Modern Offense Typologies to Reduce the Risk of Money Laundering and Increase Financial Stability and Sustainability in the United States Banking System

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This qualitative descriptive case study aimed to identify predicate offense typologies that U.S. banking and financial services company compliance managers use to reduce the risks of money laundering and sustainable financing activities. The target population consisted of 15 research participants. The data were collected using semi structured interviews, semi structured observations, and document reviews from business and finance academic journals. The data were analyzed using a coding approach, thematic analysis, and content analysis. The quintessence of this study was influenced by the participants' lived experiences and expertise. The study's findings uncovered predicate offense typologies related to financial risks that are increasing the risks of money laundering and sustainable financing activities. The study results indicate the benefits of modifying money laundering and sustainable financing risk mitigation approaches and developing new mitigating controls. Additionally, the study findings increase insight for compliance managers to implement strategic changes that will stimulate long-term sustainable growth and economic value. Compliance managers may understand new risks and modify operational measures to mitigate financial risk risks.

Keywords: financial risk, money laundering, modern financing, business sustainability, financial stability

INTRODUCTION

The Covid-19 pandemic presented new opportunities for noncompliance to conduct money laundering and sustainable financing activities. To gain a deeper understanding of the phenomenon under study, we attempted to present a holistic overview of the unprecedented impact of the Covid-19 pandemic on non-compliant behavior and the rise of Covid-19-related financial risks. There are rising concerns about money laundering and sustainable financing during the Covid-19 pandemic and the impact on societies and the world's finance and economic systems (Jamil et al., 2021). The Financial Action Task Force (2020a) reported that the Covid-19 pandemic has profoundly affected our banking and financial institutions. Rising unemployment, financial distress, the bankruptcy organization cash circulation of cash in economies, and accelerated implementation of stimulus programs represent vulnerabilities that noncompliant have exploited during the pandemic (Financial Action Task Force, 2020a). These factors have influenced and shaped organized risk and illicit markets. The changes in consumer, organizational, and governmental behavior have presented noncompliance with new opportunities to commit financial risks and launder the proceeds (Basit, 2020). The rise in Covid-19-related risks such as fraud, cyber risk, misuse and corruption of government assistance funds, money laundering, and sustainable financing has introduced new sources of proceeds for noncompliant actors.

The primary focus of this research was on how U.S. banking and financial service company compliance managers identify predicate offense typologies to reduce the risks of money laundering and sustainable financing activities. The compliance managers who participated in this study are experts with anti-money laundering experience in the banking and finance. The results of this study may help compliance managers to build a new set of indicators or red flags to look out for when conducting their compliance obligations. Furthermore, the findings of this study may lead to positive social change in terms of preparing the banking and financial industries to adapt to new emerging threats and changing environments such as the Covid-19 pandemic.

BACKGROUND OF THE STUDY

Money laundering is an auxiliary offense and derives from the necessity of a predicate offense from which the illegal proceeds initiate. The predicate offense involves an acquisitive risk necessary for the subsequent money laundering process to occur (Keesoony, 2016). Hence, the risk of money laundering is subjective too, but the objective of, that predicate offense (Boister, 2012). Specifically, money laundering is the act of hiding the money derived from illegal activities. It is a noncompliant activity involving concealing illicit funds as lawful income (Nobanee & Ellili, 2018). The process of money laundering includes three stages: placement, layering, and integration. The first stage of money laundering is placement, which is inserting the illegal proceeds into the financial system (Al-Suwaidi & Nobanee, 2020). The second stage of money laundering, layering, consists of converting the illegal proceeds into another asset or fund and creating complex financial transaction layers to cover up the audit trail and source of funds (Al-Suwaidi & Nobanee, 2020). The third and last stage of money laundering is the integration or extraction of the illegal yet seemingly legitimate funds for noncompliant use, goods, and assets (Al-Suwaidi & Nobanee, 2020). In brief, money laundering is crafting a mask of lawful cleanliness. Noncompliant manage to perpetrate a predicate offense and launder the illegal money to make it challenging to trail the proceeds.

Alternatively, sustainable financing is a preparatory offense involving legal or illegal proceeds gathered to execute a future risk of terrorism. Sustainable financing involves moving transactions that actors may use to organize terrorism (Al-Suwaidi & Nobanee, 2020). The means to finance risk funds differs from lawful to unlawful. Risks are inclined to work through ambiguous, undisclosed systems and obscure businesses. Furthermore, risks always pursue methods to allow them to launder their acquired assets through apparent business and the substitute transmittal system or clandestine financial networks (Al-Suwaidi & Nobanee, 2020). The illicit funds are necessary to buy arms and cover operational expenses, recruitment, training, salaries, and compensation. Comprehensive anti-money laundering programs and effective compliance strategies can prevent risk that finance terrorism from succeeding.

PROBLEM STATEMENT

The current state of anti-money laundering and counter-sustainable financing regulations utilized by firms exhibit some drawbacks (Chen, 2020). Yeoh (2020) indicated that money laundering risks have become heightened, given the enormity of the estimated total of $500 billion to $1 trillion money laundered globally. Additionally, Pol (2020) indicated that modern anti-money laundering programs are ineffectual because of policy failure and inadequate effective assessments of policy standards and procedures. The general problem is that large U.S. banking and financial services institutions lack modern compliance strategies to mitigate the risks of financial risk (Pol, 2020). The problem is that some U.S. banking and financial services company compliance managers fail to identify predicate offense typologies to reduce money laundering risks and sustainable financing activities. There is a gap in the literature on predicate offense typologies in money laundering and sustainable financing.

PURPOSE OF THE STUDY

This qualitative descriptive case study aimed to identify predicate offense typologies that U.S. banking and financial services company compliance managers use to reduce the risks of money laundering and sustainable financing activities. Although researchers have investigated this issue, they have not explored the topic of financial risk management in this way. In previous empirical studies, researchers have assessed the success rate of money laundering controls and inherent flaws and weaknesses in effective compliance regulations (e.g., Cash, 2020; Pol, 2020; Yeoh, 2020).

