



**The Practicability of the Bank Secrecy Act in Combating Illegal Financial Flow:
A Sequential Explanatory and Non-Experimental Correlational Study**

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Abstract

The Bank Secrecy Act, passed by Congress and signed by President Nixon on October 26, 1970, was intended to help banks detect and prevent money laundering and other financial crimes. While the Act had good intentions, it has faced challenges, particularly due to high compliance costs, raising doubts about its effectiveness. This study examines how compliance with the Act relates to illegal financial flow activities and the factors that have led to noncompliance. The main problem is that the Bank Secrecy Act has struggled to curb illegal financial flows due to these compliance challenges. This study focused on 72 commercial banks in New Jersey and included participants such as Bank Secrecy Act officers, auditors, IT officers, management staff, and CEOs. The study employed a mixed-methods design using random and purposive sampling. Data was collected via an online questionnaire in Qualtrics, and selected government reports and archives were reviewed to support the findings. The analysis employed Spearman's correlation and content analysis of archived records. The results showed a moderate association between compliance with the Bank Secrecy Act and the occurrence of illegal financial flows. However, the Act has not been very effective, mainly due to noncompliance. Noncompliance has been due to various reasons, including the costs of complying with the rules and the specific goals organizations pursue. All parties and stakeholders, especially enforcement agencies, need to work together to encourage compliance with the Act rather than relying solely on fines and penalties. If these noncompliance issues are not tackled, they could harm the integrity of financial systems. It is recommended to examine broader motivational factors to improve compliance rather than relying solely on punitive measures. A nationwide survey could also help capture a wider variety of responses and identify overall trends related to this problem.

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Chapter 1: Introduction

The Bank Secrecy Act (BSA), as detailed by the Financial Crimes Enforcement Network (*BSA Timeline | FinCEN.Gov*, n.d.), originated as a single piece of legislation and has since evolved into a series of laws aimed at detecting and preventing money laundering, terrorist financing, and tax evasion. Initially, it identified the inadequacy of financial records and the use of foreign accounts subject to secrecy laws, as noted by the Federal Deposit Insurance Corporation (*Bank Secrecy Act, Anti-Money Laundering, FDIC,* n.d.). The BSA authorizes the Treasury Department to enforce regulations requiring financial institutions to establish compliance programs and to report suspicious activities, thereby aiding law enforcement in identifying and preventing financial crimes.

The BSA requires financial institutions to develop and implement compliance programs that focus on transaction monitoring, customer identification, significant cash transactions, and suspicious activities. These programs must incorporate internal structures that ensure ongoing compliance, independent testing of compliance, compliance training, and a designated individual to manage compliance efforts. In addition to creating and executing compliance programs, financial institutions are obliged to report certain transactions to flag significant cash flows that may indicate money laundering or tax evasion. Banks must file a Currency Transaction Report (CTR) for cash transactions over \$10,000. This report, known as FinCEN Form 104, must be submitted electronically to the Financial Crimes Enforcement Network (FinCEN) within 15 days. Failure to comply may result in penalties of up to \$100,000 for banks.

Financial institutions must file a Suspicious Activity Report (SAR) within 30 days of detecting a suspicious transaction. This is required when cumulative transactions total \$5,000 or more and indicate potential illegal activity. If a suspect is not identified immediately, the

institution can extend the filing deadline by an additional 30 days, but the SAR must be submitted within 60 days of the initial detection.

The BSA requires businesses, including financial institutions, to file Form 8300 with the IRS for cash payments of over \$10,000 received in a trade or business. Various entities must submit this form within 15 days of the transaction. A weak compliance program may require an entity to conduct a "look back" review for potential unsubmitted SARs.

The text discusses the importance of compliance programs for monitoring and reporting significant cash transactions to prevent unlawful activities such as tax evasion. The IRS, governed by the Internal Revenue Code, can access financial data for inspections. The Bank Secrecy Act (BSA) enhances the IRS's ability to detect tax evasion by requiring financial institutions to file Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs). Additionally, the BSA mandates that institutions collect and maintain beneficial ownership information for legal entities, identifying individuals who own 25% or more and those with significant managerial control, aiming to increase transparency and reduce the appeal of illicit activities. The FinCEN Customer Due Diligence Final Rule requires banks to establish written procedures to identify and verify the beneficial owners of their legal entity customers. This rule aims to enhance the effectiveness of the Bank Secrecy Act's (BSA) anti-money laundering compliance program. Compliance with BSA requirements can be demanding, and failure to comply may lead to penalties and fines. Entities regulated under the BSA should implement strong compliance programs and ensure timely reporting of all required information.

The purpose of this quantitative correlational study is to identify the relationship between compliance with the Bank Secrecy Act (BSA) of 1970 and the occurrence of illegal financial flows, especially money laundering. Research has been conducted on related topics, particularly

why subjects may not comply with established regulatory requirements. Why business entities, especially banks, do not fully comply with the BSA has remained unanswered until this study.

Compliance with the Bank Secrecy Act of 1970 has proven ineffective in halting illegal financial flows (Young & Woodiwiss, 2021). Since its enactment in 1970, the Act has undergone numerous amendments to reflect economic, social, political, and technological changes, ensuring its continued efficacy. Financial institutions are required to adhere to the Act (Lewis, 2022). Nevertheless, numerous studies and reports continue to indicate an increase in illegal financial flows (Michel & Schulp, 2022).

Sater (2020) reported that financial institutions and other industry players are required by law to report suspicious activity and currency transactions to the Bank Secrecy Act database. To date, the database houses nearly 300 million records. Authorities monitor and seize cash from individuals with foreign bank accounts exceeding \$10,000.00 upon entry or exit from the United States. The US also shares financial intelligence information with over 164 countries worldwide through various databases. However, laundered money accounted for between 3.5% and 5.7% of the world's gross domestic product in 2015 (Lewis, 2022). Suspicious activity reports rose steadily from about 1.7 million in 2014 to about 3.1 million in 2021 (Michel & Schulp, 2022). Governments have faced criticism for the impact of the Bank Secrecy Act on financial privacy and freedom (Michel & Schul, 2022). However, regulatory bodies such as FinCEN monitor illicit financial activities to ensure compliance. Banks have been fined for violating the Act and maintaining ineffective anti-money laundering programs. Regulators and prosecutors have taken action to punish companies for infractions and encourage self-regulation (Eckstein, 2020; Garrett & Mitchell, 2020). While businesses serve the public good, they are also responsible for following social and public regulations (Yockey, 2014). Unchecked prioritization of shareholder

wealth can lead to negative social and environmental consequences. Illicit financial flow can lead to corruption, money laundering, human trafficking, and terrorism financing. Monitoring and control are crucial to minimize impact—non-compliance results in financial losses and reputational damage.

Advances in technology and greater access to information have led to a surge in financial misconduct worldwide. As a result, organizations must establish efficient monitoring systems to ensure effective management. Although many studies and reports have indicated an increase in illegal financial behavior, relying solely on compliance with the Bank Secrecy Act (BSA) may not be sufficient to stop these activities. According to Young and Woodiwiss (2020), the current global anti-money laundering framework prioritizes national trade interests over the fight against financial crime.

Furthermore, crime-control laws tend to disproportionately favor the banking and finance sectors in the US and the UK. The primary objective of this dissertation project is to conduct a comprehensive investigation and analysis to determine whether there is any correlation between adherence to the Act and the occurrence of illicit financial flows. The project also aims to identify any potential obstacles to compliance, should such a correlation exist. Through this research, it is hoped that a deeper understanding of the relationship between adherence to the Act and the incidence of illicit financial flows will be gained, and any factors that may hinder compliance will be identified.

Statement of the Problem

The Bank Secrecy Act (BSA), enacted in 1970, requires U.S. banks to adhere to specific record-keeping and reporting standards. The Money Laundering Control Act (MLCA) of 1986 criminalized money laundering, while FinCEN, established in 1990, supports law enforcement by analyzing BSA-required information. The USA PATRIOT Act (2001) increased reporting requirements and mandated anti-money laundering (AML) compliance programs. The Anti-Money Laundering and Countering Financing of Terrorism Act 2020 (AMLA), enacted in 2021, strengthened BSA requirements to address risks from shell companies and cryptocurrencies, while the Corporate Transparency Act (CTA) requires certain corporations to disclose beneficial ownership information to FinCEN.

The problem addressed in this study was that the BSA remains ineffective against illegal financial flows due to compliance issues (Young & Woodiwiss, 2021; Zavoli & King, 2021). Despite rising penalties and litigation over noncompliance (Eckstein, 2020; Michel & Schulp, 2022; Ruggieri et al., 2023; Sater, 2020), many financial institutions still violate BSA requirements. While they claim compliance (Garrett & Mitchell, 2020), a hidden resistance persists (Rintamäki & Alvesson, 2023), and banks sometimes choose to pay fines rather than comply (Rajbhandari, 2022). Michel and Schulp (2022) point out that banks are reluctant to comply with the Bank Secrecy Act due to high costs and potential customer loss. Although the federal government stresses compliance, it offers no financial incentives for banks. Noncompliance can result in illegal financial flows that support drug trafficking, terrorism, and global crimes, undermining the rule of law and political stability (Zavoli & King, 2021; Aziani, 2023). Literature lacks insights into the causes of noncompliance and illegal financial flows (Gerbrands et al., 2022; Teichmann, 2020). Perpetrators exploit advanced technology to evade

detection (Khan et al., 2021). Effective deterrence through the BSA requires stakeholders to collaborate and reassess strategies (Michel & Schulp, 2022).

Purpose of the Study

The purpose of this mixed-method, sequential explanatory and non-experimental correlational research design with five archival records and targeted sample size of 46 participants using a simple random and purposive sampling methods, distributed through online survey with closed questions rated on a 5-point Likert scale and archival record retrieved from government websites, analyzed using the SPSS, Spearman correlation and content analysis was to examine the potential relationship between compliance with the Bank Secrecy Act and the incidence of illegal financial flows in selected commercial banks. The study will be conducted in New Jersey.

Commercial banks play a crucial role in implementing Federal Reserve monetary policies. These banks act as a link between the government and the public, serving as the main conduit for fund transfers. Statista (2025) reported that these banks hold a significant share of the financial industry. However, larger financial centers are more prone to the flow of illicit funds (Zavoli & King, 2021). The survey targets bank insiders with experience dealing with illicit financial flows, including auditors, compliance and IT officers, operations managers, and branch administrators who have at least 5 years of full-time experience at their respective banks.

The study was voluntary, with no compensation for participation. Data will be collected via a questionnaire, reviewed, and approved by the IRB. Risks and benefits will be communicated to respondents. A purposive sampling method (Campbell et al., 2020) shall be utilized for the archival records, while a simple random sample strategy (Zikmund et al., 2013) shall be used to recruit the desired study's respondents (target bank insiders with experience

dealing with illegal financial flows, including auditors, compliance and IT officers, operations managers, and branch administrators). A G*Power calculator was used to determine the sample size required based on alpha, power, and effect size. The study employed a moderate effect size of 0.40, with the bivariate normal model yielding an exact correlation and a priori power analysis. The two-tailed test had an alpha error probability of 0.05 and a power (1-B) of 0.80, resulting in a sample size of 46 (Memon et al., 2020). Data analysis began with collecting raw data, editing, coding, and filing, followed by analysis and presentation, and included error checks to ensure flawless data at each stage (Zikmund et al., 2013). Data were analyzed using content analysis and Spearman's coefficient regression analysis with the SPSS software (Al-Dheleai & Tasir, 2017). The study's findings can revive discussions on the effectiveness of the Bank Secrecy Act and encourage the search for more effective alternatives.

Introduction to Framework

The compliance systems theory is a recent suitable theory developed by David Orozco in 2019 (Orozco, 2020). It studied the institutions that create and enforce laws, their relationship with compliance practices, and the subjects of such laws. Enforcement research has identified two enforcement styles: catalytic and coercive. The catalytic style emphasizes technical and financial assistance, education, and incentives to encourage compliance. The coercive style relies on sanctions to enforce compliance, with individuals motivated by the fear of punishment. Both styles have merits, but experts caution against overreliance on either approach to avoid unintended consequences (Weske et al., 2018).

Various empirical studies have further demonstrated that punishment does not adequately explain non-compliance behavior (Étienne, 2010). Therefore, the compliance system theory was deemed appropriate for exploring the factors influencing actors' compliance intentions. This theory offers a robust explanation and prediction of compliance-related outcomes by conceptualizing the various actors, institutions, and relationships that influence compliance practices. This theory explains the complexities of compliance and outlines a framework that examines both legal and non-legal factors influencing it. It also introduces a theory of compliance that connects concepts, actors, and relationships within the compliance system (Orozco, 2019).

Drawing on the theory, the researcher studied the behavior and practices of each conceptualized unit within the compliance system — regulators, firms, executives, and inter-organizational structures — and analyzed their actions in relation to economic and non-economic institutional forces. The analysis is motivated by the fact that both economic and non-economic institutional forces affect each unit, helping explain compliance-related behavior across all levels

of the system. Since it is a recent theory, the compliance system theory framework has not been widely used. However, the theory reveals that compliance practices involve norms, internal company regulations and policies, government mechanisms, resources, and personnel that a firm uses to adhere to what it interprets as the appropriate response to existing laws and regulations. Moreover, compliance means different things to different people within a company, depending on factors such as industry and the level of responsibility of the actors within the firm. While some perceive compliance as relevant only to board-level issues, others view it as applicable to senior managers, mid-level managers, and employees. Owusu et al. (2024) argue that the compliance system theory can explain how institutions influence compliance levels. Different levels of adherence are possible, including non-compliance, partial compliance, and full compliance. In this study, full compliance (+) means complete adherence to laws or norms. Partial compliance (\pm) implies partial adherence and reduced enforcement. Non-compliance (–) means a negative, complete failure to adhere to institutional tenets.

The systems theory of compliance is an integrated approach that draws on insights from behavioral ethics, administrative law, corporate governance, transaction cost economics, and regulatory arbitrage. The theory aims to describe the various units that operate within a compliance system and their interactions. Although primarily descriptive, this theory can go a long way in clarifying and illuminating important issues and serving as the foundation for normative analysis. It provides a comprehensive and accurate portrayal of compliance practices in action. The theory analyzes three primary variables for each unit: a) the practices that promote or hinder compliance, b) the economic determinants that influence this behavior, and c) the institutional determinants that include non-economic normative social forces.

Introduction to Research Methodology and Design

The study will use a mixed-method, sequential explanatory (Coulson-Johnston et al., 2021);(Ivankova et al., 2006a); (Molly C. Bowen, 2025) approach to collect structured numerical data and archival records. Its main goal is to determine whether compliance with the Bank Secrecy Act (BSA) is associated with illicit financial flows, enabling predictions and generalizations to a larger population. The sequential explanatory methodology and design were identified as the most suitable choice for this study due to their capacity to integrate both quantitative and qualitative data collection and analysis. Using narrative data to elucidate numerical findings enabled a more nuanced exploration of the quantitative results, particularly in instances where quantitative data collection posed challenges.

This approach empowered the researcher to leverage qualitative insights to clarify and interpret quantitative outcomes with greater depth, thereby fostering a more comprehensive understanding of complex phenomena. It effectively addresses the limitations inherent in single-method research by merging statistical trends with contextual insights, thus enhancing explanatory power. Furthermore, this methodology facilitated a deeper understanding of unexpected or contradictory quantitative findings, making it particularly valuable for a study that required both quantitative and qualitative perspectives.

This study aims to predict and explain the relationship between two variables: compliance with the Bank Secrecy Act (independent variable) and illegal financial flow (dependent variable). Using Spearman's correlation, the researcher will assess how these quantitative variables relate to one another without manipulating them (Farrelly, 2012; S. Lewis-Beck et al., 2004). Data will be collected through online surveys with closed questions rated on a 5-point Likert scale.

The blending of the non-experimental correlational design with the sequential explanatory design yielded meaningful data that provided insights to enhance the effectiveness of the Bank Secrecy Act, despite the impracticality of conducting a traditional scientific study, as suggested by Zikmund et al. (2013). A hypothesis for further research can be formulated through an observational study (Lam et al., 2011). Sherblom and Sullivan (1993) note that a well-designed survey effectively gathers opinions and perceptions, allowing for precise comparisons among respondents. Timing is crucial for distributing online surveys and increasing response rates (Faught et al., 2004; Menon & Muraleedharan, 2020). This study will employ a survey methodology to establish relationships among variables and utilize archival records (James Lowry, 2023).

Research Questions

According to Toledo et al. (2011), a research hypothesis is the foundation for a research project. In this regard, null and alternative hypotheses are employed to clarify the details of the statistical evaluation within the broader context of the project (Toledo et al., 2011). In addition, Willis (2023) states that a research question should be feasible, interesting, novel, ethical, and relevant. Therefore, the proposed research questions, using a correlational design, focus on the relationship between Bank Secrecy Act compliance and the occurrence of illegal financial flows among commercial banks in New Jersey.

RQ1

Is there a statistically significant relationship between the occurrence of illegal financial flow activities and adherence to the Bank Secrecy Act?

RQ2

RQ2: What factors contribute to the occurrence of illegal financial flow activities within commercial banks?

Hypotheses

H1₀

There is no statistically significant correlation between the occurrence of illegal financial flow activities and adherence to the Bank Secrecy Act.

