

Research on Generation Background, Difficulties and Suggestions of Transboundary Money Laundering: A Literature Review

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Abstract: With the internationalization of the renminbi, the prosperity of border trade and the implementation of the Belt and Road Initiative, the volume and complexity of cross-border renminbi transactions are increasing day by day, but the cross-border circulation of the renminbi has brought huge challenges to anti-money laundering regulation. This article discusses the reasons, current situation and difficulties that the surging RMB cross-border circulation transactions have brought about from the perspective of anti-money laundering prevention, evaluates the impact and gives specific suggestions.

Keywords: The internationalization of Renminbi; Anti-money laundering; Financial supervisory regulation; Cross-border trade; Suspicious transactions

DOI:10.12346/ems.v4i3.8346

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1. Prelude

In the past 40 years of reform and opening-up, China's economy developed rapidly. Even in today's post-epidemic era with the prevalence of protectionism and reverse globalization, China can still firmly lead the way of opening and reform, actively embrace globalization, facilitate full circulation of capital, resources and technology in the world and realize win-win and multi-win results in cooperation and mutual benefit. However, with the continuous expansion of China's economic volume and continuous deepening of integration of Chinese and global economies, the depth and width of risk disclosure of money laundering increase day by day. Money laundering refers to the process that conceals and covers up illegal capital source and disposition and use technical means to transform or replace capital obtained through crimes and launder black money to make it become the legitimate money through the financial system or without the application of the financial system. At present, most researched subjects in the academic circle refer to big data monitoring

of suspicious transactions, money laundering regulation, working procedure optimization, etc. There are relatively few studies of transboundary money laundering. However, transboundary transaction is a field with a high risk, difficulties in regulation and few methodologies in the field of anti-money laundering. On this basis, this paper arranges and makes comments on related studies published in recent years to generalize and summarize risk points, regulation directions, development trends and countermeasures of transboundary money laundering to offer references and enlightenments for various financial institutions and organizations that perform the obligation of anti-money laundering.

2. Generation Background of Transboundary Money Laundering

2.1 Internationalization of Renminbi

With the enhancement of China's economic strength and comprehensive national strength, Renminbi's weight becomes even greater in terms of international trade settlement, international investment settlement and in-

ternational reserve. In the aspect of top-level strategies of the national economy, the internationalization of the renminbi is always the core problem of it. There are two aspects for researchers to study the internationalization of the renminbi in the current academic circle. The first one involves benefits brought by the internationalization of the renminbi to China's economy, among which the most direct benefit is the revenue gained through seigniorage ^[1-3]. Internationalization of the renminbi can reduce the exchange rate risk faced by Chinese enterprises ^[1,2]. Secondly, it reduces the financing cost of Chinese enterprises ^[1,2]. At last, it is pointed out that the internationalization of the renminbi can help China maintain the value of foreign exchange reserves ^[3]. The second aspect lies in the risks brought by the internationalization of the renminbi to China's economy, especially in the field of anti-money laundering. Firstly, it is proposed that the internationalization of the renminbi increases difficulties to monitor the flow of transboundary capitals ^[3,4]. Secondly, the internationalization of the renminbi will facilitate the transfer of illegal capitals acquired through traditional methods of money laundering (gambling and fraud) in an easier way ^[5,6]. It is worth noting that there is a process of mutual promotion that covers the internationalization of the renminbi, transboundary capital circulation and further increase of risks of money laundering. Li Xin ^[7] thought that the issue of transboundary renminbi circulation can be regarded as the issue of the internationalization of the renminbi in essence, while Huang Yue ^[8] and Zhou Luping tended to believe that the risks of money laundering caused by transboundary circulation derive from the constant internationalization of the renminbi. Li Nan and Xing Siya ^[9] pointed out that with the continuous expansion of the scale of the renminbi's transboundary circulation, many challenges are taken to the work of anti-money laundering, which are caused by the short-term circulation of the renminbi. However, the short-term circulation of the renminbi is a by-product brought by trades, investment, cash carried during the exit process, illegal private banks and other economic activities in the context of economic growth, which can hardly be utterly avoided. A large number of risks of money laundering can accelerate the process in which investors lose the confidence towards the country's sovereign currency. Just as Li Lin (2011) argued, domestic internationalization of the renminbi will face "Triffin Dilemma", which refers to the difficulty of simultaneously responding to the confidence of the renminbi holding and the renminbi's mobility.

