

Money Laundering/Financing of Terrorism Risks in the Indonesian Islamic Banking System

Kartini Laras Makmur^{1*}, Ahsanul Minan²

{laras.makmur@unusia.ac.id¹, minan@unusia.ac.id²}

Universitas Nahdlatul Ulama Indonesia^{1,2}

Abstract. The Anti-money laundering/counter financing of terrorism (AML/CFT) rules of several jurisdictions with a robust Islamic finance existence, like Indonesia, are relatively weak, and international standards of AML/CFT measures make no unique arrangement for the Islamic banking system. Moreover, there are still limited parallel studies on the Islamic banking system. This paper aims to present the actual money laundering/financing of terrorism risks of the Islamic banking system's specific features, namely (i) the principle of fully care, not speculative and not manipulative; (ii) the relationship between customers and financial institutions; (iii) the complexity of Islamic banking products. Such research objective will be achieved by performing a descriptive-analytical utilizing document and content analysis from Indonesian experience to examine whether the existing international standards are applicable and adequate for the Islamic banking system. This paper found that a more comprehensive awareness of the money laundering/financing of terrorism risks in the Islamic banking system should be developed to customize reassuring efforts to cultivate the integrity of Islamic banks and ensure the industry against money laundering/financing of terrorism. Furthermore, the Islamic banks should build additional mechanism in determining the money laundering/financing of terrorism risks and implement precautionary standards customized to the nature of their products and services.

Keywords: financing of terrorism; Islamic banking system; money laundering.

1 Introduction

Islamic finance is a considerably growing industry around the world. The Islamic financial institutions, including about 400 Islamic banks, offer services in more than 70 countries (World Bank, 2017). The World Bank (2017) noted that globally, Islamic banking institutions are mainly located in the Middle East and Southeast Asia. The growth of Islamic banking institutions in Indonesia, the most populous Muslim country, has also been rapidly emerging, where Islamic bank operations foster competition in the banking industry (Otoritas Jasa Keuangan).

As financial institutions, Islamic banks, like conventional banks, are susceptible to exploitation by both money launderers and terrorist funders. Predicate crimes of money laundering, namely drug or human trafficking, goods or migrant smuggling, and corruption, among others, merely obtain vast amounts of proceeds through the banking system, so the link between the illicit sources of assets and the predicate crimes is concealed to obscure (Al-Suwaidi & Nobanee, 2020; Makmur, 2020). In addition, financing terrorism involves soliciting, collecting, or providing money predetermined to back up operations, individuals, or organizations of terrorists (GAFI-FATF, 2004). Funds financing terrorism may be generated not only from illicit sources but also from legal activities (Al-Suwaidi & Nobanee, 2020).

As generally accepted, currently the money laundering/financing of terrorism crime is already a global reality and a worldwide threat. The growth statistic of money laundering/financing of terrorism scandal will hasten to undermine people's lives (Aluko & Bagheri, 2012). The negative fallout brought by the illegal economic circulation of money laundering is exaggerated and imperils a country's economic stability (Jurado, et al., 2018). Because of money laundering, the countries' economic system weakens, resulting in a declined economic potential, which leads to limited sources required for vital public services, namely health, education, justice, and security (OECD, 2014). In developing countries, where institutions typically remain fragile and inadequate, such harm is more acute since it ruins governance (Vaithilingam & Mahendhiran, 2017; OECD, 2019).

Researchers agreed that money laundering obstructs development (Achim et al, 2021; Jurado, et al., 2018). Since money laundering is an underground work that typically comes from the illegal resource, it eliminates state funds, assets, and expenditures (McDevitt, 2009; McDowell, 2001; UNODC, 2013). Money laundering and financing of terrorism cannot benefit society because it is typically sent abroad (Makmur, 2022).

In addition, money laundering exacerbate conflict and insecurity (Ryder, 2018). Many evidence suggest that money laundering is strongly tied to the financing source for dissenter and terrorist organisations (OECD, 2019). In nations with poor of power institutionalization, the regimes and their opposition frequently utilize violence to uphold or challenge the status quo (Schultze-Kraft, 2018).

