the true origins of illicit funds. The Financial Action Task Force (FATF) recognizes lawyers as key gatekeepers within the financial system. However, this role is complicated by their ethical obligation to maintain client confidentiality, which often conflicts with anti-money laundering (AML) requirements (Gitari, 2022; Pambo, 2020). Levi (2022) provides a critical perspective on this tension, highlighting that while most lawyers operate within the law, their professional privilege and confidentiality can unintentionally shield money laundering

activities, making detection and prosecution more difficult.

With the global expansion of AML regulations, FATF has introduced due diligence and suspicious transaction reporting obligations for legal professionals. Yet, these responsibilities frequently clash with lawyers' ethical duties to protect client confidentiality and preserve independent representation, leading to ongoing debates within the legal community (Goldbarsht & Benson, 2024; Valvi, 2023; Joksta & Jurkeviča, 2023).

In many countries, including Kenya, efforts to designate lawyers as reporting entities under AML laws have met significant resistance. Legal professionals fear that these requirements may undermine the advocate-client privilege, a cornerstone of their profession's ethics. This resistance has slowed the implementation and enforcement of AML policies within the legal sector, thereby providing openings for criminals to exploit legal services as channels for laundering money (Goldbarsht & Benson, 2024). Nonetheless, vulnerabilities remain particularly the misuse of lawyers' trust accounts and their role in creating complex corporate structures which continue to challenge the effectiveness of AML frameworks worldwide (FATF, 2024; Pambo, 2020).

Accountants: Ethical Dilemmas and Facilitators of Laundering

Accountants hold a crucial position in the detection and prevention of money laundering due to their financial expertise. However, this same expertise also makes them key players in facilitating illicit financial flows. Research indicates that accountants often encounter ethical dilemmas when faced with suspicious transactions. While some report such activities, others may deliberately ignore red flags or even become complicit in laundering schemes (Shuid et al., 2024). According to Tarmizi et al. (2023), despite the existence of comprehensive anti-money laundering (AML) regulations, compliance remains inconsistent. Factors such as limited awareness, the perceived burden of regulatory requirements, and the complexity of AML frameworks contribute to this challenge. Therefore, accountants serve both as a vital line of defense and a potential vulnerability in the ongoing fight against money laundering.

Accountants play a significant role in money laundering schemes due to their expertise in managing financial records and transactions. Criminals exploit their skills to disguise illicit funds through complex accounting maneuvers, making illegal money appear legitimate. Studies have shown that accountants can be unwitting participants or, in some cases, complicit in facilitating money laundering by manipulating financial statements or setting up complicated corporate structures (Omar et al., 2016; Tarmizi et al., 2023).

One of the key challenges is that many accountants lack sufficient training and awareness regarding AML requirements. Although regulations mandate customer due diligence and the reporting of suspicious activities, adherence is often inconsistent. Additionally, the high costs and complexities associated with AML compliance can discourage thorough implementation (Tarmizi et al., 2023). As money laundering tactics evolve and grow more sophisticated, the role of accountants in either enabling or combating these schemes becomes increasingly critical especially in jurisdictions where regulatory oversight is weaker (Shamloo & Parhizkary, 2024).

Notaries and Real Estate Agents: Facilitating Concealment through Property Markets

Notaries, entrusted with authenticating legal documents, perform a socially critical function that can be abused to legitimize illicit assets and conceal beneficial ownership (Navisa, 2025). Real estate is well known as a common way to launder money because property deals often involve large amounts of money and can be hard to trace. Real estate agents play an important role in these transactions and can unintentionally help criminals hide illegal money, which has led to new and more complex money laundering methods around the world.

Real estate is a preferred vehicle for laundering illicit proceeds because it allows criminals to integrate large sums of criminally derived funds into the legitimate economy with relative ease. Property transactions often involve significant capital, which can be obscured through third parties, layered ownership structures, or the use of shell companies, making the source of funds difficult to trace (Munge et al., 2024; FATF, 2024). Real estate agents, as facilitators of these transactions, may be knowingly or unknowingly complicit, particularly when AML obligations are weak or poorly enforced.

For instance, in the UK context, Zavoli and King (2020) found that estate agents face practical difficulties in implementing customer due diligence (CDD) requirements, often perceiving them as bureaucratic and duplicative of checks done by banks or solicitors. This lack of sector-specific tailoring results in compliance being seen as a box-ticking exercise rather than an effective preventive measure. Moreover, estate agents often do not handle client money directly, which can reduce their perceived responsibility in AML frameworks

They use real estate not just to make illegal money look legal but also to cover up where the money originally came from by buying, selling, or renting properties in different countries (FATF, 2024).

