

Has the application of sanctions against financial institutions involved in money laundering had a deterrent effect?

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Received: October 07, 2024

Revised: October 21, 2024

Accepted: October 25, 2024

Published: October 29, 2024

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Abstract: Money laundering is one of the crimes that has a wide impact, both economically and socially. With the increasing complexity of global financial networks, financial institutions must be more responsible in preventing money laundering practices. The existence of strong and transparent financial institutions is essential to maintain the integrity of the financial system. Using normative juridical research methods, this study analyzes the regulations that govern sanctions and law enforcement practices. The purpose of this study is to evaluate whether the sanctions applied have provided a deterrent effect to financial institutions that violate the law. The results of the study show that although there are several institutions affected by sanctions, in general, the implementation of sanctions has not been effective in providing a significant deterrent effect. These obstacles arise due to the lack of strict supervision, weak international cooperation, and inconsistencies in law enforcement. In addition, the proactive attitude of financial institutions in fulfilling reporting obligations also needs to be improved. Therefore, reforms in the sanctions system and improved law enforcement mechanisms are needed to create a stronger deterrent effect against financial institutions involved in money laundering.

Keywords : Deterrent Effect, Financial Institutions, Money Laundering, Sanctions

INTRODUCTION

The increase in money laundering cases has become a significant phenomenon in many countries, including Indonesia. This case arises as a result of various *predicate crimes* such as corruption, narcotics trafficking, and other financial crimes.¹ The perpetrators of the crime tried to disguise the source of illegal funds so that they looked legitimate and could be used without being suspected by the authorities. This money laundering has a major economic and social impact. From an economic perspective, this practice disrupts market stability, infiltrates illicit funds into the formal financial system, and reduces investor confidence. Meanwhile, socially, money laundering tends to trigger other crimes and hinder fair law enforcement.

In carrying out money laundering, perpetrators often use various *modus operandi*, such as *placement* (placement of funds proceeds of crime into the financial system), *layering* (moving funds through layered transactions to make it difficult to trace their origin), and *integration* (recombining the

¹ Ruspian, Marzuki, Didik Miroharjo, "Penegakan Hukum Tindak Pidana Pencucian Uang Dari Hasil Tindak Pidana Narkotika (Studi Putusan Mahkamah Agung RI Nomor 250 K/PID.SUS/2018)" *Jurnal Ilmiah Metadata*, Vol 4 No 2 (2022): 233

funds into legal economic activities).² Rapid technological advances have also made it easier for actors to make hidden transactions such as *cryptocurrencies*. In January 2024, the Financial Transaction Reporting and Analysis Center (PPATK) received 3,234,474 reports, which is an increase of 17% compared to the previous month.³ To deal with this problem, the Indonesian government has tightened regulations and policies through Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering Crimes (TPPU Law) and established special supervisory agencies, such as PPATK.

PPATK was established in response to the growing need for an institution capable of monitoring, analyzing, and reporting suspicious financial activities related to money laundering crimes.⁴ This institution was born based on Law Number 15 of 2002 concerning the Crime of Money Laundering, which became the initial legal basis, and was officially established on April 17, 2002.⁵ PPATK functions not only as an institution that supervises and analyzes financial transactions, but also as a financial intelligence agency that cooperates with law enforcement officials in handling money laundering cases. In practice, PPATK collaborates with various international institutions to track cross-border fund flows that often occur in money laundering cases.

In line with these efforts, financial institutions play a crucial role, as they are often the main target for money launderers to hide the origin of their illegal funds. Financial institutions are divided into two parts, namely bank financial institutions and non-bank financial institutions such as insurance companies, investment institutions, pawnshops, mutual funds and stock exchanges.⁶ In the midst of these developments, money laundering through *cryptocurrencies* has become a serious concern around the world, including Indonesia. Referring to data from *the Crypto Crime Report*, President Jokowi revealed that the amount of money laundering through crypto assets reached an astonishing figure, which amounted to US\$ 8.6 trillion in 2022.⁷ This figure shows how significant and worrying this problem is, especially since cryptocurrencies offer anonymity and ease of transactions that make it easier for criminals to hide their financial footprints.

