

From Secrecy to Accountability: The Evolution of Beneficial Ownership Practices in Indonesia's Anti-Money Laundering Framework

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Abstract

This study investigates the historical development and evolution of beneficial ownership practices in Indonesia, which will eventually lead to more accountability and transparency. A qualitative technique of document analysis is employed to achieve the study objectives. The paper summarises Indonesia's AML regime and the crucial role of identifying beneficial owners in ensuring the financial integrity of the country. It analyses the influence of international AML standards and initiatives, domestic regulatory reforms, and the contributions of various stakeholders, including the government, financial institutions, and relevant entities. It further examines the impact of technological advancements, such as digital verification tools and data analytics, in fortifying the accuracy and efficiency of beneficial ownership disclosure. Moreover, the study evaluates the effectiveness of evolving beneficial ownership practices in Indonesia's AML regime. It discusses the enhancements in risk assessment, customer due diligence procedures, and the detection of money laundering and associated financial crimes. The implications of intensified accountability and transparency in beneficial ownership practices are meticulously analysed. The study emphasises the benefits of a more resilient financial system, augmented investor confidence, and an enhanced reputation for Indonesia in the global fight against money laundering.

Keywords: Beneficial ownership, Money laundering, Transparency,

Introduction

Beneficial ownership (BO) is a critical notion in anti-money laundering (AML) operations, acting as a cornerstone in the global fight against financial crimes (Davilas, 2014; Gilmour, 2020; Konovalova et al., 2023; Naheem, 2020; Zigo &

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Vincent, 2021; Sultan and Mohamed, 2023a) Beneficial ownership refers to the individuals or entities that ultimately benefit from and exercise control over a legal entity or asset, regardless of the names listed on official records. BO is significant due to its capacity to reveal concealed or veiled ownership arrangements; money launderers and criminals utilise this vehicle to conceal predicate crimes. By identifying the major benefactors behind legal firms, law enforcement and regulatory authorities can track and prevent money laundering (ML), terrorism financing (TF), and other illegal financial activity.

The absence of identifying BO transparency has created tremendous hurdles to AML efforts across countries. The secrecy surrounding ownership information has given criminals a safe harbour to launder ill-gotten money, evade taxes, and support terrorist activities (Martinez, 2021; Sultan & Mohamed, 2022b) . International organisations like the Financial Action Task Force (FATF) and Basel Institution on Governance have emphasised beneficial ownership declaration as an essential component of effective AML regimes due to growing awareness of the risks of disguised beneficial ownership (Basel, 2021; FATF, 2019; GOV.UK, 2021). Thus, governments worldwide, including Indonesia, have been urged to tighten their legal frameworks and enforcement to increase beneficial ownership transparency and accountability (INTRAC, 2019)

For Indonesia, the importance of beneficial ownership in AML efforts is an inevitable global need. As a developing economy, Indonesia faces unique challenges in combating financial crime, such as ML. The prevalence of complex corporate structures, nominee arrangements, and cross-border transactions emphasises the importance of correct beneficial owner declaration (MER, 2018; PPATK, 2021). The prevalence of complex corporate structures, nominee arrangements, and cross-border transactions emphasises the importance of correct beneficial owner declaration (Sultan and Mohamed, 2022c). By addressing these challenges and advancing beneficial ownership practices, Indonesia can fortify its financial system's resilience against corruption, illicit activities, bolster investor confidence, and demonstrate its commitment to international AML standards (Bramantyo, 2021; Karunia et al., 2023; Kusumawardhani & Diokno, 2022). Moreover, enhancing beneficial ownership transparency aligns with Indonesia's broader goals of promoting good governance, fostering a business-friendly environment, and attracting foreign investment (Bagheri & Zhou, 2021; Setyahadi & Narsa, 2020).

As Indonesia continues its journey from secrecy to accountability in BO practices, collaboration between the public and private sectors remains crucial (Abubakar et al., 2023; Gilmour, 2020; Jurdant, 2013). Financial institutions, non-financial businesses and professions (DNFBPs), and other stakeholders must work together to put in place strong due diligence procedures and report suspicious

transactions to the Financial Intelligent Unit (Elyacoubi, 2020; Sultan & Mohamed, 2022a) in Indonesia, also known as the Financial Transaction Reports and Analysis Center (PPATK). Regulatory authorities play a central role in enforcing compliance and ensuring the proper implementation of beneficial ownership regulations. By adopting innovative technologies, such as digital verification and data analytics, Indonesia can enhance the efficiency and accuracy of beneficial ownership disclosure, paving the way for a more transparent and accountable AML framework (Kurniawan, 2023). Ultimately, the collective efforts to improve beneficial ownership practices will contribute to Indonesia's safer, more secure, and resilient financial landscape and strengthen the global fight against financial crimes (Zigo & Vincent, 2021).

