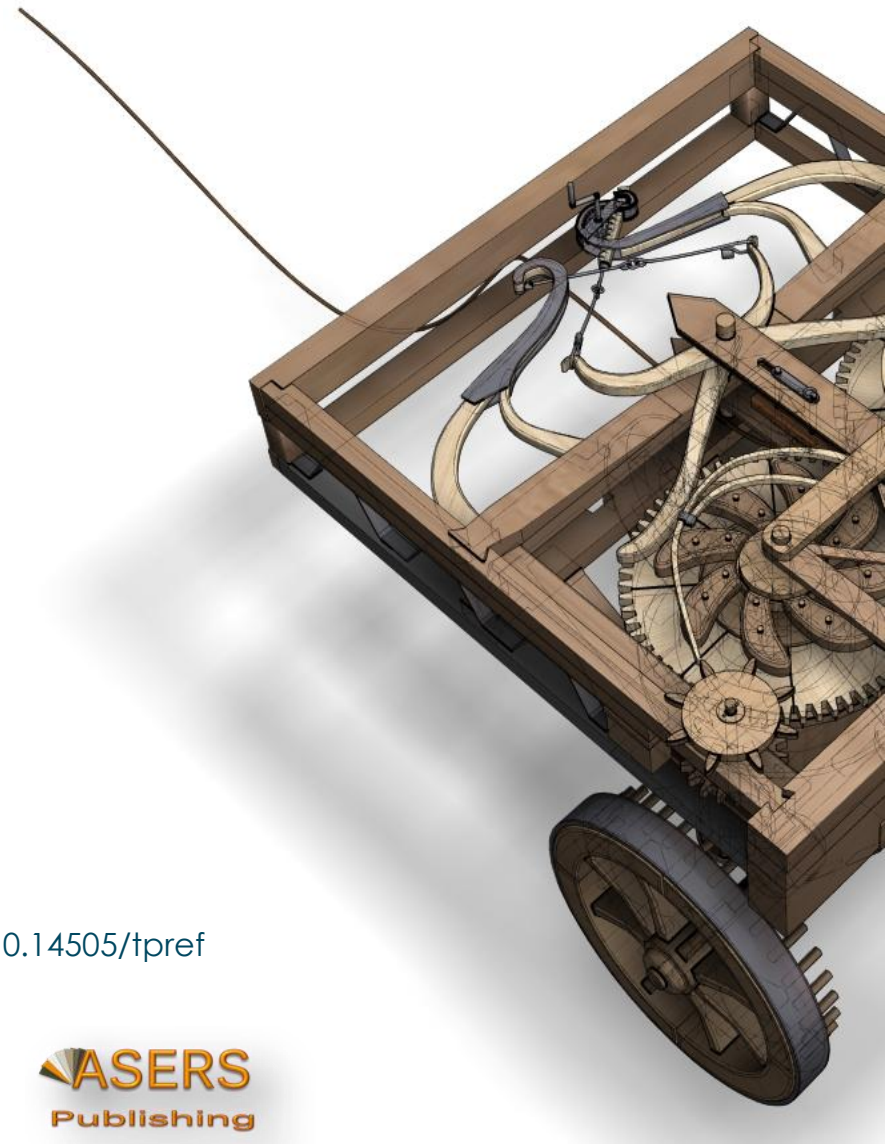
Theoretical and Practical Research in Economic Fields



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Theoretical and Practical Research in Economic Fields

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Assessing the Evolving Landscape of Anti-Money Laundering Laws in China and Their Impact on Banking Institutions

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Abstract: This study explores the evolution of China's anti-money laundering (AML) framework and evaluates its implications for banking institutions. It critically examines how Chinese banks navigate the complex web of compliance obligations in the face of evolving financial crime techniques. The paper draws on statutory developments, policy reports, high-profile enforcement cases, and scholarly literature. It specifically investigates key components of AML implementation including customer due diligence (CDD), suspicious transaction reporting (STR), and record-keeping obligations, with a focus on technological integration and enforcement gaps. China's AML framework has significantly expanded in both scope and institutional reach. However, challenges persist in enforcement consistency, technological adoption, and handling of cross-border transactions. The operational burden and compliance costs for banking institutions remain high, particularly for smaller banks with limited resources. Technological tools like AI and big data analytics offer promising solutions but require stronger integration and policy support. This study provides a comprehensive assessment of AML compliance challenges within China's banking sector and identifies practical recommendations to enhance regulatory enforcement, support innovation adoption, and promote international collaboration. It offers valuable insights for policymakers, financial institutions, and academics focused on financial crime prevention.