By paying attention to the large number of money laundering through crypto assets, it is important to see real examples of money laundering that occurred in Indonesia, one of which is the Century Bank case, which is one of the largest money laundering cases involving financial institutions in the country. This case occurred in 2008 and involved a number of actions that harmed the state and society. Bank Century, which is a bank experiencing liquidity difficulties, received a bailout from the government through the Deposit Insurance Corporation (LPS) worth around Rp 6.7 trillion.⁸ However, it was later revealed that the funds were used for personal interests by the bank's owners and administrators, leading to allegations of

² Fadhil Raihan, Nurnita Sulistiowati, "Kebebasan Pencucian Uang Dipengaruhi Oleh Keahlian Pidana Menguasai : Placement, Layering, Dan Integration (Suatu Kajian Studi Literatur Manajemen Sumberdaya Manusia)" *Jurnal Ekonomi Manajemen Sistem Informasi*, Vol 2 Issue 6 (2021): 694

³ Pusat Pelaporan dan Analisis Transaksi Keuangan, "Anti Pencucian Uang dan Pencegahan Pendanaan Teorisme (APUPPT) serta Pendanaan Proliferasi Senjata Pemusnah Massal (PPSPM)" Vol 2 No 1 (2024)

⁴ Aksa Aksa, Alwan Hadiyanto, Ciptono Ciptono, "Upaya Pemberantasan Tindak Pidana Pencucian Uang oleh Pusat Pelaporan Dan Analisis Transaksi Keuangan Melalui Kerjasama Internasional" *Jurnal USM Law Review*, Vol 7 No 2 (2024): 586

⁵ Kristiawanto, *Pengantar Memahami Tindak Pidana Pencucian Uang (Money Laundering)*, Klaten: PT. Nas Media Indonesia, h. 4

⁶ Tri Winarsih, Muhammad Iksan Purnomo, "Kasus-Kasus Kontemporer: Bank Syariah, Asuransi Dan Pasar Modal" *ASAS Jurnal Hukum Ekonomi Syariah*, Vol 13 No 2 (2021): 1-13

⁷ Rosseno Aji Nugroho, "PPATK Ungkap Pencucian Uang Lewat Kripto Sebesar Rp 800 Miliar!" <https://www.cnbcindonesia.com/news/20240419105454-4-531615/ppatk-ungkap-pencucian-uang-lewat-kripto-sebesar-rp-800-miliar> diakses 10 Oktober 2024

⁸ BBC News Indonesia, "Kilas Balik Kasus Bank Century" https://www.bbc.com/indonesia/berita_indonesia/2014/07/140716_bankcentury_101 diakses pada 10 Oktober 2024

money laundering and embezzlement. The Century Bank case is a clear example that non-compliance and corrupt practices in financial institutions can lead to money laundering that is significantly detrimental to the state. The case also triggered policy and regulatory changes in the financial sector to prevent the recurrence of similar practices in the future. However, major cases of money laundering do not only occur in the country. One similar case involving an even larger amount of funds came from neighboring countries and shook the international world, namely the 1MDB (*1Malaysia Development Berhad*) scandal in Malaysia.

This massive money laundering case involves the illegal diversion of USD 4.5 billion from state investment funds, which were improperly used for the personal interests of a number of officials. Former Malaysian Prime Minister Najib Razak was sentenced to 12 years in prison and fined \$49 million, confirming that there are severe sanctions for the main perpetrators.⁹ In addition, Goldman Sachs, which played a role in arranging bonds for 1MDB, was fined hefty by the United States, Malaysia, and several other jurisdictions totaling \$3.9 billion.¹⁰ This decision not only provides a deterrent effect, but also serves as a stern warning for international financial institutions to be more cautious and comply with anti-money laundering regulations. However, despite the large sanctions and efforts to strengthen these regulations, the data shows that cases of money laundering crimes in various countries, including Indonesia, continue to increase significantly.

