



**An Evaluation of Anti-Money Laundering (AML) Compliance Practices and
Participant Involvement in Due Diligence Procedures**

By

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ABSTRACT

This article examines the concept, purpose, and evolution of Anti-Money Laundering (AML) regulations, highlighting global and national efforts to combat illicit financial activities. Drawing on existing literature, the study discusses how financial institutions implement due diligence, Know Your Customer (KYC), and reporting obligations outlined by regulatory authorities such as the U.S. Department of the Treasury and Nigeria's Money Laundering Act. The article further analyzes quantitative data collected from respondents on their involvement in AML activities, including the frequency of due diligence engagements and the extent of participation in AML processes over the past 24 months. Findings indicate a relatively high level of AML involvement among respondents, revealing important insights into compliance operations and areas requiring improvement.

Keywords: Anti-Money Laundering (AML); Due Diligence; Financial Compliance; Money Laundering; Know Your Customer (KYC); Financial Action Task Force (FATF).



Introduction

Anti-money laundering (AML) is a set of laws, procedures, and regulations designed by the United States and global regulatory bodies with the sole aim of preventing the generation of income through illegal actions (Almonte, 2016). Although the implications of AML can be far-reaching, the laws to combat AML cover a limited number of transactions and criminal activities. Under AML regulations, financial institutions are required to complete a set of due diligence procedures to ensure that their banking and money transmission services are not used for and do not aid money laundering activities. Financial institutions must carry out due diligence, AML, adequate Know Your Customer (KYC) and follow the guidelines stipulated by regulatory authorities such as the U.S. Department of the Treasury (Kersop & du Toit, 2015).

Institutions and individuals that engage in money laundering activities often have the need to “clean” the money obtained through illegal means such as arms sales, drug trafficking, child pornography, or racketeering by channeling money through legitimate transactions (Levin, Hogan, & Kaplan-Marans, 2018). One of the ways criminals clean such money is by moving it through various steps such as placement, layering, and integration to make it appear like it was obtained legally through unrelated business activities. The aim is to show evidence that the money was obtained legally (Levin et al., 2018). Under the Nigeria's Money Laundering Act, financial institutions are required to report transactions in excess N10m for legal persons and N5m naira for individuals within the stipulated periods. In the USA, financial institutions are required to verify cash transactions of more than \$10,000.

They must also ensure their clients are aware of AML laws. Anti-money laundering rules were recognized globally with the creation of the Financial Action Task Force (FATF), an initiative of the G7 in 1989 which set the international standard for fighting money laundering globally. In this chapter, the researcher provides a background to the study, including what money laundering is, why it occurs, the effect on society, and global efforts to combat money laundering activities.

The anti-money laundering compliance industry has evolved over the years in response to increased activity in the global anti-money laundering (AML) regime, yet money laundering is still on the rise (Eleni, 2018). It is therefore vital to investigate how the inherent challenge of an effective technique in AML compliance could be addressed by comparing traditional and automated processes.



Senanu, Anthony and Jonathan (2018) noted that the increase in the number of predicate crimes, coupled with the discovery of sophisticated techniques and methods of money laundering, had been a significant source of concern to corporations. To measure the level of compliance of individual countries to AML/CFT recommendations set by FATF, there was the need for an index to be constructed to adequately measure the compliance level of countries from the year 2004 to 2016 (Senanu et al., 2018).

AML compliance relies on whistleblowers in many jurisdictions, but this method is not adequate. In 2013, a whistleblower faced extradition from Spain to Switzerland for exposing wrongdoing at HSBC's Swiss private bank and fled Switzerland to France with a list of 130,000 names of customers of the HSBC bank. He was accused of stealing data, but he argued that he was doing a broader public good. The bank, however, argued that the action he took breached banking secrecy rules (Ahmad, 2015).

Methodology

The research method chosen depends on the type of data used in carrying out the research. Three methods were considered: qualitative, quantitative, and mixed method. The quantitative method refers to the category of research where the researcher decides what he or she is going to study and then asks specific and narrow questions. Quantifiable data are then collected from the respondents or participants selected for the research. The data are then analyzed statistically in an unbiased and objective manner (Parida, Westerberg, & Frishammar, 2012).

The researcher asks questions of the participants, which are mostly expressed in words or text. Analysis is conducted to identify themes, with the inquiry being subjective and unbiased. The mixed method combines the two aspects. Based on the nature of this study, a quantitative methodology will be utilized. A quantitative method will be applied where the primary data collected from the respondents will be converted into numerical data to be analyzed statistically by the use of SPSS.