Keywords: anti-money laundering; banking compliance; financial regulations; suspicious transaction reporting; regulatory enforcement.

JEL Classification: K42; G28; G21; F38, O53.

Introduction

Money laundering is a cross-border problem which erodes financial stability, facilitates crime, and erodes economic integrity. As one of the world's most powerful economies, China has long grappled with the challenge of curbing illegal financial outflows while maintaining the stability of its financial system. China's rapidly developing economy, expanding market of digital finance, and big-sum cross-border transactions have created opportunities for money launderers to take advantage of loopholes in regulations (Ahuja *et al.* 2023). China has progressively tightened its Anti-Money Laundering (AML) law to enhance financial regulation and enhance

banking compliance accordingly. This research examines the evolution of AML law in China, the ensuing legal requirements of banks, and the impact of the regulations on banking operations and compliance.

Money laundering is the concealment of illegally acquired money as clean money, occasionally through sophisticated transactions to obscure the money's origin. It is done in three general phases: placement (injection of illegal money into the financial system), layering (creation of a chain of transactions to obscure the origin), and integration (cycling the money into the clean economy). Different methods of concealment involving underground banking, internet-based money transactions, and trade-based laundering are employed by criminals. Its massive financial infrastructure has made China an ideal target for such undertakings with filthy money usually attributed to corruption, tax avoidance, drug trades, and flight capital (He, 2024).

In efforts to regulate money laundering, China has implemented a three-tier supervisory framework, which covers the regulatory authorities, law enforcement authorities, and financial institutions. The People's Bank of China (PBOC) supervises Anti-Money Laundering, albeit in conjunction with the China Banking and Insurance Regulatory Commission (CBIRC) and China Securities Regulatory Commission (CSRC), with the objective of creating banking and finance compliance. China Anti-Money Laundering Monitoring and Analysis Centre (CAMLMAC) gather and verifies financial data to detect suspicious transactions. Customer due diligence (CDD), transaction monitoring, and reporting suspicious transactions have to be carried out by Chinese banks. Artificial intelligence (AI) and big data analysis have been utilised by the government since recent years as an effort to strengthen AML (Saxena & Kumar, 2023).

Despite ongoing attempts at regulation, several obstacles deter China from combating money laundering effectively. The most important of these is perhaps the complexity of underground banking systems, which conduct illegal transfers of funds outside the formal financial system. According to the PBOC, the size of these networks' illicit business stands at over ¥800 billion ($110 billion) annually. The rapid growth of digital financial services, including mobile payments and cryptocurrency transactions, poses new risks that are difficult to manage. Although China has banned the trading of cryptocurrencies across the country, criminals continue to exploit decentralised finance (DeFi) platforms for illegal transactions. There is also limited cross-border cooperation, as money laundering across borders requires collaboration with overseas regulators. While China has enhanced coordination with the FATF and Interpol, it is still difficult to extradite financial offenders and freeze illicit overseas assets. Further, data protection and technical challenges thwart the release of transactional details by financial institutions to supervisory bodies, and this makes implementation of AML even more difficult (Zhou & Tang, 2023).

The overall aim of this study is to analyse the emerging AML regulatory landscape in China and the implications for banking institutions. In general, it tries to map the evolution of AML law, review legal requirements imposed on banks, and investigate the effect of such legislation on bank operations and compliance systems. By a review of some of the major legislative changes, such as the China Anti-Money Laundering Law and financial law amendments, the research tries to shed light on the effectiveness of China's AML system. It also discusses how banks perform customer due diligence (CDD), suspicious transaction reporting (STR), and compliance monitoring to ensure adherence to laws. Lastly, the research also hopes to examine the impact of AML legislation on banking efficiency, operational cost, and technology adoption in risk management. In analysing, the study will try to ascertain the success and failure of China's war against money laundering and provide suggestions for improvement in prevention of financial crime and regulation by regulators.

1. Evolution and Current Structure of AML Law in China

1.1 Legal History and Institutional Framework

China's anti-money laundering (AML) processes have evolved extensively in the last decades, driven both by domestic financial offenses and international pressure to harmonise AML processes to international standards (Ahuja *et al.* 2023). China's struggle against money laundering was in disarray before 2006, with no rational legal framework. Early AML processes were aimed at financial offenses related to corruption, fraud, and black-market foreign exchange dealings. The People's Bank of China (PBOC) spearheaded the initial control but published only guidance that required banks to conduct limited customer identity checks and report large cash transactions. However, the enforcement was weak, and banks lacked wide legal powers to adopt effective AML controls (Yu *et al.* 2024).