The increase in money laundering cases that occur every year shows an increasingly alarming trend. Based on a report by the Financial Transaction Reporting and Analysis Center (PPATK), from January 2005 to January 2021, there were 556 cases of Money Laundering that had been decided by the Court, with the majority of decisions produced in the DKI Jakarta area as many as 177 decisions or 31.8%. Of the total verdicts, most of them are related to crimes of narcotics origin, namely 143 verdicts or 25.7%, where the sentences imposed reach a maximum of life imprisonment and fines of up to 32 billion rupiah.¹¹ In addition, the crime value of money laundering cases between 2016 and 2018 reached more than Rp 8.4 trillion. Of this amount, the proceeds of narcotics crime dominated with Rp 7.6 trillion or 90.4%, followed by banking crime of Rp 501 billion or 6%, and corruption crime of Rp 308 billion or 3.6%.¹² With the number of money laundering cases increasing every year and the value of losses continuing to increase, a fundamental question arises: Is the application of sanctions against financial institutions involved in money laundering cases effective in providing a deterrent effect?

METHODOLOGY

The research method used in this study is the normative juridical method. This method focuses on theoretical legal studies by analyzing relevant legal rules, including laws, regulations, and provisions¹³ governing sanctions against financial institutions in money laundering cases. This approach is carried out by examining primary legal materials, such as laws on money laundering crimes, financial authority

⁹ Dryan Nugroho, Hery Firmansyah, "Penegakan Hukum terhadap Tindak Pidana Pencucian Uang dalam Kasus Investasi Binomo demi Keadilan bagi Korban" *UNES Law Review*, Vol 6 No 4 (2024): 10497

¹⁰ Rehia Sebayang, "Kasus 1MDB, Malaysia Tuntut Ganti Rugi Rp 109 T dari Goldman" <https://www.cnbcindonesia.com/news/20181221164958-4-47518/kasus-1mdb-malaysia-tuntut-ganti-rugi-rp-109-t-dari-goldman> diakses pada 10 Oktober 2024

¹¹ PPATK, "Bulletin Statistik: Anti Pencucian Uang & Pencegahan Pendanaan Terorisme" Vol 131 (2021)

¹² PPATK, *Tipologi Pencucian Uang Berdasarkan Putusan Pengadilan Atas Perkara Tindak Pidana Pencucian Uang Tahun 2018*, Jakarta: Tim Riset PPATK, 2019

¹³ Ani Purwati, *Legal Research Methods: Theory & Practice*, Surabaya: CV. Jakad Media Publishing, 2020, p. 87

regulations, and court decisions related to sanctions against financial institutions. Secondary legal materials, such as books, journals, and related research are also used to understand the application of sanctions and evaluate their effectiveness in creating a deterrent effect. This normative analysis aims to see how far existing legal regulations have succeeded in preventing the involvement of financial institutions in money laundering, as well as analyze the relevance and strength of the sanctions applied in creating a deterrent effect among financial institutions.

RESULTS AND DISCUSSION

Money laundering is the process of disguising the origin of money obtained from illegal activities to look like legitimate funds. This process allows money from crime, such as drug trafficking, corruption, or fraud, to enter the economy without raising suspicion. Money laundering is usually carried out through three stages: placement, layering, and integration.¹⁴ First, at the placement stage, the proceeds of crime are injected into the financial system, often through bank accounts, businesses involving cash transactions, or casinos. This stage is quite prone to detection, especially if it involves a large amount of money that suddenly enters the system. After that, the layering stage aims to disguise the original source of money by conducting a series of complex transactions, such as transfers between accounts, investments in financial products, or remittances abroad. The purpose of layering is to eliminate traces so that it is more difficult for authorities to trace the origin of funds. The final stage, integration, involves using money that has been "laundered" in the form of a purchase of property, business, or other investment, so that the money fully appears legitimate.

