

Research on the modernization of China's anti-money laundering governance system: risk challenges, RegTech and future paths

KE DENG *

School of Finance, Central University of Finance and Economics, Beijing, China.

International Journal of Science and Technology Research Archive, 2026, 11(01), 007–014

Publication history: Received on 17 June 2026; revised on 24 July 2026; accepted on 27 July 2026

Article DOI: <https://doi.org/10.53771/ijstra.2026.11.1.0028>

Abstract

Against the backdrop of the deep integration of economic globalization and financial digitalization, money laundering activities continue to penetrate emerging channels such as virtual currencies, cross-border payments and live-streaming tipping, leaving China's anti-money laundering (AML) efforts confronted with a complex landscape in which persistent traditional risks coexist with prominent new ones. This paper systematically examines the risk challenges currently facing AML work and the modernization path of governance driven by regulatory technology (RegTech). It reviews core technologies including big data, artificial intelligence, federated learning and blockchain, and, drawing on frontier cases such as the "Smart AML Laboratory" of the PBOC Shenzhen Central Sub-branch, WeBank's federated learning and XTransfer's foreign-trade finance large model, explains the internal mechanism by which RegTech drives AML from "post-event response" toward "pre-event warning and in-process intervention". On this basis, the paper reviews the institutional breakthroughs of the revised Anti-Money Laundering Law—centered on the risk-based approach and effective in 2025—in expanding the scope of predicate offences and incorporating designated non-financial institutions as obligated entities, and proposes optimization recommendations across the three dimensions of regulators, financial institutions and international cooperation, with a view to informing the construction of a risk-based, technology-driven, coordinated and efficient AML governance system with Chinese characteristics.

Keywords: Anti-Money Laundering; Regulatory Technology; Risk-Based Approach; Financial Security

1 Introduction

Against the backdrop of the deep integration of economic globalization and financial digitalization, money laundering has taken on an increasingly complex character marked by transnationalization, concealment and high technological sophistication. Laundering activities have spread from traditional banking business into emerging channels such as virtual currencies, cross-border payments and live-streaming tipping, and criminals have built cross-regional, multi-layered fund transfer networks through such schemes as virtual currency trading, dark-web platforms and "phone-credit top-up" black-market chains, significantly increasing the difficulty of monitoring and tracing. Such activities not only disrupt the normal functioning of financial order, but are also intertwined with terrorist financing, telecom fraud, corruption and other crimes, posing a direct threat to national economic security and social stability. As the world's second-largest economy, China urgently needs, in an open-economy environment, to strengthen its AML system so as to respond effectively to increasingly severe financial security challenges.

This paper aims to systematically analyze the core risks and regulatory difficulties facing China's AML work, with a particular focus on the pathways and roles of RegTech in enhancing AML effectiveness, and attempts to answer three questions: first, in the context of digitalized transactions, how should the traditional rules-based AML model respond to the continuous evolution of laundering techniques; second, how can RegTech achieve the shift from "post-event

* Corresponding author: KE DENG

response” to “pre-event warning” by optimizing suspicious transaction identification and strengthening cross-departmental information coordination; and third, what shortcomings does the current regulatory system exhibit in laws and regulations, international cooperation and technology application, and how should they be remedied through institutional innovation and technological integration. Methodologically, this paper combines the literature research method, the case analysis method and the comparative analysis method. The remainder of the paper is organized as follows: Section II sets out the core concepts and theoretical foundations of AML; Section III analyzes the current risks and challenges; Section IV examines the application practices of RegTech; Section V assesses the regulatory status quo and trends; and Section VI summarizes the conclusions and puts forward policy recommendations.

2 Core Concepts and Theoretical Foundations of Anti-Money Laundering

2.1 Basic Definitions of Money Laundering and Anti-Money Laundering

Money laundering refers to the act of disguising or concealing, through a series of operations, the source and nature of illegal proceeds and the income therefrom so as to render them formally legitimate; it typically proceeds through three stages: placement, layering and integration. China’s Anti-Money Laundering Law originally confined the predicate offences of money laundering to seven categories of major crimes, including drug-related crimes, crimes committed by organizations of a gangland nature, terrorist activity crimes and smuggling crimes; the newly revised Anti-Money Laundering Law of 2024 further brought the proceeds of “other crimes” within its regulatory scope, achieving full coverage of money laundering activities. Anti-money laundering, in turn, is a systematic endeavor to prevent, monitor and combat money laundering activities through legislative, regulatory and judicial means, whose core objectives are to maintain the sound operation of the financial system and to curb associated crimes. In terms of its development, China’s AML work has evolved from criminal legislation taking the lead (the 1997 Criminal Law first established the crime of money laundering) to the systematization of administrative regulation (the promulgation of the Anti-Money Laundering Law in 2006).

