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THE ROLE OF BANKS IN COMBATING MONEY LAUNDERING

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Abstract

Money laundering operations are on the rise globally due to the rising activity of organized criminal groups in numerous fields. As a result, such phenomena, together with other challenges such as international terrorism, have taken a prominent place on the global policy agenda. It is worth noting that laundering activities place a significant burden on various countries throughout the world, which are seeking the best ways to combat and prohibit activities. Banks are generally known to be essential pillars of money laundering and its combat. Banks are suitable for money laundering because they handle the majority of transactions. Consequently, Central Banks in most of the world's countries implemented several regulations to increase oversight of commercial banking institutions to reduce the globalization of such occurrences. This study is an in-depth investigation that attempts to discover and clarify the preferences and views of customers regarding the quality of service in Iraqi banking, as well as to define the service quality components that contribute to these opinions.

Keywords: Role of banks, money laundering, corrupt system, growth domestic progress, Iraq banks.

Introduction

Money laundering is a method of hiding the illegitimate source of illicit earnings. Profits from criminal activity are substantial. As a result, the parties involved must devise techniques for controlling these funds while avoiding bringing notice to the underlying conduct. Perpetrators accomplished this by disguising the sources, changing the form, or moving funds to less visible areas. Money launderers worldwide have used high-value physical goods, housing developments, and certain banks as highly effective money laundering methods (Maximillian and Teichmann, 2017). Money-laundering activities within banks are not surprising to most entrepreneurs today, as the possibility first emerged on a wide scale in the late 1970s with the infamous BCCI crisis (Beaty and Gwynne, 2004).

Consequently, it is unsurprising that most banks work hard to protect their shareholders from being abused in money laundering (Agarwal, 2003). According to the study, financial organizations are essential in contemporary economies as they offer the required ties to economic development and security. Because bank financial stability is so important, most people agree that financial institutions should be regulated. Nonetheless, as banks have grown into significant money-laundering trainers in recent decades, the primary goal of regulatory initiatives has broadened in addition to the fundamental soundness problems. Money laundering is a problem that requires being addressed because it weakens confidence which is a vital component in the modern banking industry (Teichmann, 2017).

Money-laundering operations have been routinely utilized to fund illegal activities such as terrorist financing, drug trafficking, and drug manufacturing. Financial institutions are critical in the battle against money laundering in this sense. According to FAFT Policy 16, "if banks suspect cash have been linked to illicit activity, they must be allowed or obligated to report allegations to the suitable organizations as soon to be possible." Much taking of acquires from illicit transactions stems from grievances by financial institutions of suspicious behaviour. Additional investigations by appropriate authorities may result in the criminal conviction of perpetrators and the acquisition of illegal profits (Kumar et al., 2021).

Banks may refuse to share information with appropriate agencies if the bank confidentiality principle is strictly enforced. In this regard, finding a satisfactory solution to the possibility of criminal liability for reporting a suspicious transaction is vital to fostering a positive collaborative environment among financial institutions and governments. Even when the idea of keeping banks secret is more adaptable, the efficacy of anti-money laundering policies based mainly on incentives has been questioned. Suppose the behaviour of a specific economic actor is not expected or was hoped for. In that case, the explanation must be identified by analyzing formal and unstructured game rules primarily reflected by laws governing money laundering. Nonetheless, it is generally accepted that creating a rule or process such as the one described above can result in errors and ineffectiveness due to problems identified in the literature as hidden data that could result in ineffective results. In this context, "hidden information" refers to a situation whereby the bank has confidential data concerning its inability or unwillingness to report suspicious conduct to the official authority (Teichmann, 2017).

Consequently, the party creating the contract, the armed authority in command, has to vet the many different pieces of knowledge available to the knowledgeable party. This essay aims to look into an incentive-based technique for combating money laundering. The efficiency qualities of the agreement are then investigated. One of the effects is that the contract is functional under perfect information, resulting in proper anti-money laundering law execution. In the meantime, the type of banking institution still needs to be solved, i.e. its capacity or willingness to combat money laundering, and the problem of hidden data arises, potentially jeopardizing the effectiveness of the anti-money laundering policy based on this strategy (Demetis, 2018). This technique also indicates that anti-money laundering legislation can be more successful if the capacity to filter banks' willingness to collaborate increases. Financial intelligence agencies have carried out this endeavour (hereafter, designed to focus measures against money laundering). Using this information, the appropriate authorities can offer tailored commitments to each organization, conquering the limitations of the regulatory strategy for combating money laundering (Premti et al. 2021).

Three recent European banking cases have heightened concerns about money laundering in the area and around the entire globe. The first concerned an established Danish bank (Yeoh, 2020). In the second case, an established German central bank with connections to the Danish bank was implicated since it is rumoured that its US unit keeps Danske's questionable billions flowing (Harding, 2019). According to Jaeger (2018), the third case is a sizable international Dutch bank that exaggerated a €775 million compensation due to severe flaws in its anti-money laundering measures. To put things in perspective, money laundering is still a significant operational risk for banks worldwide.

On the other hand, European banks appeared disproportionately reflected in the regular influx of financial institutions sanctioned for anti-money laundering and sanctions offences (Edwards et al., 2018). The current EU anti-money laundering (AML) instructions, including the 5th Anti-Money Laundering Directive (5AMLD) Directive, which went into effect in July 2018, and the 6th Anti-Money Laundering Directive (6AMLD), which requires member states to implement the directives into their respective laws by 3 December 2020, were made possible by the general applications into those three significant money-laundering endeavours (Europa, 2018).

However, it was raised whether or not the most recently revised European AML rules would be sufficient for reducing money-laundering duties on this level within banks, in particular in other forms of financial organizations, especially fast-emerging online financial institutions (Weld, 2011) and companies transacting in digital assets (Groysman, 2018). As a result, with an estimated $500 billion to $1 trillion transferred worldwide, money-laundering risks may grow. The situation may be exacerbated when crypto-assets become more widely available. This study contends that enhancing banks' AML compliance procedures and holding senior executives accountable with harsher disciplinary sanctions could result in effective safeguarding from these possible money laundering concerns (Groysman, 2018).

Because of their excellent role in achieving financial balance, which is the primary goal of all financial insurance policies of different countries, central banks have attracted increased interest from policymakers and decision-makers worldwide. After dealing with crises or imbalances in any nation, MFI consists of its open-air project by implementing an excellent fiscal policy. Consequences of this policy are seen across the economic effort, from discipline in the tradition of obtaining monetary stability on the one hand to contributing to the tradition of establishing the foundation for economic growth, which is a further development for commercial banks. The skills of interior banks have become even more crucial within the core system of financial improvement due to the emergence and complexities of financial reality (Hashem, 2019).