Financial institutions play an important role, either directly or indirectly, in facilitating money laundering.¹⁵ Their role is evident in several aspects, from the provision of access to financial services to weaknesses in transaction monitoring systems. Access to financial services, such as bank account opening, money transfers, or investment products, provides opportunities for money launderers to put their funds into the financial system.¹⁶ In addition, weaknesses in transaction monitoring allow suspicious activities such as large number transactions or cross-border transactions, which do not match the customer's profile, to escape without detection. Investment products provided by financial institutions, such as stocks or mutual funds, can be used in the coating process. In addition, international services such as credit cards or offshore accounts are often utilized in money laundering activities.

The lack of *due diligence* or adequate customer recognition also allows the proceeds of crime to enter the financial system without obstacles.¹⁷ This process is known as *Know Your Customer* (KYC) or *Customer Due Diligence* (CDD), and it is important to identify customers well to prevent money

¹⁴ Muhamad Devasso Azzura Adam, Fani Agustina Nababan, Muhammad Yusuf, "Analisis Kejahatan Transnasional Melalui Aktivitas Money Laundering dalam Illegal Wildlife Trade di India" *Jurnal Transformasi Global*, Vol 9 No 2 (2022): 85

¹⁵ Muhammad Iqbal, Heru Juli Ardie, Zainudin Hasan, "Analisis Hukum Dalam Melacak Jejak Digital Dan Memahami Tindak Pidana Pencucian Uang Dalam Era Teknologi" *Iqtishaduna: Jurnal Ilmiah Mahasiswa Jurusan Hukum Ekonomi Syariah*, Vol 5 No 2 (2024): 286

¹⁶ Muhammad Arya Ramadhan, Jadug Imam Anggoro, Martin Susanto, "Analisis Penyalaiigunaan Perbankan Dalam Rangka Mengidentifikasi Kerugian Ekonomi Dan Upaya Pencegahannya" *Jurnal Media Akademik (JMA)*: Vol 2 No 2 (2024): 1-19

¹⁷ Azizah, dkk, "Dispensasi Rahasia Bank dalam Tindak Pidana Pencucian Uang Nasabah Bank CIMB Niaga" *Jurnal Pendidikan Tambusai*, Vol 7 No 3 (2023): 25566

laundering.¹⁸ Another weakness arises when financial institutions do not fully comply with the regulations that have been set, such as reporting suspicious transactions or reporting activities with large funds. Regulatory violations or lack of internal oversight can lead to money laundering occurring without a hitch. Financial institutions function as the entrance of illegal funds into the economy as well as the vanguard in detecting and reporting suspicious activities. Therefore, it is important for financial institutions to strengthen their monitoring systems, conduct thorough KYC, and comply with applicable regulations to maintain the integrity of the financial system and reduce the risk of money laundering. Furthermore, to support these efforts, it is necessary to conduct a review of existing regulations and policies, both at the national and international levels, that regulate sanctions against financial institutions involved in money laundering cases.

A review of existing regulations and policies, both national and international, is essential to understand sanctions against financial institutions involved in money laundering cases. At the international level, several important instruments have been developed to tackle money laundering, such as the United Nations Convention on the Eradication of Transnational Organized Crime (UNTOC) and the *Financial Action Task Force* (FATF) Recommendations.¹⁹ The FATF recommendations set standards that member states must follow to prevent money laundering and terrorism financing, including strengthening the legal framework, improving monitoring mechanisms, and enforcing strict sanctions against violating financial institutions.²⁰ International sanctions can be in the form of fines, operational restrictions, or even revocation of business licenses for institutions that fail to meet their supervisory obligations against suspicious transactions.