Upon recognising the necessity for a systematised system of law, China enacted the Anti-Money Laundering Law of 2006, a milestone in the fight against illegal financial activity within the nation. This law requires financial institutions to implement obligatory compliance procedures that involve customer due diligence (CDD), suspicious transaction reporting (STR), and record-keeping procedures. It also broadened the AML

regulations scope beyond banks to include insurance entities, security businesses, and even non-banking institutions involved in gargantuan transactions (He, 2024). The law also stepped up the oversight role of supervisory agencies, specifically the PBOC itself in monitoring compliance and also sanctioning institutions that failed to comply with AML regulations. China has tried to keep international standards in order as well.

The nation joined the Financial Action Task Force (FATF) in 2007 and has since then been implementing FATF standards for money laundering and terrorist financing. FATF compliance has seen China's Anti-Money Laundering legislation being amended again and again, with emphasis on issues such as cross-border money laundering, disclosure of beneficial ownership, and risk-based supervision (Saxena & Kumar, 2023). China also put in place the Basel Committee on Banking Supervision recommendations, particularly risk management by banks and cross-border cooperation. While there has been such development, China has been criticised in the area of poor usage of AML, particularly in the case of trade-based money laundering and underground banking systems. However, more recently, the country has taken steps to increase regulatory supervision and enhance the effectiveness of AML laws (Dhali *et al.* 2023).

1.2 Contemporary Regulatory Developments

China's existing AML regime is regulated by various regulatory bodies and a rigorous legal framework designed to bar money laundering. The People's Bank of China (PBOC) continues to be the focal point of AML, issuing guidelines, regulating financial transactions, and liaisoning with foreign agencies (Xin, 2024). The China Banking and Insurance Regulatory Commission (CBIRC) oversees that insurance companies and banks are AML compliant, whereas the China Anti-Money Laundering Monitoring and Analysis Centre (CAMLMAC) are a national financial intelligence unit, which analyses transactions and identifies suspicious transactions. These two institutions collaborate to strengthen AML supervisions, enhance financial transparency, and stifle illegal financial activities.

According to the AML law prevailing in China, banks are required to adopt a risk-based system so that they can be certain that they will combat money laundering. Banks and financial institutions are obligated to undertake customer due diligence (CDD) in identification of customers, carry out risk assessments on probable risks, and keep transactions for at least five years (Yang *et al.* 2023). High-risk customers, such as politically exposed persons (PEPs) and foreign financial institutions, must be subjected to intensified due diligence (EDD) procedures. Financial institutions must also conduct real-time monitoring of transactions and report suspicious transactions to CAMLMAC. Failure to comply with AML requirements can lead to severe penalties like fines, suspension of business, and revocation of business licenses.

The last few years have witnessed a series of amendments and increased enforcement actions for plugging loopholes in the law and increasing compliance (Cheng *et al.* 2024). In 2021, China has enacted new beneficial ownership transparency legislation that mandates companies to reveal their real owners to avoid the misuse of shell companies for money laundering. The authorities also stepped up cross-border financial movement monitoring, tightening control on capital outflow and increasing international collaboration with other financial intelligence agencies. The authorities carried out a nationwide AML inspection campaign in 2022, and it produced more than 3,000 investigations and more than ¥50 billion ($7 billion) worth of illicit funds confiscated. There are fresh draft amendments to the AML Law that introduce stricter sanctions for non-compliance, such as additional fines on financial institutions that are ineffective in putting in place AML measures(Wang & Cahill, 2023).

Utilisation of fintech and artificial intelligence (AI) for supporting Anti-Money Laundering (AML) rules has also increased solidly. Regulators in China are utilising big data analytics, blockchain technology, and machine learning to detect better suspicious transaction patterns. AI-supported AML applications can filter bulk amounts of financial information in real-time, wherein probable patterns could be efforts for money laundering. Fintech companies like Internet payment companies WeChat Pay and Alipay are also under greater regulator scrutiny now with a requirement to improve AML controls. Bitcoin transactions have also been regulated by the state as it prohibited trading of digital currency as well as mining money in an effort to prevent digital cash from being used to fund crime. Much more needs to be accomplished as regards eradicating the risk of money laundering in China. Trade-based money laundering, clandestine banking systems, and the rapid development of money laundering techniques are still enforcement challenges. Yet, with continued reform, greater international cooperation, and the integration of new technology, China is making rapid progress in strengthening its AML system. The way forward for China's AML regulation is to further strengthen risk-based regulation, encourage more financial transparency, and close regulatory loopholes to construct a strong financial system.