Indonesia has taken significant steps to develop and strengthen its AML framework to combat financial crime effectively. The backbone of AML Indonesia's efforts lies in the AML Law. Law No. 8 of 2010 is the principal anti-money laundering law enacted by Indonesia. This law establishes the legal basis for preventing and detecting ML activities. The Financial Transaction Reporting and Analysis Center (PPATK) is Indonesia's financial intelligence unit (FIU). It is responsible for receiving, analysing, and disseminating suspicious transaction reports (STRs) to relevant law enforcement agencies (LEA). In addition to the Police, the Prosecutor's Office, and the Ministry of Justice, the Law Enforcement Agency of Indonesia (LEA) consists of several law enforcement elements that handle sectorally predicate crimes such as corruption (KPK), drugs (BNN), financial crimes (OJK), and other predicate crimes handled by special investigators (UU N0 8/2010, 2010). Designated financial institutions, non-financial businesses and professions (DNFBPs), and other entities designated as obliged parties must report suspicious transactions to PPATK. Indonesia established the National Commission for the Eradication of Money Laundering (TPPU) under the coordination of the Ministry of Law and Human Rights. The Presidential Decree No. 13 of 2018 was notified concerning BO recognition. This Presidential Regulation is the legal basis for increasing accountability of Beneficial Ownership in Indonesia (Nevey, 2019).

Challenges of Beneficial Ownership Disclosure

The economy of Indonesia has experienced rapid and massive growth. However, the economic growth may result in a substantial number of economic crimes. The growth of economic crimes has not been reflected in the development of the economic crimes' penal policy (Akbar, 2023). One of them is the acceleration of disclosure and validity of who is actually the ultimate beneficial ownership (BO). BO disclosure presents several challenges hindering the country's ability to effectively combat ML and related financial crimes (Nurillah & Santoso, 2021). Indonesia has a

centralised registry working under the Ministry of Law and Human Rights through the Directorate General of General Law Administration (Dirjen AHU) (Perpres 13, 2018). However, this BO data cannot be firmly believed to be accurate by LEAs, financial institutions, and DNFBPs in many experiment practises. Data on the owners of these benefits is mandatory, legal entities are requested to update. However, the Director General of AHU disclaimer that the data received by them is from the validity and reliability of the data. Dirjen AHU refutes the notion that the nator is solely responsible for the data (Permenhumkam 9, 2017). Furthermore, the indecisive sanctions imposed on corporations cause data updates to stall. Therefore, the validity of the data presented is not so strong because the data collected lack of accurate and not seem to provide benefits. So, the data on the final beneficial owner of a legal entity becomes biased; as a result, verification of beneficial owners can be complicated and result in information gaps. This encourages the users of this data (financial and non-financial institutions) have not fully maximized the use of this BO data. Meanwhile, Indonesia still opens opportunities for legal entities, companies, foundations, associations, and fiducia through the Ministry of Law and Human Rights untuk memutakhirkan data BO.

Many legal entities in Indonesia have intricate ownership structures involving multiple layers of ownership and subsidiaries (Kurniawan, 2023; Nevey, 2019). Unraveling the ownership chain to identify the ultimate beneficial owners can be a complex and time-consuming process, particularly in cases where structures are deliberately designed to obscure ownership details (Voynarenko et al., 2020). Using nominees or proxies to hold assets or shares for beneficial owners is common in Indonesia. Such nominee arrangements can mask true ownership, making it challenging to ascertain the individuals or entities with ultimate control (Kurniawan, 2023; Nevey, 2019). Some companies and professionals in Indonesia may lack comprehensive awareness and understanding of the importance of transparent beneficial ownership disclosure (Kurniawan, 2023; Nevey, 2019). This lack of awareness can lead to non-compliance and hinder effective AML efforts. While Indonesia has established legal provisions for beneficial ownership disclosure, effective enforcement remains challenging. Limited resources and capacity constraints can impede thorough investigations into suspicious ownership structures (Kurniawan, 2023; Nevey, 2019). Addressing these challenges requires concerted efforts from various stakeholders, including the government, regulatory authorities, financial institutions, and designated non-financial businesses and professions (Konovalova et al., 2023; Nwapi et al., 2021; Sultan, Mohamed and Hussain, 2023b) Improving beneficial ownership disclosure and transparency is crucial for enhancing Indonesia's AML regime and safeguarding its financial system from the risks of ML and associated illicit activities.

The study examines the evolution of beneficial ownership practices in Indonesia's (AML) framework and its journey from secrecy to accountability. The paper aims to provide an in-depth overview of the country's historical development of beneficial ownership disclosure, exploring the driving factors that led to the shift towards greater transparency. By analysing the challenges faced and initiatives undertaken, the paper highlights the implications of improved beneficial ownership practices on Indonesia's AML effectiveness. Furthermore, the scope of the paper encompasses the significance of beneficial ownership in Indonesia's efforts to combat ML and financial crimes. It delves into the complexities of corporate structures, nominee arrangements, and cross-border transactions that influence beneficial ownership disclosure in the Indonesian setting. Through this comprehensive analysis, the paper intends to contribute valuable insights and recommendations for policymakers, regulatory authorities, and stakeholders to enhance beneficial ownership transparency and accountability within Indonesia's AML framework.