In Indonesia, regulations related to money laundering are regulated in Law Number 8 of 2010 concerning Money Laundering Crimes (TPPU). This law establishes various provisions related to the prevention and enforcement of money laundering, including sanctions for financial institutions involved. The sanctions imposed can be in the form of administrative sanctions, such as fines and revocation of business licenses, as well as criminal sanctions for individuals involved in money laundering. For example, Article 16 of the TPPU Law stipulates a maximum prison sentence of 10 years for PPATK officials or employees, investigators, public prosecutors, or judges who violate the provisions. In addition, Article 34 paragraph (1) regulates administrative sanctions in the form of a fine of 10% of the excess amount of cash and/or other payment instruments brought, with a maximum fine of IDR 300,000,000.00. Furthermore, there is an obligation for financial institutions to conduct *due diligence*, report suspicious transactions, and comply with KYC procedures to ensure that no funds from crime enter their systems. Although these provisions already exist, challenges in their implementation often arise, such as a lack of understanding from financial institutions about the procedures to be followed or non-compliance with applicable regulations.

Based on the analysis, the sanctions provisions in the Anti-Money Laundering Law in Indonesia reflect the government's efforts to increase the awareness and responsibility of financial institutions in preventing money laundering. However, the application of these sanctions is often influenced by external factors, such as political and economic conditions that affect the performance of these institutions. In addition, compared to regulations in other countries, such as In the United States, money laundering regulations are regulated through the *Bank Secrecy Act* (BSA) and the USA PATRIOT Act. BSA requires financial institutions to report suspicious transactions and conduct a comprehensive anti-money laundering

¹⁸ Leslyn Kho, Tantimin, "Efektivitas Penerapan Customer Due Dilligence Pada Nasabah Bpr Dalam Pencegahan Pencucian Uang Di Batam" *UNES Law Review*, Vol 4 Issue 4 (2022): 417

¹⁹ Moh. Dulkiah, *Sosiologi Kriminal*, Bandung: LP2M UIN SGD Bandung, 2020, h. 38

²⁰ Siti Nurhalimah, *dkk*, "Swot Analysis Of Ppatk's Role In Conducting Suspicious Financial Transaction Analysis And Case Studies" *Journal of Social and Economics Research*, Vol 6 Issue 1 (2024): 1913

(AML) program.²¹ If financial institutions fail to comply with these provisions, they can be subject to very severe sanctions, including fines that amount to hundreds of millions of dollars. For example, in the case of Wells Fargo, the bank was fined \$3 billion for failing to report suspicious transactions related to money laundering.²² This strict enforcement of the law shows that financial institutions in the US have strong incentives to comply with regulations and implement good practices. By strengthening regulations and increasing international cooperation, Indonesia can improve its oversight and enforcement mechanisms against money laundering, so that financial institutions not only serve as gateways for illegal funds but also play an active role in combating these crimes. In this context, a deeper understanding of existing regulations and policies, as well as consistent enforcement of sanctions, will be crucial to creating a more transparent and accountable financial system.

As a further step in efforts to combat money laundering, it is important to understand the different types of sanctions that can be imposed on financial institutions involved in these illegal practices. The sanctions applied not only serve as a form of punishment, but also as a *deterrent* to prevent similar violations in the future.²³ The types of sanctions imposed on financial institutions involved in money laundering vary, ranging from financial fines to revocation of business licenses, as well as criminal penalties for the individuals responsible. Financial sanctions are generally in the form of fines that must be paid to the state as a form of accountability for violations committed. The revocation of business licenses is a decisive step that shows that institutions proven to be involved in money laundering can no longer operate in the financial system. In addition, individuals involved in the money laundering process may also be subject to criminal sanctions, which can be in the form of imprisonment, in accordance with the provisions of the applicable law. A striking example in this case is the Goldman Sachs case related to the 1MDB scandal, where the financial institution was fined hefty in various countries for its involvement in money laundering.²⁴ The case has been in the global spotlight and shows that financial institutions, especially those with great reputations, can face serious consequences if they do not comply with anti-money laundering regulations.