Efforts to prevent severe crimes through a regulatory-based approach and restrictions on the financial system at the international community level were initiated in the 1990s to prevent money-laundering practices.¹ Since the 9/11 incident, the American Government started to use this prevention method to prevent potential criminal acts of terrorism. International organizations developed various international legal frameworks to limit the space for terrorists to mobilize and manage their finances to support terror activities (Ryder, 2018). Since then, it has driven a global norms rainfall phenomenon proposed to fight against the financing of terrorism (Tofangfaz, 2012).

¹ As an illustration, the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 requests signatories to criminalize the laundering of drug proceeds, provide mechanisms to facilitate extradition, and improve mutual legal assistance. See, United Nations, *UN Conference for the Adoption of a Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances - Volume 1, United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances*, 1988.

The financing of terrorism is defined by the 1999 United Nations Convention for the Suppression of the Financing of Terrorism as any illicit and purposeful conduct, whether direct or indirect, to collect or provide money for terror activities; or any other activity causing death or severe harm to people, or intimidating a population (The UN General Assembly, 1999). While the UN Security Resolution Council 1373 extends the objects that include any individuals who perpetrate or attempt to perpetrate, and terrorists. It compels as well countries to apply rules to counteract terrorist attacks. It is obliged to prevent anybody from generating any money, utilizing financial resources, economic resources, or financial assets, either directly or indirectly, to assist individuals who perpetrate or seek to perpetuate, facilitate, or take part in the execution of terrorist operations (The UN Security Council, 2001).

Other International communities, The European Union (EU) applied a number of CTF standards that requires their member states to submit a suspicious transaction report if they distrust the transaction is connected to terrorism funding, "adopt financial sanctions ... that will ensure that funds, financial assets, economic resources or other related services will not be made available to designated terrorists." They enacted a Council Regulation that enforced provisional norms against particular individuals and entities to combat offenses of terrorism (GAFI-FATF, 2004).

Financing of terrorism is processing money to fund and facilitate terrorist activities. It is the phase at which money is lawful or unlawful supplied and composed for the group of terrorist offense in the forthcoming (Vlcek, 2008). Accordingly, it employs preventative schemes previously utilized for money laundering and financial information collecting from the suspicious transaction reports by financial intelligence institutions. It raises a legal question of whether the financing of terrorism is a predicate offense to money laundering, an inchoate offense, or a pre-crime? (Tofangaz, 2012)

According to Islamic law (Sharia), as a predicate offense to money laundering, financing of terrorism is clearly prohibited Allah says:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا أَمْوَالِكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ بِجْرَةً عَنْ تَرَاضٍ مِّنْكُمْ وَلَا تَقْتُلُوا أَنْفُسَكُمْ إِنَّ اللَّهَ كَانَ بِكُمْ رَحِيمًا

"O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent. Furthermore, do not kill yourselves [or one another]. Indeed, Allah is to you ever Merciful" (Q.S. An-Nisa, 29).

While money laundering/financing of terrorism risks in the banking system, in general, are found in much literature (Miller & Rosen, 2017), only several pieces of research have been held on the Islamic banking issues concerning money laundering/financing of terrorism. However, when the publications discuss the money laundering/financing of terrorism in the Islamic banking system in Indonesia, they do not touch upon the money laundering/financing of terrorism risks regarding specific features of Islamic banking. The rare researches only focus on elaborating on the existing AML/CFT regime in the Indonesian banking sector and investigating whether there is any significant justification from the Sharia perspective in the AML efforts (Kyriakos-Saad, Vasquez, & El Khou, 2016; Sumadi, 2016; Sumadi, 2017; Nasir & Teong, 2021).

A minimal study has been done to cultivate an awareness of Islamic finance's specific money laundering/financing of terrorism risks (Said & Erlane, 2013). There is also scarce work

determining whether modifications need to be made to international standards. From the few pieces of research on these topics, what is broadly discussed is the AML mechanism operating in Indonesian financial institutions (Sumadi, 2016; Sumadi, 2017). Many studies from different countries have shown that in over last decade, banks are one of the centra of the impact of the battle against money laundering on terrorist organizations' financing sources (El Banna & Badr, 2011; Pinotti, 2015).