2.2 Cross-border Trade

The risk of money laundering during the internationalization of the renminbi refers to the risk of money laundering brought during the process when the renminbi becomes the money of account, settlement and reserve, which is widely accepted by the world. When Chinese merchants carry out cross-border trades with adjacent countries, the renminbi will be extensively used as a kind of regional currency, which can further lead to the risk of money laundering. China has a broad territory, long coastline of its border and up to 14 adjacent countries, and the renminbi has gradually been a kind of acceptable currency for these neighboring countries and regions. Moreover, extensive renminbi circulation can be seen in some developed countries. According to statistics, the scale of the renminbi settlement in transboundary trades surged from 506.3 billion yuan to 7.94 trillion yuan, increasing by nearly 15 times from 2010-2021. During the same period, the scale of the renminbi settlement of transboundary and direct investment rose from 28 billion yuan to 5.8 trillion yuan, increasing by nearly 206 times ^[10]. Taking Yunnan's border as an example, transboundary personnel circulation, transboundary currency circulation and transboundary supply circulation have been economic features of this place. Currently, there are 25 border ports in Yunnan, among which there are 18 Class-I ports (4 airports, 2 water ports, 1 railway and 11 highways) and 7 Class-II ports (all of which are highways). Among the 19 onshore ports, there are 6 ports opened towards Vietnam, 2 ports opened towards Laos and 11 ports opened towards Myanmar. Ports that are large in numbers promote the prosperity of waterway transportation and overland transportation of trades and accelerate transaction and circulation of the renminbi. Taking the Russian border as an example, since Sino-Russia Financial Cooperation Committee signed the bank settlement agreement of border trades in 2002, the settlement of China-Russia cross-border trades with the renminbi and rubles has developed from nothing. As of 2021, the two countries' value of trades of goods has reached 146.87 billion U.S. dollars. With the new era entered by two countries' relationship, which is announced by China and Russia in 2023, the two countries will deepen the interaction in terms of politics, economics, etc., and trades between the two countries will also continue to flourish. On this basis, the scale of the renminbi settlement will be expanded accordingly.

2.3 Strategic Layout and Investment in Plant Establishment of the Belt and Road

Since China started to implement the strategy of the

Belt and Road to rely on the bilateral cooperative mechanism of economy and trade in 2013, China has gradually constructed the transnational economic cooperation mode dominated by investment. Taking South Asia as an example, the total volume of trades between China and India, Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives, Bhutan, etc. rose from 5.7 billion U.S. dollars in 2000 to 187.5 billion U.S. dollars in 2021. South Asia becomes one of the important markets of overseas project contractors, and China also becomes the country that offers foreign capitals to South Asian countries^[11]. With the implementation of the Belt and Road policy, plenty of projects of investment cooperation are caused, and channels of capitals' transboundary circulation include the following ways. First, import payment of trades conducted in border ports. Second, China-funded enterprises' direct investment in countries covered by the Belt and Road policy. Third, overseas consumption of residents of the Chinese mainland. The considerable transboundary circulation of capitals cannot leave the support of corresponding policies, which include stability of the renminbi's exchange rate, loose restriction of the limits of exit and entry, capital projects' opening, multi-level capital market construction, etc.

3. Methods of Transboundary Money Laundering

3.1 Black Money Transfer with Traditional Means of Money Laundering (Gambling, Drug Trafficking and Fraud)

Gambling, drug trafficking and fraud are common types of predicate offences. Criminals often use methods of money laundering to dispose of the acquired filthy lucre in the first step and integrate it into the financial system. In the second step, namely separation, criminals mainly depend on the domestic system, and use multiple accounts to separate, transfer and distribute the money to gradually integrate black money into the cash flow that operates normally and achieve the objective of money laundering. However, with the crackdown on money laundering, which is gradually strengthened, criminals are more inclined to use illegal private banks, shadow banking systems, etc. to transfer capitals outward while feeling the pressure. At present, major ways for illegal private banks to conduct money laundering include three forms of matched orders with the domestic and overseas accounts, and foreign cash carriage while entry and exit, false foreign trade operation. The method to transfer capitals through matched orders with the domestic and overseas accounts refers to the process in which the client