The effectiveness of sanctions in providing a deterrent effect on financial institutions involved in money laundering is a crucial topic in the discussion on compliance with anti-money laundering rules. Theoretically, the sanctions imposed, both in the form of financial fines and other administrative sanctions, are expected to change the behavior of financial institutions to be more compliant with existing regulations.²⁵ However, a deeper analysis shows that although a number of institutions have been sanctioned, there is still a significant increase in money laundering cases. The data shows that money laundering cases are not only increasing in number, but also in the complexity of the modus operandi used. This indicates that the sanctions applied have not been fully effective in causing the expected deterrent effect.

Financial sanctions, while often of great value, may not be enough to have a significant impact on large financial institutions that have abundant financial resources. In some cases, the fines are considered

²¹ Septiani Tri Ambarwati, *dkk*, "Analisis Manajemen Resiko Korupsi dalam Penyelundupan Senjata dan Pencucian Uang" *Jurnal Anti Korupsi*, Vol 4 Issue 1 (2014): 67-81

²² Jayakarta News, "TD Bank dedenda \$3 Miliar, Kasus Pencucian Uang di AS" <https://jayakartanews.com/td-bank-didenda-3-miliar-kasus-pencucian-uang-di-as/> diakses pada 12 Oktober 2024

²³ Yoyok Suryadi, "Urgensi Hukuman Mati Bagi Koruptor Di Indonesia" *Legal Civility: Jurnal Hukum*, Vol 1 No 1 (2024): 1-13

²⁴ VoA, "Goldman Sachs akan Bayar Denda Rekor Atas Skandal 1MDB" <https://www.voaindonesia.com/a/goldman-sachs-akan-bayar-denda-rekor-atas-skandal-1mdb/5632674.html> diakses pada 12 Oktober 2023

²⁵ Bina Yumanto, Paruhum Aurora Sotarduga Hutauruk, "Ultimum Remedium Dalam Hukum Pidana Pajak: Teori Dan Praktik" *Scientax: Jurnal Kajian Ilmiah Perpajakan Indonesia*, Vol 4 No 1 (2022): 107

tolerable operational costs, so there is no noticeable change in behavior. Additionally, financial institutions may engage in money laundering practices in the hope that they can avoid detection or earn a greater profit than the fines they pay if caught. Therefore, a more comprehensive and integrated approach is needed to ensure that the sanctions imposed are not only reactive, but also proactive in encouraging compliance. This could include increased oversight, better training for employees of financial institutions, and closer cooperation with law enforcement authorities.

Law enforcement against financial institutions involved in money laundering faces a range of significant challenges that hamper efforts to eradicate these illegal practices.²⁶ One of the main obstacles is the weak supervision carried out by the relevant authorities. Without an effective and comprehensive monitoring system, it is difficult to identify and track suspicious activities that may occur within a financial institution. Many institutions do not have adequate mechanisms to detect strange or unusual transaction patterns, which is often an early indicator of involvement in money laundering. In addition, although *Suspicious Transaction Reports* (STRs) are filed by financial institutions, many of these reports are not followed up with strict action by the authorities.²⁷ This leads to a number of potential cases being missed and unmonitored, increasing the chances for money launderers to continue their activities without fear of legal repercussions.

Inconsistencies in law enforcement also contribute to this challenge. Different law enforcement agencies often have different approaches and priorities, creating doubt and confusion in sanctions enforcement. This not only makes financial institutions feel that there are no real consequences for their violations, but also reduces public trust in the legal system. In addition, external factors such as corruption, lack of resources, and weak cooperation between institutions both at the national and international levels exacerbate this situation. Therefore, to improve the effectiveness of law enforcement against financial institutions, comprehensive reforms in the supervision and enforcement system are needed, including better training for law enforcement officers, the development of more sophisticated technological tools, and closer collaboration between relevant institutions in addressing these challenges together.

Case studies on large money laundering provide in-depth insights into how this practice occurs and how financial institutions can be involved in such illegal activities. One striking example is the case of Century Bank in Indonesia, which occurred in 2008. The bank is involved in a variety of practices that are detrimental to the state, including embezzlement of funds and abuse of authority. In his investigation, it was found that the customer's funds were used for personal interests and were not properly reported.²⁸ The Indonesian government later took steps to rescue the bank through a restructuring program, but this drew criticism because it was considered a form of money laundering approved by the authorities. The sanctions imposed on institutions and individuals involved in this case vary, ranging from revocation of business licenses to legal action against the perpetrators involved.