The modern banking business requires modifications and improvements. They are required to offer the public improved and enhanced services. Better adjustments could result in constructive punishment for the banking industry by introducing the idea of internal marketing guidelines and how they might improve the effectiveness of banking services. As a result, everyone tries to contact banks that offer superior services. Due to the inadequate and gradual development of their organizational structure, most banks are ranked lower. Banks' profitability can increase with excellent adjustments, and the world's businesses have a wide range of products that are difficult to handle with an old-fashioned approach. Some gaps still need to be filled, and we must give them our complete attention. The establishment and promotion of banks' overall performance depends on their policies. Industries frequently lose jobs due to bad decisions made by those in charge or by them. Baking should offer improved services to all socioeconomic groups, a component of corporate growth and happiness. By modifying the banking industry's internal structure, flaws and defects can be found, and a strategy can be put forth to make the entire banking system operational (Shayma Hashem, 2021). But if the banking industry's internal structure changes, the profits will entirely and automatically transform. Internal promotion. Market-oriented and internal marketing are closely related.

Customers must receive excellent and convenient services. Internal banking improvements require adopting policies that make it simple for clients to use features like quick assessment, quick response, and a simple job process. The bulk of clients are interacted with by the bank's front-line staff, who also often handle a variety of financial activities. It is well acknowledged that customer satisfaction has more to do with the process of providing services than it does with the result. Al-Numimi, (2022)... banks in Iraq have a significant role to play in helping the populace gain more confidence. Some gaps and problems with banking in Iraq still need to be resolved as quickly as possible. If time is spent and results are delivered on time, it may affect how smoothly activities related to Iraqi banking are conducted. Customers and banking are frequently at odds, meaning people must be more accurate, necessitating careful attention. The services offered by banks could be of a better calibre and require more effort and focus. The best will be satisfied reviews as more banks offer better services. Several types of research have shown that superior services stimulate clients and increase their contentment. The additional dimensions provide a foundation for assessing service quality (Hashem, 2021).

Literature review

Money laundering is hiding the source of monies obtained illegally to make them appear legitimate (Mekpor et al., 2018). Illegally obtained funds are funnelled via a series of transactions to look to be genuine. Raweh et al. (2017) explored how money laundering has evolved in parallel with criminal organizations, such as human trafficking, dealing card human trafficking, pharmaceuticals and weapons trafficking in individuals, and so on. Money laundering is commonly recognized as an essential component of crime (Rahman, 2015). According to Johnson and Desmond Lim (2003), organized crime could only thrive as it does today with the ability to launder money. Money laundering promotes corruption, which is detrimental to the economy in the long run since criminals can conceal wherever their unlawful earnings came from and incorporate their earnings into the economic system as if they originated from a legitimate source (Sharman and Chaikin, 2009). Tax evasion is a component of money laundering, which influences the revenue of the government (Hendriyetty and Grewal, 2017). Schwarz (2011) asserts that funds laundering and tax avoidance are mutually advantageous and that tax haven governments that do not cooperate in implementing anti-money laundering laws.

Money laundering also undercuts respectable private-sector initiatives, undermining local economies and governmental authority (Unger and Den Hertog, 2012). It also causes policy mistakes by countries and enterprises and currency as well as interest rate volatility. Both financial institutions and economic systems could become unstable as a result (Aluko and Bagheri, 2012). Money laundering is crucial because it adversely affects the functioning of the international financial system and the financial system worldwide as a whole (Buchanan, 2004). Money laundering may cause funding to be directed to economically inefficient areas, slowing the progress of the entire country (Bartlett, 2002). Additionally, it undermines the legitimacy of legitimate government by resulting in instability in politics and civil strife (Mohammad et al., 2016). Positioning, layers, and integrating are the three (3) steps of money laundering. The precise deposit or introduction of illegal currency into the banking system or other money-laundering conduits is known as placement. Using a series of fictitious transactions that conceal the true source of the money, the revenues of crime can be separated from their source during the layering process. Finally, following the integrating procedure, illicit monies are returned to the banking system or economic as if these had come from lawful sources.

Front companies, gold merchants, currency exchange residences, insurance companies, phoney organizations, wires buildings, offshore banks, automobile dealerships, gaming establishments, attorneys, and accounting experts, among other people, could be employed to launder money (Hendriyetty and Grewal, 2017). The banking sector is the primary means of laundering unlawful proceeds (Raweh et al. 2017). On the other hand, money laundering can cause the financial system and banking institutions to become unstable (Mekpor et al., 2018). Money laundering impacts the stock markets and customers' confidence and trust in the system of finance, (Van der Zahn et al. 2007). Financial institutions' reputations are put at risk by money laundering because it damages their credibility or public perception of them. Unchecked money laundering may imply that financial institutions are involved in illegal fund-raising schemes, which would undermine client trust as well as confidence in the financial sector. Therefore, effective money laundering restrictions are anticipated to boost customer confidence and faith in the banking system, thereby promoting the expansion of the financial market. AML restrictions enacted in 1998 had a favourable impact on bank stock prices, according to Balani (2019), who used studies of events and cross-sectional regression to investigate the impact of AML regulations on bank valuations of stocks in the United States between 1992 and 2001. Furthermore, prominent money laundering increases the probability of financial institutions and their customers being duped. Financial institutions benefitting from money laundering may find it challenging to compete in the market due to properly controlling their resources, commitments, and activities. For instance, enormous amounts of money may be put in an account with a bank and then vanish over night. Aluko and Bagheri (2012) made the case that financial institutions in Nigeria that predominantly utilised illegally obtained cash were unable to withstand fierce competition in the market and ultimately failed. Again, massive capital flows in and out of the country, worsened by money laundering, could have hurt the market for foreign currencies, producing local currency volatility. As a result, any effort to combat money laundering is expected to impact the financial market's fate significantly.

Jayasuriya (2009) pointed out that adhering to AML regimes might establish an environment conducive to the achievement of sound administration, which is expected to influence the banking industry's growth. Anti-money-laundering policies are an essential part of good governance concepts consistent with most prudent financial stability requirements. Know-yourcustomer regulations, for example, are used to combat money laundering and as an element of financial institutions' responsible management. This suggests that efficient AML regulation must encourage the expansion of the financial industry. Geiger and Wuensch (2007) contend, however, that AML regulations could impede society's progress towards wealth creation by putting undue financial strain on banks and stunting the expansion of the banking sector. Fighting money laundering only seldom increases the effectiveness of banks, according to research on the cost of anti-money laundering legislation in the Italian financial system. According to Mohammad et al. (2016), anti-money laundering has an effect on the connections between banks and their customers since it contradicts the standards of bank confidentially. According to Buehrer et al. (2005), Swiss personal banking spends 2% of its overall budget and 45% of its regulatory burden on anti-money laundering procedures. They contend that because banks as well as additional financial organisations, serve as conduits for the execution of anti-money laundering procedures, AML legislation may have unintended consequences. This has an impact on both the profitability of these banks and the expansion of the financial sector. Since unchecked laundering of cash may indicate that financial institutions are involved in illegal money-creation activities, it poses a serious risk to a healthy financial industry. In order to restore trust in financial institutions including the broader financial system, AML legislation must be implemented.