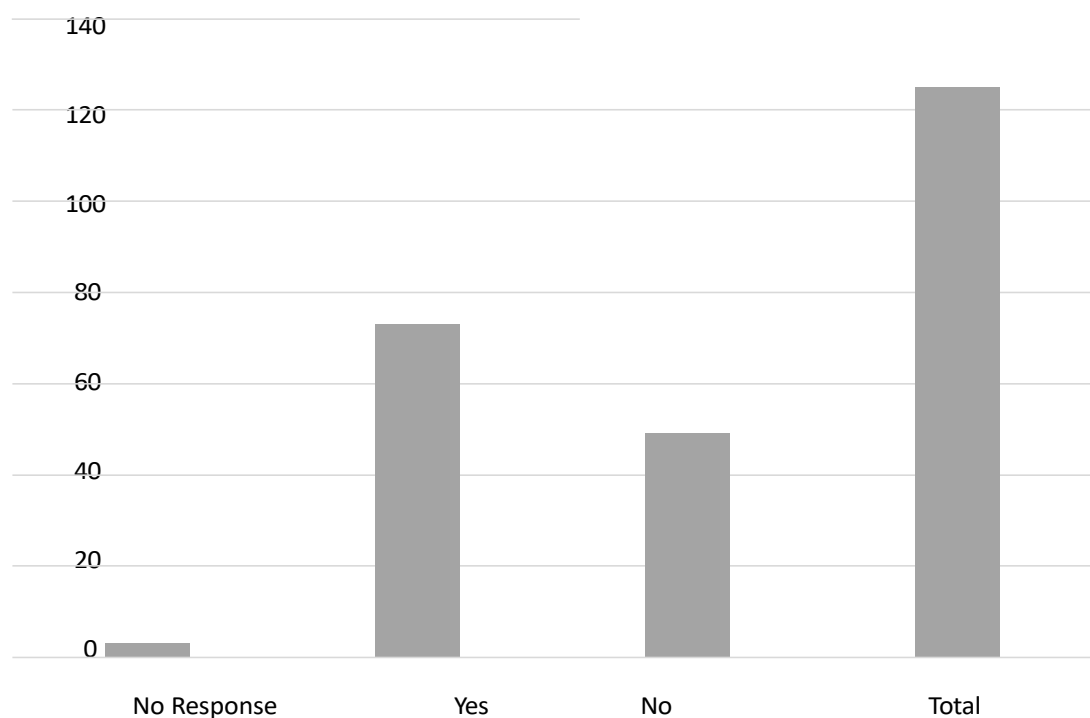
A quantitative research method is best suited for this research because it applies an in-depth statistical analysis to a broader perspective in the findings. According to McCusker and Gunaydin (2015), quantitative techniques are suitable for in-depth research and generalization of a phenomena by analysis of variables. There are four basic measurement scales: nominal, ordinal, ratio, and interval scale. Quantitative research provides a statistical way to address a



research problem and also involves the collection of quantitative data through instruments that require numerical inputs and direct measurement of parameters (Creswell & Plano Clark, 2018). In this study, the quantitative component will measure the number of respondents affected by the two different processes of collecting and analyzing AML.

Results

Bar Chart 1: How Often Do Participants Participate in Anti-Money Laundering (AML) Activities?



The bar chart above presents results on the frequency with which participants participate in Anti-Money Laundering (AML) activities. It is shown that more of the respondents (73) indicated that they participate in anti-money laundering activities, while 49 signified that they do not participate in anti-money laundering activities. This implies that more of the respondents do engage in anti-money laundering activities.



Table 1: Were You Directly Involved in Collecting/Sending/Analysing AML Due Diligence Data from Customers in any Capacity in the Last 24 Months?

	<i>Frequency</i>	<i>Percent</i>
No Response	3	2.4
Yes	73	58.4
No	49	39.2
<i>Total</i>	<i>125</i>	<i>100.0</i>

Table 1 presents results on whether participants have been directly involved in collecting/spending/analyzing anti-money laundering due diligence data from customers in any capacity in the last 24 months. It is shown that more of the respondents (73, or 58.4%) indicated that they have been directly involved, while 49 (39.2%) signified that they have not been directly involved in such in the past 24 months and the other three (2.4%) gave no response.

This implies that more of the respondents are directly involved in collecting/sending/analyzing AML due diligence data from customers in any capacity in the last 24 months. In other words, it implies that compliance officers are kept up to date with regard to AML due diligence data.

Table 2: How Often Do You Get Involved in Requesting for or Responding to AML Due Diligence Questionnaires When Forming Relationships with Other Parties or Customers?

	<i>Frequency</i>	<i>Percent</i>
No response	9	7.2
Never	29	23.2
At least once a year	36	28.8
At least 2 times a year	21	16.8
At least 4 times a year	8	6.4
At least 5 times a year	22	17.6
<i>Total</i>	<i>125</i>	<i>100.0</i>

Table 2 presents results on the distribution according to how often participants get involved in requesting for or responding to an anti-money laundering due diligence questionnaire when forming a relationship with other parties or customers. It is shown that more of the respondents (36, or 28.8%) indicated at least once in a year, while 29 (23.2%) indicated never, 22 (17.6%)



indicated that they get involved at least five times a year, eight (6.4%) indicated four times a year, and the other nine (7.2%) gave no response.