2.2 Evolution of the Core AML Principle: From “Rules-Based” to “Risk-Based”

The principle of AML regulation has undergone a profound transformation from “rules-based” to “risk-based”. In the early stage (2006–2008), regulation emphasized the formulation and enforcement of uniform rules, requiring financial institutions to mechanically follow fixed procedures such as customer identification and the reporting of large-value and suspicious transactions. Although this model facilitated the rapid establishment of an institutional framework, it was prone to inducing “defensive compliance”, whereby financial institutions over-reported low-risk transactions to avoid penalties, which instead diluted the monitoring efficiency directed at genuinely high-risk activities. After 2008, marked by the relevant normative documents of the People’s Bank of China, the risk-based principle was gradually established. Its core tenet is to require obligated institutions to allocate AML resources in a differentiated manner according to the specific risks of their own customers, businesses and regions: applying enhanced due diligence to high-risk customers (such as politically exposed persons and cross-border transaction parties) while simplifying procedures for low-risk groups. Article 4 of the Anti-Money Laundering Law revised in 2024 explicitly establishes “ensuring that AML measures are commensurate with money laundering risks” as a basic principle, thereby propelling AML work from one-size-fits-all compliance checks toward closed-loop management centered on risk judgment—namely, “identification, assessment and response”. The institutional differences between the two stages are shown in Table 1.

Table 1 Phased Evolution and Institutional Comparison of the Core AML Principle

Dimension	Rules-Based Stage (2006–2008)	Risk-Based Stage (2008–Present)
Core Philosophy	Uniform compliance, penalty avoidance	Risk differentiation, precise resource allocation
Allocation of Regulatory Resources	Even coverage of all institutions and transactions	Priority focus on high-risk areas and entities
Suspicious Transaction Identification	Reliance on fixed thresholds and rule-triggered reporting	Dynamically adjusted models combining AI and behavioral analysis
Applicable Environment	Early institution-building stage requiring rapid framework construction	Active financial innovation and increasingly sophisticated laundering methods

2.3 Overview of the AML Regulatory System

China's AML regulatory system adopts an architecture of “unified planning by the competent administrative department with multi-departmental collaboration”. As the State Council's competent administrative department for AML, the People's Bank of China is responsible for organizing and coordinating AML work nationwide, formulating rules and regulations, conducting fund monitoring, and supervising and inspecting obligated institutions' performance of their duties; financial regulatory authorities participate in regulation within their respective remits, while customs, taxation, public security and other departments cooperate in information notification and joint investigations according to their duties. Financial institutions are the core bearers of AML obligations and must establish and improve three institutional pillars: customer due diligence, transaction record keeping, and the reporting of large-value and suspicious transactions. The 2024 revision of the law extended the risk-based philosophy to designated non-financial institutions such as real estate and precious metals trading, marking an expansion of the regulatory perimeter from the financial sector to high-risk non-financial sectors. At the international level, China participates in the formulation of international standards and in mutual evaluations through organizations such as the Financial Action Task Force (FATF), and draws on international instruments such as the United Nations Convention against Corruption to provide a basis for cross-border asset recovery and judicial cooperation.

3 Risks and Challenges Facing China's AML Work

With the deep integration of economic globalization and financial digitalization, the risk landscape confronting China's AML work has become increasingly complex: traditional risks have yet to be eradicated, new risks keep emerging, and the internal weaknesses of the AML system itself also constrain the improvement of governance effectiveness.