However, as was already mentioned, AML regulations put the core principles of bank privacy at risk and increase the exchange fees for financial institutions (Mohammad et al., 2016). Therefore, reducing money laundering will boost the banking industry by reestablishing consumer confidence in the financial industry. Nevertheless, if AML regulations are overly strict, the financial sector could suffer. As a result, AML requirements positively affect banking sector development under the given limit and have an adverse effect over that limit.

Methodology

The methodology has suggested data mining methods for determining the likelihood that financial institutions may be used for money laundering. As a consequence, the authors recommend following the following steps: The scree procedure and correlation analysis are used to detect completion in a set of input parameters, and then the metrics with the most significant importance are chosen. The study of variance provides support for the number of homogeneous groups of countries that are being investigated in regard to the likelihood that financial institutions may become involved in money laundering. Cluster economies employ the k-means strategy, with distances from Euclid serving as an arrangement indication, depending on the risk under discussion. This makes it possible to create consistent groups of nations when analysing the likelihood that financial institutions will engage in money laundering, split assessment for changes in the likelihood that financial organisations will engage in money laundering, and appropriate deals for focusing on the risk under study and not linear multivariate regression evaluation to identify the critical Using the differential calculus, the suggested methodology should generate an initial depiction of the evolving structure of the risk scale for the previously defined clusters of countries. The following stages include the actual implementation of the recommended technique.

Results and discussion

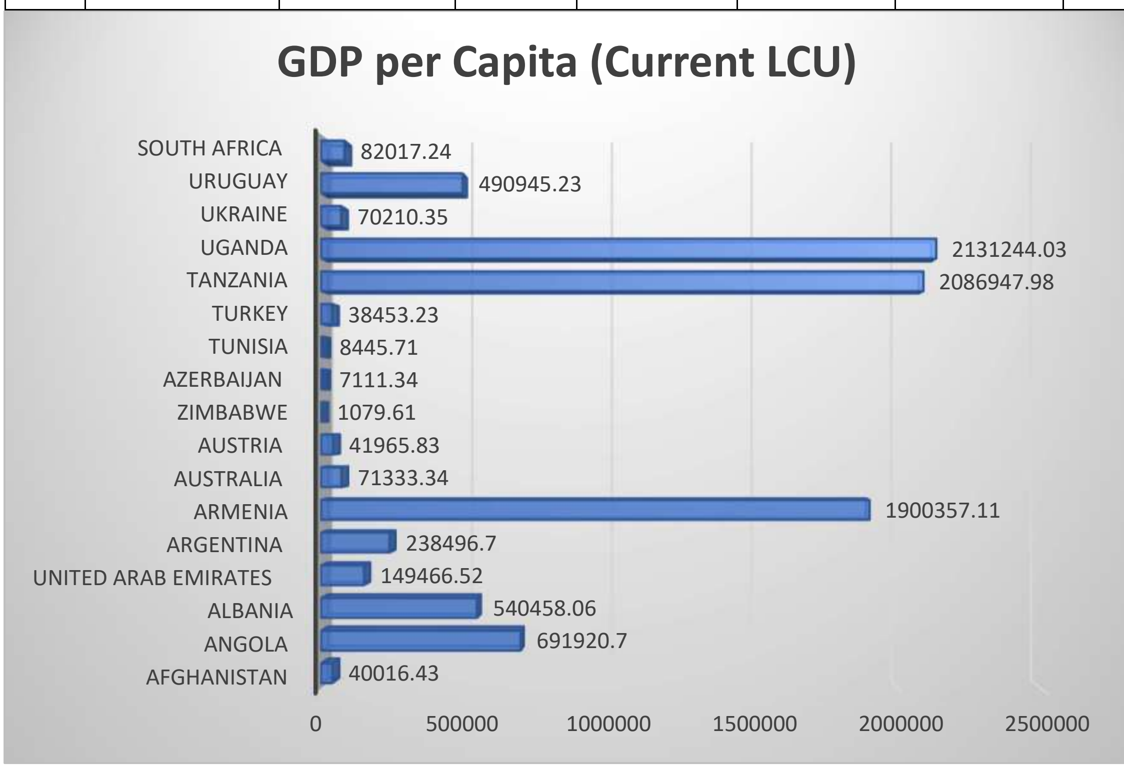
Creation of the statistical basis for the study's intake and confirmation of the overlapping nature of the submitted indicators The study's data statistical basis is constructed in the first step. The correlating analysis approach can determine the commonality of the input signals. The latter eliminates variables that can be disregarded, simplifying calculations (Malyarets et al., 2019). Positive outcomes are related to defining each process and parameter under consideration (Bublyk et al., 2017). Because of this, no matter what financial or mathematical methodologies are employed, the results will only be valid if the information provided identifies the key characteristics of the risk being examined (Vasylyeva et al., 2016). As a consequence, the geographical investigation of data from 105 countries was used in 2018 to identify the danger of employing financial services companies for money laundering. As evaluation criteria, the following indicators were chosen:

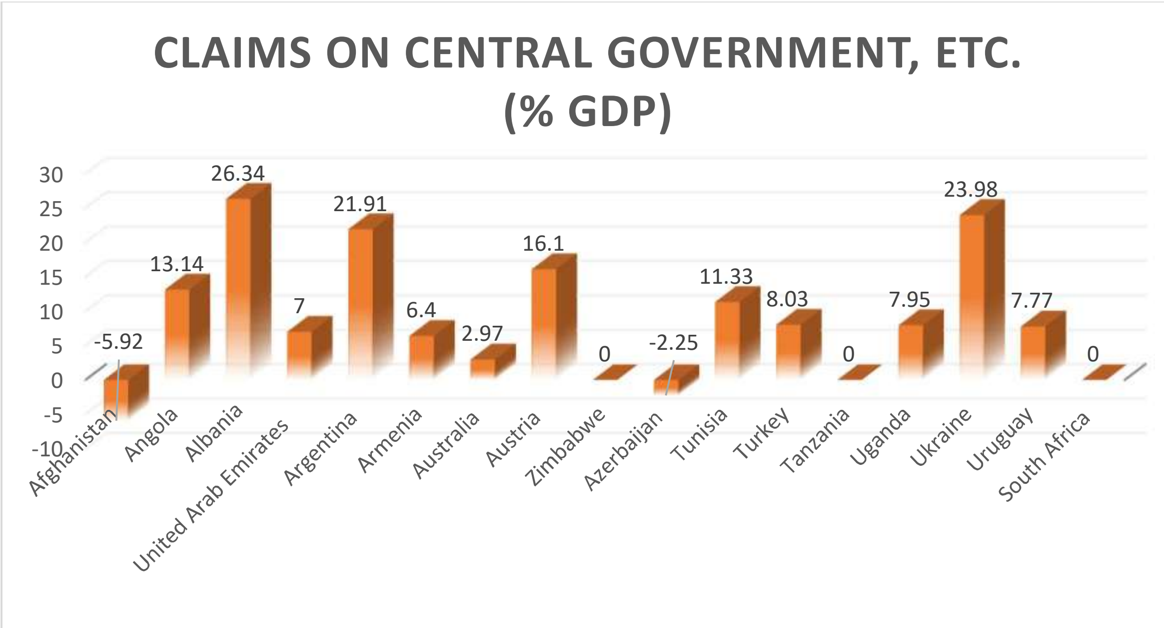
• GDP (current LCU) per capita
• Bank confidentiality
• Claims on central government, etc. (as a percentage of GDP)
• Corruption perceptions index • Global terrorist activity perception index
• Index of Happiness