Commonly allegations are made by comparing international standards and the Sharia principle regarding money laundering/financing of terrorism. One of the distinguished conclusions of those comparisons is that the AML/CFT efforts are compatible with Sharia principles in general. However, a comparison in Islamic banking systems is not found yet. Although scholars began to analyze Islamic banking sector-related money laundering/financing of terrorism matters in Indonesia within a more unequivocal purview, the research, as mentioned earlier, vigorously addressed the explanation of AML operating procedures. Simultaneously, the prerequisites for Sharia-compliant execution of an AML/CFT program in the Islamic banking industry were infrequently observed.

This article examines the probable money laundering/financing of terrorism risks specific to Indonesia's Islamic banking system and the applicability and adequacy of the global norms and national regulations to it. More particularly, the article scrutinizes the characteristic of Islamic banking systems and the possible ramifications of such characteristics for the conception of AML/CFT systems. The article examines the money laundering/financing of terrorism risks related to the key characteristics of the Islamic banking system in Indonesia, namely the principle of fully care (*ihthyath*), not speculative (*dharar*), and not manipulative (*gharar*). Furthermore, this article also discusses what money laundering/financing of terrorism is as well as how the international standards and national regulations address it to examine whether Sharia principles are well adopted in existing positive norms.

Understanding the specific aspect of the Islamic banking system of money laundering and financing of terrorism risks leads to the need to formulate how Islamic banks can build practical preventive actions customized to the nature of products and services of Islamic banking. This study contributes to the current literature and policy analysis in several facets. First, this work is related to the literature that reviews the relationship between Sharia principles in the Indonesian Islamic banking system and AML/CFT. The research contributes to understanding the money laundering/financing of terrorism risks regarding the specific features of Islamic banks. The research also derives insights into the channels through which the preventive benefits of money laundering/financing of terrorism in Indonesian Islamic banks. In this respect, the results support the Sharia principle strengthening in action to impede money laundering/financing of terrorism. Generally, this article discusses the Sharia banking sector perspectives in bettering AML/CFT regime.

2 Methods

This paper applies a qualitative method to answer research questions as well as achieve research objectives. The qualitative design is convinced in line with this research framework,

aiming to examine money laundering/financing of terrorism risks in the Indonesian Islamic banking system. This study used an analytical description as the primary approach, utilizing study of documents and content to scrutinize the specific aspects of Islamic banks due to money laundering/financing of terrorism risks. In this regard, the results may contribute to reinforcing a more comprehensive awareness of the money laundering/financing of terrorism risks in the Islamic banking system, which should be developed to customize extenuating procedures to cultivate the uprightness of Islamic banks and shield the industry against money laundering/financing of terrorism.

In addition, the document and content analysis reviewed the existing regulatory comprehensiveness concerning Sharia principles adoption in AML/CFT measures in the Indonesian Islamic banking sectors. The writers looked at secondary sources such as books, research papers, white papers, newspapers, and magazines.

The data analysis approach was used with text analysis to understand statistical information in order to determine money laundering/financing of terrorism risks in Indonesian Islamic banking sectors. Official annual reports and national conference publications have also been analyzed. International standards and national legislation have been evaluated, and essential requirements have been interpreted and appraised in light of Islamic banking-specific aspects.

3 Result and Discussions

The prevention and eradication efforts against money laundering have been generally addressed without distinction between conventional and Islamic banking systems. Several studies did not specifically touch upon a debate on money laundering/financing of terrorism risks in Indonesian Islamic banks regarding their unique features or the implied Sharia principles arrangement in AML/CFT measures.

3.1 Potential ML/FT risks in the Indonesian Islamic banking system

The Islamic banking system has specific characteristics in relationship with its customers, which are reflected in various contract forms. Indonesian Islamic banking system adopts eight different types of contracts as considered in Bank Indonesia Regulation No. 7/46/PBI/2005 regarding contracts for collecting and distributing funds for Islamic banks. However, this article only discusses three primary contract forms relevant to understanding the actual money laundering/financing terrorism risks.

First, *mudarabah* contract which the possibility of laundering cannot be ruled out. Banks are vulnerable to money laundering whenever funds are deposited, similar to conventional banks. Especially in the case of *mudarabah*, since the banks stand to take a reduction in the earnings and not the lade of the losses (Majanga, 2015). Except that since the individual who puts money in a bank to be invested in projects must explain where the money came from. Thus the probability of disclosure is unequivocal, whereby ordinary due diligence procedures would suffice.