with the demand of outward capital remittance transfers capitals to the domestic account designated by the illegal private bank, which will transfer the capitals to the foreign account designated by the client with the help of its partner abroad. The method to transfer capitals through foreign cash carriage while entry and exit mainly refers to the process in which criminals carry large-amount foreign cash to enter and leave the country through secret carriage, private collection, etc. The method to transfer capitals through false foreign trade operation mainly refers to the process of registration of a shell company of foreign trades, adoption of the fictive counterparty of trades, counterfeit of trade contracts, illegal purchase of foreign exchange, and simulation of normal enterprises' exportation to realize the capital transfer.

3.2 Traditional Trade

Imports and exports of goods and service trades are the main forms of transboundary transactions under China's regular projects, among which the difference between the loan variances of goods and services increases from 232.1 billion U.S. dollars in 2010 to 462.8 billion U.S. dollars in 2021, and the proportion of the difference to regular projects of goods and services increases from 76% in 2010 to 146% in 2021. It is possible that a large number of capitals of money laundering may be mixed in the continuously increasing transboundary income and expenditure of goods transactions. Most money laundering cases in import and export transactions of goods adopt the measure of false trading backgrounds. Criminals who use this measure often collude with overseas exporters and importers to report the price of the goods or services higher or lower than the actual price, repeated issue invoices, misrepresent the number, type, quality, etc. of trades, create the illusion of apparent compliance of "receipt-receipt conformity" and "receipt-proof conformity" to realize transboundary transfer of illegal capitals. In 2020, the State Administration of Foreign Exchange promulgated Guideline of Regular Project Foreign Exchange Business (2020 Version), in which Article LXVIII stipulates that banks can independently determine the category, form and key points of review of vouchers to be reviewed pursuant to personal risks to ensure authenticity and compliance of the trade. Based on this stipulation, the requirements to review foreign exchange settlement under regular personal projects are simplified. In general, individual clients only need to offer business licenses and the letter of commitment of foreign exchange settlement to go to the bank and handle the business of foreign exchange settlement. This action simplifies the due diligence procedure of fi-

nancial institutions and greatly increases the risks of money laundering. Compared with goods transactions, service transactions have no matching logistics and lack the link of the customs' verification, with the characteristics of the simple document and complicated right transfer, and the authenticity of the trading background is even harder to be proved^[12]. Except for the false background of transactions out of the purpose of concealment and carriage of capitals to travel abroad, another method of false trading background involves tax affairs. In accordance with the latest standards of FATF, the tax crime is clearly listed as one of the seven predicate offences. To make profits, criminals register multiple shell companies to sell downstream enterprises (with the purpose of purchasing special invoices for value-added tax to deduct input taxes) special invoices for value-added tax, and some downstream enterprises are foreign enterprises, which objectively causes transboundary capital circulation as the loophole of anti-money laundering detection. Some cases show that between 2015 and 2016, a criminal suspect from Li-anyungang registered over 140 shell companies through command and sold special invoices for value-added tax to downstream enterprises. The case-related amount is 350 million yuan, and the crime is dissimulated by the trading relation with downstream enterprises, which are falsified.

3.3 Cross-border Electronic Commerce Platform

There are two trading types of cross-border electronic commerce platform. The first type involves domestic consumers and foreign merchants, and the second type involves foreign consumers who want to buy domestic merchants' commodities. Taking consumers' purchase of foreign merchants' products as an example, consumers transfer the fund into Alipay, which send a notice of delivery to foreign merchants and send the order of liquidation to the bank to transfer foreign currency to the merchants' account through SWIFT after consumers confirm that they receive the products. The biggest problem in the whole process is the high degree of concealment of the identity of the customer, the purpose of the capital, transaction information, etc. Moreover, banks' monitoring system in a relatively long chain of payment can hardly track the direction of transboundary capital circulation in a comprehensive form, which is easy to result in the risk of money laundering. To be specific, due to the special properties in the industry of cross-border electronic commerce, in-detail and considerate systems can hardly be implemented in terms of KYC. First of all, it is difficult to verify the information's authenticity. Since there are differences in the aspects of laws, cultures, and degrees of