Historical Development of Beneficial Ownership Practices in Indonesia

A. Early practices and challenges in beneficial ownership identification

A lack of transparency and regulatory oversight characterised early practices of beneficial ownership identification in Indonesia (Novariza, 2021; Sultan et al., 2022c; OECD, 2017; UNODC, 2022). In the past, there was limited emphasis on disclosing the true owners of legal entities, creating an environment that facilitated ML and other illicit financial activities (Haykal Amal & Kartika, 2021). The absence of a centralised beneficial ownership registry made it challenging for authorities to access accurate and up-to-date ownership information (Nevey, 2019; UNODC, 2022). As a result, identifying the ultimate beneficiaries behind legal entities became a cumbersome and time-consuming process, contributing to information gaps and hindering effective due diligence.

Complex corporate structures and nominee arrangements further complicate the identification of beneficial owners. Many legal entities employed intricate ownership chains involving multiple layers of ownership and subsidiaries, making it difficult to trace the true controllers and beneficiaries (FATF, 2022; UNODC, 2022). Nominee arrangements, where individuals or entities hold assets or shares on behalf of others, added a layer of secrecy, concealing the actual ownership behind a façade of legal representation. Moreover, during this period, companies and professionals had limited awareness and understanding regarding the significance of transparent beneficial ownership disclosure. Compliance with beneficial ownership requirements was lacking, as some entities may have inadvertently or deliberately avoided disclosing ownership information (Chhina, 2022). The dearth of enforcement resources and capacity constraints within regulatory bodies further hindered effective

investigations into suspicious ownership structures, enabling money launderers to exploit the weaknesses in the system (Bagheri & Zhou, 2021; Chhina, 2022). To summarise, the first practice of identifying beneficial owners in Indonesia was hampered by difficulties caused by a lack of transparency, complex ownership arrangements, and insufficient regulatory enforcement (Haykal Amal & Kartika, 2021; Novariza, 2021). These concerns underscore the crucial importance of enhanced beneficial owner identification methods to bolster the country's AML operations and effectively combat financial crime. As Indonesia progressed, efforts were made to address these challenges and improve the transparency and accountability of beneficial ownership disclosure.

B. The impact of secrecy and opacity on AML effectiveness

The impact of secrecy and opacity on AML effectiveness in Indonesia has been profound, allowing illicit activities to thrive within the financial system (Gilmour, 2020; Kurniawan, 2023; Saputra, 2021). The lack of transparent beneficial ownership disclosure has created a fertile ground for money launderers, terrorists, and other criminals to exploit hidden ownership structures and obscure the origins of illicit funds (Gilmour, 2020; Konovalova et al., 2023; Pacini et al., 2019). As a result, authorities have faced significant challenges in tracking and identifying the ultimate beneficiaries behind suspicious transactions, impeding their ability to combat financial crimes effectively (Hughes & Brown, 2022; Menz, 2023). Both the lack of a centralised registry of beneficial ownership and the complexity of corporate structures have contributed to the problem, making it more difficult for regulatory agencies and financial institutions to obtain ownership information that is accurate and up to date (Gilmour, 2022; Moiseienko, 2020; Zigo & Vincent, 2021). The secrecy surrounding beneficial ownership details has hindered due diligence efforts, leaving gaps in risk assessments and preventing the detection of suspicious activities. Moreover, nominee arrangements further exacerbate the opacity, shielding the true owners and facilitating ML activities.

The influence of secrecy on AML effectiveness extends beyond impeding investigations. It undermines the overall integrity of the financial system, eroding public trust and confidence. The lack of transparency can deter legitimate businesses and investors from participating in the economy, as they may fear unknowingly engaging with entities involved in illicit financial activities (Netshisaulu et al., 2022; Suddaby & Panwar, 2022; Upadhyay, 2023). To address these challenges and enhance AML's effectiveness, international standards, such as those set forth by the FATF, have stressed the importance of beneficial ownership transparency (FATF, 2019; Thompson, 2018). By promoting greater accountability in disclosing beneficial ownership information, Indonesia can mitigate the risks associated with secrecy and

opacity, fortify its AML regime, and create a more robust financial system less vulnerable to ML and other illicit financial activities.

C. International influences and emerging trends in beneficial ownership transparency

International influences and emerging trends in beneficial ownership transparency have played a pivotal role in shaping Indonesia's approach to combating money laundering and enhancing its AML regime. Recognising the global nature of financial crimes, Indonesia has aligned itself with international efforts to promote greater transparency in beneficial ownership disclosure. One significant international influence is the FATF, the global standard-setter for AML and counter-terrorism financing (CTF) measures (FATF, 2019; Manning et al., 2021). The FATF has consistently emphasised the importance of beneficial ownership transparency in combating ML and related illicit activities (FATF, 2019). As a member of the FATF, Indonesia must adhere to the FATF Recommendations, including those related to beneficial ownership identification and verification.