2. Reporting Obligation on Bankers

Within China's rigorous Anti-Money Laundering (AML) environment, banks and financial institutions play a critical role in detecting, blocking, and reporting suspicious transactions. Regulators like the People's Bank of China (PBOC) and the China Anti-Money Laundering Monitoring and Analysis Centre (CAMLMAC) impose stringent reporting obligations on banks to ensure they are AML law compliant. The financial institutions must conduct customer due diligence (CDD), monitor and report suspicious transactions (STRs), and maintain proper financial transaction records. Banks must also operate effective internal compliance programmes that can preclude money laundering risk. Despite all this, identity verification issues, financial privacy concerns, and evolving methods used by criminals render AML enforcement difficult.

2.1 Customer Identification and Due Diligence

One of the easiest aspects of Chinese banks' AML compliance is accurate customer identification and due diligence (CDD) to avoid criminals from exploiting the financial system. Know Your Customer (KYC) regulations require banks and other institutions to identify customers prior to providing bank facilities to them. Banks must obtain significant identification documents such as government ids, business licenses of corporate accounts, residency proofs, and source of funds. These activities help curb risks associated with money laundering, terrorist financing, and fraud.

In addition to standard CDD, banks must perform Enhanced Due Diligence (EDD) on high-risk customers, including politically exposed persons (PEPs), foreign nationals, and businesses in industries susceptible to money laundering (e.g., real estate, gaming, and cryptocurrency trading). EDD involves more rigorous background checks, regular transaction monitoring, and higher reporting thresholds. For example, banks have to conduct periodic checks on high-risk accounts, confirm the genuineness of large transactions, and disclose beneficial ownership arrangements of businesses.

Banks are, however, grossly handicapped in verifying the identity of customers, especially with the rise of online banking, electronic transactions, and anonymous financial services. Criminals often use false identities, shell companies, and nominee account holders to circumvent KYC controls. Apart from this, China's very large informal economy and underground banking networks render verification challenging. In an attempt to eradicate such issues, financial institutions are stepping up efforts to adopt biometric verification, AI-driven identity verification, and blockchain-based KYC solutions to optimise the verification of customers and reduce AML risks.

2.2 Reporting Cash Transactions

To prevent large money laundering through cash transactions, Chinese regulations mandate the reporting of large cash transactions exceeding a specified limit by banks. Banks are under the People's Bank of China (PBOC) directives to report a cash withdrawal or deposit of over ¥50,000 ($7,000) for individuals and ¥200,000 ($28,000) for businesses, while foreign exchange transactions exceeding $10,000 are also reportable. Such transactions must be reported by banks to CAMLMAC, including information on the customer's identity, the type of transaction, and red flags.

These reports help regulatory agencies recognise patterns of suspicious financial activity, such as smurfing (breaking up large transactions into small ones to go undetected) or structuring (breaking up money in large amounts just below the reportable threshold). Internal controls must be implemented by financial institutions to meet cash reporting transaction requirements. Bank employees are trained to detect suspicious cash deposits, rapid fund movement, and unusual patterns of transactions. Failure to report large cash transactions can result in serious fines, reputational damage, and legal proceedings against both the bank and its employees.

2.3 Suspicious Transaction Reporting

A part of AML compliance is the requirement of banks to report Suspicious Transactions (STRs). Suspicious transactions are financial transactions that demonstrate unusual behaviour, lack economic justification, or appear to be related to criminal activity. Common suspicious transactions include large, repeated cash deposits or withdrawals with no visible business justification, sudden international remittances to high-risk jurisdictions, complicated layering of transactions between various accounts, customers unwilling to provide information on the origin of funds, and transactions with notorious parties known to be engaging in financial crime or sanctions-listed parties.

If banks identify suspicious transactions, they are required to submit an STR to CAMLMAC within three business days. The filing must include customer information, transaction history, and a risk-based assessment of

why the activity is suspicious. The regulatory authorities will then investigate and take necessary action, such as freezing accounts, auditing, or collaborating with law enforcement agencies for further investigation.

Those banks failing to report suspicious transactions face severe penalties in the form of multimillion-dollar fines and even criminal prosecution. Employees who wilfully neglect STR requirements can be prosecuted and be subject to regulatory sanctions. To boost detection potential, financial institutions are installing AI-based monitoring systems that are able to track transaction conduct, detect aberrations, and send automated STR alerts.