completion of the anti-money laundering system between different countries, the third-party payment platforms face the problem of accurately obtaining the elements, such as identity, age, occupation, address, etc.^[13]. Secondly, even if the information can be completely obtained, materials of customers' identity can still hardly be updated. If the customer is in China, the bank can easily contact him/her to update the customer's materials through phone calls or on-site visits. However, if the customer stays abroad, especially in some foreign countries or regions without branches set up by the domestic bank, the bank has no effective method to solve the problem so far^[14]. Thirdly, domestic banks (third-party payment institutions) can hardly acquire the operational information, financial conditions, etc. of overseas merchants, and the matching condition between the trading amount and traded commodities can be even harder to be obtained. Furthermore, due diligence has a high cost or becomes a mere formality. In this condition, some criminals make use of institutional loopholes to create false transactions or false trading contracts to illegally transfer illegal capitals gained through corruption or fraud outward. Fourthly, many third-party payment platforms' systems to monitor large-amount and suspicious trades are weak, having the problems of unscientific and unreasonable model design, insufficient coverage of the detection scope, etc.^[15], resulting in dubious validity and possibility to generate errors, omissions, etc. of reports. In the meanwhile, there are potential hazards of cybersecurity in terms of information. The operating system is likely to be invaded by hackers and programs of viruses, and customers' data are easy to be leaked, stolen and tampered.

3.4 Virtual Currency

In 2021, the People's Bank of China defined the act that exchanges the virtual currency in a transboundary form to convert benefits gained through crimes to foreign statutory currency or property shall be deemed as a new measure to conduct transboundary money laundering. Although it is prohibited to set up a market to concentratedly conduct virtual currency transactions in China, according to the data offered by the Ministry of Public Security, there are still many transactions of virtual currency on the illegal platforms, and free exchanges between virtual currency and statutory currency can be realized through foreign service providers and exchanges of virtual currency. The reasons why virtual currency gradually becomes the main channel of transboundary money laundering are elaborated as follows: At first, current predicate offences of money laundering stipulated in China include seven

types of the crime of drug trafficking, the group crime with the gangland property, the crime of terrorist activities, the crime of smuggling, the crime of corruption and bribery, the crime of financial management order breaking, and the crime of financial fraud. However, predicate offences specified by FATF have twenty categories. Such a difference will lead to the neglect of the crime of currency money laundering, and further cause the absence of intensity of corresponding crackdown. Secondly, corresponding laws and regulations introduced for virtual currency are not complete, and there is no clear provision of the definition, scope and regulation of virtual currency. Corresponding industry codes and institutions are under construction^[16]. Thirdly, financial institutions' general regulatory means and technology for virtual currency are lagging. Financial institutions can summarize the law through monitoring suspicious transactions and infer the trades involving virtual currency afterward only after a kind of transaction of virtual currency appears for multiple times, resulting in severe retardation of supervision. Fourthly, virtual currency's innate features of anonymity, operational convenience and low trading cost determine that it contains factors of the high risk of money laundering^[17].

3.5 Laundering Platform

The said laundering platform refers to the process of the application of personal bank accounts and other accounts of third-party platforms (such as WeChat/Alipay) to collect money and transfer it to a designated account. These personal bank accounts and third-party platform accounts (such as WeChat/Alipay) can be owned by multiple common people or be totally mastered by criminals. After participating in the fund collection, common people can earn corresponding commissions, and most of them don't realize that they have joined the activities to help criminals conduct money laundering. Crimes related to the "laundering platform" are generally three types: transboundary gambling, transboundary pornographic business, and transboundary fraud, and it is difficult to discriminate many funds gained through overseas crimes, which are converted to legal money through these laundering platforms. As the above-mentioned laundering crime, the "laundering platform" connects two groups on its two ends. One end includes criminal gangs involved in transboundary gambling, transboundary pornographic business, and transboundary fraud, for which the laundering platform provides channels required by illegal transfer. The other end includes launderers who are attracted by commissions with a large amount and act as so-called

part-time personnels. They carry out "money laundering" for criminals of predicate offences in the process of laundering^[18].