Another example is the IMDB scandal in Malaysia, which involved state investment funds allocated for development projects. The scandal came to light in 2015, when an investigation revealed that nearly \$4.5 billion of the funds were misappropriated and laundered through various international

²⁶ Aksa Aksa, Alwan Hadiyanto, Ciptono, "Upaya Pemberantasan Tindak Pidana Pencucian Uang oleh Pusat Pelaporan Dan Analisis Transaksi Keuangan Melalui Kerjasama Internasional" *Jurnal USM Law Review*, Vol 7 No 2 (2024): 586

²⁷ Claudia Deskyansi Membalik, Jusuf O. Sumampow, Rudy M.K Mamangkey, "Penegakan Hukum Terhadap Tindak Pidana Pencucian Uang Dari Hasil Korupsi Ditinjau Dari Delik Pidana Dan Undang-Undang Nomor 8 Tahun 2010" *Lex Privatum*, Vol 10 No 4 (2022): 1-15

²⁸ BBC News Indonesia, "Menguak skandal bank Century" https://www.bbc.com/indonesia/laporan_khusus/2010/02/100213_bankcenturystory diakses pada 13 Oktober 2024

transactions.²⁹ Global financial institutions, including Goldman Sachs, have been accused of facilitating this money laundering through non-transparent bond issuance. As a result of this scandal, Goldman Sachs faced huge fines in various countries, as well as administrative and legal sanctions.³⁰ This case illustrates how complex money laundering is at the international level and the importance of cooperation between law enforcement agencies in different countries to deal with such cases. Both cases show that the sanctions imposed on financial institutions are not only aimed at providing a deterrent effect, but also to improve compliance with anti-money laundering regulations in the future. Nonetheless, the effectiveness of these sanctions is still questionable, especially when large financial institutions are often able to pay fines without facing more serious consequences. Therefore, these cases highlight the need for reforms in oversight and enforcement systems, as well as the need for a stricter assessment of the role of financial institutions in preventing money laundering.

To increase the effectiveness of sanctions against financial institutions involved in money laundering, there is a need for a number of recommendations that focus on improving policies and regulations. First, increasing financial fines is a crucial step that can provide a greater deterrent effect. Higher fines will make financial institutions think twice before engaging in illegal practices, as well as encourage them to be more compliant with applicable anti-money laundering rules. In addition, reputation sanctions also need to be strengthened; Publication related to violations committed by financial institutions must be carried out transparently. In this way, financial institutions will be more aware that involvement in money laundering is not only financially risky, but can also damage their reputation in the eyes of the public and clients.

The next recommendation is to increase internal oversight and audits in financial institutions to ensure compliance with anti-money laundering regulations. Strict surveillance will allow for early detection of suspicious activity, so that financial institutions can take preventive measures before the problem develops further. In addition, it is also necessary to introduce better training for financial institution employees on how to recognize and report suspicious transactions. This education is important to build awareness and better understanding of the risks of money laundering and their responsibilities in preventing it. At the international level, cooperation between countries in dealing with money laundering must also be strengthened. Through the exchange of information and best practices, countries can be more effective in cracking down on financial institutions that engage in cross-border illegal practices. The implementation of international standards, such as recommendations from *the Financial Action Task Force* (FATF), can serve as a guideline for countries to build stricter and more consistent regulations.³¹ By implementing these measures, it is hoped that the effectiveness of sanctions can be improved, so that financial institutions will be more motivated to carry out transparent and responsible practices.