H1_a

There is a statistically significant positive correlation between the occurrence of illegal financial flow activities and adherence to the Bank Secrecy Act.

H2₀

No significant correlation exists between a bank's compliance with the Bank Secrecy Act and its ability to deter and detect financial misuse for illegal purposes.

H2_a

A significant correlation exists between a bank's compliance with the Bank Secrecy Act and its ability to deter and detect financial misuse for illegal purposes.

Significance of the Study

This research study analyzes the impact of compliance with the Bank Secrecy Act (BSA) on the control of Illicit Financial Flows (IFF). The rise of technology has transformed illegal financial operations, creating new channels for transferring unlawful funds. This has distorted market competition, increased asset prices, reduced government revenues, and fueled corruption, terrorism financing, and child trafficking.

The study aims to help regulators, researchers, and financial institutions develop effective strategies to prevent IFF and support law enforcement in combating financial crime. The findings will assist future researchers in exploring the BSA's potential to curb IFF and enhance safeguarding against money laundering and other illegal activities. This study on compliance with BSA regulations provides key benefits for financial institutions, including reduced financial crime risk, greater transparency, and improved operations. Its findings will also help protect institutions' reputations by demonstrating their commitment to preventing financial crime and adhering to the industry's best practices.

The study is significant as it offers insights into the BSA's effectiveness in controlling Illicit Financial Flows (IFF). Employing mixed-method research methods will inform the development of policies and strategies to enhance the BSA's ability to combat IFF. The findings will benefit policymakers, financial institutions, and stakeholders by helping them develop effective measures to promote economic stability, while also enabling financial institutions to meet their legal responsibilities and prevent misuse for money laundering and terrorist financing.

Definitions of Key Terms

Bank Secrecy Act

The Bank Secrecy Act (BSA), also known as the Currency and Foreign Transactions Reporting Act, was established in 1970 to prevent individuals and organizations from concealing or laundering the proceeds of illegal and fraudulent activities. Under this act, all financial institutions operating in the United States are required to cooperate with government efforts to identify and prevent financial crimes. The BSA is the primary legislation that ensures financial transparency, a crucial component of the U.S. economy.

Commercial Bank

According to Rajan (1998), the United States Banking Act of 1971 defines a commercial bank as an institution that accepts deposits, grants loans, and provides financial services to its customers. These financial institutions function as depositories for monetary instruments, provide loans and advances, offer agency services, discount bills of exchange, and create credits. Commercial banks also play a crucial role as administrators of government social fiscal policies and promoters of broader government objectives. These banks include J.P. Morgan Chase Bank, Bank of America, Wells Fargo, Citibank, U.S. Bank, PNC Bank, Capital One Bank, and Goldman Sachs Bank U.S.A.

Compliance

Kuiper et al. (2022) suggest compliance occurs when an individual changes behavior in response to another person's explicit or implicit request. Compliance is a form of social influence in which people intentionally change their behavior or actions in response to a request. The primary focus of compliance is on overt behavior rather than internal beliefs and feelings,

although internal changes may sometimes occur. Conversely, conformity involves adjusting one's behaviors, attitudes, emotions, and beliefs to fit a group norm.

Illegal Financial Flow

Illicit Financial Flow is the hidden, cross-border flow in which the illegal origin of capital or the illegal nature of transactions is deliberately obscured (Netshisaulu et al., 2022). Illegal Financial Flows (IFFs) encompass illegal financial transactions, including bribery, fraud, tax evasion, smuggling, trafficking, money laundering, and financing of organized crime. IFFs conceal illegal activities and evade taxes. Examples of IFFs include trade-based money laundering, trade misinvoicing, anonymous shell company transactions, and cross-border cash transfers.

Summary

The objective of this study is to conduct quantitative correlational research to understand the underlying reasons for banks' noncompliance with the Bank Secrecy Act (BSA). The BSA is crucial legislation to prevent illicit financial flows, such as money laundering and terrorist financing, and banks' non-compliance can have significant consequences. Despite prior research in other disciplines and industries on noncompliance, a knowledge gap persists regarding whether compliance even influences the occurrence of IFF and why banks do not fully comply with the BSA.

This study will provide insights into the factors driving banks' non-compliance, helping policymakers and regulators make informed decisions to enhance compliance and strengthen the integrity of the financial system. Furthermore, the findings of this research will benefit several stakeholders, including the government, professional service providers, advisory groups, FinCEN, and the Office of the Comptroller of the Currency.

The study will use mixed-method data and analysis to examine relationships among factors that may influence banks' noncompliance with the BSA. These factors include, but are not limited to, organizational culture, leadership, training, and regulatory oversight. Subsequently, this study aims to gain a deeper understanding of the reasons for banks' noncompliance with the BSA and, afterwards, offer insights into how compliance can be improved.

Chapter 2: Literature Review

There is abundant literature on compliance and business, especially when a researcher aims to connect compliance with its benefits. However, finding literature specifically focused on compliance in the banking sector—particularly regarding Bank Secrecy Act (BSA) compliance related to Illegal Financial Flow (IFF) activities—remains more challenging. This literature review assesses existing compliance information, examining its depth and scope. Furthermore, it aims to discuss the concept of compliance as an indicator of obedience, along with compliance theories such as deterrence and acculturation.

The review also examines the historical context of compliance in the United States, including the Sarbanes-Oxley Act (SOX) of 2002, as well as various reasons for non-compliance. Furthermore, the discussion will cover the compliance function and its forms, including Hortatory Standards. Incentive-Based Standards will also be explored, alongside the Department of Justice's Antitrust Corporate Leniency Policy. Lastly, the Fraud Triangle and compliance shall be explored.

To address the scarcity of information regarding the relationship between compliance and Illegal Financial Flow activities, this literature review will not be limited to studies that link BSA and IFF. Instead, it will investigate research on compliance frameworks, testing compliance, prosecutorial standards, the Securities and Exchange Commission (SEC), General Private Standards, and the measurement of compliance.

This chapter covers compliance definitions, the history of compliance in the United States, and a discussion of compliance functions and forms, including hortatory standards, incentive-based standards, the Department of Justice Antitrust Corporate Leniency Policy, legally required standards, and compliance information related to investment advisers and

investments. It also discusses the Federal Trade Commission (FTC) and internet privacy, executive codes of conduct, general private standards, compliance framework discussions, and prosecutorial standards. Additionally, the chapter addresses the Securities and Exchange Commission (SEC), employee and senior management training, board oversight, risk assessment, corporate culture, and the development of agencies and regulations. The chapter further explores compliance measurement, enforcement efforts, reasons for non-compliance, and methods for testing compliance. It concludes with a summary of compliance as a phenomenon.

Documentation

The table below provides a comprehensive overview of the databases used in the literature review, along with the specific search terms employed throughout the research process. Additionally, it outlines the range of publication years that were examined, offering insights into the historical context of the literature. Comments regarding the methodologies and processes implemented to complete this chapter are also included, highlighting the careful approach taken to ensure thoroughness and depth in the review.

Table 1:

Documentation of Databases used in the Literature Review

Database	Literature Search Terms	Year Range	Timeline / Notes
			Initial search
EBSCOhost	“Compliance function and forms”, “Hortatory Standards”, “Incentive-based Standards”, “DJA antitrust	2005–2025	conducted Jan 2023; screening

	<i>corporate leniency policy” Executive Code of Conduct’. Compliance framework.</i>		completed June 2025
			Search performed
ProQuest	<i>“Legally required standard”, “Investment advisers and investment”, “Federal trade commission and internet privacy”</i>	2010–2025	2023; full-text review completed Jan 2025
			Search completed
Sage Knowledge	<i>“Compliance enforcement,” “theory of workplace motivation”</i>	2000–2025	Nov 2023; synthesis planned Feb 2024
			Search completed;
Google Scholar	<i>“Agency and regulatory development, measuring compliance, COSO framework, Sarbanes-Oxley Act of 2002,” “creative therapy approaches”</i>	2005–2025	analysis, selection & review Mar 2025
			Search performed
Google Search Engine/Credo Reference	<i>“Compliance definitions, reasons for non-compliance, and testing compliance”</i>	1980-2025	in July 2022; completed Dec 2023

			Search completed
National	<i>“Prosecutorial Standards, Securities</i>		2023;
University	<i>and Exchange Commission,”</i>		methodological
Library (A-Z	<i>“General private standards,</i>	2012–2025	analysis Apr 2025
Databases	<i>employee and senior management</i>		
	<i>training, board oversight, risk</i>		
	<i>assessment, corporate culture”.</i>		

Compliance Definitions

Compliance has become a social phenomenon today. According to the Cambridge Dictionary, compliance refers to obeying a rule or regulation that governs a specific industry or type of work. It involves following different norms directed toward other actors (Kingsbury, 1998). Conversely, Hughes (2020) explains that, in conflict resolution theory, compliance means obeying a court order. (Nudell, 2023) views compliance as yielding to another's wish, request, or demand, while Castro et al. (2019) suggest using the term "adherence" instead of "compliance" because it is less harsh. Dunbar et al. (2023) define compliance as consistently following established rules as interpreted by their authoritative sources.

Compliance involves comparing an individual's actions against specific regulations, guiding principles, implicit international standards, informal agreements, and even unwritten understandings. According to Sykes (1997) and Newell (1996), compliance refers to an actor's behavior that aligns with the explicit rules of regulation or treaty. Schwartz (1985) defines compliance as following established policies, where actions align with the law, and those who do not comply are held accountable. Kuiper et al. (2022) suggest that compliance studies should

explore the relationship between legal rules and human and organizational behavior, emphasizing understanding why people obey or disobey rules. Young (2013) examined adherence to international public authority, positing that compliance occurs when a particular entity's conduct matches the required conduct. In contrast, noncompliance or violation occurs when the actual behavior deviates significantly from the prescribed behavior. Compliance refers to an actor's adherence to the explicit rules of a treaty. Within the context of compliance, treaty-induced compliance is seen as a subset because it results from the treaty's compliance system (Simmons, 1998). This definition should be used for empirical purposes and should not be considered representative or contradictory to broader theoretical concepts.

The definitions help us understand whether treaty-induced compliance occurs in the debate between realists and institutionalists. Compliance typically refers to behavior aligning with specific agreement provisions, including the treaty's broader spirit and principles, implicit international norms, and informal or tacit agreements. However, assessing ambiguous and non-explicit rules, such as principles and standards, is difficult because parties and analysts often disagree over whether a specific action constitutes compliance. Therefore, focusing on explicit treaty provisions allows for a consistent evaluation of compliance against clearer and less subjective standards. Although treaties may lead to positive behavioral changes that do not fully meet an established standard, the concept of "compliance with the spirit of an agreement" is excluded from this study's definition because it adds unnecessary subjectivity to empirical analysis.

The literature reviewed in this study primarily emphasizes the conformity of behavior to rules, rather than the outcomes of such conformity. Most of the examined literature discusses compliance with explicit rules or agreements, often of a legal or normative nature, rather than

"compliance" with the demands of an adversary or the requests of an ally. This study primarily focuses on obligations arising from authoritative agreements, widely accepted normative standards, or authoritative interpretations of proper conduct, rather than acquiescence to unilateral political demands driven solely by power. In practice, agreements among asymmetrically equipped actors are rarely entirely voluntary, and the decision to "conform to prescribed behavior" may be based on a mixture of obligation and perceived coercion. Fisher (1981) makes an important distinction between "first-order" and "second-order" compliance. The former refers to adherence to established, substantive rules often embodied in treaties (Downs et al., 1996; Koh, 1997). The latter involves compliance with the authoritative decision of a third party, such as a panel of the World Trade Organization, the United Nations Human Rights Committee, or the International Court of Justice.

The study of first-order compliance faces challenges in defining an underlying "rate" of compliance, as it is unclear how to conceptualize a denominator for such a rate. Consequently, researchers examining the same behaviors can strongly disagree on whether "law, rules, and agreements effectively govern most" foreign policy actions or whether such considerations have little impact on state conduct. Studies of second-order compliance often can more convincingly determine such a rate and reduce the variety of behaviors that count as compliance by focusing on a typically clearly defined decision. Unfortunately, rulings only represent the surface of the larger compliance issue and tend to reflect a biased sample of observations, especially since only governments willing to make concessions are likely to participate in authoritative decision-making processes. Ultimately, most researchers agree that judging whether a policy constitutes compliance is difficult (Jacobson & Weiss, 1997). Often, international agreements allow for multiple interpretations of the parties' obligations. Moreover, compliance is rarely a simple yes-

or-no decision. Actors' behavior is often intentionally ambiguous, delayed, or confusing, and frequently occurs under circumstances where verifying compliance is challenging. In other cases, actors may genuinely try to comply in good faith but fall short of the specific requirements of an agreement (Koh, 1997). Some researchers address these ambiguities by making assessments within the context of prevailing expectations. Constructivist approaches hold that compliance standards are socially constructed and should not be imposed by the analyst, making each assessment context-specific.

According to Pollis (1981), compliance is defined as a change in behavior in response to an explicit or implicit request from someone else. Compliance is a form of social influence in which one voluntarily alters one's behavior to fulfill a request. It mainly emphasizes overt actions rather than internal beliefs and feelings, although internal changes can sometimes happen. Conversely, conformity involves adjusting one's actions, attitudes, emotions, and beliefs to match a group norm. This is usually a passive form of influence, in which people observe others' behavior and modify their own accordingly. Conformity can focus on either external or internal aspects. Obedience is a behavioral change when someone follows a direct order from an authority figure. It is an active form of influence in which the authority initiates behavioral changes. Lastly, persuasion involves actively attempting to change another person's attitudes, beliefs, or feelings through communication. It is an internal form of influence focusing on altering internal beliefs and emotions. The literature on compliance, conformity, and obedience primarily focuses on these three forms of social influence.

Dao and Ofori (2010) argue that compliance theories explain why entities either follow or ignore laws. These theories provide insights into the motivations and behaviors behind compliance, offering different perspectives on what influences compliance or noncompliance.

Actors can apply these theories to promote optimal adherence to desired results. According to Copeland (2011), rationalist theories see business entities as rational players aiming to maximize their economic interests. Consequently, they emphasize enforcement and deterrence (prevention) to influence the business's cost-benefit analysis. In the theory of rational crime, Azam (2018) argued that business entities driven by profit maximization would comply with regulations only when the expected punishment for violating them exceeds the cost of compliance.

Behavioral decision theory broadens rationalist theories by recognizing the influence of people's cognitive biases on their logical assessments (Bowman, 2018). Therefore, it suggests that compliance decisions can also be shaped by the risk of non-compliance and the decision maker's preferences. Normative theories focus on the logic of appropriateness, proposing that actions depend on identification, obligations, and perceptions of what is proper (moral acts). Nielsen and Parker (2012) have observed that individuals and businesses hold a variety of potentially conflicting motives related to compliance. For instance, they suggest that motives influence whether businesses and industry players choose to comply. Motives of compliance are particularly relevant to this study, which aims to explore reasons for possible noncompliance with the Bank Secrecy Act (BSA) and its effects on illicit financial flows. Nielsen and Parker (2012) identify three core motives behind compliance and non-compliance behavior: economic, social, and normative reasons. These motives motivate actions in either direction. They argue that these motivations are driven not just by economic benefits or social esteem, but by the desire to maintain self-respect and pride. Business entities primarily have two motives—economic and social. The economic motive is to grow, expand operations, achieve financial gains, and maximize profits for owners. Conversely, social motives focus on gaining approval and respect from trading partners, employees, customers, local communities, family, friends, other

businesses, and the public with whom they interact (Nielsen & Parker, 2012). Regulated business entities need to cultivate good relationships with regulators in exchange for certain privileges.

Understanding why some banks comply with the Bank Secrecy Act while others do not is important for policymakers and regulators who are working to fight illegal financial activities.

Nielsen and Parker (2012) suggest that heavy fines may be needed to encourage compliance if a firm's noncompliance is driven by economic reasons. Smaller fines might be enough for socially motivated noncompliance, as firms may fear social condemnation if they violate the Act.

Normative motives refer to an actor's moral duty to follow a law or regulation (Nielsen & Parker, 2021). Compliance based on normative motives depends on an individual's internal moral judgment about the law and its enforcement. The decision to obey or not is influenced by the belief that the law or regulation is fair and that following it will result in outcomes aligned with the individual's moral or ideological values. Normative motives can also exist when people believe enforcement procedures are legitimate, regardless of their views on the law itself.

Motivational literature distinguishes between two types of motivation: external and internal.

Nielsen and Parker (2012) state that external motivation occurs when someone is compelled to act a certain way or follow a rule to avoid punishment or gain a reward. Conversely, internal motivation involves engaging in an activity for personal enjoyment or perceived value.

Economic or social motives usually drive external motivation, while internal motivation is linked to normative motives. It is generally accepted that external factors more strongly influence motivation than internal factors.