4. Difficulties to Discriminate Transboundary Money Laundering

4.1 Incomplete Laws of Transboundary Money Laundering

At present, China's laws and regulation related to anti-money laundering still follow the Law of the People's Republic of China on Anti-money Laundering promulgated by the National People's Congress in 2006. Nevertheless, over ten years passing by, existing anti-money laundering laws are unable to fit the requirements of current economic development, financial innovation and working trend of anti-money laundering due to the rapid development of China's economy. It is necessary to start from the reality of the present work and modify and complete laws and regulations of anti-money laundering pursuant to the advanced practices abroad, especially systems related to transboundary money laundering^[19]. It is necessary to strengthen the review of the backgrounds of offshore companies, shell companies, non-resident personnels and companies with unclear beneficiaries and take it as the key points of customer admittance and conduction of persistent due diligence. Furthermore, it is also necessary to supplement and formulate detailed rules to regulate new businesses and channels, as well as relevant laws to enhance the level of monitoring and pre-warning of transboundary capitals' inflow and outflow, especially the monitoring system's tagging and summary of abnormal transboundary capital circulation. After the laws are revised, it is also necessary to strengthen the joint force of the Ministry of Public Security, the People's Bank of China, the State Administration of Foreign Exchange, the Supreme People's Court of the People's Republic of China, etc., which all have corresponding responsibilities of anti-money laundering regulation. However, the differences of orientation between various institutions during the actual process lead to the failure to give full play to the functions of transboundary regulation, and the vacuum of regulation always remains.

4.2 Difficulty to Identify Identity

KYC's client due diligence refers to the investigation of clients' identities and backgrounds, purposes of the opened accounts and other conditions, which is carried out by financial institutions at the time of client admission to prevent clients' from using the account to conduct illegal behaviors of anti-money laundering and

anti-terrorist financing and take corresponding measures in emergencies. However, in the field of transboundary money laundering, financial institutions often face the hardship to master clients' identity information, transaction purposes, transaction properties and natural people or beneficiaries that actually control the clients, which is specifically shown as follows: Firstly, it is hard to identify clients' identities and judge the authenticity of passports and other documents of identities. There is also a lack of corresponding equipment to identify. Due to the problem of language translation, translations of foreign clients' name are inconsistent. Secondly, mastered client information, such as the nine elements, is not complete, and it is difficult to precisely collect foreign clients' residential addresses, telephone numbers, jobs and other crucial information. Thirdly, information update in the process of continuous identification is lagging. After the identity information on the client's passport expires, the effect of continuous identification will be discounted if the financial institution doesn't promptly acquire the updated information.

4.3 Limited Functions of the Anti-money Laundering Monitoring System

Currently, due to the lack of indicators that can be used to accurately judge the characteristics of transboundary money laundering transactions, the models are low in the accuracy rate and poor in validity, while being compared with banks, third-party platforms' anti-money laundering systems are even weaker, with many problems, such as unscientific and unreasonable model design, insufficient coverage of the detection scope, etc., leading to poor validity of data and high probability of errors and omissions of reports. In the meanwhile, there are potential hazards of cybersecurity in terms of information. The operating system is likely to be invaded by hackers and programs of viruses, and data are easy to be leaked, stolen and tampered.

4.4 Lack of Effective Regional Cooperation Mechanisms of Justice

Although main economic entities in the world join FATF and multiple regional anti-money laundering organizations, there is still a lack of an effective mechanism of judicial cooperation between regions due to the uneven economic levels, varied judicial procedures and cultural backgrounds of various countries. Taking Chinese mainland, Hong Kong, Macao and Taiwan in the Greater China as examples, there is no highly integrated organizational mode of the four legal regions' anti-money laundering cooperation or regional anti-money