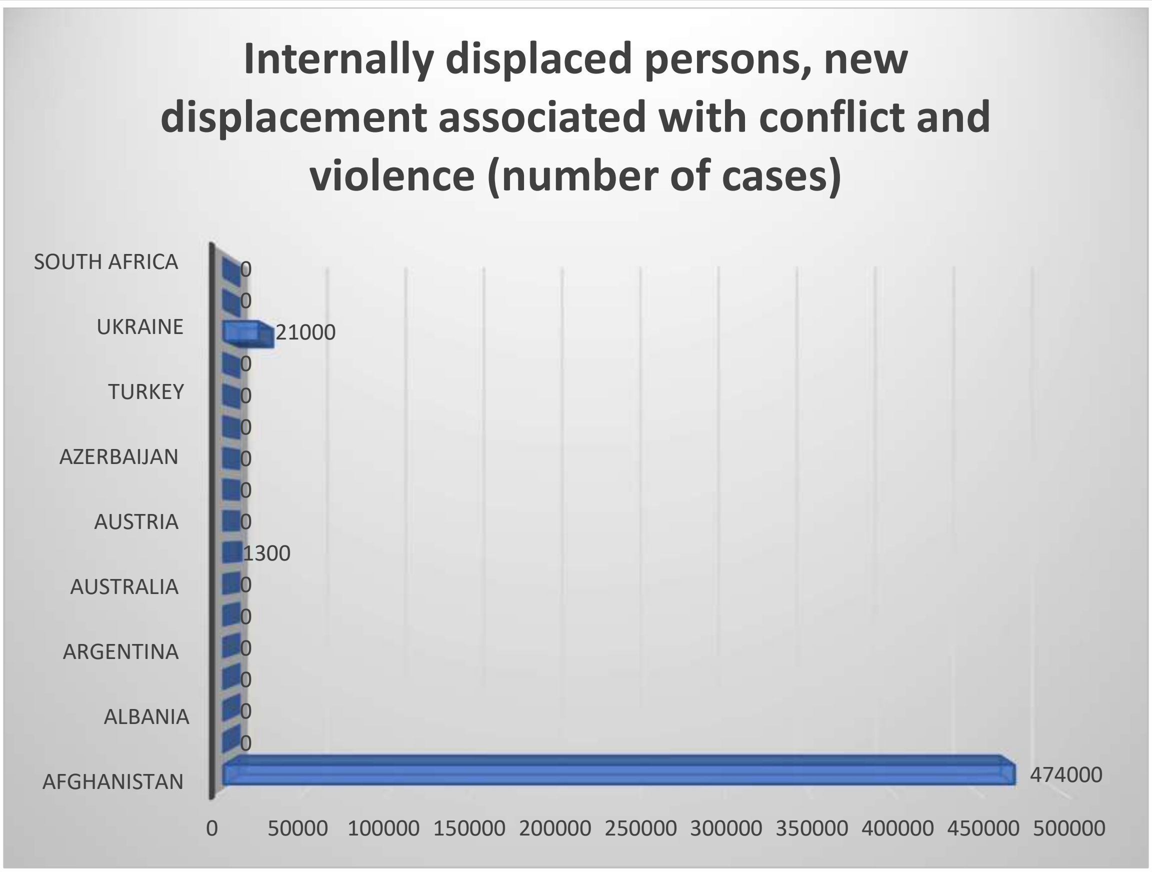
Academics have already explained the significance of the selected input measures in greater depth (Lyeonov et al. 2019). A portion of the numerical information about the risk of employing organisations for money laundering in the circumstances of the countries is shown in Table 1. The risks of using accounts at banks to launder money are shown in Table 1.

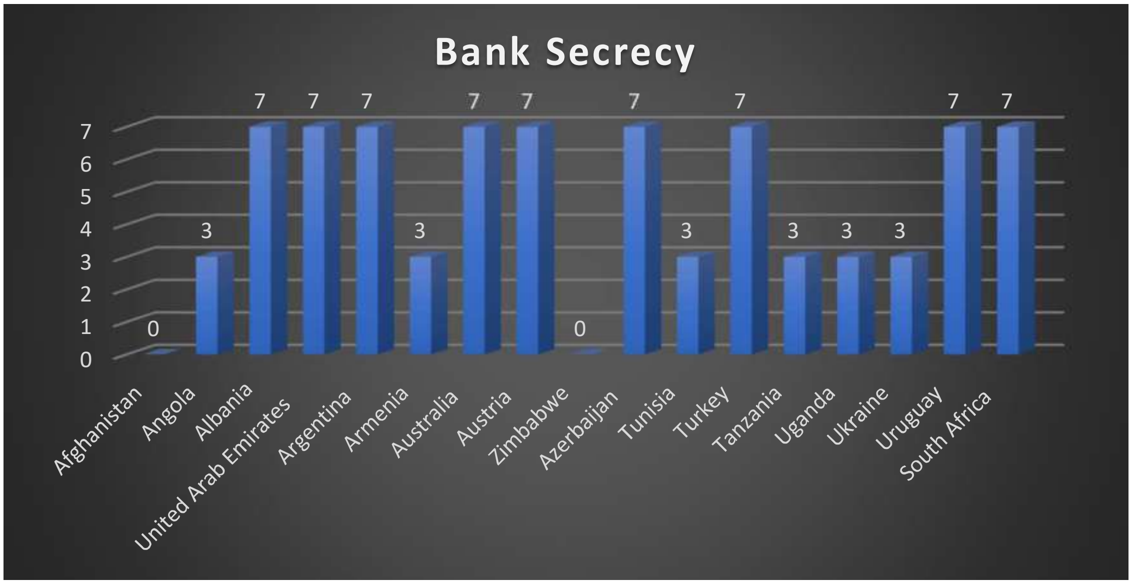
“No	Country	Average annual GDP (current LCU)	Bank secrecy	internally displaced as a result of conflict or violence (number of cases)	indices of perceived corruption	Worldwide Terrorism	Contentment Indicator
1	“Afghanistan	40016,43	0,00	474000,00	15,00	9,44	40,03”
2	“Angola	691920,70	3,00	0,00	19,00	0,15	44,01
3	Albania	540458,06	7,00	0,00	38,00	1,49	60,05
4	United Arab Emirates	149466,52	7,00	0,00	71,00	0,21	66,70
5	Argentina	238496,70	7,00	0,00	39,00	0,81	62,70