3.1 Traditional Money Laundering Risks Persist

As the core hub of fund circulation, the banking sector has always been a key link that money laundering activities attempt to penetrate. Large-value cash transactions, characterized by anonymity and difficulty of tracing, remain a preferred method of launderers. In practice, there exists the phenomenon of splitting transactions into smaller amounts to evade regulation, and criminals often transfer funds in a dispersed, “ants moving house” fashion by controlling multiple personal accounts or shell company accounts. Cross-border remittance business, which involves multiple parties, spans judicial jurisdictions and entails currency conversion, can easily be used to conceal the true source and destination of funds, and some underground banks construct false cross-border payment chains by fabricating trade backgrounds. In addition, the risk of internal collusion—in which individual employees of financial institutions are corrupted and exploit the convenience of their positions to circumvent internal monitoring—cannot be ignored.

3.2 New and Cross-Sectoral Money Laundering Risks Come to the Fore

The rapid development of financial technology, while improving service efficiency, has also provided new spaces of concealment for money laundering activities. As far as emerging financial business forms are concerned, virtual currencies and crypto-assets, owing to their anonymity, peer-to-peer transactions and convenient cross-border flows, have become important tools of new-type laundering: lawbreakers convert illegal funds into stablecoins such as USDT through “score-running” platforms, or exploit mixing operations with privacy coins to sever the tracing path of the fund chain. Major cases cracked in many places in recent years show that the amounts involved in laundering for telecom fraud and underground banks through virtual currencies can reach several billion yuan. Third-party payment, “phone-credit top-up” interfaces and the black and gray industries around live-streaming tipping have likewise been exploited, forming complete industrial chains that rely on accounts that are “real-name but not real-user” and on cross-platform information barriers, exhibiting the characteristics of being difficult to detect, difficult to collect evidence on and difficult to characterize. As far as designated non-financial sectors are concerned, as regulation of financial institutions tightens, risks are spreading to relatively weakly regulated non-financial fields: real estate, given its high value and ease of value preservation, is often used to absorb illegal proceeds through anonymous shareholding, nominee holding of property rights or false appraisal; transactions in precious metals, jewelry and antiques, whose values are highly elastic and whose appraisal standards are vague, can easily become laundering channels; and professional service institutions such as law firms and accounting firms may be exploited to design complex transaction structures and fabricate legal documents, providing a “legitimate cloak” for the flow of illegal funds. The Anti-Money Laundering Law revised in 2024 has explicitly incorporated designated non-financial institutions as obligated entities, which precisely reflects the regulator's high degree of attention to such risks.

3.3 Internal Challenges of the AML System

First, compliance effectiveness is insufficient. The AML work of some financial institutions still shows a tendency toward formalism: in the know-your-customer (KYC) process, the identification of beneficial owners and the look-through

verification of actual controllers are not in place, and the means of identity verification for non-face-to-face transactions are relatively limited; the quality of suspicious transaction reports is uneven, and excessive defensive filing has led to a flood of “garbage data” that instead dilutes the value of effective intelligence; and the refinement of risk grading is inadequate, failing to achieve dynamic adjustment and differentiated measures, resulting in a misallocation of resources. Second, barriers exist in cross-departmental collaboration and information sharing. AML work involves multiple departments—including financial regulation, public security, the judiciary, taxation and customs—but owing to differences in data standards, confidentiality provisions and system compatibility, the phenomenon of “information silos” persists; suspicious transaction reports have yet to be efficiently integrated with criminal investigation information and corporate tax data, and a unified and efficient nationwide information-sharing platform remains to be improved. Third, the regulation of cross-border money laundering faces difficulties. Different jurisdictions differ in their definitions of predicate offences of money laundering, data privacy protection standards and financial regulatory rules, which criminals exploit to conduct “regulatory arbitrage”; the existence of “money laundering havens” and offshore financial centers facilitates asset transfers, and China still faces the practical difficulties of cumbersome procedures and excessive time consumption in obtaining evidence abroad, freezing assets and recovering stolen funds.

In summary, China's AML work is under triple pressure: the stubborn persistence of traditional risks, the accelerated evolution of new risks, and the existence of internal weaknesses within the system. These risks and challenges are intertwined, requiring the AML system to deepen its transformation from “rules-based” to “risk-based” and to rely on RegTech innovation and institutional coordination, so as to build a more precise and efficient full-chain prevention and control system.

4 The Application of RegTech in Anti-Money Laundering and Case Analysis

As money laundering risks become increasingly complex and concealed, the traditional, manually driven AML model faces an effectiveness bottleneck. By integrating frontier technologies such as big data, artificial intelligence and blockchain, RegTech is driving AML work from passive response toward proactive prevention and control^[1].