In response to international pressures and the need to strengthen its AML framework, Indonesia has made significant strides towards adopting emerging trends in beneficial ownership transparency (Konovalova et al., 2023). Technological advancements have been key in facilitating beneficial ownership identification and verification processes (Heo & Shin, 2021; Szwajdler, 2022; Sultan et al., 2023c). Digital solutions, such as blockchain technology and data analytics, have been leveraged to enhance the accuracy and efficiency of ownership disclosures. These technologies offer secure and immutable platforms for recording ownership information, reducing the risk of manipulation or tampering (Cu et al., 2023; Vassallo et al., 2021; Wiatt, 2020).

Furthermore, establishing public beneficial ownership registers has become a progressive trend to increase transparency. Countries like the United Kingdom and some European Union members have implemented public registers that allow easy access to beneficial ownership (Gilmour, 2020; Isolauri et al., 2022). This approach fosters a culture of accountability and can act as a deterrent to potential money launderers. As Indonesia continues to explore and adopt these emerging trends in beneficial ownership transparency, it demonstrates its commitment to aligning with global efforts to combat money laundering and financial crimes effectively. By leveraging international influences and embracing technological advancements, Indonesia aims to enhance the integrity of its financial system and contribute to a safer and more secure global financial landscape (INTRAC, 2021; PPATK, 2021).

Driving Factors for Change: Shifting from Secrecy to Accountability

A. The Role of global AML standards and initiatives in promoting beneficial ownership disclosure

The role of global AML standards and initiatives in promoting beneficial ownership disclosure has been instrumental in shaping Indonesia's efforts to combat ML and related financial crimes (Abubakar et al., 2023; Baharudin & Kartika, 2023; Chhina, 2022). Recognising the transnational nature of ML, Indonesia has aligned itself with international organisations and standards setters to enhance transparency and accountability in beneficial ownership practices. FATF, as the global standard-setter for AML and CTF measures, has been at the forefront of promoting beneficial ownership transparency (Sultan et al., 2023d). The FATF Recommendations stress the importance of identifying and verifying ultimate beneficial owners of legal entities as a crucial element in combating ML (FATF, 2019). As a member of the FATF, Indonesia has committed to implementing these recommendations, including those related to beneficial ownership.

The FATF's mutual evaluation process has also significantly assessed Indonesia's compliance with global AML standards, including beneficial ownership disclosure (MER, 2018). Through mutual evaluation reports, Indonesia receives feedback on its AML framework's effectiveness and areas for improvement, including beneficial ownership transparency (FATF, 2015). Indonesia has strengthened its beneficial ownership disclosure practices in response to global initiatives. The country has updated its AML laws and regulations to align with the FATF's recommendations, emphasising the importance of accurate and timely beneficial ownership information (Chhina, 2022; OECD, 2017; UNODC, 2022). Furthermore, Indonesia has participated in international dialogues and collaborations to share best practices and learn from other countries' experiences in implementing beneficial ownership disclosure measures (PPATK, 2021). The role of global AML standards and initiatives in promoting beneficial ownership disclosure goes beyond compliance. It fosters a culture of transparency and accountability in the financial system, making it more challenging for money launderers and criminals to exploit hidden ownership structures. By adopting these global standards, Indonesia contributes to the international effort to create a more robust and interconnected global AML regime (Meiryani, Soepriyanto, et al., 2022; Zali & Maulidi, 2018), where countries work together to combat financial crimes effectively.

B. Domestic regulatory reforms and legislative changes in Indonesia

Indonesia has made substantial improvements to its AML framework through domestic regulatory reforms and legislative amendments. These changes, which include the revision of Indonesia's Anti-Money Laundering Act (Law No. 8 of

2010), emphasize the importance of identifying and verifying beneficial ownership in businesses. The updated law mandates that entities keep current records of their beneficial owners, aiding authorities during investigations (Ali et al., 2022; Lubis, 2022). Additionally, stricter penalties for non-compliance with these disclosure requirements have been introduced as a deterrent against evasion or delay in reporting, demonstrating Indonesia's dedication to transparency and discouraging illicit financial activities (Go & Benarkah, 2019; Mniwasa, 2020).