Secondly, *musharakah* contract where the bank is an ally in the arrangement and shares both the earnings and defeats of the investment (Nasir M. A., 2018). In this way, it may be reasonable to suspect that there is a little inclination for banks to collaborate with someone

they suspect of attempting to launder money. However, for instance, take a popular Islamic finance product –the *Musharakah mutanaqisah* or 'diminishing musharakah' cultivated by contemporary scholars and not in fiqh. It is now quite popular among Islamic banks and financial institutions and used for diverse intentions, particularly property and vehicle financing.

This product integrates three Shariah contracts: *musharakah*, *ijarah*, and sale when the customer and bank jointly own a home or car. Afterward, the concluding sublets its shares to the former, who begins buying the allotment of the bank in limited units just before the customer becomes the only holder of the settlement. Here it is pretty clear-cut; the individual who intends to launder money could cooperatively purchase a high-priced property or vehicle, which could be paid back immediately. However, the real deal could lie in the fact that the expensive house could be purchased over-priced and depleted at a loss. Over time, the offender gets the money clean.

Finally, *Murabaha* which is opined that it is inconvenient for offenders seeking to launder illicit funds for various reasons; they would not take a loan against cash collateral since physical valuables must be purchased from another party, nor would they accept a loan against a sum of money transferable to other bank account. Nevertheless, it is obvious to see possibilities for stacking in this framework; dissimilar with the above discussion, numerous alterations are attainable. The person could urge to purchase the goods from a specific vendor whose purchase price is more fantastic, so conveying the extra value, or the person may take such a thing and trade it at a lower price to other purchaser who may be passing on a corrupt practice via the markup valuation. As seen above, this structure could be used to launder money and exit as clean money at the end of the deal.

Moreover, the products of Islamic banks are also complex since the banks must follow the Islamic Shariah ruling (Yasin, 2008). Hence, they invest their money in halal schemes and not in the project prohibited by Shariah (Quran and Sunnah). On the loan aspect, Islamic banks favor a highly asset-based commercial product or endeavor that assists money-laundering and terrorism-financing offenders in cleaning up their illicit funds (El-Gamal, 2020). Asset undertaking from illicit resources and consecutive sales to legitimate purchasers is vital, especially in varied channels of money-laundering offences. Consequently, money launderers may find it simpler to conceal illicit funds if financial undertakings handled by Islamic banks are based on the purchasing and selling mechanism (El-Gamal, 2020).

Islamic banks are apparently more susceptible compared to conventional banks in the effort of AML/CFT (El-Gamal, 2020). In accordance with the literature, money laundering has a favorable association with the profitability and stability of Islamic banking, pointing out that Islamic banks benefit from money laundering. Accordingly, there is a necessity for a solid AML/CFT regime for the Islamic banking sector; nevertheless, Islamic banks are required to commit to applying their intrinsic Sharia principles to avert infiltrating dirty money.

On the other hand, some experts convince that Islamic banks are less prone to the offenses of money laundering and financing of terrorism compared to the conventional ones (El-Rehim, 2009). Islamic banks in Indonesia, for instance, are equitably subject to AML as well as CFT Law that applies to traditional banks. In addition, Indonesia's central bank issued the regulation for Islamic banks No. 6/24/PBI/2004, which does not apply to conventional banks.

It is acknowledged that Islamic banks are subject to extra close examination by the Shariah boards (Jabbar, 2020).

While the financing of terrorism as an undeveloped offense or predicate crime in the Sharia perspective is more complicated, criminality in Sharia constitutes three fundamental components (Drakos & Gofas, 2004). "Legal element" obliges that an operation requires to be explicitly prohibited as an illegal conduct under applicable regulations. "Material element" asks a commission of a wrongful practices by a perpetrator. "Maturity, capability, and accountability" regulates the nature of a suspect. Regarding those aspects, for an act to be deliberated as a crime, three phases should be done by a culprit, and it would be difficult to apply to terrorist financing as an inchoate offense.