4.1 Core Technologies of RegTech Empowering AML

Big data analytics and artificial intelligence constitute the cornerstone of intelligent monitoring. Their core value lies in the integration and mining of massive multi-source data such as transaction records, customer behavior and social networks: by constructing dynamic relationship networks through natural language processing and graph computing algorithms, potential related-party transactions and hidden laundering syndicates can be identified, and deep learning can be leveraged to achieve self-evolving prediction of money laundering behavior patterns, helping to reduce false positive rates. The key breakthrough of machine learning and anomaly detection lies in the adaptive optimization of models. Taking federated learning as an example, through a collaborative framework in which “the data stays put while the model moves”, it resolves the problem of data silos on the premise of safeguarding privacy; anomaly detection algorithms (such as isolation forests and autoencoders) can identify transactions that deviate from normal patterns through unsupervised learning, effectively addressing laundering strategies that traditional rules can hardly cover. With its distributed ledger, tamper-proof and traceable characteristics, blockchain technology provides a trust foundation for cross-departmental information collaboration, and its smart contracts can also codify compliance rules, realizing the “embedded” execution of regulatory rules.

4.2 In-Depth Analysis of RegTech Application Scenarios

In the field of intelligent customer identification and due diligence, biometric recognition and remote video authentication technologies have gradually replaced traditional manual verification, and risk-penetrating due diligence uses big data to map corporate equity, actual controllers and transaction networks, dynamically identifying shell companies or complex beneficial ownership structures. In the field of suspicious transaction monitoring, intelligent systems have achieved a paradigm upgrade from “threshold triggering” to “behavioral correlation”, capturing, through historical behavioral baseline analysis, abnormal operations that suddenly deviate from the norm, such as long-dormant accounts abruptly initiating high-frequency transfers. In the field of dynamic money laundering risk assessment, financial institutions have introduced operations research algorithms to quantify the money laundering risk exposure of different business lines, thereby dynamically adjusting review resources and avoiding one-size-fits-all resource waste.

4.3 Analysis of Typical Cases and the Evolution of Technology Application

4.3.1 Systematic Practices of Regulators

The PBOC Shenzhen Central Sub-branch has built a benchmark paradigm of regionally integrated innovation. Its “Smart AML Laboratory” takes key illegal areas such as illegal fundraising and underground banks as its monitoring targets, has distilled 26 customer-behavior and transaction characteristics of illegal fundraising, and, combined with money laundering behavior types commonly used in the industry—such as decentralized transfers-in followed by centralized transfers-out, rapid in-and-out movements and high-frequency transactions at abnormal times—has built a dynamically updated risk monitoring indicator library. The subordinate “Falcon” innovation laboratory was jointly established by the PBOC Shenzhen Central Sub-branch, the Shenzhen Tax Service and Tencent, achieving efficient interdepartmental data sharing through big data, artificial intelligence and other technologies, and helping to precisely crack down on tax-related crimes and their associated money laundering. The “AML big-data inspection system”, launched in 2019, breaks through the limitations of traditional sampling inspection, enables “one-click” look-through detection of the full-volume transaction data of financial institutions within its jurisdiction, promotes the shift of regulation from compliance checks to risk-oriented effectiveness evaluation, and significantly improves the timeliness of regulatory response^[4].

4.3.2 Differentiated Explorations by Financial Institutions

Based on the characteristics of their own business scenarios, various types of financial institutions have formed distinctive technology-enabled pathways. WeBank has deeply applied federated learning to the construction of AML models, achieving data that is “usable but invisible” among cooperating institutions through strong encryption algorithms; its open-source federated learning platform FATE has been adopted by hundreds of enterprises and universities, effectively enhancing the ability to identify hidden money laundering networks in AML scenarios^[5]. Third-party payment institutions such as Tencent Tenpay have built real-time monitoring and coordinated prevention and control systems by participating in the industry’s AML joint defense mechanism and integrating internal and external data, so as to address risks such as cross-border gambling and telecom-fraud-related money laundering^[6]; meanwhile, constructing fund-flow maps based on knowledge graphs and conducting visualized look-through tracing of multi-layer nested transaction accounts have become an important direction for the industry to overcome the traditional risk control limitation of “seeing the trees but not the forest”. In the field of foreign trade finance, TradePilot, a large model independently developed by XTransfer, intelligently parses unstructured data such as trade contracts and logistics documents through multimodal information extraction, embedding AML risk control into the entire trade settlement process^[7]; third-party risk control service providers such as Tongdun Technology provide full-chain standardized solutions for numerous financial institutions by integrating knowledge graphs, decision engines and privacy-preserving computing^[8]. The above practices highlight the deep adaptability of RegTech to business scenarios.