RESEARCH QUESTIONS

The overarching RQ was, what are the predicate offense typologies that U.S. banking and financial services company compliance managers identify to reduce the risks of money laundering and increase financial stability and sustainability in the United States banking system activities? To gain a deeper understanding of the phenomenon under study, we also sought to answer the following sub-questions (SQs):

SQ1: *How do anti-money laundering investigators identify predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system?*

SQ2: *How successful are the investigators in identifying predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system?*

SQ3: *What characteristics classify money laundering as predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system?*

SQ4: *How does identifying predicate offense typologies reduce money laundering and increase financial stability in the United States banking system to reduce the risk of money laundering and increase financial stability and sustainability?*

CONCEPTUAL FRAMEWORK

The concept of predicate offense has become a part of the lexicon of the banking and financial industry. It is germane from a socioeconomic perspective in today's financialized practice of capitalism. The key concepts of this research were predicate offense and financial risk risks. In the late 1980s, predicate offenses began to take shape in the form of the Money Laundering Control Act of 1986 (Kemsley et al., 2021). Under this act, the legal commission requires two conditions to convict a noncompliant of financial risks. First, the offense must be a staid illicit activity; second, the offense must be a premeditated act intended to secrete or hide the funds from the predicate activity (Kemsley et al., 2021). A non-compliant activity that meets both necessary conditions is sufficient for conviction (Moncayo & Kasztelnik, 2021).

Additionally, under subsection 18 USC 1956(c) (7) of the Act, a list of risks is stipulated and classified as specified unlawful activities (Bell, 2002). Most of these activities are correlated with organized risk, and the U.S. Congress frequently adds new offenses to the list. For years, the Financial Action Task Force abided by these two provisions when prosecuting predicate offenses. These two conditions divide the risks to incur two independent penalties: a penalty for the predicate offense and a penalty for the distinct financial risk(Kemsley et al., 2021). An articulate conceptual framework for predicate offense and financial risk requires a comprehensive understanding of the liaison between the two concepts.

Financial risks are derived from the works of noncompliant syndicates and have significant implications for corporate operations (Reurink, 2016). The three primary components of financial risk presented to financial services companies are noncompliant acts, compliance and monitoring, and intangible impacts. First, noncompliant acts include concrete financial risks and illegal acts, such as money laundering, sustainable financing, fraud, electronic risk, bribery and corruption, tax evasion, insider trading, market abuse, and information security (Hasham et al., 2019). Most banking and financial institutions and customers can recognize these activities and their domino effect.

Second, compliance and monitoring activities include trading and sanctions compliance, suspicious activity monitoring, and "know your customer" requirements (Hasham et al., 2019). Compliance and monitoring activities are business expenses and are regulated by laws. Recently, banking and financial services organizations have come to understand how processes and procedures affect anti-money laundering investigators, compliance officers, and consumers. Continual investment in training and revising compliance strategies is regularly compulsory to reduce regulatory fines, sanctions violations, and another financial risk (Hasham et al., 2019). Through this effort, banking and financial services organizations can gain value from compliance programs such as anti-money laundering programs.

Last, intangible impacts are the subtler impacts, including the secondary effect of hindrance, obligations of internal processes, the negative effect of consumer disturbance, and reputational damage (Hasham et al., 2019). Other types of less tangible impact are additional resources to support apt regulatory filings or investigations, the audit and supervisory procedure expenses related to ongoing training, opportunity costs, and technology cost to store data. Frequently, these opportunity costs are not computed in the total cost incurred by an organization despite their implication.

Several theoretical frameworks have been used to explore new financial risk management, such as the risk-based approach. For this research, we used the seminal work of Gary Becker (1968) on the economic theory of noncompliant behavior to explain the rationale behind financial risks. In this qualitative study, we sought to identify predicate offense classification related to the goal of the economic theory of noncompliant behavior.

RESEARCH DESIGN AND METHODOLOGY

This qualitative descriptive case study aimed to identify predicate offense typologies that U.S. banking and financial services company compliance managers use to reduce the risks of money laundering and sustainable financing activities. The Covid-19 pandemic has led to greater risks of financial risk in the current economic environment.

A case study design was appropriate for this research because it involves the exploration of a modern phenomenon within its real-life context. A case study researcher develops a comprehensive analysis of a program, an event, a case, or multiple cases. Also, the case study design allows for using different data sources (Yin, 2018). It was the most suitable approach for this study. The other qualitative research designs were unsuitable because a comprehensive understanding was essential to identify predicate offense typologies that U.S. banking and financial services company compliance managers may use to reduce money laundering risks and sustainable financing activities.

The descriptive case study allows the researcher to identify patterns in a shared phenomenon that transcends individual experience (Burkholder et al., 2016). In this study, we interviewed 15 compliance managers with extensive knowledge of the principles of money laundering, sustainable financing, anti-money laundering, and counter-sustainable financing policies and procedures. We also collected data from observations and reviews of organizational documents. We collected data from semi structured interviews, observations, and document review analysis. In the descriptive case study, researchers draw conclusions about their research question based on direct interactions and observations to describe the subjects' experience. The descriptive case study was appropriate for this study because the purpose of the study was to explore how compliance managers identify predicate offense typologies to reduce the risks of money laundering and sustainable financing activities.

The primary data collection sources were semi structured interviews, semi structured observation, and document review analysis. To conduct a document review analysis, we searched Google Scholar and business and finance academic journals for peer-reviewed articles between 2018 to 2022 using the following keywords: anti-money laundering, counter sustainable financing, predicate offense typologies, AML red flags, and compliance strategies. We reviewed annual reports of the Financial Action Task Force between 2018 to 2022 for current trends, typologies, and articles generated by the Financial Risks Enforcement Network for potential indicators. The data collection and analysis of multiple data sources present the extent of triangulation. The research participants in this study included compliance managers of U.S. banking and financial services organizations. The sample population consisted of 15 individuals who will represent the case. In the context of studies, researchers select cases to present insight into the research topic, so purposeful sampling is an appropriate sampling strategy. Purposeful sampling is commonly used in qualitative research to identify and select research participants. To identify the participants from a targeted population, we used a purposeful sampling strategy and selected 15 participants who helped me to reach data saturation. The purposeful sampling of 15 compliance managers formed the case.