An operation is considered a crime if a perpetrator puts their intention into action. The act constitutes the crime as soon as the offender reflects their intention into operation, violating the law. The pre-crime approach by criminalizing acts that have not occurred is quite tricky, given that the actual acts of terror have not yet occurred. Therefore, another approach in dealing with money laundering/terrorist financing might use a prevention approach, which means any efforts to prevent potential damages of the crimes. The use of *Maqāṣid Al-Sharī'ah*, namely preservation of life (*hifz al-nafs*), can justify it. Shariah's overarching goals are to uphold social order and safeguard life in the society while fostering human rights and advancement of that society through preserving faith, life, intellectuality, progeny, and wealth.

3.2 Applicability and adequacy of the Sharia principle in the AML/CFT norms

Shariah jurisprudence has no such distinction and distinguishes between religious factions that are social or political and those that are not. So, Sharia principles prohibit activities that would be considered commercial under non-Islamic legal systems. Sharia prohibits illegal activities such as thievery, organized crime, fraud, cartel, corruption, exploitation, adultery, and betting to generate dirty money, which comprise predicate offenses for money laundering (El Mesawi, 2006). Criminalization of financing of terrorism as a predicate crime to money laundering based on the proof of illegal activities.

In Indonesia, as obliged by Law No. 21 of 2008 on the Sharia Banking System, Islamic banks should implement Sharia values as mentioned in Bank Indonesia Regulation No. 7/46/PBI/2005. Several prohibitions for Sharia banks in Indonesia are *gharar*, *maysir*, *riba*, *zalim*, *risywah*, *haram*, and *maksiat*.

In the Islamic banking system, the contract should be equitable, so banks should avoid *riba* and *gharar*. The intent is to safeguard the transaction's weaker contractual party and preventing unproductive activities from generating riches. *Gharar* prohibits excessive uncertainty originating from contract ambiguity or payment obscurity. Banks should minimize information asymmetry to avoid the voiding of Sharia-compliant goods.

As a result, parties offering such items must disclose client information. Furthermore, Islamic banks in Indonesia are subject to two types of regulation; Sharia contract-based regulatory policy consists of two parts. First, Sharia requirements incorporate the Sharia rulings relating to a particular contract. Second, operational needs include solid banking processes, excellent governance standards, thorough excellent documentation, ethical business procedures, and adequate risk management. Failure to observe the necessary conditions of a specific Sharia

contract could render the financial transactions invalid, adversely affecting the institutional safety and soundness. This can cause issues, especially disputes arising from the Islamic financial contracts subsisting in or interacting with non-Islamic legal systems.

Islamic banks follow a method of risk-sharing with ownership and promote asset-based lending activities. All of these limit excessive leverage and foster financial stability. However, in terms of ownership, this structure also could be a reason for extra caution in regulating Sharia banks', as the institution's interests are closely aligned with that of the customer. Similarly, with risk, Sharia prohibits investments that are too risky or uncertain. So theoretically, Islamic banks should have better financials than conventional banks. These direct links between the financial and trade sectors could limit technical speculations and potential bubbles and make us think that Sharia banks require less regulatory oversight once the products are created. Perhaps this is accurate to a certain extent regarding the product itself, but this is no guarantee against compliance with other regulations.

In Indonesia, Islamic bank regulation is viewed as a separate economic concern. Notably, Indonesia has taken a faint touch or minimum reach, with regulatory forces expecting Islamic banks to have Sharia compliance processes employed with limited interference from their end. Nevertheless, it was not until 2005 that the central bank adopted the fatwa on the Sharia principle in Islamic financial institutions declared by National Sharia Council, aimed to set rules for Islamic finance products. Law No. 21 of 2018 mandates that Sharia banks apply Sharia rules and principles. However, as per Law No. 8 of 2010 on Anti Money Laundering and Law No. 3 of 2013 on Counter Financing of Terrorism, Islamic banks must comply with AML/CFT measurements.

Based on Bank Indonesia Regulation No. 13/2/PBI/2011 about the compliance purpose application of conventional banks, the desired concern compliance is a set of preventative measures or steps taken to assure that the bank's regulations, mechanisms and processes, and commercial operations are in conformity with national legislation and Sharia principles. Sharia compliance components are items used as indicators in reports on the performance of Sharia-compliant institutions' goods. Some indicators of Sharia compliance including avoid *riba*, *gharar*, and gambling (*dharar*) (Nasir M. A., 2018). However, in national regulations regarding Sharia compliance for an Islamic bank, the bank has no explicit obligation to avoid *dharar*. This is different from the regulation for the capital market, which explicitly said the stakeholders should avoid the *dharar* principle.