Nielsen and Parker (2012) argue that the greater social pressure to follow a law, the more likely individuals are to accept the normative idea of compliance. However, new, potentially controversial regulatory goals may not motivate compliance even when social pressure is

present. According to Copeland (2011), Becker (1968) was the first to develop a formal theoretical framework describing criminal behavior. Stigler (1961) built upon this with the prevention calculus within microeconomic theory. The authors suggest that criminals tend to respond to the likelihood of being caught and the severity of potential punishment. Durlauf and Nagin (2011) state that the deterrence framework can improve regulatory compliance by raising penalties and enhancing monitoring efforts to prevent rule-breaking. Policymakers can also modify regulations to increase the likelihood of successful convictions. Hucklesby (2009) studied factors influencing offenders' compliance with sentences, including electronic monitoring, and found that marginalized interviewees often reported ongoing non-compliance. However, most research on compliance centers on following explicit rules or agreements, rather than responding to the demands of an adversary or ally. Usually, it relates to obligations from authoritative agreements, widely accepted normative standards, or authoritative interpretations of proper conduct. It does not concern submitting to unilateral political demands based solely on power.

In practice, agreements among actors with unequal power are rarely voluntary, and the choice to follow prescribed behavior often depends on a mix of obligation and perceived coercion. Fisher (1981) differentiates between "first-order" and "second-order" compliance. The former refers to conforming to established, substantive rules, often enshrined in treaties. The latter involves compliance with a binding decision issued by a third party, such as a World Trade Organization panel, the United Nations Human Rights Committee, or the International Court of Justice. Studying first-order compliance is challenging because it is difficult to define a clear baseline or denominator for measuring compliance. As a result, researchers examining the same behaviors may strongly disagree over whether laws, rules, and agreements effectively control

most foreign policy actions or whether they have little influence on state behavior. In contrast, studies of second-order compliance can more convincingly estimate such a rate, as Simmons (1998) notes. They tend to focus on specific, often precisely articulated decisions, which helps restrict the scope of what counts as compliance. However, these rulings only represent a small part of the broader compliance issue and are likely biased because they are the most visible cases. Determining whether a specific policy counts as compliance is complex. Compliance is rarely a simple yes-or-no choice. Actors' behavior is often deliberately ambiguous, slow, or confusing, making verification of compliance difficult. Sometimes, individuals may try their best to follow an agreement but cannot fully adhere to it. Some experts evaluate such uncertainties based on generally accepted norms (Koh, 1997). Constructivist approaches, on the other hand, argue that social factors influence compliance standards and that these standards should not be imposed externally, making each assessment highly context-dependent.

Compliance requires significant changes in thinking and a solid understanding of economic, political, and cultural contexts. Governments need public participation to meet their commitments, especially when compliance requires profound shifts in values and perceptions. Alkoby (2008) defined compliance as behavior driven by norms. The researcher explains three mechanisms through which norms can lead individuals to comply: coercion, persuasion, and acculturation (or normative coercion). The first mechanism highlights the restrictive power of norms, while the other two are said to shape actors. This means these mechanisms can change the identities and preferences of those involved. Rational choice theories focus on coercion and suggest norms may influence state behavior by offering benefits for conformity or costs for nonconformity. This view assumes external forces motivate compliance more than self-interest. It proposes that actors do not internalize norms but are mainly constrained by them. The

rationalist approach generally ignores cultural differences because it does not see both international and domestic spheres as social environments. Conversely, constructivist theories see states as social entities that develop shared understandings of what is appropriate through interaction. These shared understandings create behavioral norms that influence identities and reshape interests.

Conventional constructivists argue that humans do not act in a normative vacuum but within a social environment that includes shared systems of meaning, known as culture. They highlight social sanctioning as a key mechanism that encourages norm compliance. Much empirical research points to a process of acculturation that serves as collective disapproval when standards set by the community to which the noncompliant individual belongs are violated. People subject to the law feel connected to both national and international communities, and their fear of losing good standing in these groups motivates them to follow the rules.

While constructivism is about the intersubjective construction of norms, this aspect of the literature focuses on the diffusion of preexisting normative structures through unidirectional acculturation. Critical constructivism, on the other hand, highlights how norms are created through language and how their meanings are shaped through discourse. Discourse ethics offers a normative ethical framework in pluralistic societies without moral authority. Participants in genuine discourse should be willing to be convinced by the 'unforced force of the better argument.' This means that they should suspend their claims and respect the claims of others, anticipating that their initial perspectives may change because of the conversation." In this view, norms are followed when they are created, interpreted, and implemented through mutual persuasion while adhering to the procedural rules of discursive argumentation. While research on compliance in International Relations has produced evidence that aligns with the conditions for

discourse ethics identified in critical theorizing, conventional constructivists have adopted only the theory's sociological aspects, without acknowledging its vital and reflexive qualities.

This article questions the reliance of some conventional constructivists on acculturation, which assumes a coherent social environment in which norms function. Those who favor this mechanism assume that this condition is met. Still, it needs to be defended at the normative level, and empirically, it presumes the existence of a 'culture' based on structural similarities between states while ignoring the agency of individuals. Those who study 'socialization' face a paradox: the traditional definition of socialization is 'the induction of members into (an existing) society.' If there is no 'society,' what is the point of describing how actors may be 'socialized'?

Established societies regulate behavior using acculturation, but creating norms can be more effective. Diplomatic settings show that social learning leads to norm compliance through persuasion. However, the domestic internalization of norms presents a challenge. Norms may have a constitutive effect at the state level but only an instrumental role domestically. For norms to be practical, they must be highly legitimate. Critical constructivism provides a reflexive approach to moral discourse, enabling a response to the challenge of cultural difference in normative change. Rationalists argue that state actors are motivated by self-interest, and external factors tend to override cultural influences. Human action is primarily driven by the "logic of consequences," where actions are based on calculations of interests and expectations of their consequences. Actors cooperate to gain benefits and comply with commitments. Actors prioritize their desires, beliefs, and values. Reputation is highly valued as it determines its worth as a partner in future agreements. Rational choice theorists believe that culture has no impact on behavior. However, the compliance models they have developed need to account for differences in identity and culture. Rational choice theorists assume that strategic behavior is constant over

time and consistent among individuals. The more assumptions there are regarding human behavior, the more challenging it is to reconcile them with the theory's claim to universal validity. Establishing that all states act according to their calculations of anticipated consequences is difficult enough, but defending the idea that the desired outcomes are always material is even more challenging.

It is widely accepted that values and identities are not innate but are instead shaped by society. When individuals and groups participate in politics, they bring their pre-existing beliefs and values. This approach highlights that ideas and values are personal convictions of individuals and, subsequently, the state. However, constructivist theories point out that ideas can also result from shared knowledge and experience, which must be considered. These explanations of state behavior aim to challenge rationalism by emphasizing the intersubjective nature of ideas. An actor's social identity influences behavior rather than material cost-benefit calculations (Alkoby, 2008). Compliance with rules involves assessing whether they are appropriate and aligned with one's self-conception. It is important to note that an individual's identity and preferences are not fixed but are shaped through social interactions. To influence behavior, understanding how rules and identities develop and exploring ways to transform them is essential. If we accept that an actor's identity drives their actions, then it becomes crucial to consider identity differences when studying patterns of behavior. Culture plays an important role in this process. While a group can share an identity without belonging to a distinct culture, culture typically provides the symbolic elements necessary to define identity groups. Assuming that a state's conduct is guided by its sense of identity, we include normative concerns — such as legitimacy, morality, justice, and ethics—as factors influencing compliance with the law. These normative concerns demonstrate the significant challenge of managing cultural diversity in global governance. If international law

seeks to transform actors' identities so they perceive international norms as aligned with their sense of self, then the uniqueness of cultures presents a significant obstacle to global cooperation, if not an impossible one.

Normative structures are constitutive, creating and revising actors and their interests, rather than merely regulating them. Goodman and Jinks propose that constructivism, when combined with organizational-cultural theory, can help explain why certain states' national security practices - such as their military composition, arms procurement and production, use of force, and troop behavior during armed conflicts - are shaped by global structures that are constructed and propagated through global cultural and associational processes. These studies challenge the assumptions of rationalism by showing that changes in behavior patterns are not solely due to external constraints but are also influenced by socialization. The literature on international socialization identifies two distinct processes of social influence: acculturation and persuasion. These processes change actors' preferences, distinguishing them from rationalist models, but acculturation emphasizes social sanctioning while persuasion involves social learning. Both lead to the internalization of norms by actors to the point where they are unquestioned and taken for granted. Constructivists view persuasion as one of the main issues that separate their approach from rational choice, describing it as the process by which agent action becomes social structure, ideas become norms, and the subjective becomes intersubjective. However, while many studies emphasize persuasion as a superior form of socialization, they often reveal coercive measures involved in rule-governed behavior. Other studies documenting persuasion have focused on horizontal discursive interactions and have neglected the discursive prospects of vertical interaction.

Acculturation is the process by which individuals adopt the beliefs and behavioral patterns of the surrounding culture. They may feel pressure, either from others or themselves, to conform. People choose to follow social norms based on a cost-benefit analysis. However, unlike what rational choice theorists might assume, the costs and benefits are not always material. Instead, they are the social-psychological costs of non-conformity and the benefits of adhering to group norms and expectations. Only groups can provide social rewards and punishments. While individuals can impose material costs, social costs can be enforced only by a group whose approval the individual values. Those who strongly identify with a group want to increase their status, honor, and prestige within the group and avoid losing status, shame, and humiliation. Therefore, a decision to conform is based on what the group considers appropriate rather than on what the individual considers relevant.

Subjects may act against their preferences initially due to social pressure or egoistic motives. However, over time, affected actors internalize the norms, leading to changes in their identity and preferences. As actors adopt shared standards and norms, the norms become "taken for granted" and appropriate for the individual. Empirical studies conducted by conventional constructivists have highlighted the role of norms and persuasion in inducing compliance. However, some accounts rely on acculturation. Keck and Sikkink (2018) conducted a seminal study examining how networks of activists engage in compliance with international norms. They identified the "boomerang effect," in which value activists in states that violate human rights, environmental rights, or indigenous rights seek support from governments in Western countries and their publics to put pressure on their home governments from outside. Persuasion methods, such as making information available to the public and framing the issue to appeal to distant audiences, are used to rally international support. Once support is achieved, the networks use

social pressure and material sanctions, with the help of Western governments, to bring violating states into compliance with the norms.

Realists typically argue that power, rather than law, is the primary determinant of interstate relations (Mumford & Anjum, 2011). They believe that treaties and formal agreements have little influence on state actions. Even though international law has been scrupulously observed for centuries, according to Myers (1992), this may be due to convergent interests or prevailing power relations. Governments often cynically make legal commitments and are eager to use international law to promote their national interests. Simmons (1998) describes the nation-state as a legally sovereign unit within a tenuous web of contingent obligations. For realists, what governments are legally bound to do or refrain from doing has little bearing on their actual behavior, except as provided by a coincidence of law and national interest.

International agreements often lack the necessary restraining power, especially since governments generally retain the right to interpret and apply their provisions selectively. In short, realists typically assume that international law is merely an epiphenomenon of interests or is only made effective through the balance of power (Krasner, 2002). While the scope of legalized interstate relations is growing, the activities of major powers and the pursuit of vital interests are unlikely to be constrained by legal authority or prior agreements. Realists have been highly skeptical of the rule of law and legal processes in international relations, particularly in high politics. Consequently, realist perspectives usually focus on fundamental variables like power and interest, with little concern for how states comply with international agreements.

According to Kuiper et al. (2022), several families within compliance theories have recently contributed to understanding compliance, including rational-choice theories. According to the rational choice theory, people decide whether to comply or break rules based on a rational

evaluation of the costs and benefits of each option. In simpler terms, people are more likely to break rules if the benefits of doing so outweigh the benefits of complying. The relative costs of compliance versus noncompliance influence this decision-making process. As Kuiper et al. (2022) found, fewer people will choose to comply if the cost of following rules is higher than the cost of breaking them. To encourage compliance with the Bank Secrecy Act, increasing the penalty for noncompliance—such as imposing financial sanctions on banking institutions—may be effective. While the benefits of compliance are worth exploring, more research is needed. Following the Bank Secrecy Act regulations can significantly reduce the risk of penalties. Rational choice theories suggest that individuals are more likely to obey the law when they fear the consequences. Ultimately, this helps maintain a financially secure and safe system.

Deterrence is a vital part of criminological theories, in which individuals are less likely to break the rules when they see the high costs of doing so (Kuiper et al., 2022). According to general deterrence theory, people are more likely to follow the rules when they believe that the punishment for breaking them is both particular and severe. Although it is unclear whether harsher punishment alone effectively deters crime, studies show that a higher certainty of punishment can discourage criminal behavior. Since deterrence depends on people's perceptions, understanding how they see the certainty and impact of punishment is important. Therefore, perceived certainty and severity of punishment will prevent rule-breaking, leading to better compliance with mitigation measures.

The second group of compliance theories focuses on the social aspect of human behavior and how people respond to the law. These social theories have been developed in fields such as psychology's social norm theories (de Bruijn et al., 2023; Kuiper et al., 2022) and criminology's social learning theories (Akers, 1990; Wiltfang & Cochran, 1994). According to these theories,

behavior is not solely driven by individual motivations, as rational choice theory implies. Instead, it is profoundly influenced by the social context. Therefore, noncompliance is more likely when one's social environment opposes legal rules. Research in psychology has shown that people are more likely to break the rules when they see others doing so (Bergquist & Johansson, 2023; Li et al., 2021). Based on social theories, we can expect that people and banking institutions observe others who are not following Bank Secrecy Act mitigation measures and are therefore less likely to comply. Conversely, if people see others following the measures, they are more likely to do the same (Kuiper et al., 2022).

The third set of theories emphasizes the legitimacy of rules, authorities, or laws in general. Based on Tyler's foundational research, people's reactions to legal regulations are linked to their perceptions of both the regulations and the officers who enforce them. Usually, these studies suggest that the more people see the rules and authorities as legitimate, the more likely they are to follow them. We can identify two types of legitimacy: substantive legitimacy, in which people's morals and preferences align with the substance of the rules, and procedural legitimacy, in which individuals view the processes used to create and enforce the rules as fair and just. Both types of legitimacy are connected to compliance. The more people agree with the rules, the more they follow them, and the more they perceive the enforcement procedures as fair, the higher their compliance. The obligation to obey the law is closely tied to legitimacy. When people believe the law is legitimate, they feel a duty to obey it even without enforcement. A higher sense of legitimacy increases the sense of obligation to follow the law. Consequently, individuals with a stronger sense of obligation are more likely to comply. Compliance with BSA mitigation measures is more probable when people morally support these measures, approve of

the authorities and their response to illegal financial activities, see the enforcement processes as fair, and feel a general duty to obey the law.

The fourth category of compliance theories relates to people's ability to follow rules. It makes sense that the more difficult it is to comply with regulations, the less likely people are to follow them effectively. People need to understand what is expected of them to follow the rules. However, research shows that people often have incorrect knowledge of legal regulations, which reduces compliance. Therefore, individuals with more accurate knowledge of mitigation measures are expected to comply more. Furthermore, the more ambiguous the rules are, the harder it is for people to understand what is expected of them. Thus, people who need assistance with mitigation measures are expected to show lower compliance. Another aspect of people's ability to follow the rules is their capacity to exercise self-control and refrain from breaking them. Previous criminological studies show that high levels of impulsivity predict deviant behavior. Some individuals may struggle to follow the rules due to negative emotions. Research on strain theory has shown that negative emotions can lead to rule-breaking behavior, as people may use rule-breaking to cope with such feelings. Therefore, compliance with mitigation measures is expected to be lower among impulsive individuals and those experiencing negative emotions due to the pandemic or other reasons.

Capacity theories suggest that people are more likely to comply with mitigation measures when they can. The study also incorporated the fifth and final theoretical family, which focuses on people's opportunities to break the rules. It argues that compliance is influenced by the situation in which it occurs. Research from criminology and behavioral ethics shows that criminal behavior is more likely when attractive targets are left undefended from motivated offenders. Situational crime prevention theory has expanded this idea to include all situations

that lower barriers to illegal behavior, such as providing easy access to the tools or methods needed to commit a crime. Based on these theories, people are expected to comply less with mitigation measures when more opportunities to violate them are available.

The study found that multiple mechanisms influence individual compliance within a given context; therefore, a multi-theoretical approach is necessary to understand it. The network approach to individual compliance revealed that existing theories must explain individual compliance from distinct and coherent perspectives. Compliance does not follow distinct theoretical patterns and interacts with other variables in a complex network. The network approach showed that variables directly connected to compliance are widely linked to other variables throughout the network, which may also influence (and be influenced by) them. A network approach to compliance may reveal indirect ways in which variables interact and enhance our understanding of interventions. By understanding the relationships among variables, we can better understand the effects of interventions to improve compliance.

According to Howse and Teitel (2010), one reason compliance is often seen as a central problem for international legal scholarship is the challenge (by realists and some but not all positivists) that law is only really law when accompanied by authoritative interpretation and enforcement (Ehlermann & Ehring, 2005). A focus on compliance, or perhaps obedience, aims to deflect such a claim by asserting that a range of considerations, including reputational effects/ long-term self-interest, lead to compliance with international law, regardless of the absence of authoritative interpretation and enforcement in most instances. Many domestic laws attract widespread noncompliance despite significant sanctions (drug laws and tax laws in many jurisdictions), and others attract widespread compliance even though sanctions and monitoring are relatively lax (seatbelt laws); thus, the positivist claim is already weak, if not incoherent, if

the heart of the positivist claim is the identification of the existence of authoritative interpretation and enforcement with actual compliance. However, the positivist claim may at its root be conceptual: a formal, definitional property of law (as opposed to other normative systems, religion, morality, social and familial custom) is that 'law' is the binding edict of a sovereign with coercive force, at least in principle, over the subjects to whom the legal commands are addressed. If this is so, even if actual compliance rates with international law were superior to those for norms that are commands of a sovereign with a monopoly of violence over the subjects of law, demonstrating this would not answer the positivist objection. Indeed, many forms of normativity, including customs and etiquette within sub-political communities, exhibit very high rates of compliance or obedience, and the positivist has a point in that this does not, in ordinary language, induce us to call them 'laws.' It is worth noting, however, that one of the most sophisticated positivist accounts of law, that of H. L. A. Hart, rejects the notion that legal obligation implies effective coercive sanctions, informed explicitly by consideration of international law.