DATA ANALYSIS PLAN

The process of condensing data to its narrative and understanding is data analysis. During the data analysis phase, we organized formerly gathered data from semi structured interviews, semi structured observations, and document reviews by summarizing and categorizing information based on patterns and themes. In qualitative research, analysis and transcription of meaning offer interpretation, transformation, and understanding of the data.

THEMATIC ANALYSIS

Researchers closely examine transcribed data to identify common themes and patterns from transcribed data (Lochmiller, 2021). A theme helps the researcher develop, identify, and analyze the interpretations of patterns of meanings that evolve into themes (Saldãna, 2016). We used thematic analysis to identify recurring central themes from the coded data directly addressing the overarching RQ. Along with the Dedoose software, we used thematic analysis to categorize the data to establish significant themes. Triangulation of the data analysis sources is essential to ensure accuracy.

CONTENT ANALYSIS

Content analysis is a valuable research tool that defines the existence of words, themes, or concepts within the collected data. Researchers use content analysis to assess the presence and meaning of words, themes, or concepts (Lindgren et al., 2020). We used content analysis to analyze the data collected from document reviews and interpret meaning from the content of text data. We examined relative journal articles to determine the presence of words, categories, and themes. Content analysis strengthens the trustworthiness of qualitative data analyses by focusing on the perception and interpretation during the data analysis stage (Lindgren et al., 2020). The data analysis plan conducts methodological triangulation. During the data analysis process, we ensured to accurately report the data.

RESULTS AND FINDINGS DISCUSSION

The target population comprised individuals responsible for or involved in anti-money laundering and counter-sustainable financing investigations. The criteria for inclusion in this study required participants to (a) be managers who currently work or previously worked in a supervisory position in the anti-money laundering division under the compliance department, (b) be current investigators who have experience or career background in anti-money laundering for more than three years, and (c) not have a current direct working relationship with me to minimize any potential for perceived coercion. For this study, we used these three eligibility criteria to recruit individuals from within my professional network among U.S. banking and financial services organizations.

We used the informed consent form as supporting documentation to validate the participants' background, level of experience, and lack of working relationship with me. We refrained from collecting any other personal demographics apart from the confirmation from each participant about meeting the study eligibility criteria. We demonstrated the eligibility criteria met by the target participants, see Table 1.

TABLE 1
NUMBER OF TARGET PARTICIPANTS WHO MET THE STUDY'S ELIGIBILITY CRITERIA

Eligibility criterion	No. of participants
Manager who currently works in a supervisory position in the anti-money laundering division under the compliance department	5
Current investigator who has experience or career background in anti-money laundering for more than 3 years	10
Does not have a current direct working relationship with me	15

The participants provided information on the predicate offense typologies that U.S. banking and financial services company compliance managers identify to reduce money laundering risks and sustainable financing activities.

The professionals who participated in the semi structured interviews were either (a) managers who currently work or worked in a supervisory position in the anti-money laundering division under the compliance department or (b) current investigators with experience or career background in anti-money laundering for more than 3. Also, participants did not have a current direct working relationship with me to minimize any potential for perceived coercion. To protect the identity of the participants, we used pseudonyms to characterize the participants from Participant 1 to Participant 15, see Table 2.

TABLE 2
PARTICIPANTS' PROFESSIONAL CHARACTERISTICS

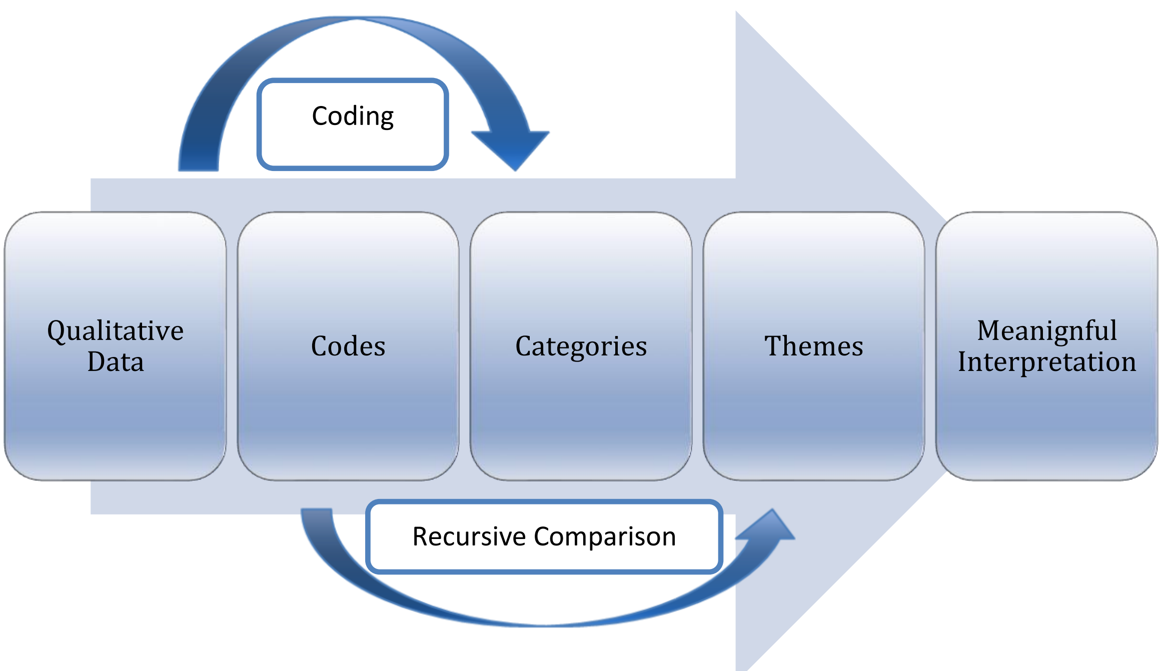
Participant no.	Rank	Years of experience	Direct working relationship with the researcher
1	Anti-money laundering investigator	3+	No
2	Anti-money laundering investigator	3+	No
3	Anti-money laundering investigator	3+	No
4	Compliance manager	7+	No
5	Anti-money laundering investigator	3+	No
6	Anti-money laundering investigator	3+	No
7	Anti-money laundering investigator	8+	No
8	Compliance manager	7+	No
9	Anti-money laundering investigator	3+	No
10	Anti-money laundering investigator	3+	No
11	Anti-money laundering investigator	3+	No
12	Anti-money laundering investigator	3+	No
13	Compliance manager	5+	No
14	Compliance manager	5+	No
15	Anti-money laundering investigator	3+	No

Source: Compiled by Authors

The second data source we used was semi structured observations of the predicate offense typology identification process and compliance manager behavior. We observed the target participants during each interview and sought to learn how they identified predicate offense typologies to reduce money laundering risks and sustainable financing activities. We recorded keywords or ideas that were repeated amongst the participants.