2.4 Record-Keeping Requirements

Precise record maintenance is a determinant of AML compliance and regulation. Chinese banks are obligated by law to maintain customer transaction records for at least five years from the transaction completion date. Customer identification documents, transaction data, and suspicious transaction or compliance action correspondence are to be documented.

Regulatory bodies like PBOC and CBIRC periodically visit to review finance documents, verify adherence to the AML regulation, and inspect for any anomalies. Inadequate records might lead to regulatory penalties and heightened oversight of the institution's AML procedures. Banks must also ensure records are secure and readily accessible during auditing. Increasingly, banks are implementing cloud-based compliance software that allows for real-time surveillance and data recovery to strengthen AML enforcement.

2.5 Monitoring and Compliance Programmes

In the interests of maintaining up-to-date AML compliance, Chinese banks should implement strong internal compliance programmes in the form of transaction monitoring, employee training, and risk management systems. PBOC insists on the establishment of AML compliance departments, AML officers, and risk assessment procedures in-house for spotting potential money laundering activity. As more digital payments and fintech products take hold, banks increasingly depend on AI, blockchain, and analytics to provide AML monitoring. Artificial intelligence-powered transaction monitoring systems scan hundreds of thousands of financial transactions in real time and indicate suspected patterns for review by alert. Blockchain makes financial transactions more transparent and traceable, blocking fraud and illicit money transfer. Meanwhile, big data analytics helps banks to detect subtle connections between harmless-looking unrelated transactions and thereby improve overall AML regulation.

Training of employees and following good compliance culture are essential. Banks should provide periodic AML guidelines, reporting, and risk detection techniques training to the employees. The personnel who are handling the processing of high-risk transactions should receive training to spot red flags for money laundering frauds. Corporate culture influenced by compliance cannot be overstated - banks who fail to implement AML sensitiveness among their workers have better probabilities of experiencing regulatory violations and financial penalties.

3. Impact of the Law on Banks

China's Anti-Money Laundering (AML) law has had very widespread implications on banking institutions' operations by imposing serious compliance practices upon them. Despite the law being in favour of financial security and reducing illicit finance, it comes with operational costs to banks through excessive compliance charges, procedural alterations, and regulatory compliance fines. As there are always emerging advanced financial crimes, banks are forced to be dynamic and update their in-house processes periodically, utilise high-technology software, and improve their risk control mechanisms (Shi, 2024).

3.1 Operational Impact and Compliance Challenges

The enforcement of AML regulation has created a stringent penalties and compliance burden for Chinese banks. Chinese banks are required to spend a lot of money on establishing specialist AML compliance teams, installing high-technology surveillance equipment, and training staff in AML regulation. According to a report published in 2023 by the People's Bank of China (PBOC), compliance charges of Chinese major banks have increased over 35% in the past five years, as they require more advanced surveillance systems, legal consultations, and employee training. Mid-sized and small banks are more affected, as they seldom have the financial means to implement cutting-edge compliance systems (Howland, 2023).

Banking operations also need to be changed to facilitate customer identification and reporting obligations. Banks need to institute rigorous Know Your Customer (KYC) and Customer Due Diligence (CDD) measures prior

to customer onboarding. These entail proof of identity of the customers, tracking customer transaction behaviour, and incorporation of beneficial ownership disclosure in business accounts. Politically exposed individuals and customers from risky countries need Enhanced Due Diligence (EDD) procedures. These have generated administration burdens and delayed the duration needed for approval of accounts, enraging some consumers and hindering banking operations occasionally.

Moreover, AML regulation has also inhibited banking innovation and digital finance service. With the development of fintech, digital banking, and cryptocurrency use in China, AML law increased vigilance for digital payments in order to assist in excluding illicit finance. Banks have to implement real-time transaction monitoring, machine learning-based fraud blocking, and blockchain-based KYC features for compliance purposes (Hutukka, 2025). However, such compliance procedures occasionally dampen digital service innovation because regulatory monitoring of peer-to-peer lending websites, mobile payments platforms, and cryptocurrency exchanges hinders them. While fintech solutions are easy to access, they pose new money laundering threats, forcing banks to walk a fine line between compliance obligations and innovation.

3.2 Challenges in Compliance and Non-Compliance Risks

Complying with China's AML laws presents numerous challenges for banks, particularly in monitoring complex financial transactions, verifying customer identities, and keeping up with evolving criminal tactics. The largest challenge is discovering sophisticated money laundering schemes because money launderers are using multiple accounts, shell firms, and scattered financial systems in order to outsmart AML controls. Cryptocurrency flows and cross-border transactions make it difficult because digital currencies create new avenues of illicit money laundering.