History of Compliance in the United States of America

Taylor (2005) has revealed that the term compliance originated in the United States, focusing on the need to comply with the 1930s securities laws. However, the need to strengthen compliance activities attracted significant public attention following financial scandals in the 1970s (Gabel et al., 2009), even though corporate scandals predate the Enron and WorldCom misconducts of the early 21st century (Cole et al., 2021). Corporate compliance has transitioned from informal and reactive to formal and proactive over the last fifty years, as FitzSimon and McGreal (2005) noted. This evolution was mainly driven by the problems arising after highly publicized episodes of wrongdoing. For instance, the price-fixing scandals of electrical

equipment manufacturers in the 1950s led to the implementation of antitrust compliance measures in that industry. Similarly, the discovery of widespread bribery of foreign government officials by American companies in the 1970s led to the passage of the Foreign Corrupt Practices Act, which established internal controls for financial accounting and for doing business with foreign governments. In the 1980s, insider trading and defense contractor scandals led to the creation of formal compliance programs designed to address the misconduct discovered.

The compliance movement was centralized in 1991 with the introduction of the United States Sentencing Commission's Guidelines for the Sentencing of Organizations. The Commission was created by the Sentencing Reform Act of 1984 and charged with drafting guidelines consistent with criminal sentencing in federal courts. The first set of guidelines, effective in 1987, governed the sentencing of individuals. Four years later, the Commission promulgated a new Chapter 8 of the guidelines, which addressed the sentencing of organizations. The individual and organizational guidelines followed the same general approach, establishing a formula that calculated the defendant's punishment based on the seriousness of the crime and the defendant's culpability. For organizations, culpability is determined by calculating a "culpability score" that is increased for aggravating factors and decreased for mitigating factors. For example, cooperating with the government would reduce an organization's culpability score, while past similar legal violations would increase the score.

In the 1990s, compliance professionals faced the challenge of putting the original guidelines' general standards into specific practice. Recognizing this need, the guidelines pointed organizations to outside resources. A decade of experience designing, implementing, and operating ethics and compliance programs led the United States Sentencing Commission to revisit the organizational guidelines in 2001. After three years of study and debate, the

Commission proposed revised guidelines that went into effect on November 1, 2004, including revised and expanded criteria for what the guidelines now call an "ethics and compliance program. The concept of contemporary compliance dates back to the early 2000s, when numerous fraudulent accounting scandals led to the bankruptcy of major corporations, such as Enron and WorldCom. The auditor for Enron, Arthur Andersen, was also implicated in falsifying the company's balance sheet to inflate earnings (Andersen, n.d.). These activities eroded investor confidence, prompting the introduction of the Sarbanes-Oxley Act in 2002 to protect investors from future financial misconduct (Lobo & Jian Zhou, 2010). Major banking scandals can lead to global economic and social crises (Bonić & Stojilković, 2017). Corporate regulations began as a response to business financial scandals, focusing on solving the underlying causes (Gabel et al., 2009). Singer and You (2011) also reveal that these high-profile corporate scandals have prompted increased attention to compliance and ethical behavior in the business world, as noted by (Orin,2008). Gabel et al. (2009) have also pointed out that Congress and regulators have taken steps to punish corporate wrongdoers while incentivizing good behavior.

Between 2000 and 2008, inadequate internal controls in finance and accounting contributed to questionable practices and corporate scandals (Bhaskar & Flower, 2019). In response, the U.S. Congress enacted the Sarbanes-Oxley Act of 2002 (SOX), which includes Section 404, requiring management to assess and auditors to verify the effectiveness of internal controls over financial reporting ((McGinn, 2002)). Managers and CFOs must conduct thorough reviews of these controls, as stakeholders and regulators rely on accurate financial data for critical decisions regarding liquidity, financing, and risk ("Analysis," 2002).

Corporate governance and compliance have become essential for businesses, especially following financial scandals that eroded investor trust. The Sarbanes-Oxley Act (SOX), enacted

in 2002, sought to improve transparency and accountability in publicly traded companies by implementing stricter regulations.

A notable change was the establishment of the Public Company Accounting Oversight Board (PCAOB), which supervises audits to ensure the accuracy of financial reporting. Section 302 requires senior officers to personally certify the accuracy of financial statements, thereby holding them accountable for any misrepresentations. Section 404 requires evaluations of internal controls over financial reporting, prompting companies to invest in compliance infrastructure.

The Sarbanes-Oxley Act (SOX) was introduced by the United States Congress in response to corporate fraud, aiming to enhance accountability among corporations and their accounting firms through financial penalties and criminal sanctions. Under Section 404 of SOX, independent auditors are required to conduct audits that assess the effectiveness of internal control over financial reporting (ICFR). Following these audits, publicly traded companies must disclose information regarding the effectiveness of their internal control structure in their annual reports.

(O'Rourke, 2018) cited a case study based on the Ethics & Compliance Initiative's Global Business Ethics Survey, which evaluated more than 13,000 employees across 13 countries. According to a survey, one-third of all workers have observed workplace misconduct in the past year (Licourt, 2016). The risk of fraud should be a primary concern for management, auditors, and the public alike.

Any business entity that experiences fraudulent activities faces negative consequences, both financial and reputational. To assess fraud risk, it is important to conduct a fraud risk assessment, which typically uses the fraud triangle framework. The risk of fraud within an

organization rises when certain elements, known as the fraud triangle, are present. This triangle includes three components: incentives and pressures, opportunity, and attitudes and rationalizations.

Financial motivators, including incentives and pressures, can include poor economic performance, excessively high expectations for meeting targets, rapid growth, and substantial performance-based compensation. Companies facing business challenges and struggling to achieve their objectives often seek to borrow larger sums of cash through external financing options. Additionally, organizations that offer stock options may align the interests of shareholders and managers, leading to behaviors that increase the company's stock price. Opportunities for fraud can arise in any business. These opportunities for deception may arise for various reasons, such as pressures and incentives that motivate employees to commit fraud, as well as opportunities created by weak internal controls. For example, poor oversight of managers by an ineffective board of directors, high employee turnover, and the dominance of management by a single individual can lead to serious problems. Over time, board members may lose their independence and prioritize management's interests over shareholders', which can be damaging. Rationalization can encourage fraudulent behavior. When non-financial managers are involved in choosing accounting methods, making overly aggressive or unrealistic forecasts, or dealing with strained relationships with current or former auditors and managers, they might find excuses to commit fraud. This is especially common when a change of auditors is needed due to a problematic relationship with a previous auditor. Noncompliance with rules can become the norm when no one is watching, when there are loopholes in the control system, and when there is a lack of ethical standards and a strong moral culture in workplaces.

Additional risk factors for fraudulent activity include corporate ethical climate, tone at the top, and governance. Companies with a strong ethical foundation tend to foster positive organizational outcomes, as clear codes of conduct guide employee behavior through ethical standards. Conversely, a hostile ethical climate can lead to unethical behavior and decreased job satisfaction among employees. Individuals who disagree with corporate values may exhibit lower commitment and a higher likelihood of engaging in misconduct. From a management perspective, a perceived ethical culture may inadvertently give management the impression that they can act without limits, potentially leading to misconduct (Neuman, 2005). High-profile financial scandals at Enron and WorldCom underscored the importance of tone at the top in organizations.

The United States Congress passed the Bank Secrecy Act (BSA) to shield financial institutions from criminal misuse, such as money laundering and funding terrorism. Working alongside other federal banking agencies and law enforcement, the OCC aims to prevent such illegal activities and misuse of the country's financial system. Since the 1970s, national banks and federal savings associations have been required to monitor, identify, and report suspicious activities. Over time, regulatory requirements and supervisory expectations have grown significantly, driving major upgrades to compliance programs. Many large institutions now use advanced technologies to screen transactions, report suspicious activity to law enforcement, and ensure compliance with OFAC sanctions. Meeting the requirements of the BSA is a major challenge, as institutions must sift through vast amounts of transaction data to spot patterns that could indicate criminal or terrorist activity. However, as these institutions improve their BSA programs, criminals have adapted to finding new ways to exploit them. Even the latest technology, products, and services designed to improve customer access can be used by

criminals to transfer money quickly and anonymously across borders. Criminals continually change their tactics to avoid detection and relocate swiftly. They often look for safe havens in areas with weak law enforcement or where US policy objectives support protective measures. As a result, banks, thrifts, and other financial institutions need to invest more resources than ever to maintain effective BSA compliance programs capable of handling these changing threats.

Compliance Function and Forms

FitzSimons and McGreal (2005) categorized Government compliance standards into hortatory, incentive-based, and legally required. Hortatory standards have no penalty for ignoring or reward for following them. Incentive-based standards offer rewards, while legally required standards are mandatory. Compliance programs should be maintained to avoid civil or criminal sanctions. This section reviews significant agency initiatives under each standard and provides a brief description of the subject, the reward/sanction, and relevant sources.

Hortatory Standards

The Office of Inspector General (OIG) provides compliance guidance to different sectors of the healthcare industry (*Principles-and-Standards-for-OIGs-Eff-July-1-2024_Download.Pdf*, n.d.). It believes that a comprehensive compliance program can prevent misconduct and identify violations earlier, thereby reducing an organization's liability. The guidance documents include risk assessments and recommend specific compliance actions. Each document is brief and follows a consistent format, covering the seven "elements" of an effective compliance program. While some details are especially relevant for healthcare organizations, much of the guidance is helpful for compliance professionals across all industries. The OIG's guidance addresses issues relevant to all organizations, including whether compliance officers are set up for success. The

documents also feature other generally applicable observations, questions, and insights that make them valuable to read.

Incentive-Based Standards

The Sentencing Guidelines are the primary regulatory standards that incentivize organizations to implement effective compliance programs. There are two other programs: the Environmental Protection Agency's (EPA) Audit Policy and the Occupational Health and Safety Administration's (OSHA) Self-Audit Policy. The EPA's Audit Policy, first issued in 1995 and revised in 2000, encourages self-policing and voluntary disclosure of environmental violations. The EPA believes that the incentives under this policy will increase the frequency and quality of these self-policing efforts. In return, qualifying organizations receive leniency and other benefits.

To encourage participation in its Audit Policy, the EPA offers benefits, including no referral for criminal prosecution and a promise not to routinely request copies of audit reports to trigger enforcement investigations. The Policy establishes nine conditions for the promised benefits, including the systematic and voluntary discovery of environmental violations, the prompt disclosure of the breach, the correction and remediation of the violation, measures to prevent a recurrence, and cooperation with the EPA in determining whether the Policy applies to a reported violation. Systematic discovery is of most relevance to compliance professionals. This means a violation must have been discovered through either an environmental audit or a compliance management system that reflects due diligence in preventing, detecting, and correcting violations. The Policy then defines "environmental audit" and "compliance management system" in terms very similar to the Sentencing Guidelines' definition of an effective compliance and ethics program. For example, a compliance management system has six elements: policies, standards, and procedures; assigning overall responsibility for overseeing

compliance; and methods for systematically ensuring compliance with policies, standards, and procedures. The EPA guides the design and implementation of these compliance measures through updates and other agency documents.

The Department of Justice offers perhaps the most significant incentives for compliance programs in its memorandum on the "Principles of Federal Prosecution of Business Organizations." The Thompson Memorandum, named after its author, Deputy Attorney General Larry D. Thompson, updates a prior memo from Deputy Attorney General Eric Holder on the same subject. As did its predecessor, the Thompson Memorandum sets forth nine factors for United States Attorneys to consider in deciding whether to investigate, charge, or negotiate a plea with an organization. Three of these factors relate to an effective corporate compliance program: the corporation's timely and voluntary disclosure of wrongdoing and its willingness to cooperate in investigating its agents, including, if necessary, waiving corporate attorney-client and work-product protection. The existence and adequacy of the corporation's compliance program. The corporation's remedial actions include any efforts to implement an effective corporate compliance program or improve an existing one, to replace responsible management, to discipline or terminate wrongdoers, to pay restitution, and to cooperate with the relevant government agencies.

The Thompson Memorandum highlights that the effectiveness of a compliance program is determined by two critical factors: whether the program has been designed to maximize its efficacy in preventing and detecting employee wrongdoing, and whether corporate management is enforcing the program or indirectly pressuring employees to engage in misconduct to achieve business objectives. Ultimately, the goal is to determine whether a corporation's compliance program is a "paper program" or if it has been designed and implemented effectively. However,

the Thompson Memorandum must provide specific compliance guidance due to its brief nature and applicability to various crimes and organizations. Instead, the Memorandum suggests referring to the sentencing guidelines for a detailed review of factors concerning corporate compliance programs. The Department of Justice expects that the seven steps outlined in the guidelines will be followed.

Department of Justice Antitrust Corporate Leniency Policy

The most exciting thing about this often-mentioned compliance incentive is that it does not require a compliance program. Under its Corporate Leniency Policy, the Antitrust Division of the Department of Justice promises to forgo civil and criminal enforcement against any organization that meets the Policy's requirements. The policy requires an organization to be the first to report the antitrust violation before the government learns of the breach. Nowhere in the Policy, however, is there any mention of periodic or systematic efforts to prevent or detect antitrust violations. So, no compliance program is required if the organization is the first through the door, and even the most admirable compliance efforts will not matter if the organization is second to report. Nevertheless, the Policy is mentioned because a practical ethics and compliance program increases the likelihood that an organization will detect an antitrust violation early enough to be the first to report it.

Legally Required Standard

Anti-Money-Laundering Compliance Programs. The USA Patriot Act 46 requires "financial institutions" to "establish anti-money laundering programs" with four elements: the development of internal policies, procedures, and controls; the designation of a compliance officer; an ongoing employee training program; and an independent audit function to test programs. The statute delegates to the Department of the Treasury (Treasury) the task of writing

regulations that "prescribe minimum standards for programs established under" the law. In response, the Treasury has drafted a series of rules tailored to different "financial institutions", including travel agencies, investment advisers, dealers in precious metals, stones, and jewels, and car dealers. As with the HHS guidance, Treasury's rules establish a base methodology tailored to each type of financial institution.

The documentation requirements under the Bank Secrecy Act can be quite extensive. These requirements are believed to help prevent money laundering because criminals fear their transactions will leave a paper trail. The Act also includes provisions designed to discourage efforts to bypass reporting requirements. However, it is still unclear how the millions of transaction reports required under the Act can be efficiently reviewed. Banks and regulators face the challenge of analyzing such a vast amount of information. To address this, regulators have issued guidance focusing on the highest-risk transactions, including those involving foreign banks. Recent Senate hearings, however, have shown that enforcement of anti-money laundering (AML) regulations needs improvement, and AML compliance has been viewed more as a consumer issue than a key aspect of bank stability. Consequently, authorities have increasingly relied on criminal prosecutions to promote adherence. For example, banks' AML programs that overlook large numbers of suspicious activity reports (SARs) are now more likely to face criminal charges. These enforcement actions have prompted some banks to adopt new customer risk-rating systems to better filter through all the reports generated. Still, whether these methods can effectively identify problematic transactions among the millions of transactions and SARs produced each year remains uncertain (Garrett & Mitchell, 2020).

Investment Advisers and Investment

In response to recent instances of inappropriate market timing, late trading of fund shares, and the misuse of material non-public information about fund portfolios, the SEC has made it mandatory for registered investment companies and investment advisers to implement compliance programs. The programs should be designed to prevent violations of the Federal Securities Laws. The SEC's release promulgating the final rules lists several issues that the compliance program should address, at a minimum, to the extent relevant to the organization. The compliance program must include policies and procedures, board approval, an annual review of its effectiveness, an independent chief compliance officer, and adequate record-keeping.

Federal Trade Commission (FTC) and Internet Privacy.

The Federal Trade Commission (FTC) has interpreted section 5 (a) of the Federal Trade Commission Act to prohibit "unfair or deceptive acts or practices in or affecting commerce." Internet businesses that promise to protect customer privacy must implement compliance procedures that fulfill that promise (*Ftca.Pdf*, n.d.). The Gramm-Leach-Bliley Act (GLBA) empowers states and federal agencies to establish appropriate standards for financial institutions to protect customer records and information, ensuring their integrity, confidentiality, and security. For example, the FTC has promulgated rules requiring financial institutions subject to its authority to develop, implement, and maintain a comprehensive information security program. This program should contain administrative, technical, and physical safeguards appropriate to the size and complexity of the organization, the nature and scope of its activities, and the sensitivity of any customer information. The rule requires the information security program to include a risk assessment, internal controls, training, monitoring, compliance auditing, and program testing. The FTC's website offers guidance and educational resources to help financial

institutions meet these requirements. Federal and state regulators are increasingly considering the need for compliance programs and what those programs should entail. Some laws or regulations mandate comprehensive compliance programs, while others require specific compliance measures, such as employee training or a code of conduct. This section covers both types of legal requirements.