Dharar is a significant principle since Shariah also seeks to safeguard anyone who may be harmed by transactions between banks and their consumers. In this regard, funds proceeded by the banks may be used as financing of terrorism or gained from the predicate crime of money laundering. Hence, the Sharia compliance demands Islamic banks' transactions to be devoid of any harmful outcomes, including violations of other's rights, as stated in the hadith 'there shall be neither injuring nor returning damage' (Lahsasna, 2013). According to this hadith, the principle of *sadd al-dharai'* (blocking ways to an evil) might be used to prevent any originally lawful activities from possibly causing damage. Furthermore, the Islamic legal principle '*al-dharar yuzal'* (damage must be eradicated) applies to removing injustice or infringement of others' rights that emerged from money laundering/financing of terrorism actions (Lahsasna, 2013).

Terrorism is a form of action that endangers life; hence any action to prevent it from happening is necessary as part of the preservation of life. It follows fiqh's rules: preventing harm is more important than producing good (*dar'ul mafaasid muqoddamun 'ala jalbil mashoolhih*). The prevention of harm, in accordance with the hadith of *la dharar wa la dhirar*, ensures the doctrine of *maslahah*, which serves as the foundation of the *istislah* ethic (*mafsadah*).

The financial war on terrorism and money laundering is an integral approach to breaking the chain of financial support for terrorist groups (Shaw & Skywalker, 2017). Combating money laundering/financing of terrorism is one of the key issues for global regulators and politicians. Terrorism has far-reaching impacts; it could take lives, destroy public facilities, and create fear in the community. Acts of terror also disrupted the economy. The impact that is most quickly measured is physical damage. Terrorism creates uncertainty which influences the market and makes profit loss for industries such as insurance and tourism (Schultze-Kraft, 2018).

In this case, the financial institutions and the government has a vital role in taking preventive actions, including the methods outlined in the international legal framework mentioned above, such as the risk assessment, freezing assets, etc. The rules of harm must be removed as much as possible (*al-dhararu yudfa'u bi al-Qadri al-imkan*) to provide a solid basis for the government should restrict any behavior that may harm society in the long run.

As a member of the G-20, Indonesia also needs to respond to the calls for systematic incorporation of industry features in global standards and guidance. G-20 as well as other international communities ask the nation-states to develop the accounting and statistics standards and increase the involvement of multilateral development banks and international financial organizations. This is accordance with global trend that international organizations admitting Islamic finance standard-setters have been invited to join consultation groups of global standard-setters in order to improve the increasing collaboration between these organizations (Vlcek, 2011).

Thus, Islamic banks should have the same firewalls as traditional banks to stop the influx of ill-gotten riches into their organizations. They must establish and execute proper methods and governance to allow them to know whom they are working with. A major component of the controls needed by AML and CFT regulations is adequate customer due diligence (CDD) on new and current clients (Geister, 2018). Recently, when the Islamic banks are not mandatory to implement *dharar* principle yet, the CDD procedure may only be associated with *ihitayat* principle.

However, explicit consideration *dharar* principle as the Sharia principle required by law to have complied would push banks to strengthen their efforts to apply CDD and risk-based AML/CFT measures. *Dharar* principle will influence the Islamic banks to determine their policy which deepen the CDD to understand whether the customer' sources of money are coming from harmful acts or not.

4 Conclusion

The purpose of this research is to find out the risks of money laundering/financing of terrorism in Islamic banking in Indonesia. Our vigorous findings indicate that Islamic banks in Indonesia have been applying the Sharia principle, which dances at the same beat as the AML/CFT norms regulated at national and international levels. However, the dharar principle remains not explicitly required by positive law, indicating the necessity for devotion to Shariah norms to eradicate money laundering/financing of terrorism in the Indonesian Islamic banking system. Such finding helps advance understanding and create Shariah advisors' and regulatory authorities' a more robust AML/CFT regime in the Islamic banking sector.