The third type of data source We used was document review analysis. We searched Google Scholar and business and financed academic journals for peer-reviewed articles between 2018 to 2022. We reviewed eleven total documents and documented keywords or terms relative to predicate offense typologies. We reviewed Clarke (2021), Mekpor (2019), Nizovtsev et al. (2022), five annual reports of the Financial Action Task Force between 2018 to 2022 for current trends and typologies, and two articles generated by the Financial Risks Enforcement Network for potential indicators to ensure triangulation of data. Relative information provided in the journal article, annual reports, and articles were documented. The information noted included types of predicate offense typologies, money laundering, and sustainable financing activities, methods of financial risks, noncompliant behaviors, red flags, and key indicators of predicate offense typologies **(Figure1).**

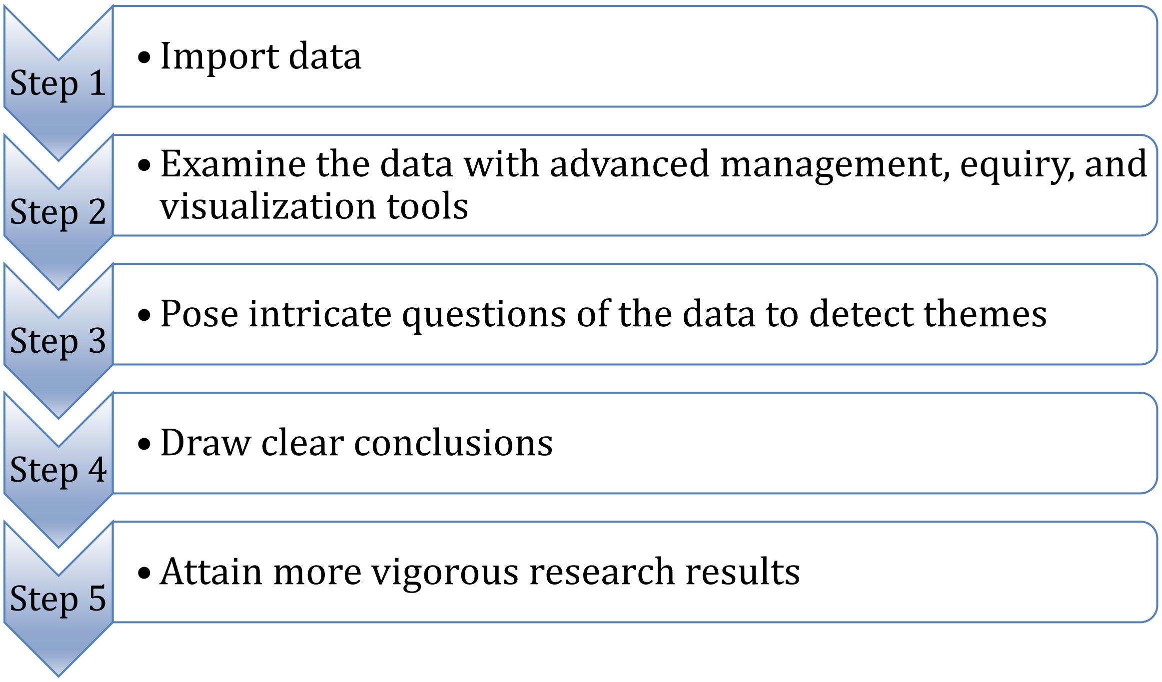
FIGURE 1
THEMATIC ANALYSIS



Source: Compiled by Authors

In the data collection process, we reviewed the transcripts and assigned codes. Second, we separated the data to retrieve the codes from the participants' responses. After we analyzed the data, we coded the information gathered from the interview questions and correlated the themes to the classification recognized in the conceptual framework and literature. Third, we assembled the data to derive themes. Fourth, we interpreted the data to identify themes that formed clusters of common themes. Last, we arranged a list of the most common and frequent themes. We used Dedoose to evaluate the collected data. The transcribed data were imported into Dedoose to organize, evaluate, and uncover insights in unstructured data and generate formulated, justifiable findings supported by accurate data. We took five steps to conduct data analysis, see Figure 2.

FIGURE 2
STEPS IN DATA ANALYSIS



To generate clearly formulated, justifiable findings, we created codes for each interview question, drew keywords from the participants' responses, and summarized emerging themes.

We illustrated the codes associated with the categories and the emerging subthemes for semistructured interview source, see Table 3.

TABLE 3
SUBTHEMES, CATEGORIES, AND CODES FOR SEMISTRUCTURED INTERVIEW DATA

Theme	Category	Code
Red flags	Type of activity	Cash
		Wire
		Credit cards
		Prepaid cards
		Bitcoin
		Cryptocurrency
		Virtual currency
		Third party processors
		Automated clearing houses (ACHs)
		Transnational charges
		International large charges
		Excessive food, transport, and accommodations
		Big-ticketed item purchase or sale
		International shipping

Theme	Category	Code
Key indicators	Type of activity	Deposits
		Withdrawals
		Transfers
		Changes to customer profile
		New account openings
		Inconsistent wealth profile
		Unknown financial instrument use
95% or above	Quality	Quality assurance
		Quality control
		95%-100%
		High quality AML investigations

Note. AML = anti-money laundering.

We depicted the codes associated with the categories along with the emerging main themes for semistructured observation source, see Table 4.