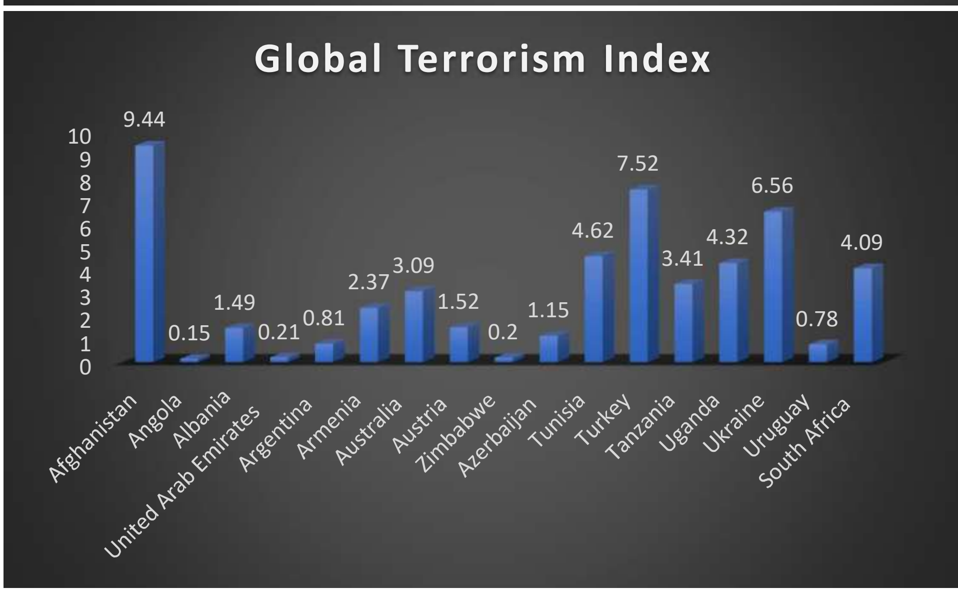
6	Armenia	1900357,11	3,00	0,00	35,00	2,37	57,16
7	Australia	71333,34	7,00	0,00	77,00	3,09	78,08
8	Austria	41965,83	7,00	0,00	75,00	1,52	76,67
9	Zimbabwe	1079,61	0,00	0,00	22,00	0,20	51,80
10	Azerbaijan	7111,34	7,00	0,00	31,00	1,15	55,42
11	Tunisia	8445,71	3,00	0,00	42,00	4,62	57,08
12	Turkey	38453,23	7,00	0,00	40,00	7,52	58,23
13	Tanzania	2086947,98	3,00	0,00	36,00	3,41	54,77
14	Uganda	2131244,03	3,00	1300,00	26,00	4,32	50,98
15	Ukraine	70210,35	3,00	21000,00	30,00	6,56	53,65
16	Uruguay	490945,23	7,00	0,00	70,00	0,78	69,67”
17	“South Africa	82017,24	7,00	0,00	43,00	4,09	61,33”