References

- [1] Achim et al, M. V.: The Impact of the Development of Society on Economic and Financial Crime; Case Study for European Union Member States. *Risks*. Vol. 9(97), p. 97 (2021)
- [2] Al-Suwaidi, N. A., & Nobanee, H.: Anti-money laundering and anti-terrorism financing: a survey of the existing literature and a future research agenda. *Journal of Money Laundering Control*. Vol. 24(2), pp. 396-426 (2020)
- [3] Aluko, A., & Bagheri, M.: The Impact of Money Laundering on Economic and Financial Stability and on Political Development in Developing Countries: The Case of Nigeria. *Journal of Money Laundering Control*. Vol. 15(4), pp. 442-457 (2012)
- [4] Drakos, K., & Gofas, A.: The Determinants of Terrorist Activity: A Simple Model for Attack Occurrence across Space and Time. Conference on the Political Economy of Terrorism. University of Southern California, California (2004)
- [5] D'Souza, J.: Terrorist Financing, Money Laundering, and Tax Evasion. CRC (2011)
- [6] El Banna, & Badr, N.: Islamic Finance, Money Laundering and Terrorist Financing. Retrieved from ACAMStoday: <https://www.acamstoday.org/islamic-finance-money-laundering-an> (2011)
- [7] El Mesawi, M. T.: Maqasid al-Shari'ah as an usuli doctrine or independent discipline: a study of Ibn 'Ashur's project. Proceeding of the International Conference on Islamic Jurisprudence and the Challenges of the 21st Century: Maqasid al-Shari'ah and Its Realisation in Contemporary Societies, pp. 51-66 (2006)
- [8] El Rahman, F., & El Sheikh, A.: The underground banking systems and their impact on control of money laundering; with special reference to Islamic banking. *Journal of Money Laundering Control*. Vol. 6(1), pp. 42-45 (2003)
- [9] El-Gamal, M.: Limits and dangers of shari'a arbitrage. *Islamic Finance: Current Legal and Regulatory Issues*, pp. 117-132 (2020)
- [10] El-Rehim, A. A. K.: Shari'ah's normative framework as to financial crime and abuse. *Journal of Financial Crime*. Vol. 16(1), pp. 86-96 (2009)
- [11] GAFI-FATF.: Guidance for Financial Institutions in Detecting Terrorist Financing (2004)
- [12] Geister, D.: Concepts in Customer Due Diligence: Meeting the Challenge of. Retrieved from lexisnexis: <https://risk.lexisnexis.com/> (2018)
- [13] Jabbar, S. F.: Islamic Financial Institutions: Conduits For Money Laundering? *Journal of Money Laundering Control*. Vol. 23(2), pp. 285-295 (2020)
- [14] Jurado, B., Alejandro, I., Jurado, B., Mauricio, D., López, B., & Gabriel, L.: Money Laundering and Its Influence on the Productivity and Economic Development of A Country. *Journal of Alternative Perspectives in the Social Science*. Vol. 9(2), pp. 222-242 (2018)
- [15] Kyriakos-Saad, N., Vasquez, M., & El Khou, C.: IMF Working Paper: Islamic Finance and Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) (2016)
- [16] Lahsasna, A.: Maqasid al-Shari'ah in Islamic Finance. IBFIM, Kuala Lumpur (2013)
- [17] Majanga, B. B.: Is Time Ripe to Adopt Islamic Financial Systems in Secular Developing Countries? A Review of Literature. *Global Journal of Management And Business Research*. Vol. 15(8), pp. 331-344 (2015)