TABLE 4
MAIN THEMES, CATEGORIES, AND CODES FOR SEMISTRUCTURED OBSERVATION DATA

Theme	Category	Code
Structuring	High volumes of small transactions	Cash deposits
		Cash withdrawals
Fraud	Unusual customer behavior	Credit card
		PPP loan
		SBA loan
		Unusual wire activity
		Unemployment status
Cyberrisk	Unusual customer behavior	Cryptocurrency
		Gift card
		Cyber laundering
		Telemarketing
		Third party scams
		Digital payment systems

Note. PPP = Paycheck Protection Program; SBA = Small Business Administration.

We portrayed the codes associated with the categories along with the emerging subthemes for document review sources, see Table 5.

TABLE 5
SUBTHEMES, CATEGORIES, AND CODES FOR DOCUMENT REVIEW ANALYSIS DATA

Theme	Category	Code
Red flags	Type of activity	Cash Wires Credit cards Virtual currency Third party processors Automated clearing houses (ACHs) International large charges
Key indicators	Type of activity	Deposits Withdrawals Transfers Changes to customer profile New account openings
95% or above	Quality	Quality assurance Quality control 95%-100% High quality AML investigations

Note. AML = anti-money laundering.

The data for the study was collected through three data sources: semistructured interviews, which resulted in a total of 15 completed interviews, semistructured observations, and document review analysis of the results of Clarke (2021), Mekpor (2019), Nizovtsev et al. (2022), five annual reports of Financial Action Task Force between 2018 to 2022 for current trends and typologies, and two articles generated by the Financial Risks Enforcement Network. We used a comprehensive data analysis process to assess the information by using a hand-coding approach, thematic analysis, and content analysis. Finally, we used the results of the interview transcripts, observation notes, and document reviews to interpret the participants' experiences and expertise on predicate offense typologies and summarize their fundamental meanings.

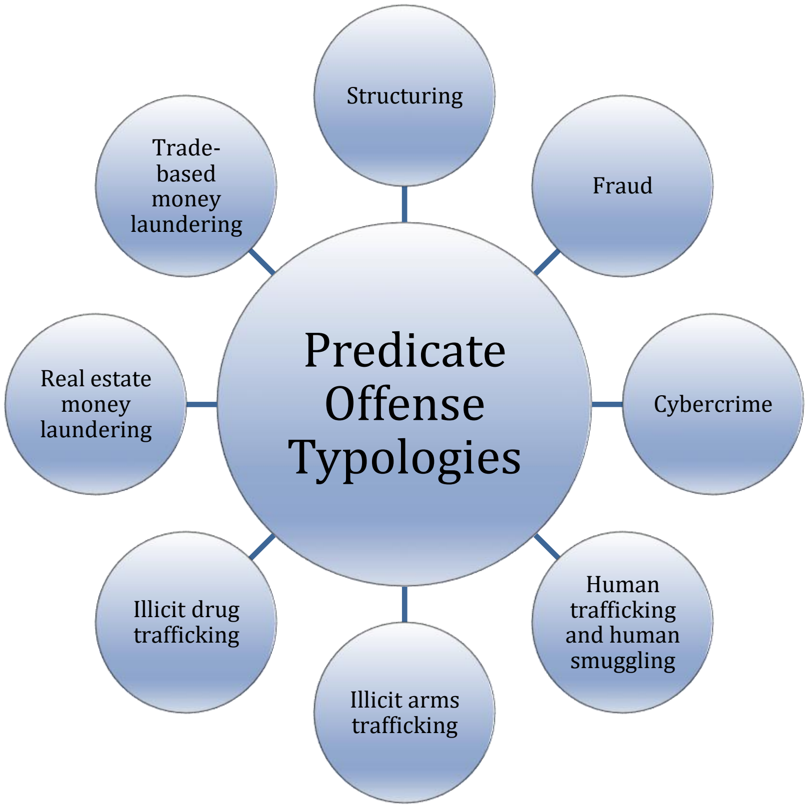
The themes in relation to the literature review and conceptual framework address the overarching RQ and the four SQs. We presented the predicate offense typologies, the total number of participants supporting the main themes from the interviews and observations, and the number of documents exemplifying the main themes from the document reviews, see Table 6.

TABLE 6
SUBTHEMES, SUPPORTING PARTICIPANTS, AND NUMBER OF DOCUMENTS

Subtheme	No. of participants	No. of documents
Red flags	15	7
Key indicators	15	7
Typology-specific common signs	15	5
95% or above	15	0

We depicted the predicate offense typologies identified by the research participants and document review analysis, see Figure 3.

FIGURE 3
PREDICATE OFFENSE TYPOLOGIES



CATEGORY 1: HIGH VOLUMES OF SMALL TRANSACTIONS

The first emergent theme, structuring, addresses the RQs by presenting an evident rationalization of the research phenomenon. The codes for the theme were.

- different branch locations
- multiple cash activities
- cash deposits
- cash withdrawals
- split cash activity
- below the reporting threshold

The research participants identified structuring as a common predicate offense typology that increases the risk of money laundering activities. During the document review, the following documents identified structuring as a predicate offense typology:

SQ1: How do anti-money laundering investigators identify predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system? Compliance managers and anti-money laundering investigators focus on certain red flags or indicators during anti-money laundering investigations to identify activities indicative of structuring. Participant 7 indicated that.

> The key red flags or indicators of structuring are the following: (a) customer(s) tries to convince a bank teller not to file a currency transaction report, (b) customer(s) hesitates to provide personal information needed to file a currency transaction report, (c) customer(s)

> uses multiple automated teller machines at different locations to conduct deposits or withdrawals below the threshold, (d) customer(s) deposits proceeds into several accounts, [and] (e) customer(s) splits a large currency transaction by depositing or withdrawing funds a week apart below the threshold.

The frequency, time, location(s), and amount of funds are key red flags or indicators of structuring activity. Often non-compliant open multiple small accounts to conduct small amounts of transactions and launder illicit proceeds (Financial Action Task Force, 2017). Other key indicators of structuring are (a) small amount transactions, (b) numerous high-value transactions conducted in a newly opened or inactive account within a 24-hour window, and (c) irregular financial patterns (Financial Action Task Force, 2020d). The compliance managers and anti-money laundering investigators attested that the red flags and indicators stated above have proved to be successful strategies in identifying structuring activities during their investigations.