Executive Codes of Conduct.

Earley et al. (2008) confirm that the Sarbanes-Oxley Act of 2002 requires public companies to disclose whether they have a code of ethics (Sarbanes Code) for their "principal financial officer, comptroller, or principal accounting officer." The SEC's implementing rules extend this requirement to the company's "principal executive officer." The Sarbanes Code must address at least five specific topics: (1) Honest and ethical conduct, including the ethical handling of actual or perceived conflicts of interest between personal and professional relationships; (2) Full, fair, accurate, timely, and understandable disclosure in reports and documents filed with, or submitted to, the SEC and in other public communications by the registrant; (3) Compliance with relevant governmental laws, rules, and regulations; (4) The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and (5) Accountability for adherence to the code. If the company chooses not to adopt such a code, it must disclose its reasons. Furthermore, the company must make its Sarbanes Code publicly available and disclose on Form 8-K any "amendment to, or a waiver from, a provision of its code of ethics."

General Private Standards

In September 2004, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released its Enterprise Risk Management (ERM) Framework (D'Aquila &

Houmes, 2014). COSO is a private industry initiative that originated in 1985 to sponsor the National Commission on Fraudulent Financial Reporting. This independent, private-sector initiative studied the causal factors that can lead to fraudulent financial reporting and developed recommendations for public companies and their independent auditors, the SEC and other regulators, and educational institutions. James C. Treadway, Jr., former SEC Commissioner, chaired the Commission, hence its name. In 1992, COSO released its Internal Control-Integrated Framework, which has served as a model for companies struggling to comply with the Sarbanes-Oxley Section 404 internal controls provision.

COSO's ERM Framework is built on internal control, offering a more comprehensive, in-depth focus on enterprise risk management. The final ERM Framework has eight steps that parallel the Sentencing Guidelines criteria: (1) Internal Environment; (2) Objective Setting; (3) Event Identification; (4) Risk Assessment; (5) Risk Response; (6) Control Activities; (7) Information and Communication; and (8) Monitoring. The ERM consists of two documents: the first explains each element of the ERM Framework, and the second suggests "application techniques" for putting the steps into practice. The ERM Framework applies to all risks an organization might face, meaning any "incident or occurrence emanating from internal or external sources that could affect the implementation of strategy or achievement of objectives." Therefore, compliance personnel responsible for a legal compliance and ethics program must tailor the ERM Framework to their specific needs.

Compliance Framework

In their 2011 study, Pramod et al. noted that while regulations, policies, and intelligence systems are in place to ensure banking security, a proper framework is needed to guide banks in adhering to these policies and maximizing the benefits of IT. To address this issue, the

researchers proposed a framework that integrates banking and IT security, control, and governance. Their study was based on two popular frameworks in the financial sector: the Control Objectives for Information and Related Technology (COBIT) framework, developed and maintained by the Information Technology Governance Institute (ITGI) of the Information Systems Auditing and Control Association in the USA, and the Committee of Sponsoring Organizations (COSO) framework, used for financial reporting. The researchers aimed to create a new control framework by mapping the objectives of these two frameworks. COBIT, first released in 1996, was updated to COBIT 4.1 in 2007 (Wabiser & Singgalen, 2022).

Pramod et al. (2011) argue that financial institutions must take legal action to prevent money laundering and illicit financial activities. However, they often require more stringent control procedures to implement these measures while still maintaining regular banking practices. This highlights the importance of a comprehensive framework that can accommodate all business activities while complying with the Bank Secrecy Act (BSA). The Basel Committee on Banking Supervision introduced the Basel II framework, but it had to comply with the Basel Committee's operational risk policies. Noncompliance can leave banks vulnerable to illegal financial activities, underscoring the need for a framework that adheres to all BSA policies and provides a robust anti-money laundering control tool (Pramod et al., 2012). The researchers found that COSO and COBIT are commonly used as internal control systems, with COSO providing abstract methods and COBIT containing 316 detailed functions. Klamm and Watson (2009) suggest that the COSO framework is most effective when auditing financial statements, while COBIT is the ideal framework for IT governance. Combining the two offers strong IT governance and business reporting capabilities. The paper maps selected COBIT processes and

functionalities to COSO components, ensuring the resulting framework meets BSA requirements and supports compliance.

Kuiper et al. (2022) studied compliance development in everyday and corporate environments. This study has developed an integrated understanding of compliance by utilizing complexity science. It has analyzed various compliance theories and explored their relationships using network analysis. The study aimed to examine Compliance with COVID-19 mitigation measures by collecting online survey data from 562 respondents. The findings indicate that compliance is a complex network of interacting variables derived from different theories. This suggests that additional research should focus on mapping compliance networks and modeling how regulatory and management interventions interact with compliance within these networks. The researchers explained that a compliance study involves the interaction between legal rules, organizational conduct, and human behavior. While some studies adopt an interpretive approach to understanding how behavioral responses to the law shape the meaning of legal rules, most compliance studies aim to understand the reasons behind people's obedience or disobedience to the rules. Some notable studies in this area include those by Wilt (2017).

In response to recent instances of "inappropriate market timing, late trading of fund shares, and the misuse of material, nonpublic information about fund portfolios, SEC regulations now require registered investment companies and investment advisers to implement compliance programs "designed to prevent violation of the Federal Securities Laws. The SEC's release promulgating the final rules lists several issues that the compliance program, "at a minimum, should address ... to the extent that they are relevant to" the organization. The compliance program must include policies and procedures, board approval, an annual review of the program's effectiveness, an independent chief compliance officer, adequate record-keeping, and

compliance with the Federal Trade Commission (FTC) and Internet Privacy regulations. The FTC has interpreted section 5 (a) of the Federal Trade Commission Act, which prohibits "unfair or deceptive acts or practices in or affecting commerce," to require Internet businesses that promise to protect customer privacy to implement compliance procedures that fulfill that promise.

The Sarbanes-Oxley Act of 2002 requires public companies to disclose whether they have a code of ethics (Sarbanes Code) for their "principal financial officer, comptroller, or principal accounting officer (Orin, 2008)." The SEC's implementing rules extend this requirement to the company's "principal executive officer." The Sarbanes Code must cover at least five specific topics: honest and ethical conduct, including handling actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely, and understandable disclosure in reports and documents filed with or submitted to the Commission, as well as other public communications made by the registrant; compliance with applicable government laws, rules, and regulations; prompt internal reporting of violations of the code to an appropriate person or persons identified within the code; and accountability for following the code. If the company opts not to adopt such a code, it must explain its reasons. Additionally, the company must make its Sarbanes Code publicly available and disclose any "amendment" to, or waiver from, a provision of its code of ethics on Form 8-K.

Prosecutorial Standards

The Department of Justice emphasizes strong incentives for compliance programs in its memorandum on the "Principles of Federal Prosecution of Business Organizations" (*Principles of Federal Prosecution of Business Organizations*, n.d.)." The Thompson Memorandum, named after Deputy Attorney General Larry D. Thompson, updates an earlier memo from Deputy

Attorney General Eric Holder on the same topic. Like its predecessor, the Thompson Memorandum presents nine factors for U.S. Attorneys to consider when deciding whether to investigate, charge, or negotiate a plea with an organization. Three of these factors relate to an effective corporate compliance program: the corporation's timely and voluntary disclosure of misconduct and its willingness to cooperate in investigations, including, if necessary, waiving attorney-client and work-product protections; the existence and adequacy of the corporation's compliance program; and remedial actions such as implementing or improving compliance measures, replacing management, disciplining or terminating wrongdoers, paying restitution, and cooperating with authorities.

The Thompson Memorandum states that "the critical factors in evaluating any program are whether the program is adequately designed for maximum effectiveness in preventing and detecting wrongdoing by employees and whether corporate management is enforcing the program or tacitly encouraging misconduct to meet business goals. The main goal is to determine whether a corporation's compliance program is just a 'paper program' or if it has been designed and implemented effectively." Overall, the memorandum offers limited specific guidance on compliance. Due to its brevity and broad applicability, detailed compliance measures are beyond its scope. Instead, it directs readers to the sentencing guidelines for a comprehensive review of factors concerning corporate compliance programs. The clear implication is that the Department of Justice expects everything to adhere to the seven steps outlined in those guidelines.

Securities and Exchange Commission (SEC)

In declining to prosecute a parent company for accounting violations at its subsidiary, the SEC explained (in what has become known as the Seaboard Report) the factors it considers in deciding what enforcement action to take against an organization (Indek et al., 2005). With

reference to the Thompson Memorandum, the Seaboard Report must provide detailed information on compliance. Indeed, compliance is not even listed as a separate factor; instead, it is combined with other factors under the second criterion: How did misconduct arise? Is it the result of pressure placed on employees to achieve specific results or a tone of lawlessness set by those in control of the company? What compliance procedures were in place to prevent the misconduct now uncovered? Why did those procedures fail to stop or inhibit wrongful conduct? Therefore, while the Seaboard Report provides additional reasons to design and implement a compliance and ethics program, other sources of compliance standards also exist. One must look at specific security enforcement actions for guidance on what that agency considers good compliance practices.

General Private Standards

In September 2004, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released its Enterprise Risk Management (ERM) Framework. COSO is a private industry initiative that originated in 1985 to sponsor the National Commission on Fraudulent Financial Reporting. This independent, private-sector initiative studied the causal factors that can lead to fraudulent financial reporting and developed recommendations for public companies and their independent auditors, the SEC and other regulators, and educational institutions. James C. Treadway, Jr., former SEC Commissioner, chaired the Commission, hence its name. In 1992, COSO released its Internal Control-Integrated Framework, which has served as a model for companies struggling to comply with the Sarbanes-Oxley Section 404 internal controls provision.

COSO's ERM Framework is built on internal control, offering a more comprehensive, in-depth focus on enterprise risk management. The final ERM Framework has eight steps that

parallel the Sentencing Guidelines criteria: (1) Internal Environment; (2) Objective Setting; (3) Event Identification; (4) Risk Assessment; (5) Risk Response; (6) Control Activities; (7) Information and Communication; and (8) Monitoring. The ERM consists of two documents: the first explains each element of the ERM Framework, and the second suggests "application techniques" for putting the steps into practice. The ERM Framework applies to all risks an organization might face, meaning any "incident or occurrence emanating from internal or external sources that could affect the implementation of strategy or achievement of objectives." Therefore, compliance personnel responsible for a legal compliance and ethics program must tailor the ERM Framework to their specific needs.

The New York Stock Exchange (NYSE) and the National Association of Securities Dealers (NASD) have promulgated compliance standards for their member organizations. In one instance, as part of recent corporate governance reforms, both exchanges added a code of conduct to their listing requirements; among other matters, the code must address compliance with applicable laws. The NYSE/NASD codes differ from the Sarbanes Code because they extend beyond senior officers to directors and company employees. In another instance, each exchange established compliance standards requiring members and member organizations to implement anti-money laundering programs.

The array of industry—and risk-specific private compliance standards is as vast and varied as the universe of risks and industries. Here are a few examples, along with brief descriptions, to give you a sense of this variety. For citations to other private sources of compliance standards, we refer interested readers to the discussion and notes in the Ad Hoc Advisory Group Report on the Organizational Sentencing Guidelines, which studied and proposed revisions to the original organizational sentencing guidelines.

Several industries have trade associations devoted to industry compliance or offering compliance guidance as part of their member services. The following two organizations are among the most active of the former type. The Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Department of the Treasury, implements the BSA provisions. The Financial Crimes Enforcement Network (FinCEN) is the primary federal agency responsible for implementing many of the requirements of the Anti-Money Laundering Act of 2020 (AMLA), as part of Division F of the William M. (Mac) Thornberry National Defense Authorization Act (NDAA) for FY2021 (P.L. 116-283). AMLA amends and builds upon the existing anti-money laundering (AML) statutory framework, originally established under the Bank Secrecy Act in 1970 (BSA; P.L. 91-508). AMLA also includes the Corporate Transparency Act (CTA; Title LXIV of Division F of the FY2021 NDAA), which, for the first time, imposes a federal requirement to identify the beneficial owners of certain legal entities. If fully implemented by the executive branch, AMLA may represent one of the most comprehensive efforts in recent decades to modernize the U.S. government's regulatory architecture for AML, combat the financing of terrorism (CFT), and detect other financial crime activity.

FinCEN is a U.S. Department of the Treasury bureau responsible for protecting the U.S. financial system from illicit financial threats. FinCEN collects and maintains a repository of financial intelligence from financial institutions, analyzes the information, and disseminates it to law enforcement agencies to support investigations of perpetrators of criminal activity. As one of the primary regulators and administrators of the BSA, FinCEN also plays a leading role in implementing AMLA. AMLA has tasked the Secretary of the Treasury, often acting through the Director of FinCEN, with promulgating multiple federal rulemakings to strengthen and improve

the AML/CFT regulatory regime, issuing various reports, and taking other programmatic and personnel actions.

Some members of Congress and other policy observers and stakeholders closely monitor FinCEN's progress in implementing AMLA, including the CTA. AMLA specifies deadlines for many of its implementation tasks, some of which are challenging to meet, such as the CTA's directive to FinCEN to establish a federal database to identify the beneficial owners of certain corporate entities. In April 2022 testimony to the House Financial Services Committee, FinCEN's Acting Director emphasized the strategic importance of AMLA's provisions while acknowledging that the agency had fallen behind on meeting AMLA's implementation deadlines due to resource constraints.

The Biden Administration's December 2021 U.S. Strategy on Countering Corruption aims to address deficiencies in the U.S. AML regime, particularly concerning beneficial ownership transparency (*United-States-Strategy-on-Countering-Corruption.Pdf*, n.d.). AMLA contains provisions to establish new federal-level beneficial ownership disclosure and transparency requirements, expand the BSA's purpose, mandate a review of the AML/CFT regulatory framework, promote public-private partnership and engagement opportunities on AML/CFT matters, introduce new staffing options and programs to enhance AML/CFT expertise, promote international cooperation on financial crime matters, protect financial intelligence from misuse, strengthen enforcement tools to deter money laundering and other forms of financial crime, invigorate BSA whistleblower provisions, and expand the BSA's regulatory scope to include businesses that provide services involving "value that substitutes for currency."

The Federal Financial Institutions Examination Council (FFIEC) has recently updated the FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual (*The Fed - SR 23-6*, n.d.). This manual guides examiners in evaluating a bank's anti-money laundering/countering the financing of terrorism (AML/CFT) program and its compliance with other AML/CFT regulatory requirements. The updates aim to provide further transparency into the examination process and support risk-focused examination work. The FFIEC reminds everyone that these updates do not introduce new instructions or increase focus on specific areas, but instead offer greater clarity into the examination process. Manual updates are located within the Assessing Compliance with Bank Secrecy Act Regulatory Requirements section and include Due Diligence Programs for Correspondent Accounts for Foreign Financial Institutions, Prohibition on Correspondent Accounts for Foreign Shell Banks; Records Concerning Owners of Foreign Banks and Agents for Service of Legal Process, Reporting Obligations on Foreign Bank Relationships with Iranian-Linked Financial Institutions, Summons or Subpoena of Foreign Bank Records; Termination of a Correspondent Relationship; Records Concerning Owners of Foreign Banks and Agents for Service of Legal Process, Due Diligence Programs for Private Banking Accounts and, Special Information Sharing Procedures to Deter Money Laundering and Terrorist Activity (Raghavan, 2006).

Association of Certified Anti-Money Laundering Specialists (ACAMS). ACAMS provides education, guidance, and networking aimed at "helping professionals around the world develop, implement, and uphold proven, sound anti-money laundering practices and procedures. International Compliance Association. Like ACAMS, ICA has a narrower focus, "dedicated to the furtherance of best compliance and money laundering practice in the financial services sector. Transparency International (TI) is an international non-governmental organization

devoted to combating corruption. TI's Corruption Perceptions and Bribe Payers Indices provide helpful information for those conducting risk assessments and due diligence on improper payments to foreign government officials. TI also has national chapters that offer compliance guidance and resources. For example, TI-USA offers an online Anti-Bribery Toolkit with sample compliance policies and forms.

Employee Training

The original guidelines lacked clarity about employee training. They stated that the organization must inform all employees and agents of its standards and procedures through training programs or publications that clearly specify the requirements. This allowed companies to justify not conducting employee training. However, organizations implementing a compliance program discovered that training is crucial. Without proper training, employees might miss the compliance message, and some could even think the company needs to be stricter about compliance. The updated guidelines clearly say that employee training is essential. The organization must take reasonable steps to communicate its standards and procedures regularly and effectively through appropriate training programs and informational materials. Training should occur consistently, and new employees must receive prompt training. Existing employees should also get refresher training when necessary. Technologies like interactive videos and computer-based learning tools can help organizations deliver training efficiently and effectively.

Board and Senior Management Training

The new compliance guidelines now require companies to provide training for their boards and senior management. This training should be tailored to everyone's role and responsibilities within the organization. The company should identify any legal or other risks these individuals might pose and educate them accordingly. For example, the board should be

aware of conflicts arising from outside business interests or services on other boards. However, companies must carefully select relevant training topics for their board members and ensure the training does not interfere with their busy schedules.