Indonesia has improved its AML measures by bolstering cooperation and information-sharing between regulatory agencies and financial institutions, aiding in beneficial ownership verification (Go & Benarkah, 2019; Meiryani et al., 2022). This enhanced collaboration streamlines investigations and strengthens AML efforts by fostering transparency and improving risk assessments. Access to detailed beneficial ownership information allows these entities to better understand customer activities and detect potential issues. Additionally, Indonesia has invested in training programs for law enforcement and regulatory personnel to navigate complex corporate structures accurately. These reforms show Indonesia's commitment to global AML standards, beneficial ownership disclosure, and maintaining financial integrity through a transparent financial system (Ali et al., 2022; Lubis, 2022)

C. Awareness and advocacy for increased accountability in beneficial ownership practices

Awareness and advocacy for increased accountability in beneficial ownership practices have emerged as crucial drivers of reform in Indonesia's efforts to combat money laundering and enhance its anti-money laundering framework (Go & Benarkah, 2019). Recognising the significance of transparency and the risks associated with hidden ownership structures, various stakeholders have actively promoted awareness and advocated for more robust beneficial ownership disclosure measures. Civil society organisations, such as Transparency International, have played a vital role in advocating for beneficial ownership transparency in Indonesia. Through research, policy analysis, and public campaigns, these organisations have raised awareness about the importance of identifying ultimate beneficial owners and the potential consequences of opaque ownership practices (Faisal et al., 2022). Their advocacy efforts have encouraged policymakers and regulatory authorities to prioritise beneficial ownership reforms.

Academic institutions and think tanks have also contributed to raising awareness about beneficial ownership practices and their impact on AML effectiveness. Researchers and scholars have published studies highlighting the challenges posed by secrecy and opacity and the benefits of increased transparency in the financial system (Gilmour, 2022). These studies provide evidence-based

insights that support the case for reform and guide policymakers in designing effective disclosure mechanisms. Furthermore, financial industry associations and business groups have been instrumental in advocating for greater accountability in beneficial ownership practices. Recognising the importance of a transparent and trustworthy financial system, these associations have encouraged their members to voluntarily adhere to beneficial ownership disclosure requirements (Naheem, 2018b; Yeoh, 2019) Their proactive approach demonstrates the private sector's commitment to responsible business practices and reinforces that BO transparency benefits all stakeholders.

Public awareness campaigns and media coverage have also significantly generated attention and fostered public support for increased accountability in beneficial ownership practices (Shi et al., 2023). By highlighting real-life examples of money laundering and the consequences of illicit financial activities, these campaigns create a sense of urgency for reform and garner public backing for beneficial ownership transparency initiatives. Through the collective efforts of civil society, academia, industry stakeholders, and the media, awareness, and advocacy for increased accountability in beneficial ownership practices have contributed to a growing momentum for reform in Indonesia (Agustianto, 2022; Shi et al., 2023) As a result, the country is increasingly committed to strengthening its AML framework and promoting greater transparency in beneficial ownership disclosure to combat ML effectively.

Initiatives and Milestones in the Evolution of Beneficial Ownership Practices

A. Government-led initiatives to improve transparency and accountability

Government-led initiatives to improve transparency and accountability in beneficial ownership practices have been crucial in Indonesia's efforts to combat ML and strengthen its AML regime. Recognising the importance of identifying ultimate beneficial owners of legal entities, the Indonesian government has implemented various initiatives to enhance beneficial ownership disclosure (Ali et al., 2022; Lubis, 2022). One of the key government-led initiatives is establishing a centralised beneficial ownership registry. In recent years, Indonesia has made significant progress in developing a comprehensive registry that consolidates ownership information of legal entities (Moiseienko, 2020). This centralised database allows authorities and relevant stakeholders to access accurate and up-to-date beneficial ownership information, streamlining due diligence efforts and expediting investigations. To assure compliance, the Indonesian government has imposed harsher fines for noncompliance with beneficial ownership disclosure regulations. The government intends to establish a strong incentive for full transparency by imposing heavy fines and sanctions on firms that fail to submit accurate ownership

information (Novariza, 2021). These penalties serve as a deterrent, discouraging individuals from engaging in money laundering and other illicit financial activities.

B. Collaborative efforts between financial institutions and regulatory authorities

Collaborative efforts between financial institutions and regulatory authorities have improved beneficial ownership transparency and strengthened Indonesia's AML framework (Syarif, 2019). Both sectors have worked hand in hand to enhance the accuracy and efficiency of beneficial ownership disclosure (Rao & Kanchana, 2018). As obligated parties, financial institutions play a crucial role in implementing AML measures, including beneficial ownership identification and verification. They have implemented robust customer due diligence processes to collect and verify beneficial ownership information from their (A. Rahman, 2014; Faisal et al., 2022) By conducting thorough checks and corroborating data, financial institutions contribute to building a more comprehensive and accurate picture of beneficial ownership structures.

Regulatory authorities in Indonesia have been working closely with financial institutions, offering guidance and support to meet beneficial ownership disclosure requirements (Go & Benarkah, 2019; Mniwasa, 2020). The Financial Transaction Reports and Analysis Center (PPATK), Indonesia's financial intelligence unit, has initiated programs to educate these institutions about their AML responsibilities (MER, 2023) . This cooperation helps overcome implementation challenges and ensures effective compliance. Regulatory authorities have also set up channels for reporting suspicious transactions and sharing information related to beneficial ownership (MER, 2023), which is crucial for detecting and preventing money laundering activities. Both sectors are involved in training initiatives to help their staff identify potential issues related to beneficial ownership. This culture of vigilance enhances AML efforts and contributes to a more secure financial system. The joint commitment of both parties strengthens the overall AML framework, making it more resistant against money laundering and related illicit activities.