- [18] Makmur, K. L.: Can Religion Prevents Corruption? The Indonesian Experience. *Al-Wasath Law Journal*. Vol. 1(1), pp. 13-24 (2020)
- [19] Makmur, K. L.: Women and Dirty Money: How Women are Affected by, Involved, and Counter Money Laundering. *Jurnal Hukum Prasada*. Vol. 9(1), pp. 35-44 (2022)
- [20] McDevitt, A.: Money Laundering and Poverty Reduction. Governance and Social Development Resource Centre (2009)
- [21] McDowell, J.: The Consequences of Money Laundering and Financial Crime. *Economic Perspectives, An Electronic Journal of the U.S. Department of State*. Vol. 6(2), pp. 6-8 (2001)
- [22] Miller, R. S., & Rosen, L. W.: Anti-Money Laundering: an Overview for Congress. Retrieved from <https://fas.org/sgp/crs/misc/R> (2017)
- [23] Nasir, M. A.: Compatibility of Islamic Finance and Anti-Money Laundering Laws: A Myth or Reality? *IUM Law Journal*. Vol. 26(1), pp. 55-61 (2018)
- [24] Nasir, M., & Teong, D.: Examinations of Allegation on Non-Compliance with AML/CFT Laws to Islamic Banking. *Jurnal Akta*. Vol. 8(2), pp. 76-92 (2021)
- [25] OECD.: Illicit Financial Flows From Developing Countries: Measuring OECD Responses. OECD, Paris (2014)
- [26] OECD.: Money Laundering and Terrorist Financing Awareness Handbook for Tax Examiners and Tax Auditors. OECD, Paris (2019)
- [27] Otoritas Jasa Keuangan.: Sharia Banking. Retrieved from OJK: <https://www.ojk.go.id/en/kanal/syariah/tentang-syariah/Pages/Perbankan-Syariah.aspx> (n.d.)
- [28] Pinotti, P.: The Causes and Consequences of Organised Crime: Preliminary Evidence Across Countries. *The Economic Journal*. Vol. 15(586), pp. F158-F174 (2015)
- [29] Q.S. An-Nisa. (29)
- [30] Ryder, N.: Out with the Old And...in with the Old? A Critical Review of the Financial War on Terrorism on the Islamic State of Iraq and Levant. *Studies in Conflict and Terrorism*. Vol. 41(2), pp. 79-94 (2018)
- [31] Said, J., & Erlane, K. M.: Money Laundering Prevention Measures among Commercial Banks In Malaysia. *International Journal on Business and Social Sciences*. Vol. 4(5), pp. 50-62 (2013)
- [32] Schultze-Kraft, M.: Organised Crime, Violence and Development: Topic Guide Update. Institute of Development Studies, Brighton (2018)
- [33] Shaw, M., & Skywalker, L. L.: The Global Initiative Against Transnational Organized Crime. Retrieved July 21, 2021, from Global Initiative: https://globalinitiative.net/wp-content/uploads/2017/04/TGIATOC-Gangs_-violence-and-the-role-of-women-and-girls-1837-web.pdf (2017)
- [34] Sumadi.: Manajemen Bank Syari'Ah dalam Upaya Pencegahan Pencucian Uang dan Uang Haram. *Jurnal Ilmiah Ekonomi Islam*. Vol. 2(3), pp. 16-28 (2016)
- [35] Sumadi.: Telaah Kasus Pencucian Uang Dalam Tinjauan Sistem Ekonomi Syari'ah. *Jurnal Ilmiah Ekonomi Islam*. Vol. 3(3), pp. 186-192 (2017)
- [36] The UN General Assembly.: International Convention for the Suppression of the Financing of Terrorism. Retrieved from General Assembly of the United Nations: <https://treaties.un.org/doc/db/Terrorism/english-18-11.pdf>. (1999)
- [37] The UN Security Council.: Resolution 1373. Retrieved from United Nations Security Council (2001)
- [38] Tofangsaz, H.: A New Approach to the Criminalization of Terrorist Financing and Its Compatibility with Sharia Law. *Journal of Money Laundering Control*. Vol. 15(4), pp. 396-406 (2012)
- [39] UNODC.: Risk of Money Laundering through Financial and Commercial Instruments. UNODC, Bogota DC (2013)
- [40] Vaithilingam, S., & Mahendhiran, N.: Factors Affecting Money Laundering: Lesson For Developing Countries. *Journal of Money Laundering Control*. Vol. 10(3), pp. 352-366 (2017)
- [41] Vlcek, W.: Development vs. Terrorism: Money Transfers and EU Financial Regulations in the UK. *British Journal of Politics & International Relations*. Vol. 10(2), pp. 286-302 (2008)

- [42] Vlcek, W.: Global Anti-Money Laundering Standards and Developing Economies: The Regulation of Mobile Money. *Development Policy Review*. Vol. 29(4), pp. 415-431 (2011)
- [43] World Bank.: *Global Report on Islamic Finance : Islamic Finance - A Catalyst for Shared Prosperity?* World Bank, Washington DC (2017)
- [44] Yasin, N. M.: Regulation of Islamic Banks and Allegations of Lax Control of Money-Laundering. *Journal of Islamic Law Review*. Vol. 26(1), pp. 211-232 (2008)