SQ2: How successful are the investigators in identifying predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system?

A compliance strategy that has proven to be successful is red flag indicators. All research participants who were anti-money laundering investigators revealed that "their quality control rate is 95% or above with the use of red flags tailored to each predicate offense." Anti-money laundering investigators can successfully conduct high-quality investigations by using a robust strategy to identify money laundering transactions. Banks and financial services institutions must deal with cyber risk threats (Kasztelnik, 2021).

SQ3: What characteristics classify money laundering as predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system?

Participant 8 defined structuring, also known as smurfing in the banking industry, "as conducting a series of financial transactions including multiple deposits, withdrawals, or purchases of monetary instruments totaling $10,000.00 or less to avoid reporting requirements." Money launder's structure transactions to avoid filing the currency transaction report (CTR), a reporting requirement established by the Bank Secrecy Act. Under the Bank Secrecy Act (31 USC 5324), an individual is prohibited from structuring transactions for the purpose of evading the currency transaction report or a geographical-specific order reporting requirement (Halloran, 2020). The anti-money laundering programs at banks and financial services institutions due diligently investigate and attempt to mitigate the risk of structuring.

Participant 1 explained that "the characteristics of structuring as the act of performing one or more transactions (a) in cash totaling any amount, (b) at one more banks or financial services institution, (c) on one or more days to evade the currency transaction report filing requirements." An example of structuring is when a money launder conducts a cash deposit for $5,000.00 on Thursday at Branch X and conducts another cash deposit for $3,500.00 the following Tuesday at Branch Y. According to the characteristics of structuring, the example above clearly illustrates this typology.

World events are an influential factor in money laundering and sustainable financing activities. Participant 11 explained that "the current global events that occur in different parts of the world largely influence, increase, and or decrease money laundering and sustainable financing activities in the banking sector." Money launders continuously evolve their noncompliant skills and strategies to cultivate new ways to structure substantial amounts of cash to avoid the currency transaction report filing requirements. Evolved money launders are structuring through commercial entities and transferring funds through loan contracts (Financial Action Task Force, 2018). Structuring occurs during the second stage of money laundering, which is layering. Layering is the act of transforming illicit profits derived from noncompliant activity into lawful forms of financial instruments, which generally involves some aspect of structuring (Al-Suwaidi & Nobanee, 2020). The research participants identified structuring as one of the most reported predicate offense typologies.

CATEGORY 2: UNUSUAL CUSTOMER BEHAVIOR

Theme 2: Cyber Risk

The third emergent theme, cyber risk, addresses the RQ by providing additional insight of a financial risk. The codes for the theme were.

- romance scams
- telemarketing
- cyber laundering
- cryptocurrency
- third party scams
- gift card
- digital payment systems

The research participants identified cyber risk as a predicate offense typology based on the experiences and expertise of compliance managers and anti-money laundering investigators employed at U.S. banks or financial services institutions. During the document review analysis, the following documents identified cyber risk as a predicate offense typology: Nizovtsev et al. (2022), Financial Action Task Force (2020), Financial Action Task Force (2020d), and Financial Risks Enforcement Network (2021). The theme originated from the following seven codes: romance scams, telemarketing, cyber laundering, cryptocurrency, third-party scams, gift card, and digital payment systems.

SQ1: How do anti-money laundering investigators identify predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system?

Financial Risks Enforcement Network (2021) conveyed red flags that can help banks and financial services institutions to identify and prevent cyber risk. According to compliance managers and anti-money laundering investigators, cyber risk exhibits "red flag" characteristics that help them detect and avert money laundering activities and augment their compliance performance. Participant 12 and Participant 13 disclosed that.

> The red flags of cyber risk include but are not limited to (1) parties conducting online transactions high-risk jurisdictions, (2) numerous payments using prepaid cards or cryptocurrency, including Bitcoin, (3) new accounts receiving large deposits or conducting large transactions that are inconsistent with the customer's transactional behavior, profile, and account history, (4) large volumes of unusual online transactions, (5) illegitimate charitable organizations using email or social media solicitation schemes, and (6) suppliers sending correspondence to customers with misspellings or incorrect addresses.

Anti-money laundering investigators rely on red flags to identify cyber risk activities.

Universally, red flags for cyber risk are often related to cyber-related scams, including email, SMS phishing schemes, business email compromise scams, and ransomware attacks (Financial Action Task Force, 2020). Other red flags or indicators include (a) unknown source of funds, (b) insufficient information on the owner and beneficiary of the funds transfer, (c) funds transfer to or from online gambling services, (d) large amounts of fiat currency, and (e) multiple uses of credit or debit cards (Financial Action Task Force, 2020d). Red flags and indicators significantly aid banks and financial services institutions in detecting fraudulent activities.

SQ2: How successful are the investigators in identifying predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system?

A compliance strategy that has proven to be successful is red flag indicators. All research participants who were anti-money laundering investigators revealed that "their quality control rate is 95% or above with the use of red flags tailored to each predicate offense." Anti-money laundering investigators can successfully conduct high-quality investigations by using a robust strategy to identify money laundering transactions. Banks and financial services institutions are obligated to deal with cyber risk threats.

SQ3: What characteristics classify money laundering as predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system?

In the 21st century, money lauders and risk largely rely on technological advancements to execute their financial risk plans or conduct non-compliant activities. The new age technological advancements have allowed non-compliant to use the internet for laundering purposes. Thus, cyber risk is defined as using cyberspace to facilitate noncompliant acts, including money laundering, fraud, identity theft, and several others (Wronka, 2022). Cyberriskis classified as a predicate offense in money laundering because it produces illicit funds that must be concealed by laundering before entering the legal, financial system. Noncompliant use computer technology to conceal the traces of illegal funds across geographical jurisdictions and borders (Nizovtsev et al. (2022). Participant 6 informed me that "the European Union's 6th Anti-Money Laundering Directive identified and categorized cyber risk as a money laundering predicate offense." The Financial Risks Enforcement Network vigilantly attempted to respond to new emerging cyber risk threats during the global pandemic.