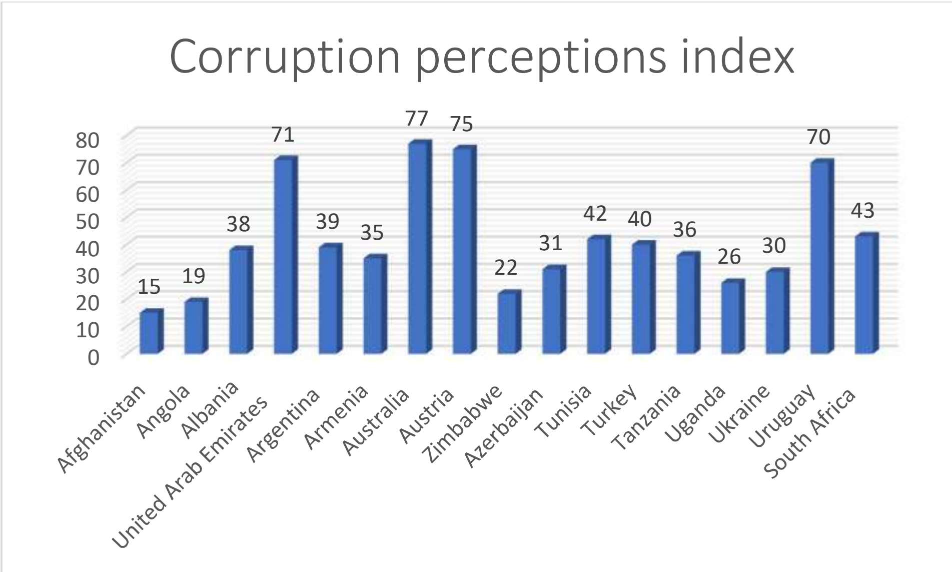


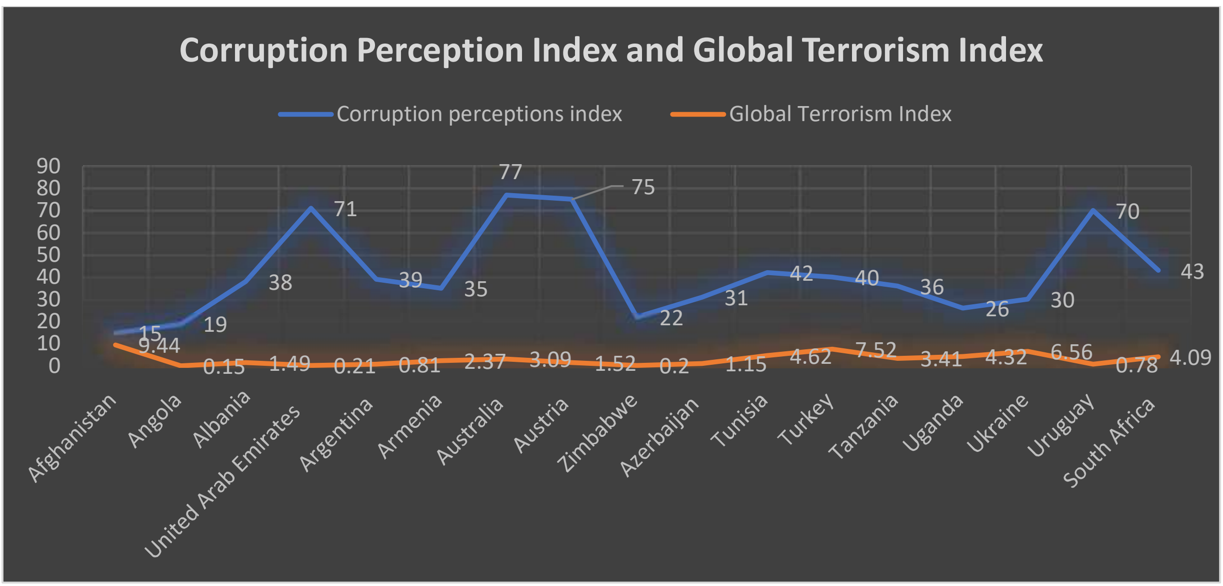

CLAIMS ON CENTRAL GOVERNMENT, ETC. (% GDP)
30
25
20
15
10
5
0
-5
-10
-5.92
13.14
26.34
7
21.91
6.4
2.97
16.1
0
-2.25
11.33
8.03
0
7.95
23.98
7.77
0
Afghanistan
Angola
Albania
United Arab Emirates
Argentina
Armenia
Australia
Austria
Zimbabwe
Azerbaijan
Tunisia
Turkey
Tanzania
Uganda
Ukraine
Uruguay
South Africa

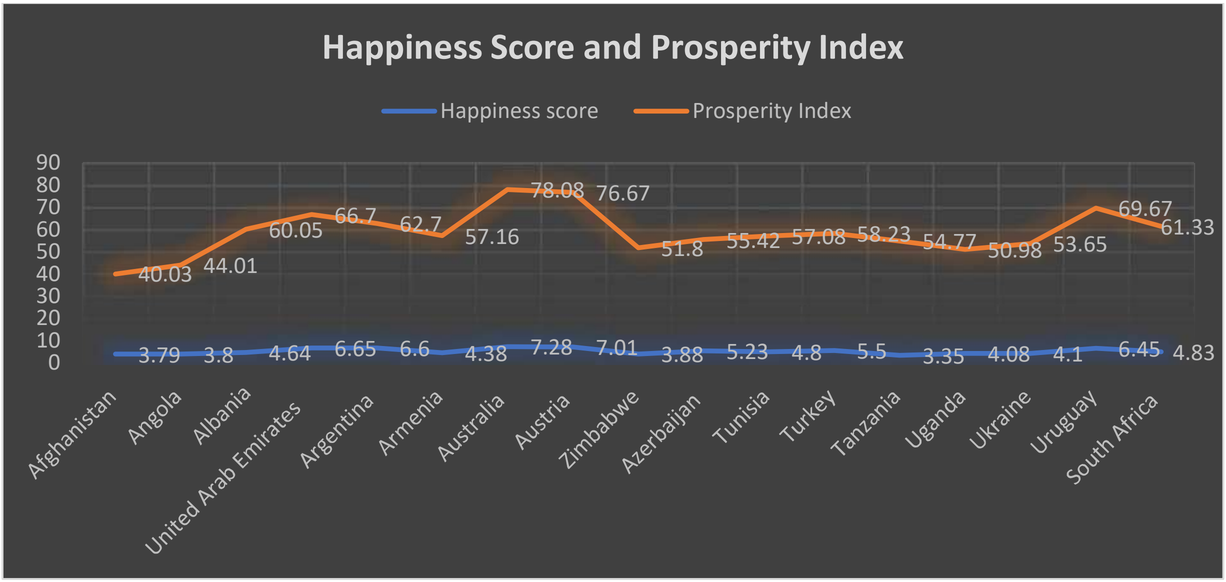

Internally displaced persons, new displacement associated with conflict and violence (number of cases)
SOUTH AFRICA
UKRAINE
TURKEY
AZERBAIJAN
AUSTRIA
AUSTRALIA
ARGENTINA
ALBANIA
AFGHANISTAN
21000
1300
474000
0
50000
100000
150000
200000
250000
300000
350000
400000
450000
500000


Bank Secrecy
0 1 2 3 4 5 6 7
0 3 7 7 7 3 7 7 0 7 3 7 3 3 3 7 7
Afghanistan
Angola
Albania
United Arab Emirates
Argentina
Armenia
Australia
Austria
Zimbabwe
Azerbaijan
Tunisia
Turkey
Tanzania
Uganda
Ukraine
Uruguay
South Africa


Global Terrorism Index
0 1 2 3 4 5 6 7 8 9 10
9.44 0.15 1.49 0.21 0.81 2.37 3.09 1.52 0.2 1.15 4.62 7.52 3.41 4.32 6.56 0.78 4.09
Afghanistan
Angola
Albania
United Arab Emirates
Argentina
Armenia
Australia
Austria
Zimbabwe
Azerbaijan
Tunisia
Turkey
Tanzania
Uganda
Ukraine
Uruguay
South Africa


Corruption perceptions index
80
70
60
50
40
30
20
10
0
15
19
38
71
39
35
77
75
22
31
42
40
36
26
30
70
43
Afghanistan
Angola
Albania
United Arab Emirates
Argentina
Armenia
Australia
Austria
Zimbabwe
Azerbaijan
Tunisia
Turkey
Tanzania
Uganda
Ukraine
Uruguay
South Africa


Corruption Perception Index and Global Terrorism Index
Corruption perceptions index
Global Terrorism Index
90
80
70
60
50
40
30
20
10
0
15
19
38
71
39
35
77
75
22
31
42
40
36
26
30
70
43
9.44
0.15
1.49
0.21
0.81
2.37
3.09
1.52
0.2
1.15
4.62
7.52
3.41
4.32
6.56
0.78
4.09
Afghanistan
Angola
Albania
United Arab Emirates
Argentina
Armenia
Australia
Austria
Zimbabwe
Azerbaijan
Tunisia
Turkey
Tanzania
Uganda
Ukraine
Uruguay
South Africa


Happiness Score and Prosperity Index
Happiness score
Prosperity Index
90
80
70
60
50
40
30
20
10
0
40.03
44.01
60.05
66.7
62.7
57.16
78.08
76.67
51.8
55.42
57.08
58.23
54.77
50.98
53.65
69.67
61.33
3.79
3.8
4.64
6.65
6.6
4.38
7.28
7.01
3.88
5.23
4.8
5.5
3.35
4.08
4.1
6.45
4.83
Afghanistan
Angola
Albania
United Arab Emirates
Argentina
Armenia
Australia
Austria
Zimbabwe
Azerbaijan
Tunisia
Turkey
Tanzania
Uganda
Ukraine
Uruguay
South Africa


Happiness score
8
6
4
2
0
3.79
3.8
4.64
6.65
6.6
4.38
7.28
7.01
3.88
5.23
4.8
5.5
3.35
4.08
4.1
6.45
4.83
AFGHANISTAN
ANGOLA
ALBANIA
UNITED ARAB EMIRATES
ARGENTINA
ARMENIA
AUSTRALIA
AUSTRIA
ZIMBABWE
AZERBAIJAN
TUNISIA
TURKEY
TANZANIA
UGANDA
UKRAINE
URUGUAY
SOUTH AFRICA

Consequently, we use the MS Excel capabilities of the Analysis or Correlation software to generate an array of correlations of dependability among the elements that influence the risk of utilising financial institutions for money laundering (Zakharkin et al. 2018).