4.3.3 Challenges in Technology Application and Evolution Trends

The large-scale application of RegTech still faces three challenges: first, data quality barriers, as some institutions have insufficient data standardization and heterogeneous data is difficult to integrate; second, insufficient algorithmic explainability, as there is tension between the “black box” nature of deep learning models and regulators’ requirements for decision traceability; and third, the high cost of cross-institutional collaboration, as differences in data governance standards and interest claims make risk information sharing mechanisms difficult to implement effectively. In light of the new law’s risk-based regulatory requirements, RegTech will present three major evolutionary directions in the future. First, the integration and upgrading of regulatory paradigms, evolving from traditional institutional regulation toward functional regulation, conduct regulation and embedded supervision (Regulation by Design), such as enabling programmable tracking of fund usage in central bank digital currency through preset smart contracts. Second, the balance between data protection and data sharing. Zetzsche et al. (2019) point out that data protection reforms represented by the General Data Protection Regulation (GDPR), together with regimes such as open banking and digital identity, have objectively promoted the adoption of RegTech by financial institutions and regulators; against the backdrop of tightening global data privacy regulations, how to strike a balance among systemic risk prevention and control, data security and privacy protection, and monitoring efficiency, and how to achieve “data usable but invisible” through technologies such as privacy-preserving computing, has become a key pathway for data-driven AML governance^[2]. Third, risk early warning is being moved earlier and made more intelligent: by means of dynamic risk profiling, network-relationship analysis and real-time computing, a shift is achieved from “post-event tracing” to “in-process intervention and pre-event warning”.

Overall, RegTech has reconstructed the monitoring, analysis and decision-making processes of AML work, driving a deep transformation of financial risk governance from passive response to proactive prevention and control, and from experience-driven to data-driven. However, technological innovation is not an isolated solution; only by forming

synergistic forces with institutional innovation and talent cultivation can we continuously respond to the iterative upgrading of money laundering methods.

5 Current Status and Trends of AML Regulation in China

The newly revised Anti-Money Laundering Law of the People's Republic of China (hereinafter referred to as the “new law”), revised in 2024, officially came into effect on January 1, 2025, marking that the strategic transformation of China's AML regulation from “rules-based” to “risk-based” has entered a new stage of legalization.

5.1 Improvement of the Legal and Regulatory System

As the first comprehensive revision in eighteen years, the new law formally establishes the risk-based principle as the basic norm of AML work, explicitly stipulating that “AML work shall be conducted in accordance with the law, ensuring that AML measures are commensurate with money laundering risks”^[3]. In terms of regulatory scope, the new law achieves expansion in two respects: on the one hand, it extends the predicate offences of money laundering from the original seven categories of major crimes to the proceeds of “other crimes”, fully covering the laundering of proceeds of all types of crime; on the other hand, for the first time, it brings specific non-financial institutions—such as real estate development enterprises, law firms and precious metal dealers—within the scope of obligated entities, closing regulatory loopholes. At the same time, the new law attaches importance to the balance of rights and interests, stipulating that due diligence procedures may be simplified for low-risk customers and that risk management measures shall not impede customers' access to basic financial services, and adding dedicated provisions on data security and personal information protection, which reflects the overall coordination between AML work and the protection of citizens' rights and interests. The main innovations of the new law are shown in Table 2.