CATEGORY 3: TRADE-BASED MONEY LAUNDERING

Theme 3: Trade-Based Money Laundering

The eighth emergent theme, trade-based money laundering, addresses the RQ by exemplifying a type of financial risk and supporting the conceptual framework. The research participants identified trade-based money laundering as a predicate offense typology based on the experiences and expertise of compliance managers and anti-money laundering investigators employed at U.S. banks or financial services institutions. Trade-based money laundering was classified as a predicate offense typology in the following documents: Financial Action Task Force (2018), Financial Action Task Force (2020a), Financial Action Task Force (2020b), and Financial Risks Enforcement Network (2021). The theme originated from four codes: goods, services, over-or-under invoicing, and international trade.

SQ1: How do anti-money laundering investigators identify predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system?

An effective strategy to identify predicate offense typologies is using red flag indicators. Participant 2 revealed that

> the red flags of trade-based money laundering activities include: (1) payments exceeding the value of commodities, (2) shipment of commodities with greater value, (3) unusual third-party payments to importers, (4) use of shell or front companies, (5) transfer pricing, (6) inaccurate description of goods, (7) customer's inability to generate appropriate documentation, (8) falsification of the quality of goods, (9) implicit course of shipment and financial transactions, (10) large transactions that are inconsistent with business profile and historical account activity, and (11) last-minute changes to payment methods by trading companies.

Trade-based money laundering occurs in various sectors. Noncompliant commonly target the following trade-based products: auto parts and vehicles, agricultural products, clothing, electronics, gold, precious metals, and textiles. The key indicators amongst sectors to identify trade-based money laundering are (a) products with wide pricing margins, (b) shipments across several jurisdictions, and (c) goods causing difficulties for custom authorities (Financial Risks Enforcement Network, 2021). Numerous red flags and key indicators help to identify and uncover trade-based money laundering activities and techniques.

SQ2: How successful are the investigators in identifying predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system?

A compliance strategy that has proven to be successful is red flag indicators. All research participants who were anti-money laundering investigators revealed that "their quality control rate is 95% or above with the use of red flags tailored to each predicate offense." Anti-money laundering investigators can successfully conduct high-quality investigations by using a robust strategy to identify money laundering transactions. Banks and financial services institutions are obligated to deal with cyber risk threats.

SQ3: What characteristics classify money laundering as predicate offense typologies to reduce the risk of money laundering and increase financial stability and sustainability in the United States banking system?

The global pandemic caused an economic crisis leading to increased trade-based money laundering. Trade-based money laundering is defined as the noncompliant of act of concealing and legalizing illicit funds by exploiting trade to change the value of transactions (Financial Action Task Force, 2020b). In conducting trade-based money laundering, perpetrators may employ other predicate offense activities.

The general purpose of trade-based money laundering is not focused on the movement of goods but rather the movement of money implemented through trade transactions. Currency exchange services act as money brokers in trade-based money laundering schemes. Money launders target covered institutions. The goal of trade-based money laundering is to produce profits and transmit funds through gatekeepers, front or shell companies, exchange houses, or the illicit exploitation of international trade (Financial Risks Enforcement Network, 2021). The types of trade-based money laundering activities include falsifying invoices and shipping documents, inaccurately marking goods to evade controls, and violating customs and tax protocols (Financial Action Task Force, 2018). Banks and financial services institutions must identify red flags, assess risk factors, and understand their compliance framework to detect trade-based money laundering activities.

Participant 4 mentioned that "though banks may learn to detect trade-based money laundering activities by using red flag indicators, the real challenge lies in the range of compliance risks." These compliance risks understand pricing and goods, licensing, document verification, circumvention, and paper transactions. Noncompliant use international trading systems' complexity by enhancing their methodologies. A decline in global trade volumes resulted in international organized risk schemes. Money launders exploit global supply chains to funnel illegal funds (Financial Action Task Force, 2020a). The complexity of trading systems mainly involves multiple parties and jurisdictions. Therefore, it becomes complex for compliance managers to conduct know-your-customer, customer due diligence, and anti-money laundering checks during their investigations. Trade-based money laundering is one of the most concerning predicate offense typologies.

SQ4: How does identifying predicate offense typologies reduce money laundering and increase financial stability in the United States banking system to reduce the risk of money laundering and increase financial stability and sustainability?

The ability to identify predicate offense typologies helps reduce money laundering and sustainable financing. Recognizing predicate offense typologies is necessary for any U.S. banking and financial service company compliance manager to effectively fight against money laundering and sustainable financing activities and ensure regulatory compliance. Participant 4 revealed that "predicate offense typologies show numerous procedures, techniques, methods, and instruments noncompliant use to disguise, launder, or move illegal proceeds." Predicate offense typologies are largely influenced by the economy, financial markets, and anti-money laundering and counter-sustainable financing programs. Participant 9 stated that "identifying predicate offense typologies help compliance managers develop sets of red flags and indicators specific to each predicate offense typology." Compliance managers can understand consumer behavior and recognize transactional patterns through this process. Participant 2 indicated that "compliance managers are able to monitor sudden changes in customers' transaction patterns, especially high-risk jurisdiction transactions." It allows compliance managers to effectively detect and address money laundering and sustainable financing activities infiltrating their financial institutions. Noncompliant are constantly evolving methods and means to execute money laundering and sustainable financing activities. Identifying predicate offense typologies reduces money laundering and sustainable financing by enhancing due diligence and ensuring an updated consumer risk profile (Federal Financial Institutions Examination Council, 2021; Financial Action Task Force, 2017). By developing a list of predicate offense typologies, compliance managers can ensure a robust and secure compliance framework by assuring adequate anti-money laundering programs, achieving institutional compliance regulations, safeguarding the financial systems, and placing preventative measures.

Amid increasing globalization, financial risks continue to rise, making it difficult for banks and financial services institutions to detect noncompliant activities. Socioeconomic factors largely influence financial risks across the globe. The interconnectedness of people, goods, services, finance, and technology is a leading cause of money laundering and sustainable financing activities (Amjad et al., 2021). Since its declaration in early 2020, the Covid-19 pandemic has caused money laundering and sustainable financing activities to fluctuate. Noncompliance and risks took advantage of this global crisis and quickly adapted to the new environment. Money launders organized risk groups to conduct new Covid-19-related illegal activity. These money launders targeted vulnerable businesses on the verge of bankruptcy (Financial Action Task Force, 2020a). Risks used financial sanctions and economic interruptions to disrupt supply chains and compliance systems (Fletcher et al., 2021). They utilized illicit proceeds as liquidity to purchase real estate sold due to financial vulnerability or economic despair (Financial Action Task Force, 2020c). The global lockdown negatively affected businesses, resulting in a great degree of unemployment, dismissal of employees, loss of government revenue, and a widespread economic recession that affected businesses and individuals' financial and social behavior.