Board Oversight

The Delaware Chancery Court's decision in Caremark established that corporate boards must oversee their company's compliance efforts. However, board members are protected from state-law liability if they act in good faith, provided they avoid systematic neglect or a complete failure to address compliance issues. Although the good faith standard is believed to be increasing, board members still face a low threshold under state corporate law.

The recently updated guidelines assign board members a more prominent role in compliance. First, board members must understand the details and operation of the compliance and ethics program and exercise reasonable oversight of its implementation and effectiveness. This requirement includes two parts: education and oversight. Regarding education, the company must inform the board about its compliance program, including key risks and the measures taken to address them. Regarding oversight, the board or its audit committee should evaluate whether the compliance program works effectively. The guidelines support this evaluation by requiring personnel responsible for operations to report to the governing authority or a relevant subgroup about the program's effectiveness when appropriate. The initial training should equip board members with the background needed to fulfill their oversight responsibilities effectively.

Risk Assessment

The original guidelines did not mention the need for a risk assessment. However, the guidelines require organizations to tailor their compliance program to the nature of their business and history, indicating that some examination of the business and history is necessary.

Unfortunately, some organizations that take a check-the-box approach to compliance have neglected to conduct a risk assessment because this requirement is omitted. The amended guidelines have corrected this mistake. They now require that organizations conduct a risk assessment not only at the beginning but on an ongoing basis. This means that organizations must periodically assess the risk of criminal conduct and take appropriate steps to design, implement, or modify each element of their compliance program to reduce the identified risks. It is sensible that a risk assessment precedes the design and implementation of a compliance program, as it helps organizations determine which laws they need to comply with. Furthermore, the guidelines clarify that risk assessment must not be a one-time start-up task. Organizations must periodically assess their risks by looking for changes in the legal or business environment that could affect their risk profile. A large body of literature discusses the best practices for assessing an organization's risk.

Corporate Culture

The 2004 amendments have a primary theme: "Culture trumps compliance." A company can only have a successful compliance program with a healthy, ethical corporate culture. No matter how well-designed or funded a compliance program is, it will fail if the corporate culture is poisoned by cynicism and distrust. If employees believe the company's statements on ethics and values are insincere, their confidence in its integrity will be undermined. Therefore, the compliance guidelines emphasize the importance of an ethical corporate culture. The original guidelines referred to a compliance program as an "effective program to prevent and detect violations of law," while the amended guidelines refer to "an effective compliance and ethics program." Moreover, the new guidelines add that compliance and ethics programs should "promote an organizational culture that encourages ethical conduct and a commitment to

compliance with the law." This means that the culture should not be legalistic, where employees focus on what they can get away with. Instead, the company should genuinely articulate core values that employees believe define the organization's culture. Then, legal compliance and ethics will be integrated into the corporate fabric, rather than being awkwardly added if the government comes knocking.

However, the guidelines do not address the main challenge of how a company can create a healthy and ethical culture. A speech by Stephen Cutler, former Director of the SEC's Division of Enforcement, offers a starting point: "You have got to talk the talk, and you have got to walk the walk." Cutler emphasized that the board and management must express the compliance message, but "all the words in the world mean nothing without deeds to support them. You must pay more than lip service to values. It would help if people experienced them. No employee will believe that a company values honesty and fair dealing if promotions and raises go to those who 'meet the numbers' by cutting corners and engaging in sharp dealing. A company must ensure that its incentives and rewards align with its compliance message."

Agency And Regulatory Developments

The Financial Crimes Enforcement Network (FinCEN) requires banks to conduct due diligence before opening customer accounts, as mandated by the Bank Secrecy Act and its regulations. However, this requirement has led many banks to refuse to open accounts for smaller "money service businesses" (MSBs), such as check cashers, currency exchangers, and issuers of traveler's checks and money orders, due to increased regulatory scrutiny. These banks aim to avoid taking on the anti-money laundering risk associated with lesser-known MSBs. To encourage banks to work with legitimate MSBs, FinCEN led an inter-agency effort to clarify a bank's anti-money laundering due diligence obligations when opening an account for an MSB.

Measuring Compliance

Measuring compliance involves comparing an individual's behavior with various regulatory provisions, implicit international norms, informal agreements, and unspoken expectations. According to Kuiper et al. (2022), fewer individuals will comply when the cost of complying with regulations is lower than the cost of violating them. One potential solution to enhance Compliance with the Bank Secrecy Act is to raise the cost of noncompliance by imposing financial penalties on banks. It is essential to note the potential advantages of compliance, though further research is needed to fully understand this aspect.

Sykes (1997) argues that the influence of principles and norms, which are non-explicit and ambiguous rules, on behavior is often difficult to evaluate. While they may affect behavior, measuring compliance with such regulations can be challenging because it requires greater agreement among the parties involved. Compliance is usually viewed as a binary concept: either one complies or violates. However, some regulations may induce behavioral changes that fall short of compliance or vice versa. Compliance is primarily concerned with altering behaviors without considering whether those changes are sufficient to achieve the regulation's intended aims. Therefore, enforcing rules and institutions may have a long-term impact on spurring change. However, individual actors subject to compliance have specific motives that must be considered to fulfill their overall goal.

Newark (2018) divided the basic logic of human actions into the logic of consequence and the logic of appropriateness; in the **Institutional Dynamics of International Political Orders**, the researchers concluded that the logic of consequences assumes that actors select

rationally among alternatives based on their calculation of expected outcomes, while the logic of appropriateness views actions as depending on identities, obligations, and conceptions of appropriate behavior. Although these views are contradictory (mutually incompatible) and cannot coexist, they provide a foundation for discussing theories of firm compliance and the different reasons behind corporate actions. Kingsbury (1998) found that people's compliance with rules and regulations can be influenced by perceptions of fairness and by the rational pursuit of their interests. Jones (2005) further suggests that people choose and follow specific actions for various reasons. These include self-interest, moral obligations, constraints such as coercion, and social habits and routines they have acquired. When individuals face decisions shaped by others' preferences and actions, they tend to follow behavior patterns consistent with game theory (Kingsbury, 1998). Kingsbury (1998) also argues that institutions and rules shape long-term actor preferences, while external factors can influence behavior regardless of intentions.

According to Kingsbury (1998), legal regulations increase the cost of noncompliance, enhance information availability, and raise the costs and benefits of adhering to rules. In response, Ajzen (1991) proposed the theory of planned behavior, which assumes that individuals make rational decisions based on their viewpoint, subjective norms, and perceived behavioral control. Therefore, Kingsbury (1998) suggests that imposing sanctions or threatening to impose them is often not the most critical factor in ensuring compliance with institutionalized rights and rules. Instead, having a reputation for protecting vital interests is crucial. Moreover, sometimes, a reputation for occasional irrationality or stubbornness might be more advantageous to a market actor than a reputation for being entirely rational. Even if banks do not explicitly state their attitudes, their lack of communication can still influence their compliance decision-making.

In most cases, higher compliance levels are preferable to lower ones, as they correlate well with effectiveness. The level of compliance depends on various factors, including the underlying structure of the environmental problem, the alignment between regulatory requirements and existing behavior, and the decision-making processes of governments, corporations, and other organizations. Illicit financial flows are a significant concern for many countries worldwide and present unique challenges. However, the simplest explanation for why subjects or other actors follow regulations is that they believe it is in their best interest to do so.

It has been difficult to link differences in compliance among companies to their specific compliance programs, as these programs' individual elements can vary in design. Other factors also influence variation in compliance, such as the demographic makeup of staff, the ethical culture, and company size (O'Fallon & Butterfield, 2005). Additionally, situational factors, like the level of temptation involved (Schwartz, 2001), may explain differences across business units, functions, or even sectors. These multiple factors make it tough to compare compliance levels among companies in a way that clearly attributes differences to their compliance programs. Therefore, it is logical to investigate what drives compliance within a company while controlling or eliminating confounding variables. Some survey-based research has explored relationships between compliance programs, unethical behavior, ethical intentions, and whistleblowing among employees. For example, (Hu et al., 2012) observed that greater top-management commitment to compliance leads to more comprehensive programs. The scope of a compliance program also plays a vital role in ensuring compliance.

Hogenbirk and van Dun (2021) studied employees from US companies. They found substantial evidence that a more comprehensive compliance program (i.e., one that combines elements such as codes, training, and whistleblowing) is associated with less observed unethical

behavior. Moreover, Ruiz-Palomino et al. (2011) used a sample of 525 employees from Spain's banking and insurance industry. They found that all elements of a company's compliance programs should be deeply integrated into the organizational decision-making process. This is because a higher degree of coherence between norms and practice is positively associated with ethical intentions in the face of moral dilemmas.

To gain a deeper understanding of how compliance programs influence compliance, Stöber et al. (2019) conducted a study to address three key research questions. The researchers first examined whether codes are a core part of effective compliance programs. Then, they explored the design elements of a code that increase compliance. Finally, they investigated whether other aspects of compliance programs, such as types of compliance training and whistleblowing channels, significantly impact compliance. By answering these questions, the researchers aimed to identify best practices for designing and implementing effective compliance programs that foster a culture of compliance within organizations. While codes outline the company's self-imposed compliance framework, compliance training helps employees understand and apply it in their daily work. Meanwhile, whistleblowing serves as a tool to detect code violations after the fact and influences behavior by increasing the likelihood of detecting misconduct.

Despite generally positive outcomes, research on implementing compliance programs can be improved in certain areas. For example, while studies explore various aspects of compliance programs, such as having a code or providing compliance training, they show limited opportunities to design specific elements for practice. Many normative guidelines exist for creating codes, like those outlined by Gibbs in 2003 (Bergman, 2006). These guidelines recommend including examples, maintaining clarity, and using a tone consistent with leadership.

It's important to recognize that different codes of conduct vary in key ways, which can affect their effectiveness. Nonetheless, more experimental research is necessary to understand how specific design elements influence outcomes. This gap makes it difficult to establish causal relationships. Overlooking a code's design may also explain why results on code effectiveness are mixed. Since a company controls how its code and other compliance elements are developed, design becomes an essential factor to consider (Stöber et al., 2019b).

Compliance Enforcement

When actors recognize they can achieve better results by collaborating to produce a public good and build trust, some may negotiate and agree, even if others continue to violate the agreement. Usually, actors prefer joint gains, even if those gains are smaller than what could be achieved if everyone complied. They can still benefit from joint gains despite others' noncompliance, although these benefits will be reduced compared to full compliance. However, some actors who do not consider how their compliance affects others or who see the costs of complying as outweighing the benefits might decide not to comply. The key point here is that when an actor can reliably predict others' actions, it is in their best interest to stick with an agreement. This is because compliance encourages others to do the same. Conversely, if an actor chooses not to comply, they risk resistance and loss of trust, which hinders cooperation. Therefore, actors should consider how their choices affect others and weigh the potential costs and benefits of their actions.

For joint gains to be realized, participants must be willing to cooperate and adhere to agreements. However, they must also prioritize the collective good over individual interests. Economic problems often resemble coordination games, where participants may want to comply together, but each person's best strategy is to break the agreement even if others follow it. While

cooperation can lead to optimal outcomes, individuals often prioritize their own interests, resulting in less favorable outcomes. When multiple parties are involved in a project, following rules, regulations, and guidelines can sometimes be challenging. In such cases, a strong and influential entity or firm may enforce compliance to persuade others to obey the rules. This entity assumes control because it can and benefits from ensuring everyone abides by the rules. Weaker organizations might be compelled to comply with these "imposed orders" through coercion, manipulation, or incentives.

Business entities and subjects of specific regulations often comply to promote their interests and avoid legal obligations that could harm them. Actors may choose to comply because the regulation allows them to maintain their current behaviors without necessitating any alterations. Firms that already meet a certain standard may support regulations that require their counterparts to do the same, aiming to boost competitiveness without changing their own practices. Companies will find themselves already in compliance, mainly when agreements with the regulation reflect minimal standard policies. Satellite surveillance can help authorities monitor activities more closely and enforce sanctions more effectively, thereby increasing compliance. If such technological advances lead to changes in compliance systems, regulations may be amended with more precise language. However, tighter wording alone will not improve compliance; it simply indicates underlying shifts in the interests of those monitored. A bank can comply with regulations, even if doing so is costly in some cases. However, the costs of noncompliance, such as reputational damage, can make compliance more appealing. Compliance becomes more difficult when those involved lack a personal stake, reducing its effectiveness and reliability.

Reasons for Non-compliance

In situations where multiple parties collaborate, some may choose to violate established regulations unless they are encouraged to comply or discouraged from doing so. There may also be other reasons for noncompliance. Identifying and distinguishing different sources of noncompliance is crucial to understanding how these actors can ensure compliance despite their preferences. The study by Rintamäki and Alvesson (2023) aimed to examine how individuals under authority behave and how they respond when they perceive management as harsh or repressive. It focused on how these individuals balance resistance and compliance, and how their reactions often do not influence organizational outcomes but still offer some benefits. The researchers argue that the manner in which power is exercised matters. This holds true in discussions of compliance because people may follow regulations when they believe they are fair and just. When authorities display coercive power—such as showing little regard for individuals and a tendency to punish—resistance is highly likely (Rintamäki & Alvesson, 2023). According to Rintamäki and Alvesson (2023), because public resistance—defined as openly challenging authority (Finkel, 2017)—has a high potential to provoke reactions from authorities, dissatisfied individuals might pursue less risky forms of resistance through covert means.

According to Devalle (1990), James Scott introduced the concept of "everyday resistance" in 1985 to complement the theory of planned behavior, which is essential for this study. This concept describes a different type of resistance that is less visible than organized rebellions, riots, or demonstrations. Everyday resistance is quiet, seemingly invisible, and dispersed. Scott explains that certain behaviors exhibited by subaltern groups, such as foot-dragging, sarcasm, disloyalty, avoidance, and theft, might not appear to be what they really are but are instead tactics used to resist repressive domination. According to Scott, these activities

are utilized by people to both survive and weaken domination, especially in situations where rebellion is too risky. Banks' noncompliance with the Bank Secrecy Act could serve as an example of everyday resistance. This is a subtle way of boycotting a policy or an act. The concept of everyday resistance can influence banks' attitudes, subjective norms, and perceived behavior, thereby shaping their behavioral intentions. Rintamäki and Alvesson (2023) highlight the importance of understanding organizational compliance. Compliance should be viewed at two levels: the organization's environment, where stakeholder expectations can influence behavior, and the relationship between the organization and its employees, where the organization seeks to control them. Non-compliance with BSA may result from planned behavior, everyday resistance, stakeholder expectations, or the organization's goal to influence employees.

Some actors choose not to comply because the costs exceed the benefits. Certain banks are required to follow all the rules of the Bank Secrecy Act. Companies might benefit from others' compliance, avoid expenses, prioritize other issues over economic or social concerns, or see no advantages to compliance. Not all banks consider illicit financial flows a global issue. Companies may not prioritize Bank Secrecy Act compliance due to a lack of awareness of its benefits, a focus on other social issues, or a belief that compliance offers no immediate advantages. Even when total social costs are minimal and compliance is preferred, subjects may still be tempted to break the law. Banking institutions subject to regulation often need additional support because of perceived costs. Trebbi et al. (2023) analyzed regulatory compliance costs in the United States to determine whether the burden is evenly distributed across all businesses or falls more heavily on some. The researchers found that, on average, regulatory costs account for 1.34% to 3.33% of a firm's wage expenses, totaling \$239 billion in 2014 and \$289 billion when

capital equipment costs are included. In simple terms, about 3.33% of total labor expenses are spent on regulatory tasks each year. A firm's compliance costs show that companies with 500 employees face costs roughly 40% higher than their share of total wages, regardless of size. This finding is important because it highlights how regulatory compliance varies by firm size across the U.S., as different firms face different technological challenges and benefit from economies of scale and fixed costs. According to Trebbi et al. (2023), regulatory compliance costs in the U.S. increased by 1% annually from 2002 to 2014, after adjusting for inflation. For companies requiring capital expenditure on equipment, compliance costs are 20% higher. In the financial sector, 93.9% of compliance costs relate to labor, 3.3% to physical capital, and 2.8% to outside advisors. Michel and Schulp (2022) emphasize that personal and financial privacy are vital in a free society. People have a right to a private life free from government interference, and maintaining financial privacy is crucial for preserving freedom. Banks must balance compliance requirements with customer privacy to avoid losing clients.

Compliance benefits depend on incentives and adequate resources. Due to financial, administrative, or technological limitations, willingness to comply does not always equal the ability to comply. These constraints can lead to noncompliance rather than outright refusal. Even compliant companies may require additional resources to cover compliance costs.

Noncompliance with the Bank Secrecy Act can stem from a lack of administrative capacity. Compliance becomes doubtful when it requires changes to banks' actions and operations, particularly when more information or regulatory infrastructure is needed. Not all banks have the same operational structure and capacity to meet the Act's requirements. Companies often hesitate to invest in compliance programs because of the risk of uncovering violations that could lead to substantial sanctions. A proposed "composite" regime offers reduced sanctions as an incentive

for compliant, self-reporting companies. Nevertheless, firms may be reluctant to implement a compliance program due to the associated costs and benefits, whether direct or indirect. When investing in such programs, companies must balance these indirect costs and benefits against potential liabilities for illegal conduct, proceeding only if it helps lower expected penalties.