Lack of competent AML professionals is another insurmountable challenge because banks cannot afford to recruit and retain compliance experts with financial crime investigation, regulatory reporting, and risk assessment capabilities (Dhali *et al.* 2023). With enough trained personnel in short supply, banks risk a high rate of human error in recognising suspicious transactions (STRs) and thus tempt regulators' sanctions.

The amount of financial data banks have to sift through also comes with the requirement of complex AI-based surveillance systems but they are expensive and difficult to integrate into the existing banking system. Disobedience of AML standards puts banks at risk of draconian monetary sanctions, reputation destruction, and takeover by regulators (Li, 2023). The PBOC and CBIRC have intensified supervision and inflicted draconian punishments on trailing financial institutions. Disobedience also welcomes criminal sanctions against bank managers, freezing of bank accounts, or revocation of bank licenses in dire cases. Reputational damage of an AML breach can be devastating as it undermines customer confidence, raises investor suspicions, and enhances foreign regulator scrutiny by foreign regulators like the Financial Action Task Force (FATF) (Saxena & Kumar, 2023).

3.3 Case Studies of AML Violations in Chinese Banks

A chain of high-profile misuses of AML at China's banking sector is an obvious sign of the risk of non-compliance. Industrial and Commercial Bank of China (ICBC) was one of them, which was fined $50 million in 2020 for failing to strictly monitor suspicious foreign money laundering transactions. Probes indicated ICBC to have poor internal controls and not reporting suspicious financial transactions that included cross-border money transfers. The incident called for increased monitoring of transactions and reporting to the authorities.

Another was Bank of China (BOC) 2021 AML failure, where itwas indicated to have received cash-based transactions of hundreds of millions of dollars without proper vetting. PBOC penalised BOC over ¥200 million ($28 million) for AML regulation violations, including being in duty to be lenient when performing KYC checks and not reporting suspicious transactions. The bank was therefore compelled to transform its compliance programme, implement AI-driven anti-fraud features, and raise the bar on internal audits. This action highlights the importance of having in-place effective in-house compliance systems, good risk management, and making use of cutting-edge technology for detection and prevention of money laundering. Banks that are not compliant risk not only financial penalties but also loss of and harm to their business reputation over the long term and reputational loss (Hutukka, 2025). Over the next few years, China's banking sector must continue to make AML rules more stringent, invest in compliance training, and implement the best available financial crime detection technology to remain compliant with the regulator.

Conclusions and Further Research

China's Anti-Money Laundering regime has been reformed, with more profound financial regulation, enhanced institutional responsibility, and international AML standardisation. The implementation of the 2006 AML Law and amendments has consolidated the roles of financial institutions, and banks in general, to ban illegal financial activities. Nonetheless, amid the revolutionary advancement, there are already issues prevailing, such as increasingly complex money laundering operations, the compliance burden on financial institutions themselves, and inadequacies in enforcement tools.

With China persisting in advancing its fast-paced economic and technological development, surmounting the aforementioned challenges must become the norm for possessing sufficient, clean, and sustainable financial system. China's anti-money laundering law has thereby succeeded in bringing about financial clarity, strengthening controls, and deterring financial vices. Regulators, led by the PBOC and CBIRC, have also taken an active role in enforcing compliance through strengthened reporting demands, severe punishment for the defaulting parties, and boosted surveillance policies. Financial institutions have themselves made sincere efforts in upgrading customer due diligence (CDD), suspicious transaction reporting (STR), and record-keeping requirements. All these notwithstanding, there are substantial enforcement and compliance gaps. Banks in general, and small banks in particular, are burdened by the stratospheric expense of AML compliance, technology adoption limitations, and unavailability of AML professionals. Criminals continue to exploit regulatory loopholes via shell companies, shadow banking conduits, and crypto transactions to launder dirty money. Moreover, decentralised data-sharing networks and coordination lacunae among financial institutions and regulatory bodies render AML regulation enforcement cumbersome.

Impacts on banks and financial institutions have been substantial. Though AML rules have encouraged business openness and enhanced risk management in finances, they have also increased the cost of compliance, spurred business cost, and imposed more procedural burdens on financial transactions. Banks are now compelled to invest in the shape of AI-based monitoring systems, train staff to oversee AML compliance, and enhance more advanced risk management processes. For the fintech sector, AML rules have imposed tighter reins on online banking, peer-to-peer lending, and cryptocurrency. They sometimes inhibit financial innovation.