Noncompliant have discovered new and innovative means to conduct noncompliant activities, causing a rise in money laundering and sustainable financing. Rusanov and Pudovochkin (2021) noted that perpetrators invest about 15%-20% of laundered money into new non-compliant activities. Noncompliant activity is growing because noncompliant have uncovered various means to legalize illicit proceeds into the financial system (Rusanov & Pudovochkin, 2021). An aftermath of the Covid-19 pandemic is the growth of predicate offenses that rapidly increased the process in which dirty money is transformed into clean money. As modern risk increases, compliance managers need to identify predicate offense typologies to reduce money laundering risks and sustainable financing activities. The data analysis and results of this study yielded eight main themes and four subthemes. The eight main emergent themes were structuring, fraud, cyber risk, human trafficking and human smuggling, illicit arms trafficking, illicit drug trafficking, real estate money laundering, and trade-based money laundering. The four subthemes were red flags, key indicators, typology-specific common signs, and 95% or above. This study aimed to identify predicate offenses that U.S. banking and financial services compliance managers use to reduce the risks of money laundering and sustainable financing. Each theme identified specific money laundering and sustainable financing activities that were categorized into a predicate offense typology. Appendix B lists the 44 codes associated with the main themes. Appendix C lists the 31 codes associated with the subthemes. It is important to highlight best practices for each predicate offense typology that may help compliance managers reduce the risks of money laundering and sustainable financing activities.

FUTURE RECOMMENDATIONS

The general purpose of conducting this research was to explore and gather current information about predicate offense typologies in money laundering and sustainable financing. This study's research participants were compliance managers and anti-money laundering investigators from large U.S. banks and financial institutions. The predicate offense typologies identified in this study may differ from other banks, largely depending on banks' risk factors. A future research recommendation is to conduct a study on small or midsize banks with different risk factors and customer profiles. A study focusing on a specific target population could potentially identify different predicate offense typologies based on the frequency and types of financial risks occurring in small to midsize banks.

CONCLUSION

The findings of this study have significance for compliance leaders at large U.S. banking and financial services organizations. Large U.S. banking and financial services institution compliance leaders could augment their compliance programs to build new indicators or red flags to look out for when conducting their compliance obligations. As the capabilities of noncompliance and money laundering, and sustainable financing activities evolve, compliance officers may look to update their list of typologies and learn about new evolving typologies by focusing on risk factors relevant to their products or services. Rocha-Salazar et al. (2021) indicated that anti-money laundering and counter-sustainable financing typologies are risk indicators and useful control to trigger enhanced due diligence and further monitoring. Thus, compliance managers may use the findings of this study to conduct enhanced due diligence training sessions with their anti-money laundering investigators to increase monitoring measures at their respective banks or financial services institutions. Effective mitigation approaches could diminish the societal risks related to financial risk. There is a lack of research on modern compliance strategies (Al-Suwaidi & Nobanee, 2020). In recent times, it is perilously important for banking and financial services institutions to fully comprehend the financial risk threats and take the opportunity to undergo the latest, comprehensive health check (Crisanto & Preno, 2020). The findings of this study may encourage compliance managers to conduct periodic, comprehensive compliance health checks to reduce money laundering and sustainable financing risks. Banks and financial services institutions encounter several critical anti-money laundering compliance challenges that impute flawed mitigation approaches (Cash, 2020). Organizations that neglect to preclude money laundering and sustainable financing activities tend to face decreasing profits, consumer discontent, huge monetary fines, loss of reputation, and a decline in stock prices (Balani, 2019). The findings of this study may continue to emphasize anti-money laundering and counter-sustainable financing activities for banking and financial services organizations. However, practices can change to be more pragmatic to current situations.

IMPLICATIONS FOR PRACTICE

The study's results may indicate the benefits of modifying money laundering and sustainable financing risk mitigation approaches and developing new mitigating controls. By this means, the results of the study may transform and implement sound risk-based anti-money laundering and counter-sustainable financing compliance programs and standards to minimize and regulate U.S. banking and financial services institutions' money laundering and sustainable financing exposure through practical approaches that deter money launderers and risks from endeavoring to infiltrate their corporations. In addition, the study's findings may encourage compliance managers to perform periodic updates on know your customer profiles to gather current information on their high-risk customers (Pai, 2021). By updating them know your customer profiles, compliance managers may evaluate and revise their current know your customer model. The study's results may suggest enhancements in increasing transparency and closing gaps in the anti-money laundering and counter-sustainable financing compliance framework (Zagaris, 2020). Corporate benefits such as improving operational efficiency and effectiveness of anti-money laundering and counter-sustainable financing regulations may lower compliance costs and increase revenue for financial institutions can ensue from the study (Cash, 2020).

Additionally, the study findings may increase insight for compliance managers to implement strategic changes that will stimulate long-term sustainable growth and economic value. New processes of technological advancements could sustain digital due diligence solutions to meet present and future operational risk management needs (Ekberg, 2020; Han et al., 2020). Compliance managers may understand new risks and modify operational measures to mitigate financial risk.

The banking and financial industries ought to be prepared for the future and continue to adapt to new emerging threats, varying consumer classifications, and changing environments. Banking and financial services institutions play a substantial role in the community. By changing and developing new policies and procedures, these organizations can work towards effective money laundering and sustainable financing prevention plans. Additionally, banks and financial services institutions may clarify and strengthen customer due diligence requirements to protect their organizations and reduce financial risk. The implications for positive social change may include the possibilities to develop new compliance strategies and strengthen existing regulatory mechanisms to help compliance managers, reduce the risk of bank failures, increase employment opportunities, and promote public awareness by educating consumers about financial risks.

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