laundering agreement with authority and uniformity in the true sense. The anti-money laundering cooperation is still in the stage of individual case assistant investigation, administrative tacit agreement, and willful and respective action, and no normalized cooperative mechanism is formed among them^[20]. It results in the difficulty of judicial evidence collection, and procedural troubles often occur when the investigating institution of one site requires the institution in another place to offer related materials. For example, many obstacles of tracking and conviction of transboundary money laundering are caused by the lack of an effective cooperative mechanism and the differences between Hong Kong and mainland judicial systems. In terms of judicial investigation and evidence collection, Hong Kong and mainland adopt two modes of the "letter of judicial claim" and "individual case negotiation" respectively^[21], among which the "letter of judicial claim" refers to the letter of claim issued by the court of the original suit or the justice secretary pursuant to legal assistance procedures when the court in Hong Kong or the places other than Hong Kong requires cooperation to collect evidence^[22]. The letter should be prepared in the format adopted by the judicial permanent officer who follows the court's rules and sealed by the superior court and issued. Then the competent authority in the judicial jurisdiction, which is requested to offer assistance, should interrogate and inquire the witness, and acquired testimonies will be presented in written form in Hong Kong's court. "Individual case negotiation" refers to the special content of assistance of formulation and standardization of rules to carry out mutual assistance, intelligence exchange, verification, remote appointment with insiders and relevant personnels in accordance with Arrangements of Mutual Assistance of the General Administration of Customs and Customs and Excise Department of Hong Kong, which has no compulsory legal force^[23]. At present, mainland and Hong Kong adopt the mode of "individual case negotiation" to conduct investigation and evidence collection of transboundary money laundering. However, no matter whether the "letter of judicial claim" or "individual case negotiation" has corresponding problems^[24]. For example, in the mode of "individual case negotiation", there are differences of evidence formats, witnesses' qualification, testifying procedures and rules of evidence exclusion in the legal systems between mainland and Hong Kong. Taking witnesses' qualification as an example, Hong Kong's Regulations on Evidence merely stipulate that people who are dis-

bled in mentality should not testify, while Article LX of the mainland's Criminal Procedure Law of the People's Republic of China stipulates that "all people who know about the case are obliged to testify, and physically or mentally handicapped people or minors who cannot distinguish right from wrong or cannot properly express themselves shall not be qualified as witnesses". To sum up, different judicial systems between Hong Kong and mainland will significantly increase the judicial cost of transboundary money laundering conviction.

4.5 Lack of Interdisciplinary Talents

As anti-money laundering work gradually becomes an indispensable part of China's economic governance and quickly changed money laundering means appear day by day, talents who are competent in anti-money laundering work receive more and more attention. However, in terms of absolute quantity, there is an extreme lack of anti-money laundering interdisciplinary talents in China^[25]. Taking Shanghai as an example, Shanghai Local Financial Supervision and Administration Bureau printed and issued the Catalogue of the "14th Five-Year Plan" Urgently-required Talent Development Project in the Key Field (Finance) of Shanghai in 2023, which clearly indicates that people who hold the certificates of Certified Anti-Money Laundering Specialist (CAMS) and Certified Global Sanction Specialist (CGSS) should be listed as talents in shortage in the category of professional services. In terms of professional property, measures of transboundary investment money laundering in the world change quickly, because the capitals flow in different jurisdictions, making themselves conceal and hard to be detected^[26]. There are also professionals in the fields of economic management, trading logistics, foreign languages, financial accounting, etc., who have the comprehensive ability to use complicated financial and trading tools and trading channels to conduct money laundering, which may even not be equipped by specialists who engage in front-line anti-money laundering work in various financial compulsory institutions^[27]. Therefore, it is necessary to strengthen the configuration of talents with the educational background of multiple interacted disciplines, who are proficient in economy and finance, foreign languages, mathematics, computers and criminal investigation, and establish an expert-based anti-money laundering team. At the same time, various compulsory institutions need to motivate relevant practitioners' enthusiasm through the establishment of the reward and punishment mechanism and reasonable career development channels to outline the arrangement of anti-money laundering work.