This paper adds value to the literature by providing one of the most detailed reviews of the way the AML framework in China has developed in regard to its reach and even institutional scope, and important critique of the practical consequences of this on banking institutions. This is contrasted with previous studies which have concentrated on a limited range of legal reforms or technical requirements, whereas the current study combines statutory progress, judicial practice cases and policy debate along with an analysis of operational issues in banks. The focus on technological integration especially the applicability of AI and big data to compliance monitoring - illuminates the potential and the gaps in the AML modality currently applied in China. Offering fresh information that is both theoretical and practical in nature to the regulators, financial institutions and international stakeholders in the prevention of financial crimes by indicating the areas of enforcement that are relatively inconsistent, cross-border cooperation is restricted, and compliance costs are caused to be disproportionately large (to a smaller bank).

Recommendations for Strengthening AML Frameworks

To get past existing issues and strengthen China's AML system even more, a multi-pronged approach focusing on enforcement, technology, cooperation, and international cooperation is required. Perhaps the most significant issue on China's AML front is the need for stronger and more consistent enforcement mechanisms. Although existing legislation is exhaustive, enforcement attempts are inconsistent in different banking institutions and financial sectors. To improve enforcement, regulatory agencies must increase on-site inspections and audits so that AML compliance controls exist in reality and not merely on paper. Penalties for non-compliance must be tougher, particularly for repeat offenders and large financial institutions that fail to report suspicious transactions. In addition, supervisory coverage must be extended to cover dangerous niches such as cryptocurrency trading platforms, digital payment systems, and peer-to-peer lending companies, which have greater vulnerability to financial ills. To facilitate enforcement, regulators such as the PBOC, CBIRC, and the Ministry of Public Security should increase coordination, even by establishing a centralised AML task force to coordinate investigations and fill gaps in supervision.

One of the essential components of an effective AML system is collaboration between financial institutions, regulatory agencies, and law enforcement authorities. Financial crimes are increasingly sophisticated, and there is a requirement for real-time information sharing and cooperation in detection and prevention. The establishment of a national AML intelligence-sharing system would allow banks, fintech firms, and regulatory

bodies to exchange STRs, risk assessments, and financial crime patterns in real time. Moreover, regulatory benefits can be created to encourage banks to voluntarily enhance their AML controls beyond regulatory standards, e.g., reduced fines or tax benefits for proactive compliance initiatives. To establish AML experience and acumen, banks may collaborate with colleges and regulatory bodies to create compliance training programmes such that banking professionals are current with changing trends in financial crime, technology advancements, and changing regulations. Furthermore, whistleblower protection legislation must be enhanced to inspire workers, auditors, and compliance officials to report tips on suspicious transactions without fear of reprisal.

As China's financial crimes become sophisticated, it must invest in advanced technology for AML enforcement. Big data capabilities, AI, and machine learning can automate real-time monitoring of transactions, flag suspicious fraud, and even calculate risk levels. Banks are required to integrate AI-powered transaction monitoring systems that are able to catch sophisticated patterns of suspicious transactions that rule-based systems would fail to capture. Blockchain is also able to shine and facilitate AML compliance. Through the integration of blockchain-based KYC and transaction authentication technologies, banks can make financial transactions more transparent and secure, minimising fraud and identity theft. They will also need to deploy biometric identification verification and AI-driven ID authentication systems like facial scanning and fingerprint recognition in order to complement CDD practices. Forming predictive analytics offerings based on historic transactional records and machine learning algorithms to foresee likely money laundering risks can further improve AML capabilities. Big data analysis allows banks and regulators to forecast and counteract threats of financial crime in advance.

Given China's increasing financial influence worldwide, international cooperation in applying AML is increasingly essential. Money laundering activities often involve international flows of funds across borders, with offshore accounts, cross-border money transfers, and multinational company structures, all of which call for international cooperation among countries. Efficient effort needs to be put into the promotion of cooperation with foreign AML bodies, such as the Financial Action Task Force (FATF), the Basel Committee on Banking Supervision, and the Asia/Pacific Group on Money Laundering (APG), in order to align China's AML regulations with international best practice and improve intelligence exchange. China would also have to give top priority to bilateral AML arrangements with high-risk jurisdictions, particularly where illicit financial flows are large, in order to facilitate faster extradition of financial criminals, near-real-time exchange of information, and cooperation in enforcement action. Cross-border transaction monitoring would also have to be enhanced, particularly in China's BRI countries, where the risk of financial crime has grown. Ensuring that cross-border financial institutions in China adhere to local and international AML standards will prevent arbitrage across borders and improve global financial integrity.