Money laundering in real estate has become more advanced. For example, criminals might use fake buyers or offshore companies to hide who actually benefits from the properties, making it very hard for authorities to detect. Quick buying and selling of properties, inflating property prices, and using complicated financial tools make it even harder to follow the money trail and challenge traditional anti-money laundering (AML) efforts (FATF, 2024; Zavoli & King, 2020).

Despite these risks, real estate agents often find it hard to fully follow AML rules. Studies from the UK show that while many agents understand the importance of checking their clients, some see these checks as just extra paperwork or "box-ticking," especially when they think banks or lawyers have already done the work (Zavoli & King, 2020). It can also be difficult to verify where the money comes from, especially with foreign buyers who don't provide full documents, and agents often work under tight deadlines, making thorough checks challenging (Zavoli & King, 2020).

Munge et al. (2024) provide a detailed overview of the typical laundering methods used in real estate, including:

Use of third parties: Criminals often purchase properties through associates or family members to hide beneficial ownership.

Credit and mortgage manipulation: Over- or undervaluing properties to justify loans or increase laundered amounts.

Structuring cash deposits: Breaking down large cash payments to avoid detection thresholds.

Rental income legitimization: Using illicit funds to pay rents or to finance renovations that increase property value.

Use of shell companies and opaque ownership structures: Establishing front companies to mask the identity of the true owner.
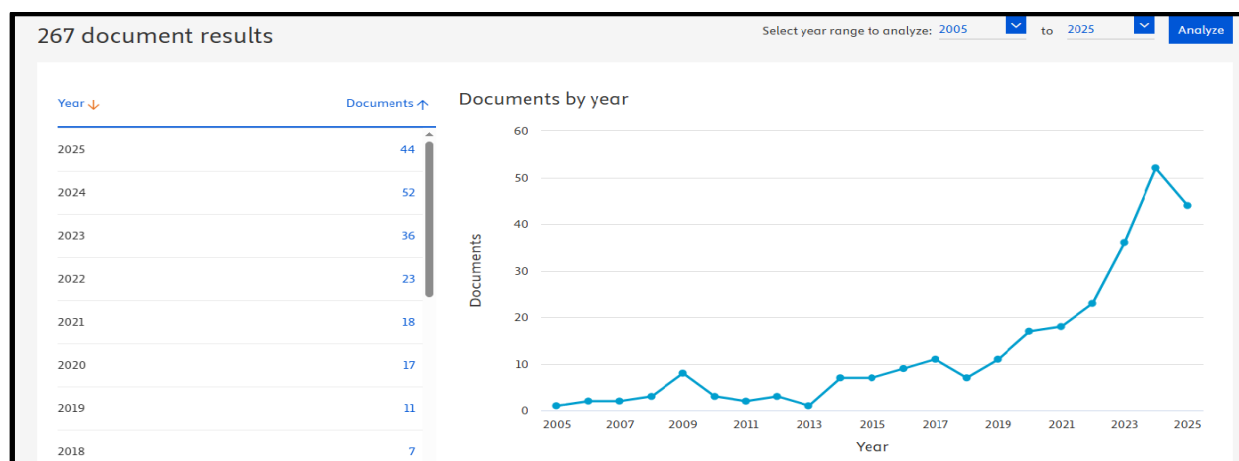
RESEARCH METHOD