Table 2 displays a relationship involving the danger of using banking institutions in terms of money laundering.

“	“GDP per capita (current LCU)	Bank secrecy	Claims on central government, etc. (% GDP)	Internally displaced persons, new displacement associated with conflict and violence (number of cases)”	Corruption perceptions index	Global terrorism index	Happiness score	Prosperity index
“GDP per capita (current LCU) “	1,00							
“Bank secrecy”	0,11	1,00						
“Claims on central	-0,12	0,28	1,00					

government, etc. (% GDP)"								
Those who have recently been forced into displacement as a result of conflict or violence (number of cases)	0,03	-0,25	-0,11	1,00				
indices of perceived corruption	-0,09	0,61	0,12	-0,24	1,00			
Global terrorism index	0,08	-0,11	0,01	0,48	-0,27	1,00		
Happiness score	-0,01	0,58	0,16	-0,21	0,72	-0,21	1,00	
Prosperity index	-0,01	0,66	0,15	-0,34	0,90	-0,37	0,84	1,00"

Three variables—the net worth index and the powerful views index at the 0.9 unit portion degree; the achievement index and fulfilment achieve at the 0.84 unit portion level; and the joy accomplish in addition to the fraud terms the index at the 0.72 unit part level—suggest an important convergence in Table 2 data analysis. To avoid unneeded mathematical abilities framework problems caused by incorporating intersecting warning signs simultaneously, it has been proposed that we exclude the prosperity index as an insignificant measure from further calculations, which would eradicate the multicollinearity phenomenon in the two that preceded occasions and thus enhance the appropriateness of the results gathered calculating. Given that the coefficient of correlation between happiness and the corrupt thinking index is robust, it is suitable to ignore both indicators regarding economic theory. Including a measurement of the corruption perspectives index in the final information set is crucial since corruption is the foundation of every money laundering system because it minimises control actions, potential opposition, and banking issues (Mujtaba et al., 2018). The widespread use of corruption in both commercial and governmental endeavours reduces the possibility of fraudulent transactions being uncovered (Remeikien et al., 2018).

Investigations into corruption at all levels are important since financial institutions, together with businesses, governments, and commercial groups, are only one part of the money laundering plan (Mackeviius, 2012). Several investigations into corruption have shown this.

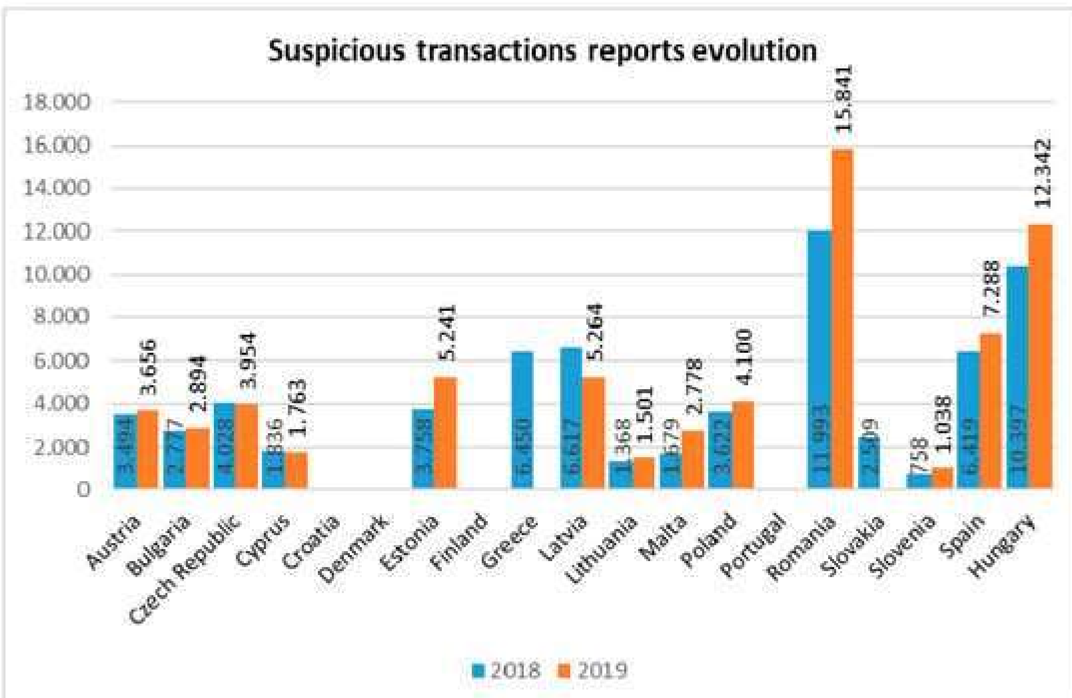
Dheera-upon (2017) identifies peculiar aspects of dishonesty in the loan application manage, Castillo (2018) looks at dishonesty in State-Owned Enterprises, Saputra (2019) analyses the connection between Corruption and Trade between Developed Economies, and Nguedie (2018) investigates the connection between Corruption and Investor Inflow or Outflow. However, it's crucial to emphasise that corruption is ultimately a very unpleasant event. Corrupt (Pirtea et al., 2019).

Positioning, or positioning layering, and integration are the three phases of the money laundering process. The initial phase of money laundering is seen to be the most dangerous due to the proximity to natural sources of income with the possibility of being discovered by leadership (Jayantilal et al. 2017). The stratification is concealing and laundering the illicit source throughout a series of transactions (Demetrius and Vassileva, 2020). The last step involves reintroducing money or earnings into the legal industry (Teichmann et al., 2020). Placement, layers, and assimilation are the three stages of money laundering (Demetrius and Vassileva, 2020). Due to the close proximity of the natural source of income and the potential for detection by the government, this initial stage of money laundering may be the riskiest (Jayantilal et al. 2017). Laundering and hiding the unlawful source throughout operations is referred to as stratified (Demetrius and Vassileva 2020). Finally, money or earnings are returned to the legitimate economy (Teichmann et al., 2020). The issue has evolved into a threat to the credibility of financial institutions, setting the framework for a global agreement and collaborative effort to build effective and coordinated methods to combat money laundering. The Vienna Drug Convention, also known as the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Tiwari et al. 2020), marked the first significant step in this strategy with the establishment of the term "laundering money." Money laundering techniques can typically be recognised, at the very least, as one of the various stages during money laundering (Jayantilal et al. 2017).

“Money laundering stages. Source: own processing”.