Table 2 Main Innovations of the Newly Revised Anti-Money Laundering Law

Regulatory Dimension	Pre-Revision Provisions	Innovations under the New Law	Regulatory Significance
Basic Principle	Risk-based approach not specified	Establishes the “risk-commensurate” principle	Enables precise resource allocation
Scope of Predicate Offences	Limited to seven categories of major crimes	Extended to proceeds of “other crimes”	Full coverage of the laundering of criminal proceeds
Obligated Entities	Primarily financial institutions	Designated non-financial institutions included	Closes loopholes in non-financial sectors
Penalty Mechanism	Relatively uniform penalty standards	Differentiated by industry and scale	Enhances regulatory precision

5.2 Regulatory Enforcement and Effectiveness Improvement

Since 2025, AML regulatory enforcement has shown three major trends: the normalization of penalties, the precision of investigations and the personalization of liability. According to incomplete statistics compiled by media agencies, AML-related penalty tickets in 2025 totaled approximately 1,349 for the whole year, a substantial year-on-year increase^[9], and the amounts fined and confiscated from financial institutions for AML violations have also risen significantly, indicating that regulation has shifted from campaign-style enforcement to a normalized high-pressure posture. The focus of penalties remains concentrated on links such as customer identification and suspicious transaction reporting, and is gradually deepening into operational details such as “customer identification for occasional transactions”. The application of RegTech has promoted the transformation of the enforcement model from compliance checks to effectiveness evaluation, and the PBOC Operations Office has realized the automation of risk monitoring and early warning through its “AML off-site supervision system”. The deepening of the “dual-penalty system” is another notable feature: while penalizing institutions, regulators also pursue liability against the directly responsible senior managers and relevant accountable persons, with accountability extending from senior management to the operational level, gradually forming an accountability system of “responsibility for all”.

5.3 Deepening of International Cooperation

As a full member of the FATF, China has not only completed multiple rounds of mutual evaluations but also actively participates in the formulation of international standards. The new law dedicates a specific chapter to “international

AML cooperation”, clarifying that overseas financial institutions may be required to cooperate with China's money laundering investigations, thereby providing a legal basis for cross-border regulation. At the level of regional cooperation, China actively leverages platforms such as the Belt and Road Initiative to promote the establishment of AML cooperation mechanisms with countries along the routes. At the same time, the new law explicitly stipulates that direct instructions from foreign authorities to domestic financial institutions shall not be executed without authorization, reflecting China's position of firmly upholding the bottom line of national financial security while actively participating in international cooperation.

5.4 Outlook on Future Development Trends

First, the regulatory paradigm is shifting from formal compliance to risk governance: regulation will pay greater attention to evaluating obligated institutions' risk identification capabilities and the effectiveness of their control systems, realizing “substance over form”. Second, technological empowerment is upgrading from an auxiliary tool to a core driver: privacy-enhancing technologies such as federated learning and zero-knowledge proofs are expected to promote information sharing on the premise of safeguarding data security, and the application of RegTech will also extend from transaction monitoring to the entire chain of risk early warning and decision support. Third, the regulatory perimeter is expanding from financial institutions to designated non-financial sectors: industries such as real estate, precious metals trading and legal services need to establish compliance systems adapted to their business characteristics, and emerging business forms such as virtual asset service providers may be further covered in the future. Taken as a whole, China's AML regulatory system is undergoing profound change and will ultimately form a new governance landscape of tripartite coordination among government, the market and technology.

6 Conclusions and Policy Recommendations

6.1 Main Conclusions

The main conclusions of this paper are threefold. First, China's current money laundering risk environment presents a complex situation in which traditional risks and new challenges are intertwined: traditional channels such as large-value cash transactions and cross-border remittances remain active, emerging business forms such as virtual currencies and third-party payment as well as designated non-financial sectors such as real estate and precious metals trading are gradually becoming new laundering channels, and the integration of money laundering activities with crimes such as telecom fraud and cross-border gambling further increases the difficulty of risk identification. Second, through data-driven approaches and process reengineering, RegTech is profoundly changing the operating model of AML, driving its transformation from “post-event response” to “pre-event warning and in-process intervention”. Practices such as Shenzhen's “four-department information and intelligence exchange platform”^[10] and WeBank's federated learning demonstrate that RegTech has become a core driver for enhancing AML effectiveness. Third, China's AML system has undergone a profound legalized transformation: the new law has codified the risk-based principle and expanded the scope of predicate offences and obligated entities; regulatory enforcement exhibits the characteristics of normalized penalties and accountability extending to the grassroots level; and international cooperation has shifted from passive alignment to active participation in rule-making.