C. Technological advancements facilitating more efficient beneficial ownership verification

Technological advancements have played a significant role in facilitating more efficient beneficial ownership verification (Bagheri & Zhou, 2021; Novariza, 2021). Modern technology provides tools that can streamline the process of identifying and verifying the true beneficial ownership, and increasing accuracy. For instance, artificial intelligence (AI) and machine learning algorithms can analyze vast amounts of data quickly to identify patterns or anomalies that might indicate

suspicious activity or transaction (Hayble-Gomes, 2022). Blockchain technology is another example; its decentralized nature and immutability make it an ideal platform for maintaining a secure, transparent, and up-to-date registry of beneficial ownership information (Gilmour, 2022; Sharma & Pandey, 2023).

Additionally, the integration of such technologies into existing financial systems has enhanced cooperation between different stakeholders in the AML Regime. It enables easier sharing of information between financial institutions, regulatory authorities, and law enforcement agencies (Moiseienko, 2020). Indonesia has implemented technology management by involving stakeholders, both reporting parties (financial institutions, DNFB, and professionals) who cooperate with the regulatory body in terms of reporting suspicious financial transactions through the Go-AML application developed by PPATK. PPATK requires the reporting party through Peraturan Kepala (Perka PPATK) No. 1 of 2021 concerning reporting obligations for financial institution, and DNFBP. Furthermore, these technological advancements not only enhance efficiency but also increase transparency in beneficial ownership practices by making data accessible to relevant parties in a secure manner. Thus technology plays a crucial role in strengthening AML frameworks by facilitating efficient verification processes for beneficial ownership.

Implications of Enhanced Beneficial Ownership Practices in Indonesia's AML Framework

Indonesia's strengthened beneficial ownership practices in its anti-money laundering (AML) framework have significant implications for combating financial crimes. By adopting transparent and accountable disclosure measures (MER, 2023), the AML regime is reinforced, enabling regulatory authorities and financial institutions to better identify and track ultimate beneficial owners behind legal entities. The centralised registry and strict compliance measures facilitate effective investigations by providing accurate ownership information. This transparency discourages potential money launderers by making their activities more detectable and punishable (Moiseienko, 2020).

Additionally, these practices foster responsible business conduct as businesses are aware that their ownership details are accessible to authorities, encouraging them to operate with integrity. It also enhances Indonesia's reputation in the international AML community by complying with global standards like those set by FATF, which improves Indonesia's ability to engage in international trade with reduced risks associated with illicit activities. Thus, enhanced beneficial ownership practices contribute to improved identification of owners, deterrence of money laundering activities, promotion of responsible business conduct, and an improved global standing in AML.

A. Improved risk assessment and enhanced customer due diligence procedures

Improving risk assessment processes and enhancing customer due diligence procedures are essential steps towards strengthening an anti-money laundering framework (Financial Action Task Force, 2006). By implementing these measures effectively, countries can bolster their defenses against financial crimes. Risk assessment is a critical aspect of any anti-money laundering (AML) framework (Naheem, 2018a, 2019) It involves identifying and evaluating the potential risks associated with different types of customers, transactions, products, and geographic locations. An improved risk based assessment process can significantly enhance a country's ability to combat money laundering. For instance, by implementing advanced analytics and artificial intelligence techniques, institutions can better predict and identify suspicious activities.

Through comprehensive risk assessments, authorities can prioritize their resources more effectively. High-risk areas are given more attention in terms of monitoring and enforcement efforts. This not only allows for a more targeted approach but also increases the efficiency of AML measures. Moreover, an improved risk assessment process helps institutions understand their exposure to money laundering risks better (Ahmad Tarmizi et al., 2022). It provides them with the necessary insights to develop effective controls and mitigation strategies tailored to their specific risk profiles. Customer due diligence (CDD) is another fundamental component of an effective AML framework (Sultan, 2022e). Enhanced CDD procedures involve thorough checks on customers' identities, understanding the nature of their business or employment, assessing their source of funds or wealth, and monitoring their financial behavior over time (Elyacoubi, 2020; Sultan & Mohamed, 2022a).

An enhanced CDD procedure ensures that financial institutions have a deep understanding of who they're doing business with reducing the likelihood that they will be unknowingly used as conduits for money laundering activities (Elyacoubi, 2020; Sultan & Mohamed, 2022a) For high-risk customers or transactions identified through risk assessments such as politically exposed persons (PEPs), individuals from high-risk jurisdictions or those involved in cash-intensive businesses enhanced due diligence (EDD) procedures should be applied (Sultan et al., 2023d). These may include additional identity verification measures or closer ongoing monitoring.