Michel and Schulp (2022) question whether federal agencies have the expertise to develop effective anti-money laundering (AML) programs. Financial institutions are often penalized for AML violations even after passing annual bank examinations. This illustrates that certifications do not ensure an institution has an AML program capable of detecting criminal activity. Kingsbury (1998) argued that the effectiveness of international institutions does not depend solely on strict sanctions. Entities need sufficient enforcement to comply with agreements that come with significant costs for the common good. The reputation of being law-abiding might be less valuable than the reputation for safeguarding vital interests or occasional irrational stubbornness. Rules and institutions can influence and change an actor's beliefs.

Businesses worry about the consequences of not complying with regulations, such as negative public perception and potential impacts on their future. Companies prefer to follow fair rules, regardless of the costs. Compliance relies on encouraging positive behavior through sanctions or incentives, whether within or outside existing regulations. Positive incentives and education can foster regulatory compliance. Diplomatic discussions and educational initiatives help ensure adherence. Sanctions should be firm, consistent, and coupled with a high risk of detection. Social pressure and public opinion are also practical tools. People follow rules because noncompliance can harm both themselves and others. Compliance is the most effective way to achieve a shared goal. Detecting noncompliance is straightforward, and retaliating by continuing to comply strengthens compliance incentives. Governments regularly review regulations in light

of technological advances and economic changes. Progress in science and technology can lower the perceived costs of externalities and promote greater compliance with regulations.

Testing Compliance

Mitchell and Garrett (2020) have stated that compliance testing is also crucial, especially when employees must report transactions or results that raise compliance flags. For example, in banking, suspicious transaction reports may require further investigation, whereas in the context of foreign bribery, additional due diligence on a vendor may be necessary. Simulated misconduct can be used to evaluate internal reporting of misconduct. Organizations can attribute such testing to legal mandates for compliance validation rather than a lack of trust. Many of these tests aim not to detect criminal behavior but to determine whether existing internal controls and educational efforts are adequate. Data mining tools are increasingly used to analyze internal data and detect violations, such as in the FCPA arena.

Garrett and Mitchell (2020) contend that enforcers should prioritize evidence-based practices and empirical validation to help companies achieve compliance. This approach can result in better laws and more informed enforcement actions. Legislators ought to fund research or provide incentives for collecting compliance data. Digital analytics tools and testing techniques can enhance compliance programs. The emphasis should be on rewarding efforts to gather compliance data to improve corporate adherence. Experts recommend adopting a "composite" regime that rewards companies for complying with regulations and for voluntarily reporting violations, thereby reducing sanction severity. This strategy encourages companies to invest in compliance programs, which can ultimately lower the risk of illegal activities. By incentivizing effective compliance, regulators can promote social welfare by preventing socially harmful behavior, whereas superficial compliance might hide or sustain it. Professor Arlen

advises that prosecutors should impose fines to motivate compliance and reward self-reporting of violations. Civil regulators should also have the authority to enforce structural reforms. Although the legal framework for this composite regime exists, it has not yet been implemented.

Compliance has become a fundamental aspect of modern corporate governance and ethics. The Organizational Sentencing Guidelines were introduced in 1991, building on the 1987 United States Sentencing Guidelines mandate on corporate compliance (Byars, 2025). Although these guidelines are now mainly advisory, judges still calculate and often adhere to the suggested range. The Guidelines encourage companies to focus on preventing, detecting, and reporting misconduct rather than relying solely on punishment as a deterrent. This is because setting an appropriate fine to prevent re-offending can be difficult, and penalties might have little effect if the costs are passed on to shareholders or customers, while the managers responsible remain unaffected. A strong compliance defense is critical for companies to prevent crime, identify violations, and report them to authorities. Many business crimes, such as fraud schemes, often remain hidden unless companies investigate what went wrong (Mitchel & Garrett, 2020). In 2003, the Commission highlighted the importance of implementing an effective compliance program by elevating it from a mere footnote to a guideline in the commentary. They also outlined specific requirements for such a program, including training, monitoring, anonymous reporting, and evaluation. Additionally, in 2010, the Commission clarified that even if a senior employee commits a crime, the company might still receive a reduced sentence by demonstrating an effective compliance program.

The Foreign Corrupt Practices Act (FCPA) prohibits certain payments and gifts to foreign government officials and mandates the maintenance of accurate records and internal controls to prevent corrupt behavior (Ghosh Dastidar & Yano, 2025). Adhering to the FCPA is crucial in

ensuring compliance and preventing bribery. Companies can establish a clear anti-bribery policy, provide training, and develop procedures for approving third-party payments. Identifying red flags for improper payments and investigating questionable transactions can help prevent illicit bribes, although it can be challenging. The DOJ released a guidebook on the FCPA in 2012, but needed to provide more guidance on what constitutes a robust compliance program.

In April 2016, the DOJ introduced a pilot program for FCPA cases that offers leniency to corporations that self-disclose, fully cooperate, and remediate their actions (*Fcpa_enforcement_plan_and_guidance_4.5.2016.Pdf*, n.d.). It is unclear what constitutes a "culture of compliance." Companies are still determining how to evaluate risks and ensure adequate compliance. Larry Thompson commented that there is so much uncertainty in FCPA enforcement that the risk cannot even be assessed intelligently.

Summary

The Bank Secrecy Act (BSA) needs reform because it places heavy burdens on subjects, especially financial institutions, in a constantly changing financial environment. Two Supreme Court justices are open to re-examining constitutional questions that the Court raised in the early 1970s. Congress could quickly improve the BSA by aligning it with the Fourth Amendment's warrant requirement for access to private financial information. Compliance with the BSA is complicated due to increasing illegal financial flows, and examining different viewpoints is necessary to understand its flaws (Michel & Schulp, 2022). Jackman (2015) explains that effective compliance and regulation require supportive infrastructure, trust, and widespread practice. Regulators should consider and balance the public's expectations and needs with those of the economy. However, they often lack practical business experience, and compliance is less

closely linked to policy goals. To reduce regulatory risk, regulation and compliance should evolve together.

Upon reviewing this anthology, a discernible pattern begins to unfold. As previously highlighted, compliance has increasingly become a significant concern. This trend not only suggests a growing reluctance among individuals and organizations to adhere to established guidelines but also indicates the complexities that arise across legal, ethical, and operational contexts. The recurring instances of non-compliance hint at deeper systemic issues that warrant further investigation and a comprehensive understanding of the underlying factors contributing to this phenomenon.

Chapter 3: Research Method

Illegal financial flows (IFF) have become a pressing concern for governments worldwide, as they not only contribute to economic instability but also facilitate criminal activities such as money laundering and terrorist financing (Collin, 2020; Netshisaulu et al., 2022; Thiao, 2021). In this context, exploring the efficacy of the Bank Secrecy Act (BSA) strategies in curbing such financial malfeasance has become imperative. The BSA is a US-based legislation that mandates financial institutions to report suspicious transactions, maintain records of their customers' transactions, and implement anti-money laundering (AML) programs to detect and prevent illegal financial activities (Casey, 2021; Eller & Kreps, 2010; Michel & Schulp, 2022). By evaluating the effectiveness of BSA strategies, policymakers, fraud professionals, and financial institutions can gain insights into best practices for combating threats from illicit financial flows and promoting transparency, integrity, and accountability in the financial sector.

The effectiveness of the Bank Secrecy Act (BSA) could directly influence illegal financial flow activities (Bonić & Stojilković, 2017). However, many US financial institutions still struggle to comply with the BSA's provisions, undermining its effectiveness and, consequently, defeating the Act's purpose. Evidence shows that compliance with the Bank Secrecy Act (BSA) remains the subject of numerous studies but continues to be a domestic and international challenge (Michel & Schulp, 2022; Scarcella, 2021; Zavoli & King, 2021).

The Bank Secrecy Act (BSA) of 1970, also known as the Currency and Foreign Transactions Reporting Act of 1970, was enacted to combat money laundering and other financial crimes. Financial institutions in the United States must establish anti-money laundering (AML) programs, including Customer Identification Program (CIP), Customer Due Diligence (CDD), Monetary Instrument record-keeping, and Information sharing, fund transfers (Wire)

recordkeeping, and beneficial ownership in its recent scope (Michel & Schulp, 2022). The BSA also requires the filing of Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs) to provide law enforcement with information on potentially criminal transactions (Sater, 2020). By requiring financial institutions to be more vigilant in monitoring, detecting, and reporting suspicious activities, the BSA helps prevent the use of the financial system for illegal purposes, such as drug trafficking, terrorist financing, and tax evasion. Unfortunately, many financial institutions view implementing the BSA as a costly and onerous obligation (Zavoli & King, 2021). This may be due to the significant resources required to establish and maintain the necessary compliance programs, as well as the potential burden of penalties for non-compliance (Cotoc et al., 2021). Despite these challenges, financial institutions must take the necessary steps to comply with the BSA and maintain the integrity of the financial system.

According to Netshisaulu et al. (2022), when addressing compliance with the Bank Secrecy Act, it is crucial to consider the disciplinary practices used to encourage compliance carefully. While punitive measures such as suspension, expulsion, and penalty policies may seem practical, evidence suggests that they may not be the most effective solution (Brown, 2020; Endrass, 2012). Such measures can often create a culture of fear and resentment among employees, ultimately undermining the goal of fostering a strong culture of compliance (Shi, 2022). Instead, focusing on positive reinforcement and education may be more effective, helping employees better understand the importance of adhering to the Bank Secrecy Act and encouraging them to do so willingly and enthusiastically (Zimmerman et al., 2022).

Organizations can enhance compliance rates and cultivate a more positive and productive work environment by fostering a culture of collaboration and empowerment. Hence, researchers and professionals are increasingly doubting the effectiveness of punitive approaches, leading to a

search for alternative solutions (Michel & Schulp, 2022). Recent studies suggest that alternative disciplinary methods can enhance compliance behavior among financial institutions and other subjects of the Bank Secrecy Act (McGrath & Walker, 2022).

Compliance with the Bank Secrecy Act involves more than just penalizing financial institutions and other entities for misconduct (Netshisaulu et al., 2022). Policymakers and leaders must take a comprehensive approach to ensure financial institutions can detect and prevent money laundering and other financial crimes (Michel & Schulp, 2022). This includes establishing adequate internal controls, training programs, and risk assessments, among other measures. Additionally, policymakers and leaders should work to improve collaboration and communication between financial institutions and regulatory agencies to facilitate information sharing and enhance the overall effectiveness of the AML/CFT regime. By adopting a thorough strategy, policymakers and leaders can cultivate a culture of compliance that benefits both the financial system and the broader economy.

This chapter outlines the research methodology and design, including the research approach, population, and sample size. It also covers the sampling process, data collection, data analysis, instruments, operationalization of variables, procedures, assumptions, ethical considerations, expected outcomes, validity, scope, and limitations. This study, a unique non-experimental mix of quantitative and qualitative analysis relying on correlation, explores the largely unexamined area of compliance with the Bank Secrecy Act (BSA) among commercial banks, specifically in New Jersey. Despite extensive scrutiny and acknowledgment of limitations in the financial industry's compliance with the BSA and issues related to illegal financial flows, this vital topic has received less research attention than others (Levi, 2020). Given the importance of the BSA, this represents a significant gap, especially considering the reported

banking crises in the United States (Sylla et al., 2009; Ozili, 2023). According to Michel and Schulp (2022), updates to the BSA have been minimal since its inception, particularly with respect to the monetary thresholds for currency transaction reports (CTRs) and suspicious activity reports (SARs). Addressing these outdated thresholds is crucial, as it emphasizes the relevance and necessity of our research.

Furthermore, with the advancements in financial technology (fintech), criminals are finding new ways to exploit these tools to move money and evade law enforcement (Rebovich, 2021). The BSA's current framework does not adequately address emerging technologies such as machine learning, digital currency, know-your-customer, and peer-to-peer technologies (Rettig et al., 2024). The potential risks of failing to address these compliance issues are significant, underscoring the urgency of this research. Lawmakers must amend the BSA to address these technologies as criminals exploit the financial system using emerging fintech (Murinde et al., 2022). This is in addition to the necessary adjustments to the monetary thresholds of cash transactions and suspicious activity. Striking a balance between preventing crime and fostering innovation, while also addressing customer convenience and privacy concerns, is a complex task (Quach et al., 2022).

Research Methodology and Design

This study will use a mixed-methods, explanatory sequential (Toyon, 2021) and correlational research design (Janse et al., 2021). This correlational study aims to identify relationships, directions, and strengths between compliance with the Bank Secrecy Act and illegal financial flows within commercial banks. The research will draw on structured interviews, participants' subjective perceptions, and archival records from government websites.

An explanatory sequential design uses both quantitative and qualitative data to guide the research and consists of two distinct phases (Ivankova et al., 2006a). The process starts with collecting and analyzing quantitative data, followed by gathering and examining qualitative data. As Fetters et al. (2013) note, the main goal of this design is to expand on the quantitative results with qualitative methods. The quantitative phase centers on objective measurement and hypothesis testing, focusing on observable and measurable phenomena. This phase involves using instruments to collect data, evaluate variables, and analyze statistical results. In contrast, the qualitative phase that follows shifts the focus to subjective insights, aiming for an in-depth exploration that provides context and a deeper understanding of the quantitative findings. This approach underscores the importance of understanding participants' perspectives and the meanings they assign to their experiences, highlighting the complexities of social interactions.

This study will use descriptive statistics to examine relationships between variables and to draw conclusions. Due to the nature of this research, the study design employs statistical analysis to evaluate the effectiveness of the Bank Secrecy Act and to explore relationships among the variables. Inferential statistics also help determine whether an observed effect, relationship, or difference is due to chance or is likely valid and real (Kotronoulas et al., 2023).

The explanatory sequential design is deemed suitable for this study for several reasons, especially in relation to the study's problem, purpose, and research question. (Ivankova et al., 2006a) have argued that mixed-methods research is the cornerstone of social science research on everyday life. It facilitates a comprehensive understanding of complex phenomena by integrating both quantitative and qualitative data.

The reasons for utilizing this method arise from several key concepts in research design. According to Williamson (2005), one important concept is triangulation, which refers to combining quantitative and qualitative research to confirm findings and provide mutual support for them. Additionally, researchers aim to offset the unique strengths and weaknesses of each research approach by integrating them, thereby mitigating shortcomings and leveraging advantages. Another reason for this integration is to ensure the study's completeness. By using both quantitative and qualitative methods, researchers can achieve a more comprehensive understanding of the research topic. Furthermore, this combination benefits the research process, as quantitative research can describe structures in social life, while qualitative research offers insights into underlying processes.

Different research questions may also indicate that qualitative and quantitative methods can effectively address distinct inquiries. Researchers also seek to enhance explanations, where one method helps clarify findings generated by the other. This approach is particularly valuable for addressing unexpected results, as combining the two methodologies can provide deeper insights, especially when one methodology yields surprising findings that the other can interpret. Moreover, researchers can benefit from developing appropriate instruments. In this context, qualitative research can help create more effective questionnaires, such as those used for archival record selection and analysis, ensuring more precise wording and more comprehensive closed-

ended answers. The use of two sampling methods — random and purposive methods- is also advantageous, as it helps select respondents or cases for the study when necessary, in alignment with the purpose. Lastly, employing this method enhances the credibility of the findings, as using both approaches can strengthen the research's integrity. Additionally, blending qualitative insights with generalizable survey results can provide a fuller understanding of the relationships among variables, enriching the study's context. This design is particularly advantageous in mixed-methods research, where the collection and analysis of both quantitative and qualitative data yield a more nuanced understanding of the research question.

The explanatory design employs a philosophical pluralist approach, allowing researchers to use different paradigms across different study phases (Haynes-Brown, 2025). Post-positivism is employed in the quantitative phase for accuracy and generalizability, while constructivism informs the qualitative phase, providing deeper insights. This adaptability aligns with pragmatism, which encourages practical problem-solving and the use of appropriate methods to address research questions, free from strict philosophical constraints.

This method simplifies the analysis of numerical data before incorporating qualitative insights, allowing for distinct stages of data collection and analysis. It eases management because it does not require a large research team, allowing a single researcher to conduct the study without coordinating multiple data collection efforts simultaneously. However, it can be time-consuming to ensure that the qualitative phase effectively complements the quantitative findings. Additionally, careful consideration of the criteria for the qualitative phase is necessary to provide meaningful explanations, and challenges may arise in obtaining Institutional Review Board (IRB) approval.

It is essential to note that the generalizability of research findings cannot be attributed solely to the use of a quantitative research method (Drisko, 2024). Instead, a random sample selection from the population can increase the likelihood of generalizability (Sharma, 2022). Several factors determine the research approach, including research paradigms, which are worldviews that guide how a research community conducts research, grounded in shared assumptions, values, and practices.