Discussion

The findings of this study highlight several important dimensions of Anti-Money Laundering (AML) compliance, its operational realities, and the degree of involvement exhibited by compliance practitioners within financial institutions. The literature establishes that AML frameworks were developed to prevent criminals from legitimizing illicit proceeds, yet the complexity of modern financial crimes continues to pose major challenges. Global bodies such as the Financial Action Task Force (FATF) have strengthened international AML standards, but enforcement varies significantly across jurisdictions. In the cases of Nigeria and the United States, the legal requirements for reporting high-value transactions reflect national efforts to align with global best practices. These regulations mandate financial institutions to conduct Know Your Customer (KYC) checks, verify customer identities, maintain transaction records, and ensure that clients are aware of AML obligations. Despite these interventions, the persistence of money laundering activities underscores gaps in traditional compliance mechanisms, technological limitations, and inconsistent operational engagement among compliance personnel.

The quantitative findings from this study provide practical insight into how AML policies translate into daily institutional practices. The data indicates that a considerable proportion of respondents actively participate in AML activities, with 73 respondents confirming participation compared to 49 who reported no involvement. This suggests that AML duties are embedded in the operational culture of many institutions, although not universally across all staff. The fact that a majority of respondents were engaged directly in collecting, sending, or analyzing AML due diligence data within the past 24 months reinforces the idea that compliance officers are consistently exposed to AML responsibilities. However, the presence of respondents who reported no involvement in AML tasks may point to either specialization within compliance units or a potential uneven distribution of AML-related responsibilities. This unevenness could weaken institutional AML controls if certain staff members remain detached from key due diligence processes that require collective vigilance.



A further dimension of the findings relates to the frequency with which respondents engage with AML due diligence questionnaires—an activity central to establishing and sustaining relationships with customers or business partners. The responses reveal noticeable variation: while many participants engage in these processes at least once a year, a significant portion report never participating at all. This inconsistency raises questions about whether AML responsibilities are adequately shared, whether training is uniformly delivered, or whether institutional structures delegate questionnaire-related tasks to a restricted subset of compliance specialists. Although such specialization may enhance efficiency, it may also limit broader institutional awareness of AML risks, reduce organizational resilience, and increase vulnerability in cases where specialized staff are unavailable.

Furthermore, the literature in the uploaded article underscores the growing complexity of AML enforcement due to advances in money laundering techniques and the rising number of predicate crimes. As Senanu et al. noted, the sophistication of modern laundering strategies demands a more dynamic AML response framework. Traditional AML methods—including reliance on whistleblowers—are insufficient, as illustrated by the case of the HSBC whistleblower who faced prosecution instead of protection. This example exposes systemic risks that could discourage insiders from reporting suspicious behavior, thereby weakening AML enforcement. In the context of the study's findings, the uneven engagement among compliance staff could further exacerbate such systemic weaknesses, since those with limited exposure to AML processes may be less capable of identifying risks or reporting suspicious activities.

Taken together, the results suggest that while AML frameworks and institutional policies are robust in principle, their implementation is uneven. Effective AML compliance requires consistent staff engagement, widespread organizational awareness, and continuous training to keep pace with evolving global standards. The variability observed among respondents highlights the need to strengthen internal AML structures, improve training programs, and possibly integrate automated systems to complement human decision-making. Automation may reduce human error, enhance consistency, and increase the speed of due diligence processes, which aligns with the study's earlier proposition that comparing traditional and automated AML approaches could offer meaningful insights into future compliance innovations. Overall, the findings reinforce the idea that AML compliance is both a collective and evolving responsibility that requires uniform institutional commitment and continuous adaptation.



This study set out to examine the nature of Anti-Money Laundering (AML) compliance, the responsibilities of financial institutions, and the extent of participant involvement in due diligence processes. The findings reveal that AML frameworks, though well established globally through the efforts of bodies such as the Financial Action Task Force (FATF), continue to face significant operational challenges. Criminals increasingly adopt sophisticated techniques to disguise illicit proceeds, placing sustained pressure on institutions and regulators to strengthen compliance mechanisms. The quantitative analysis demonstrates that while many respondents are actively engaged in AML activities, a considerable number remain uninvolved or participate infrequently. This uneven distribution of AML responsibilities suggests that compliance practices, though present, may not be uniformly implemented across all levels of financial institutions. Such disparities can create vulnerabilities within the system, especially where monitoring, reporting, and due diligence tasks depend heavily on consistent staff participation.

Moreover, the results highlight the need for continuous training, capacity building, and technological innovation to ensure that compliance officers are adequately prepared to recognize and respond to emerging money laundering risks. Traditional AML approaches, including reliance on whistleblowers and manual due diligence, are increasingly inadequate in confronting contemporary laundering schemes. Therefore, integrating automated systems, data-driven solutions, and advanced monitoring tools could enhance accuracy, reduce human error, and improve overall efficiency. Strengthening institutional policies, improving staff awareness, and ensuring equitable task distribution will also be critical in addressing internal weaknesses.

Ultimately, the study reinforces that effective AML compliance is not merely a regulatory obligation but a collective institutional responsibility. Financial institutions must adopt proactive, adaptive, and technology-enhanced strategies to protect the financial system, safeguard public trust, and support global efforts against illicit financial activities. The findings serve as a reminder that while progress has been made, continuous improvement remains essential for the long-term success of AML enforcement.

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