B. Impact on investor confidence and Indonesia's reputation in the global AML landscape

Indonesia's strengthened beneficial ownership practices within its anti-money laundering (AML) framework have significantly bolstered investor

confidence and improved the country's standing in the global AML community (INTRAC, 2021; MER, 2023; PPATK, 2021). Transparent and accountable disclosure measures have fostered a secure financial environment, thereby attracting domestic and international investors who are reassured about reduced risks of illicit activities. Furthermore, aligning with international standards set by organizations like the Financial Action Task Force (FATF) has enhanced Indonesia's reputation as a dedicated participant in global AML efforts, drawing foreign investments and promoting international cooperation against financial crimes.

In addition to this, robust beneficial ownership practices have elevated Indonesia's status during mutual evaluations by FATF (MER, 2023). Positive assessments reinforce its reliability in combating money laundering, thus improving its position globally. This not only increases opportunities for international collaborations but also makes Indonesia an appealing partner for countries seeking to strengthen their AML frameworks. Consequently, it facilitates knowledge exchange, capacity building and joint initiatives that further consolidate Indonesia's commitment towards combating financial crimes

Lessons for other countries seeking to enhance their AML frameworks

Countries seeking to enhance their anti-money laundering (AML) frameworks can draw valuable lessons from successful experiences and best practices implemented by other jurisdictions. Here are some key lessons that can guide countries in strengthening AML measures and promoting beneficial ownership disclosure. Engaging in international collaboration and knowledge sharing with countries that have successfully implemented beneficial ownership disclosure measures can provide valuable insights and lessons learned (Bagheri & Zhou, 2021; Martinez, 2021). Countries can participate in regional and global forums, such as FATF, EGMOUNT, APG on ML, and other AML working groups, to exchange best practices and gain access to technical assistance. Learning from the experiences of others can help countries avoid potential pitfalls and implement effective and tailored AML frameworks.

Establishing public registers or centralised databases for beneficial ownership information has proven successful in promoting transparency and accountability (Moiseienko, 2020). Public registers allow easy access to information on beneficial owners of companies and other legal entities, making it easier for regulatory authorities, financial institutions, and law enforcement agencies to conduct due diligence and investigations. Implementing robust data protection measures alongside public registers is essential to balance transparency with privacy concerns (Bagheri & Zhou, 2021; Zigo & Vincent, 2021). Embracing technology and digital solutions is crucial in modernizing AML frameworks and improving the

efficiency of beneficial ownership disclosure processes. Digital platforms can facilitate secure and real-time reporting of ownership information, reducing administrative burdens for companies and regulatory authorities. Advanced data analytics and artificial intelligence tools can also enhance the identification of suspicious ownership structures and improve risk assessment capabilities (Bari & Patel, 2023).

Involving all stakeholders, including the private sector, civil society, and academia, is vital for the success of AML frameworks. Governments should foster partnerships with financial institutions, legal professionals, and other reporting entities to build a shared responsibility for combatting money laundering. Capacity-building initiatives, including training programs for regulators, law enforcement, and financial sector personnel, can enhance expertise and ensure effective implementation of AML measures. Implementing AML measures is an ongoing process that requires continuous monitoring and evaluation. Countries should regularly assess their AML frameworks' effectiveness, identify improvement areas, and adapt to emerging money laundering trends and risks. Periodic mutual evaluations by international bodies like the FATF can objectively assess a country's AML efforts and highlight areas for enhancement.

A. Ensuring the continuity of beneficial ownership transparency initiatives

Sustainable and continuous efforts are crucial to maintaining the effectiveness of beneficial ownership transparency initiatives within AML frameworks. Countries can focus on several key aspects. Institutional Framework and Legal Mechanisms. Establishing a robust institutional framework with clear legal mechanisms is essential for the continuity of beneficial ownership transparency initiatives. Countries should enshrine beneficial ownership disclosure requirements in legislation and regulations, ensuring that reporting entities understand their obligations to provide accurate and up-to-date ownership information (World Bank, 2022). AML laws should be periodically reviewed and updated to address emerging risks and adapt to evolving money laundering techniques (Zavoli & King, 2021). Furthermore, dedicating adequate resources and authority to the designated regulatory bodies responsible for overseeing beneficial ownership information is crucial for effective implementation (Zavoli & King, 2021).

Continuous public awareness and education campaigns are vital in fostering a culture of transparency and accountability. Governments should communicate regularly with the public, reporting entities, and relevant stakeholders to highlight the importance of beneficial ownership disclosure in combating financial crimes. Raising awareness about the benefits of transparency and the role individuals and

companies play in the fight against money laundering can encourage voluntary compliance and support for AML initiatives.