Financial surveillance units acquire reports of strange actions, reports of unsure behaviour, reports of strange activities, and declarations of doubt from required organisations and other businesses in their capacity as regional managers of the activity over combating and preventing money laundering. This is done to ensure homogeneity of the analysis found in the preliminary statistical analysis corresponding to the specifics of the suspicious activity document.

Using information from national reports issued by these organisations and assuming the adoption of European legislation, the increase in suspicious transaction reports or anomalous conduct alerts (SARs) submitted by FIUs in 2018 and 2019 was analysed. The main worry of financial institutions is frequently correctly filling out suspicious transaction reports to avoid being penalised by the proper regulator (Yasaka 2017). Four of the 27 Member States did not record any transactions in 2018 or 2019, three did not report any activity that was suspicious, and seven did not make public any transactions that were suspicious in 2019. Three of the 27 Member States also did not give any STR data in 2019. Ten of the 19 states included in the study witnessed a rise in the anomalous activities that FIUs could acquire, as shown in the graph below, Figure 1. The percentages in question ranged from 4.21% for Bulgaria to 65.46% for Malta, although there was a decrease in the number of reports about suspicious transactions in each of the three of the states in consideration.



The amount of questionable transactions in European Member States grew between 2018 and 2019. Personal processing is the source.

Eight Member States were examined independently, as shown in Table 1, because they received the most STR (more than 20,000) in comparison to the other countries. In five of these states, the number of STRs increased, two had a decrease, and one provided no data for 2019. Iraq was the first Arabian nation to establish a medium-sized bank in 1947. Since then, successive political changes have significantly impacted the financial goals pursued using the corresponding regimes, including financial policy, which was previously absent from the second incompletely over the previous century. The internal financial institution has evolved into a wholly automated means of pressuring and pumping money to satisfy neighbourhood tunnels throughout courses. It has dehydrated economic equilibrium components, growth decay, or a bend in funding prospects (Hashem, 2019). Most banks in Iraq are battling to find the most effective platform for delivering a better and improved situation where every customer is delighted and encouraged. The effectiveness of the bank's marketing demonstrates its capacity to serve a large number of customers both now and in the future. Marketing performances in financial institutions point to the goals and objectives to be attained. The World has experienced mutual financial adjustments to strengthen the capitalist system. The most notable aspects were the transition of banks from investments to deposits and the expansion of competition to attract foreign capital. Customer service that is of the highest calibre is transactional. It also seeks to learn about business results and accomplishments in Iraq or on the Iraqi exchange of stocks. Research indicators point to banking analysis and associated activities in Iraq. Banking has a significant impact on national treasuries, especially in Iraq. It also offers better advantages for the general people to maintain their assets safely and methodically. As stated earlier, banks in Iraq have a significant role in helping the population have more faith and confidence. Some gaps and problems with banking in Iraq must be resolved as quickly as practicable. If more time is spent and the results are delivered on schedule, it may interfere with the operations of Iraqi banking as a whole. Iraq had already experienced all of these difficulties in such emerging nations. Improving the banking standard in Iraq is a current concern (Hashem, 2021).

Financial services can be increased immediately if modifications are made promptly and fully support laypeople. The best services are given the utmost importance these days. Those who deliver them will stand a higher chance of succeeding in the market and improving the banks' organisational structure and revenue. Services like quick accessibility, better problem-solving techniques, quick customer issues and problem resolution are available (AL-Numimi, 2022).

Conclusion

This essay aims to look into an incentive-based technique for combating money laundering. Although an effective reporting system depends on banks' willingness or ability to interact with money laundering, the research runs counter to the general view that financial institutions are essential in combating money laundering. The effectiveness of legislation on money laundering focused on a rewards approach, the proper execution of a contract to look at faces the requirement for additional personal details since the banks' willingness or competence to deal in money laundering minimization is personal data. This generates a hidden choice problem whereby banks produce less than optimal to secure a better contract. This theoretical result highlights the importance of improving the FIU's ability to focus on gathering information regarding the banks' readiness or capability to deal with unlawful financial transaction evasion. Money laundering is increasingly understood to be a serious threat to the international banking sector and the financial systems of several countries. It erodes faith in the financial system and jeopardises financial institutions' and the banking system's security and profitability. Due to the damage that money laundering brings to the global financial system including nations have taken action to limit the incidence of crime. Anti-money laundering laws are designed to increase customer trust and protection while enhancing the insurance industry's reputation and the global financial system. However, it is believed that having too many AML regulations may result in unfavourable outcomes because they raise financial institutions' transaction costs. This study examines how anti-money laundering laws impact the expansion of the banking industry. Additionally, check to see if this effect is different in developed and underdeveloped nations. We also examine the intricate relationship between AML legislation and the growth of the banking industry. Because the impact of AML regulations on the growth of the financial industry is proportionate to the number of AML restrictions implemented, the influence of thresholds is investigated. According to the study, AML policies generally promote the banking industry's growth. However, AML regulations in advanced countries do not encourage the growth of banking institutions.

The major finding is that AML requirements promote development in the banking business until they reach a point beyond which they have no effect on financial sector growth. The study is crucial since AML laws, for the most part, encourage banking sector growth. As a result, rules aiming at developing a practical anti-money laundering framework will contribute significantly to the development of the financial sector. Excessive AML standards, on the other hand, may yield unexpected effects. Regulators and policymakers must be conscious that once AML safeguards are in place, their impact on the growth of the finance sector is longer felt. Again, industrialised economies must rethink their anti-money laundering regulatory regimes to make them cheap to the banking sector.

Furthermore, policies aimed at raising citizens' income levels and promoting high-quality labour will aid in developing the global financial sector. We understand that evaluating the aggregate Basel AML score does not allow us to assess the impact of particular AML law elements on the growth of the financial sector. We are unable to investigate the effects of anti-money laundering regulations on the development of the financial sectors in each of our sample countries due to the short time frame. The impact of each country's AML law on the development of the financial industry would have been advantageous. Each nation may have its own unique AML framework. Despite these drawbacks, we think that our analysis represents an essential starting point in determining how anti-money laundering laws may affect the expansion of the banking sector. Since most customers in Iraq are highly cautious regarding their financial transactions and choose the banks that have the best options and opportunities for safe and prompt transactions, most banks are still working to improve the transaction level to inspire the customers as much as possible. Making all banking operations as accessible as feasible will increase people's comfort and ease of access, but there is still much work to be done. To increase the level of investments, every service must be accessible and straightforward to consumers of every stage of life, delivered right to their front doors. Bank marketing results indicate the aims and objectives that must be met. When a bank is reputable and performing well in the market, most individuals in Iraq have the concept of depositing money there. One of the best aspects of the service offered by Iraqi banks is this. The banking system in Iraq can be categorised as an active business climate since bank counters typically have complexity to preserve market share. Improved amenities produce excellent results and improve Iraq's achievements.

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