Credit Authorship Contribution Statement

Zeyu Zhao: Conceptualization, Investigation, Methodology, Project administration, Formal analysis, Writing – original draft, Data curation.
Aspalella A. Rahman: Conceptualization, Investigation, Formal analysis, Supervision, Data curation, Validation, Writing – review and editing, Visualization.
Che Thalbi Bt Md. Ismail: Methodology, Supervision, Validation, Writing – review and editing, Visualization.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Declaration of Use of Generative AI and AI-Assisted Technologies

The authors declare that they have not used generative AI and AI-assisted technologies during the preparation of this work.

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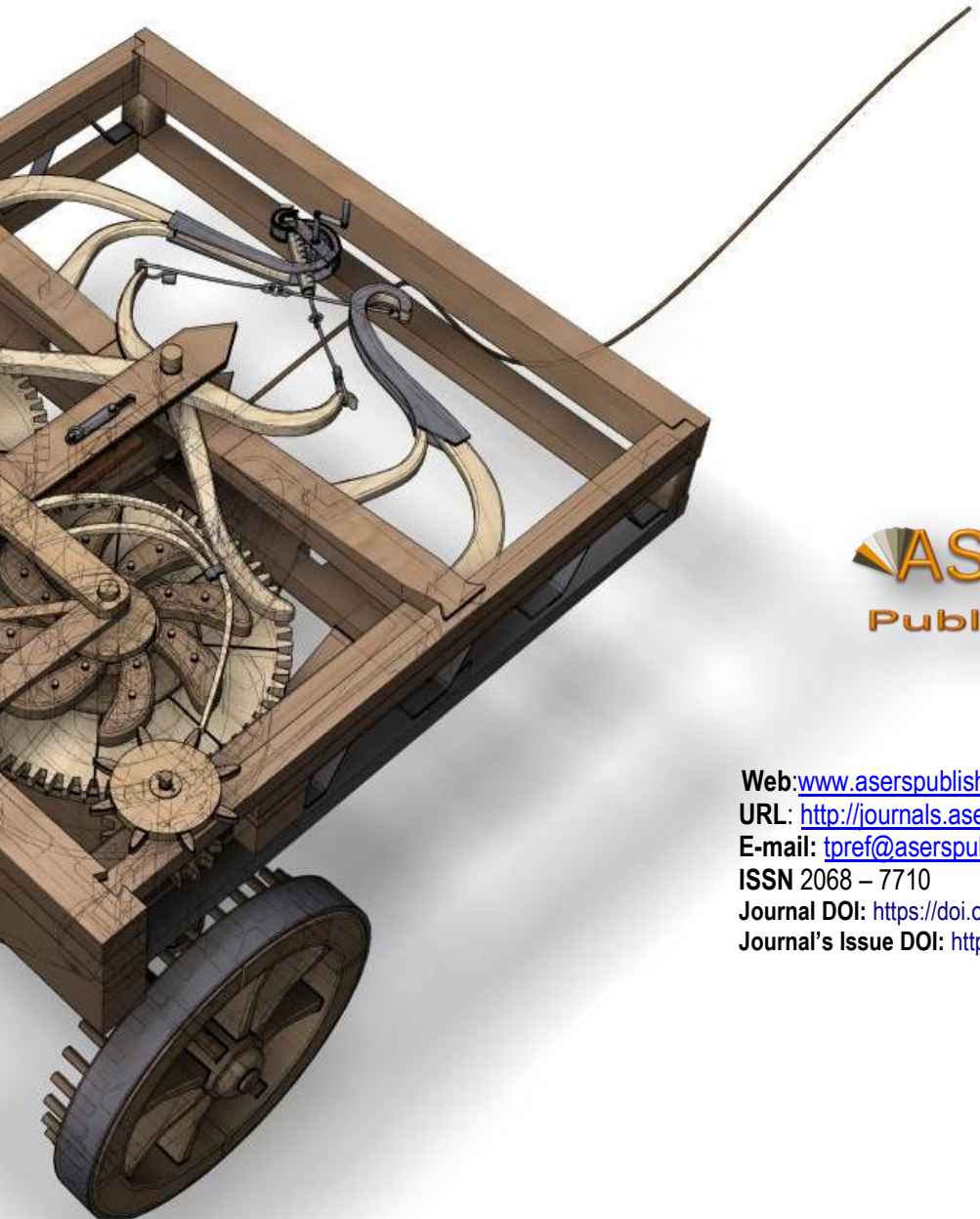

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