In today's rapidly evolving financial landscape, leveraging technology has facilitated ongoing improvements in beneficial ownership verification within anti-money laundering (AML) frameworks. Embracing technology and effective data management systems are instrumental in maintaining the continuity of beneficial ownership transparency initiatives. Countries should invest in secure and efficient digital platforms for beneficial ownership registration and verification, ensuring seamless reporting and access to information. Regular updates and maintenance of databases can help prevent data discrepancies and enhance the accuracy of beneficial ownership information. Adopting blockchain technology and distributed ledger systems may offer enhanced security and immutability for beneficial data ownership.

Continuous monitoring and evaluation of the effectiveness of beneficial ownership transparency initiatives are vital for their sustainability. Regular assessments should be conducted to gauge the impact of these measures on detecting and preventing money laundering activities. Based on evaluation findings, countries can identify areas for improvement, implement necessary changes, and adjust their AML strategies accordingly. Engaging in independent third-party evaluations or peer reviews can offer unbiased insights and contribute to better AML practices.

Collaboration with the international community is essential for ensuring the continuity of beneficial ownership transparency initiatives. Countries should actively participate in international forums and share the best practices, experiences, and challenges of AML efforts. Engaging in cross-border information exchange and adhering to global AML standards strengthens the effectiveness of beneficial ownership disclosure measures and reinforces the global fight against money laundering.

B. Potential areas for further research and policy refinement

While significant progress has been made in leveraging technology for beneficial ownership verification, several potential areas for further research can enhance the efficacy of AML frameworks. First, research could focus on developing and evaluating machine learning algorithms specifically tailored for detecting beneficial ownership concealment in complex ownership structures. By analysing patterns and relationships across multiple entities, advanced algorithms could identify potential red flags indicative of beneficial ownership manipulation or evasion (Bhaskar et al., 2022; Kim et al., 2021). Moreover, investigating the integration of big data analytics and artificial intelligence in AML compliance can provide valuable insights into how vast amounts of financial data can be harnessed to enhance risk assessment and transaction monitoring processes (Walker et al.,

2022). Additionally, studies exploring the potential of distributed ledger technology beyond blockchain, such as directed acyclic graphs, for secure and efficient beneficial ownership registration and verification could further expand the technological options available for AML frameworks (P. Gilmour, 2022; Makarov & Schoar, 2022). Policymakers can make informed decisions to refine AML policies and prioritise the most effective technological solutions by focusing on these research areas.

Policy refinement is critical to improve beneficial ownership verification initiatives continuously. Policymakers should explore the development of standardised, harmonised international regulations for beneficial ownership disclosure to promote consistency and cooperation among countries (Gilmour, 2020). Additionally, encouraging public-private partnerships could lead to the establishment of industry-wide best practices for beneficial ownership verification. Collaborating with the private sector, particularly financial institutions, can yield insights into innovative technologies and approaches to AML compliance (Teichmann et al., 2023). Policymakers should also address legal challenges related to cross-border data sharing and information exchange to facilitate seamless collaboration between jurisdictions (Hassan et al., 2021; Murray-Bailey, 2019). Furthermore, refining policies to ensure the continuous monitoring and audit of beneficial ownership databases can enhance data accuracy and prevent manipulation or fraudulent activities (Chan & Ngai, 2019). Policymakers should actively seek feedback from stakeholders and experts to fine-tune AML policies and regulations, creating a more adaptive and effective framework to combat money laundering and illicit financial activities.

Conclusion

Encouraging a corporate culture that values accountability and integrity can increase voluntary compliance with beneficial ownership reporting requirements. Emphasising transparent practices' ethical and reputational benefits can motivate businesses to disclose beneficial ownership information proactively. Through public awareness campaigns and stakeholder engagement, countries can foster an environment where beneficial ownership transparency is seen as a norm rather than an imposition. Periodic audits and evaluations of beneficial ownership databases can ensure ongoing compliance and data accuracy. Emphasising the importance of accountability in beneficial ownership practices requires active collaboration between the public and private sectors. Collaborative efforts can lead to sharing knowledge, resources, and best practices, creating a more robust AML ecosystem. Building trust and open communication channels between the public and private sectors can yield valuable insights and promote the swift exchange of critical information (Sultan & Mohamed, 2022b). Sustained efforts to combat financial crimes require ongoing capacity building and training for all stakeholders involved in AML efforts. Training programs should cater to law enforcement agencies, FIU personnel, financial institutions, and other relevant bodies. Equipping these entities with the necessary skills and knowledge enhances their ability to effectively detect, investigate, and prevent money laundering activities. Strengthened International Cooperation: Given the transnational nature of money laundering, Indonesia should continue to enhance its collaboration with other countries and international organisations. Participating in information-sharing initiatives, joint investigations, and extradition agreements can help track and prosecute individuals involved in cross-border financial crimes. Aligning Indonesia's AML framework with global best practices and adhering to international standards is vital to ensuring consistency and effectiveness in combating money laundering.

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