Figure 1: Analysis Results

From figure 1, the result analyzes the distribution of 267 documents across multiple years based on the provided dataset, which consists of two tables with some inconsistencies. The primary table presents a clear yearly distribution from 2017 to 2025, accounting for 209 documents. The data reveals an overall upward trend, peaking in 2024 with 52 documents, followed by a decline to 44 in 2025. The year 2018 has the lowest count at just 7 documents. However, the secondary table, which appears to focus on odd-numbered years from 2005 to 2025, contains significant formatting issues, with years and document counts mixed in both columns. The only verifiable data point in this table is for 2025, which lists 20 documents and a direct contradiction to the 44 documents shown for the same year in the primary table. This discrepancy, along with the unclear presentation of other years, raises concerns about data reliability. Additionally, 58 documents remain unaccounted for when comparing the total (267) to the sum of the primary table (209). Possible explanations for these issues include separate datasets, data entry errors, or incomplete records. To improve accuracy, it is recommended to verify and reformat the secondary table, reconcile the conflicting 2025 counts, and investigate the missing documents. Further analysis would benefit from additional metadata, such as document types, and an examination of external factors influencing the observed trends. Addressing these inconsistencies is essential for drawing valid conclusions about document production patterns over time.
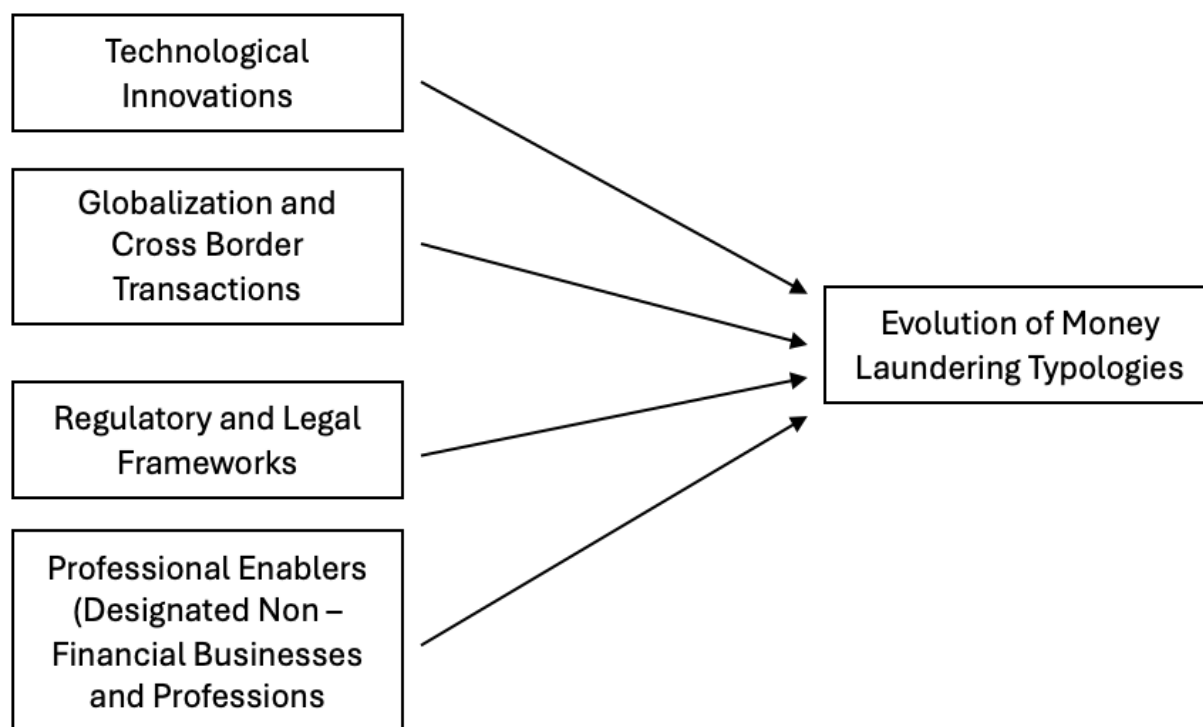
The Proposed Conceptual Framework

RECOMMENDATION

In response to the evolving typologies, regulatory bodies have begun to implement more stringent technology-focused policies. The Financial Action Task Force (FATF, 2021) updated its guidelines for virtual asset service providers (VASPs), emphasizing customer due diligence (CDD), transaction monitoring, and compliance with the "Travel Rule". This rule mandates that originator and beneficiary information accompany digital asset transfers, akin to wire transfers. Despite these developments, implementation remains uneven globally. Many jurisdictions lack the infrastructure or political will to enforce such measures effectively. Moreover, the borderless nature of digital assets allows actors to shift operations to regions with lax enforcement. Therefore, international coordination and standardization are paramount to closing enforcement gaps and ensuring a coherent global AML regime.

Looking forward, regulatory innovation must match the pace of financial and technological change. RegTech, regulatory technology, offers potential solutions, using AI and machine learning to streamline compliance and enhance surveillance (Arner, Barberis, & Buckley, 2017). Furthermore, mutual legal assistance treaties (MLATs) and international organizations must be strengthened to support more effective cross-border

enforcement. The development of comprehensive and adaptive legal frameworks, reinforced by international cooperation and technological support, will be essential in combating the constantly evolving typologies of money laundering. The challenge lies not only in crafting robust laws but in ensuring they are applied consistently, enforced effectively, and harmonized globally

CONCLUSION

This study has examined the evolution of money laundering methods, focusing on the influence of technology, globalization, and regulatory developments. The findings reveal that modern laundering techniques, including the use of digital currencies, artificial intelligence, and complex cross border financial structures, have significantly undermined traditional enforcement strategies. In Malaysia, efforts to strengthen the legal and institutional framework continue, yet cases such as the 1Malaysia Development Berhad scandal demonstrate the ongoing challenges in enforcement and oversight. To address these concerns, authorities must pursue more adaptive and integrated strategies that include technological innovation, interagency collaboration, and stronger international cooperation. A forward thinking regulatory approach is necessary to keep pace with the dynamic and increasingly sophisticated nature of financial crimes, thereby ensuring the stability and integrity of the financial system.

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