5. Enlightenment and Advice

5.1 Completion of Transboundary Anti-money Laundering Regulatory Laws

Promulgated in 2006, China's Law of the People's Republic of China on Anti-money Laundering is incompatible with the current anti-money laundering work day by day in a more complex context at home and abroad, and the following questions are reflected: The first problem is that some clauses remain limitations in terms of system design and implementation. The most typical one is the system of the cash reporting system^[28]. Cash is one of the methods applied by criminals to conceal the capital source, which is specified by FATF. However, the Law of the People's Republic of China on Anti-money Laundering has no clear regulation on the cash reporting system, report method and reported amount. In cases of transboundary money laundering, cash is often used by criminals as a simple but effective tool of the money laundering. Nevertheless, due to the lack of cash regulation on the legal level in China, other competent authorities (such as customs) can hardly further track the crimes of transboundary money laundering^[29,30]. The second problem lies in the insufficient deterrent force of the Law of the People's Republic of China on Anti-money Laundering, unclear units and personal obligations of anti-money laundering, no service supplier of aggregate payment and other new channels of transboundary capital circulation included in the scope of subjects of anti-money laundering regulation, lack of relevant supporting laws and regulations, all of which severely restrict the effect of crackdown on transboundary money laundering crimes. The third problem is that the Law of the People's Republic of China on Anti-money Laundering is short of enough legal coverage of new-type money laundering means, such as the transaction of bitcoins, online auctions, pyramid selling and other new methods^[31]. The law doesn't have corresponding legal guidance in these fields.

5.2 Strengthen the Establishment of Risk Assessment and Rating System

Taking the commercial bank as an example, it should adhere to the risk-oriented principle, adopt the methods of qualitative analysis and quantitative measurement, in combination with clients' characteristics, regions, products and services, channels and other risk factors, divide clients into different risk levels and execute dynamic adjustment, adopt differential measures of management in accordance with the degree of the risk of money laundering of clients with different risk tags, and implement different methods of regulation and enhanced due diligence

with different levels^[32]. For example, during the process of client classification, results corresponding to the assessment of risk factors (if products of transboundary transactions are involved) will be reflected in the results of classification, and high-risk clients assessed in this way will be listed as key objects to be regulated, and low risk tolerance is taken to treat their actions of high-risk product application (if products of transboundary transactions involved). At the same time, the bank should combine the risk prompts, information of law enforcement and other resources issued by regulatory units, clients' background, purposes of transactions, beneficiaries and other materials to conduct rigorous tracking and prudent regulation.

5.3 Strengthen International Cooperation

In terms of the legislative level, it is necessary to establish the mode of transboundary investigation, perfect the international cooperative mechanism of investigation and promote legislation of international network crimes to tackle some criminal plights (such as telecommunication fraud) faced by various countries in the world. In terms of the judicial and criminal investigation levels, it is necessary to attach importance to cooperation carried out with foreign institutions and local law-enforcing departments, such as regular forums of regional cooperation, establishment of convenient assistant investigation flows, sharing the negative list of anti-money laundering, coordination of judicial cooperation of different regions, and joint construction of the mechanisms of transboundary transaction data sharing and collaborative regulation. Moreover, it is necessary to actively enter agreements with various countries in the world and mutually offer legal assistance with the most extensive coverage in the aspects of transboundary evidence assistance, confiscation of criminal benefits, extradition of criminals, etc.

5.4 Optimize the Models of Transaction Monitoring

Financial compulsory institutions should develop stricter transaction monitoring systems for transboundary transactions, start from features of high-risk transboundary products to research and develop corresponding pre-warning indicators, share data with departments of public security, frontier defense, taxation, customs, etc. including mastered clients' background information, goods trading information, and logistics information of production, customs declaration, warehousing, transportation, etc. into the indicator model of the monitoring system, build up the data connection of transboundary transaction scenarios, and cover all subjects of transboundary transactions and their financial trading data. In addition, it is necessary to continuously improve research, devel-

opment and application of new technology in the field of transboundary anti-money laundering, introduce biological recognition technology and data mining technology of the social network to dig complicated and implicit client relations and communities of shared interests, precisely delineate the subject's characteristics, use artificial intelligence, graph algorithms and other technology to carry out associated study, matching and expansion of subject relevance, capital relations, business scenarios, etc. of transboundary transactions.

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