6.2 Policy Recommendations

For regulators, they should further refine industry-specific money laundering risk assessment standards and differentiated regulatory measures, draw on the experience of Shenzhen's “Smart AML Laboratory”, promote the application of blockchain technology in cross-departmental data sharing, and improve the detailed rules on data security and personal information protection under the framework of the new law; at the same time, institutions that actively apply RegTech and achieve practical results may be given positive incentives in regulatory ratings, inspection frequency and other aspects, guiding the industry from “defensive compliance” toward “effective risk control”. For financial institutions, they should incorporate money laundering risk into their comprehensive risk management systems in an all-round manner, increase investment in intelligent monitoring systems, optimize suspicious transaction models to reduce inefficient “defensive filing”, and focus on cultivating compound talent who are both proficient in AML business and versed in data science and technology, so as to break the dilemma of “understanding the business but not the technology”. In terms of international cooperation, China should make its voice heard proactively on platforms such as the FATF, promote international standards that take greater account of the realities of developing countries, work with Belt and Road partner countries to propose adaptive solutions on issues such as virtual asset regulation and beneficial ownership transparency, and rely on the international cooperation powers granted by the new law to explore compliant paths for cross-border data flows.

6.3 Research Limitations and Prospects

This paper still has room for further expansion: first, the cost-benefit ratio of RegTech applications could be analyzed quantitatively, constructing an input-output model for financial institutions' deployment of intelligent risk control systems; second, with the rise of new business forms such as the metaverse and decentralized finance (DeFi), money laundering patterns may evolve further, and their risk characteristics and regulatory strategies call for forward-looking research; and third, topics such as the effectiveness of designated non-financial institutions' performance of AML duties and the balancing mechanism between cross-border data flows and privacy protection also require continuous case tracking and empirical research.

Compliance with ethical standards

Acknowledgments

The author is grateful to the editors and the anonymous reviewers for their constructive comments and suggestions on this manuscript.

Disclosure of conflict of interest

The author declares that there is no conflict of interest.

References

- [1] Zhou Yahong and Zhu Xiandong, 2025, "How Does the Development of Data Elements Reshape Money Laundering Risks?", *Insurance Studies*, No. 7, pp. 90–105. (in Chinese)
- [2] Zetzsche, D. A., D. W. Arner, R. P. Buckley, and R. H. Weber, 2019, "The Future of Data-Driven Finance and RegTech: Lessons from EU Big Bang II," *EBI Working Paper Series*, No. 35, SSRN Working Paper No. 3359399.
- [3] Cai Ningwei and Zhang Jiaping, 2025, "The Course and Evolution of China's Anti-Money Laundering Law: Reflections Based on Successive Revision Drafts and the Regulatory System", *Credit Reference*, No. 8, pp. 59–68. (in Chinese)
- [4] Shenzhen's "Smart AML Laboratory" (established in 2018), the "26 customer-behavior and transaction characteristics of illegal fundraising", the "Falcon" innovation laboratory (established in 2019 jointly by the PBOC Shenzhen Central Sub-branch, the Shenzhen Tax Service and Tencent), and the "AML big-data inspection system" (2019). Sources: Financial News reports (2019); public materials of the Shenzhen Branch of the State Administration of Foreign Exchange (safe.gov.cn).
- [5] The application of WeBank's open-source federated learning platform FATE and its adoption by enterprises and universities. Sources: related reports in Financial News and WeBank's public materials.
- [6] Tencent Tenpay's "multi-dimensional monitoring + ecosystem-wide joint defense" AML practice. Source: China Securities Journal's coverage of the 2019 Shenzhen AML symposium.
- [7] TradePilot, the foreign-trade finance large model independently developed by XTransfer. Sources: XTransfer's official releases (xtransfer.com); China Daily reports.
- [8] Tongdun Technology's standardized AML solutions. Source: related reports in China Daily.
- [9] The figure of "approximately 1,349 AML-related penalty tickets in 2025" is an incomplete statistic compiled by a media agency (Qiye Yujingtong) rather than an official PBOC statistic. Source: 21st Century Business Herald, January 7, 2026.
- [10] Shenzhen's "four-department information and intelligence exchange platform" (jointly developed in 2019 by the PBOC Shenzhen Central Sub-branch, the Shenzhen Tax Service, the Shenzhen Public Security Bureau and Shenzhen Customs using blockchain technology). Source: public materials of the Shenzhen Branch of the State Administration of Foreign Exchange (safe.gov.cn).