Internal education in financial institutions plays a very important role in efforts to prevent money laundering. A deep understanding of money laundering risks not only helps employees to recognize signs of suspicious activity, but also equips them with the knowledge they need to carry out their duties responsibly. In this context, financial institutions need to implement a comprehensive and continuous training program for all staff, including management, so that they can understand not only the applicable regulations but also the consequences of non-compliance. Measures to improve compliance with anti-

²⁹ Rehia Sebayang, "Mengenal Skandal 1MBD, Korupsi Terbesar Mantan PM Malaysia" <https://www.cnbcindonesia.com/news/20200728144306-4-175980/mengenal-skandal-1mdb-korupsi-terbesar-mantan-pm-malaysia> diakses pada 13 Oktober 2024

³⁰ Lauren Lang, "It's All Fun And Games Until Someone Gets Hurt: Lessons On Fcpa Enforcement From The Goldman Sachs And 1mdb Scandal" *Am. Crim. L. Rev.*, Vol 60 (2023): 203

³¹ Astritia Latifa, "Analysis of the Role of the Financial Action Task Force (FATF) as an Effort to Combat Money Laundering" *Jurnal Terekam Jejak*, Vol 1 No 1 (2023): 1-12

money laundering regulations should also include the development of clear and effective operational procedures. This includes the establishment of a strict *Know Your Customer* (KYC) policy, where financial institutions are expected to thoroughly recognize and verify the identities of their customers.³² Thus, employees will be better prepared to evaluate customer risk profiles and detect suspicious transactions. Additionally, it is important to create a strong culture of compliance within the organization, where each individual feels responsible for reporting unusual activity without fear of consequences. Education must also include legal and regulatory aspects that govern money laundering, both at the national and international levels.³³ By understanding the existing legal framework, employees will be more aware of the importance of compliance and the legal impact of their actions. In addition, financial institutions can collaborate with relevant authorities to organize seminars and workshops that delve into current issues in money laundering prevention. Through this comprehensive educational approach, it is hoped that financial institutions can reduce the risk of money laundering and contribute to the integrity of the financial system as a whole.

Based on the description above, sanctions against financial institutions involved in money laundering are currently not enough to provide the expected deterrent effect. Despite the various provisions and sanctions stipulated in the regulations, such as Law Number 8 of 2010 concerning Money Laundering Crimes (TPPU) in Indonesia, many institutions still neglect the obligation to conduct due diligence and report suspicious transactions. This is due to various factors, such as weak supervision by the authorities, lack of understanding from financial institutions regarding the procedures that must be followed, and non-compliance with regulations. In addition, the financial sanctions imposed are often considered operational costs that large institutions can tolerate, so there is no real change in behavior. With the increasing complexity and number of money laundering cases, it is seen that the existing sanctions are not effective enough to encourage financial institutions to operate in a transparent and responsible manner. To create a more transparent and money-laundering-free financial system, comprehensive reforms in law enforcement and increased international cooperation are needed, including stronger sanctions and stricter supervision of financial institutions.

CONCLUSIONS

The application of sanctions against financial institutions involved in money laundering is an important step in enforcing the law and preventing corrupt practices. From the results of this study, it can be concluded that the sanctions applied have not fully provided a deterrent effect. Although there are some cases where sanctions have succeeded in reducing money laundering activities, there are still institutions that continue to violate the law without feeling pressured by the existing sanctions. This shows that the effectiveness of sanctions needs to be improved through stricter supervision, increased international cooperation, and more consistent law enforcement. Therefore, reforms in the law enforcement system and improved sanctions mechanisms are needed to create a more significant deterrent effect for financial institutions involved in money laundering.

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³³ Nur Nugroho, *dkk*, "Analisis terhadap Pencegahan Tindak Pidana Pencucian Uang oleh Bank Negara Indonesia" *ARBITER: Jurnal Ilmiah Magister Hukum*, Vol 2 No 1 (2020): 100-110

Aksa Aksa, Alwan Hadiyanto, Ciptono Ciptono, “Upaya Pemberantasan Tindak Pidana Pencucian Uang oleh Pusat Pelaporan Dan Analisis Transaksi Keuangan Melalui Kerjasama Internasional” *Jurnal USM Law Review*, Vol 7 No 2 (2024): 586

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