According to (Creswell, J.W. and Creswell, J.D. (2017) *Research Design Qualitative, Quantitative, and Mixed Methods Approaches. 4th Edition, Sage, Newbury Park. - References - Scientific Research Publishing, n.d.*), the choice of methodology is influenced by the history, purpose, philosophical assumptions, procedures, strengths, challenges, and variations associated with each major design. (Creswell, n.d.) clarifies that while mixed-method designs incorporate both fixed and emergent elements, fixed-method studies are applicable when the use of quantitative and qualitative methods is predetermined and planned at the outset of the research process, with the procedures implemented as outlined. In contrast, an emergent mixed-methods design is employed when the integration of mixed methods arises from issues that develop during the research process. Emergent mixed-method designs, which this study adopted, typically occur when a second approach (quantitative or qualitative) is introduced after the survey has begun because a single method is inadequate (Katz-Buonincontro, 2024). The researcher could have also considered the Sequential exploratory design, which serves as an alternative methodology for this study (Koskey et al., 2023). Although the exploratory sequential design follows a sequential timing, it begins by prioritizing the collection and analysis of qualitative data in the initial phase. Building on the exploratory results, the researcher then conducts a second quantitative phase to test or generalize the initial findings and later interprets

how the quantitative outcomes enhance the initial qualitative results. However, given the nature, purpose, problem, and research questions of this study, this method was deemed inappropriate. Therefore, the explanatory design proved to be the most suitable choice. As previously mentioned, the researcher had already begun collecting quantitative data from respondents when the decision was made to incorporate a second method to address data-collection challenges.

Population and Sample

The research problem, purpose, and questions necessitate data collection from commercial bank employees, including both upper and middle management. The analysis aimed to assess their experiences and perceptions regarding operations within the bank. In this context, "employees" refers to individuals whose responsibilities, whether directly or indirectly, impact the installation, implementation, maintenance, updating, and daily operations of the Bank Secrecy Act (BSA) of 1970. They are responsible for developing processes to identify, measure, monitor, and control banking risks while ensuring compliance with BSA regulations. They evaluate existing controls and IT systems to maintain compliance with the Bank Secrecy Act (BSA).

The specific population of interest for the study comprises the Board of Directors, senior management, the BSA Officer, Internal Auditors, and information technology managers, who are the only qualified participants in the exercise. Additionally, they must be from a commercial bank with an office or branch in the State of New Jersey. They must have at least a college degree.

Approximately 46 respondents from the 72 selected banks are expected to have used the Bank Secrecy Act for at least three years. The sampling frame for the study will comprise 46 respondents from 72 commercial and national banks, as well as qualified officials and employees

operating in the State of New Jersey as of April 30, 2024 (Considine, 2011). A G*Power calculator was used to determine the necessary alpha, power, and effect size sample size parameters. In this case, the moderate effect size of 0.40 was used in the exact Bivariate normal correlation model, based on a priori power analysis. The two-tailed test had an alpha error probability of 0.05 and a power (1-B) of 0.80. The computed sample size was 46, with the lower and upper critical values being 0.2907065 and -0.2907065, respectively. The actual power value achieved was 0.8022510. Using Qualtrics statistical software at www.qualtrics.com, the suggested sample size is 72 banks and 46 respondents.

The study focuses on individuals with diverse technical and professional backgrounds employed by their respective banks. They have specific responsibilities related to ensuring the proper establishment, implementation, and effective operation of the Bank Secrecy Act. The scope of the population of interest includes geography, age, education, occupation, business sector, number of employees, and location (Ahmad et al., n.d.); (Casteel & Bridier, 2021).

This research aims to identify the groups to which the results can be generalized or applied, as well as the primary demographic the research concerns. Setting these boundaries helps define the study's scope and provides contextual cues for understanding the research. These boundaries naturally limit the research, allowing the researcher to focus and refrain from presenting a one-size-fits-all set of results.

The banks used in the study are commercial banks in the United States, selected based on their market share, assets, securities value, loans, and leases (Statista, April 3, 2024). These banks are essential to the business and finance sectors in the United States and New Jersey. They act as conduits through which the Federal government implements its financial policies. Although their primary clients are businesses, these banks also offer a range of services to

individuals, including accepting deposits, providing business loans, and offering treasury management solutions (Statista, April 3, 2024). For example, in 2022, JPMorgan Chase, one of the leading commercial banks in the United States, reported revenue of over \$128 billion (Statista, April 3, 2024). It also led to the issuance of commercial bank cards in 2021, surpassing Bank of America.

The inclusion criteria for the study participants

This research will use both simple random and purposive sampling to select banking employees in New Jersey, along with archival records, to ensure the findings are representative. The focus will be on banks' implementation of the Bank Secrecy Act (BSA) to assess its effectiveness in combating illegal financial activities. The sampling frames will be built using telephone numbers, individual names, email addresses, social media, and organizational lists (Kölln et al., 2019). It will also include government websites for selecting archival records. The sample will consist of 46 responses from employees of commercial banks, as detailed in Appendix 1, and 5 archival records covering the period from 2005 to 2025.

A simple random and purposive sampling method will be used for the study to ensure that each company in the sampling frame has an equal chance of being selected in a random process (Eshenaur Spolarich, 2023). The method is chosen for two reasons: (a) it has minimal or no bias, and (b) the sample offers adequate precision (Chen et al., 2022). Every effort will be made to include as many respondents as possible to achieve at least 54 percent of the desired power, if not a larger proportion, in the sample size (Nelson et al., 2015). Due to the nature and purpose of the study, a purposive sampling method will be employed. This means the researcher will intentionally select archival records that possess specific characteristics or qualities deemed essential to the research. This approach is especially beneficial in qualitative research, where the

goal is to gather detailed and context-rich information from a specific subset of the population (Patzwald & Wildt, 2004); (Schmidt, n.d.).

Table 1 shows the results of a priori power analysis calculations using G* Power software for an Exact test for statistical test using A priori: compute the required sample size given an alpha, power, and the effect size. The effect size is 0.40 and an alpha of 0.05, while power is .80. The power analysis results for the two-tailed t-test indicated that the minimum sample size required to achieve a Statistical power of at least 0.80 with an alpha of 0.05 and a minimum effect size of 0.40 is 46. The output parameters yielded an estimated range of 0.2907065 to - 0.2907065 (Ravelo, 2022). The computations were based on the suggestions of Kang (2021) and Nelson et al. (2015). Silverstein (1993) suggested that the work could not be suspected of a Type II error when researchers conducted a prospective power analysis.

Althubaiti (2023) has argued that choosing a smaller sample size is advisable, as it will save time in data collection and reduce its cost. If the sample size is either too large or too small, it can raise ethical concerns and yield unnecessary results (Andrade, 2020). Additionally, when the sample size is too small, greater statistical power may be required to accurately answer the research question, leading to non-significant findings and a potential Type II error (Andrade, 2020). The appropriate sample size is essential to ensure accurate and ethical research outcomes. In this instance, the 46-sample size for the study is deemed suitable since the alpha value remains 0.05, the effect size is even smaller at 0.40, and the power value is 0.80. To avoid Type II errors, the beta remains at 40%, which yields a promising sample size (Dalla Pellegrina et al., 2023).

The moderate size of 0.40 is used for the exact correlation in the Bivariate normal model, with power analysis set beforehand, which is suitable for obtaining an acceptable result. The two-tailed test has an alpha error probability of 0.05 and a power (1-B) of 0.80. The calculated

sample size is 46, with the lower and upper critical values being 0.2907065 and -0.2907065, respectively. The actual power value reached 0.8022510.

The sample size determination starts with a sampling frame of 46 available companies (see Appendix B). A medium-to-large effect size is achievable given the required sample sizes, as shown in Table 1. The power analysis indicated that an actual power of 80 percent at an alpha level of 0.05 could be achieved with more than 46 anticipated respondents, which would be considered feasible, efficient, and a reasonable sample size (Stokes & Allor, 2016).

Materials or Instrumentation

To address the research question, the researcher will administer a web-based questionnaire to staff members from the 84 selected commercial banks. The Bank Secrecy Act Compliance survey questions will be used for this research, sourced from the National Credit Union Administration's website (<https://ncua.gov>). This study will focus on gathering practitioners' opinions on implementing the Bank Secrecy Act in their banks to examine whether compliance with the Act affects illegal financial activities. A survey will be conducted to collect information on practitioners' opinions, assess their knowledge, and evaluate the extent of deterrent systems regarding illegal Financial Flow.

The survey materials will also help banks understand and improve internal controls and deterrent activities as they learn from the survey's outcome. Questions from both surveys will be combined to develop a single survey tool for this study; however, the combined survey will not be pre-tested for content validity and reliability. The survey shall consist of 24 items that will be measured using a 5-point Likert scale with the categories: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly Agree.

The survey tools to be utilized for this study will be chosen because the researcher aims to examine the relationship between Bank Secrecy Act Compliance and Illegal Financial Flow activities in commercial banks. The researcher entered all the questions into Qualtrics, creating a single 24-question survey. A copy of this tool is in Appendix A. All findings, processes, and summaries of the Bank Secrecy Act Compliance and Illegal Financial Flow Activities scores shall be presented in this study. Based on the research design outlined in this chapter, this study can be replicated using the same or similar statistical analysis software.

This research uses a 24-question questionnaire to assess different aspects or dimensions of BSA on a scale of 1 to 5, where one (1) means the lowest and five (5) means the highest (Appendix A). The questionnaire will be validated regarding its construct (Waldeck et al., 2019). By utilizing the Likert Scale, which enables users to express their opinions and attitudes in more significant detail beyond simple yes or no answers and even includes the option for no opinion, the study's results will be able to successfully explain 54.1% of the variance across three distinct categories: (i) Bank products and services (questions 1-4); (ii) Customers and Ethics (questions 5-7); and (iii) Demography (questions 8-12).

The validation will be completed by analyzing Cronbach's alpha parameters and composite reliability, both of which are greater than 0.70 (Peterson, 1994; Tavakol & Dennick, 2011). Similarly, it will assess whether the average variance extracted exceeds 0.50 across all identified question groups. Finally, Spearman's Rank-Order correlation coefficients will be used to verify that the different groups of questions identified show low-to-moderate correlations with one another and high correlations with the total questionnaire (Antón-Sancho et al., 2024b).

The survey participants must answer 24 questions: the first 12 focus on compliance with the Bank Secrecy Act, and the last 12 concern illegal financial activities. Each participant will

receive a combined score for both categories, calculated by averaging the scores of 46 individual items in each group.

To demonstrate the survey instrument's consistency, the researcher will conduct a test by administering it during the week of August 5-12. A correlation coefficient of .60 or higher is considered acceptable for establishing instrument reliability; therefore, Spearman's correlation with significant test reliability of the surveys is $r = +.40$, $n = 35$, $p < .01$, two-tailed. The correlation analysis indicates a significant relationship between compliance with the Bank Secrecy Act and activities related to illegal financial flows, $r = +.40$, $n = 35$, $p < .01$, two-tailed. The results will support the proposed hypothesis, assuming all other factors remain constant.

Table 1 shows the totals and percentages of responses for each item in the Bank Secrecy Act compliance questions. Similarly, Table 2 displays the same information for Illegal Financial Flow activities questions.

Construction of a disclosure index

The first step in building an index is choosing items for the checklist. Several potential items could be included in the index; therefore, focusing on measuring disclosure levels is essential (Marston & Shrivess, 1991). The goal of this study is to measure disclosure levels to evaluate the extent of corporate compliance and financial transparency. As a result, a comprehensive list of all relevant items related to corporate compliance with the Bank Secrecy Act (BSA) and financial transparency will be compiled in accordance with FinCEN (U.S. Department of the Treasury) requirements.

Operational Definitions of Variables

A clear definition of the studied concept is essential to ensure accurate measurement (Teller, 2013). This study measures and operationalizes six primary constructs as study variables

based on their use in previous literature related to disclosure: Internal Control system, independent testing, designated BSA officer, training program, customer identification program, and customer due diligence. The operational definitions of these variables are crucial in clarifying their meanings and determining their numeric values. For a summary of the operational definitions of each variable, please refer to Table 2.

Table 2:

Overview of Variables and their Operational Definitions

Variable Name	Variable Type	Data Scale	Sources of Data	Defined as	Research Questions
INDEPENDENT VARIABLE (X)	Independent	Ratio	Disclosure Index	The sum of the differences between the two ranks for each paired data points. Each variable data point is ranked from highest to lowest to obtain its strength.	Q1

Suspicious Activity Reporting	Independent	Ratio	Survey Result	Suspicious Activity Reporting	Q2
Identification of Unusual Activity	Independent	Ratio	Survey Result	Identification of Unusual Activity	Q3
Employee Identification	Independent	Ratio	Survey Result	Employee Identification	Q4
Transaction Monitoring	Independent	Ratio	Survey Result	Transaction Monitoring	Q5
Currency Activity Reports	Independent	Ratio	Survey Result	Currency Activity Reports	Q6
Identifying Underlying Crime	Independent	Ratio	Survey Result	Identifying Underlying Crime	Q7
Surveillance Monitoring	Independent	Ratio	Survey Result	Surveillance Monitoring	Q8
Monitoring Instrument Records	Independent	Ratio	Survey Result	Monitory Instrument Records	Q9
Fund Transfer Records	Independent	Ratio	Survey Result	Fund Transfer Records	Q10

Record Retention and Supporting Documentation	Independent	Ratio	Survey Result	Record Retention and Supporting Documentation	Q11
Notifying the Board of Directors of SAR Filings	Independent	Ratio	Survey Result	Notifying the Board of Directors of SAR Filings	Q12
Currency Transaction Report	Independent	Ratio	Survey Result	Report of the summary of transactions within a timeframe	Q13

Suspicious Activity Reporting (SAR)

The SAR (V1) variable is a ratio-level variable that serves as the cornerstone of the Bank Secrecy Act reporting system enacted by the United States Congress. Federal law (31 USC 5318(g)(3) requires this as a protection from civil liability for all reports of suspicious transactions made to appropriate authorities to combat terrorism, terrorist financing, money laundering, and other financial crimes (BSA/AML MANUAL).

Identification of Unusual Activity (IUA)

The IUA (V2) are the methods used to identify potentially suspicious activities, including, but not limited to, activity identified by employees during day-to-day operations, law

enforcement inquiries such as those typically seen in section 314(a) and section 314(b) requests, advisories issued by regulatory agencies, transaction, and surveillance monitoring system output, or a combination of all these.

Employee Identification (EI)

The EI (V3) During day-to-day operations, employees may observe unusual or potentially suspicious transaction activity. Banks should implement appropriate training, policies, and procedures to ensure personnel adhere to the internal processes for identifying and referring potentially suspicious activity. Banks should be aware of all identification methods and ensure that their suspicious activity monitoring systems include processes to facilitate the transfer of internal referrals to the appropriate personnel for further investigation.

Transaction Monitoring (TM)

The TM (V4) relates to Manual Transaction Monitoring and is a transaction monitoring system that typically targets specific types of transactions (e.g., those involving large amounts of cash and those to or from foreign geographies). It includes a manual review of various reports generated by the bank's MIS or vendor systems to identify unusual activity. Examples of MIS reports include currency activity reports, funds transfer reports, monetary instrument sales reports, large-item reports, significant balance change reports, ATM transaction reports, and nonsufficient funds (NSF) reports. Many MIS or vendor systems include filtering models to identify potentially unusual activity. The process may involve reviewing daily reports, reports covering a specific period (e.g., rolling 30-day or monthly reports), or a combination of both. The type and frequency of reviews and resulting reports should be commensurate with the bank's BSA/AML risk profile and appropriately cover its higher-risk products, services, customers, entities, and geographic locations.

Currency Activity Reporting (CAR)

The CAR (V5). In Chapter X of 31 CFR, there are specific regulatory requirements for banks regarding the international transportation of currency or monetary instruments. Anyone transporting over \$10,000 in currency or monetary instruments into or out of the United States must submit a Report of International Transportation of Currency or Monetary Instruments (CMIR). The responsibility to file the CMIR lies with the person physically transporting the currency or monetary instruments. Banks must file a CMIR for their personnel's transport of currency or monetary instruments. Regardless of the CMIR, banks must also adhere to other reporting obligations, such as filing Currency Transaction Reports and Suspicious Activity Reports as required by regulations.

Currency Transaction Reports (CTR)

The CTR (V6) refers to the vendor's offer reports, which identify all currency transactions or activity exceeding \$10,000. These reports help bankers file CTRs and detect suspicious currency activity. Most bank information service providers offer currency activity reports that can filter transactions by criteria such as multiple transactions over \$10,000. Currency activity, whether single or multiple transactions below the \$10,000 reporting threshold (e.g., between \$7,000 and \$10,000), is also included.

Currency transactions involve multiple lower-dollar transactions (e.g., \$3,000) that, over a period (e.g., 15 days), aggregate to a substantial sum of money (e.g., \$30,000).

Currency transactions are aggregated by customer name, tax identification number, or customer information file number. Such filtering reports, whether implemented through a

purchased vendor software system or requests from information service providers, significantly enhance a bank's ability to identify and evaluate unusual currency transactions.

Identifying Underlying Crime (IUC)

The IUC (V7) requires banks to report suspicious activity related to money laundering, BSA violations, terrorist financing, and other crimes when it exceeds the set dollar thresholds. However, banks are not responsible for investigating or confirming the underlying crimes, such as terrorist financing, money laundering, tax evasion, identity theft, or various types of fraud. Law enforcement agencies are tasked with conducting investigations. When assessing suspicious activity and completing the SAR, banks should identify the characteristics of suspicious actions to the best of their ability. Suspicious Activity Information, Part II of the SAR, categorizes suspicious activity into different types. Within each category, there is an option to select "Other" if no suspicious activities fit the situation. However, "Other" should be used only for cases not covered by the listed categories.

Surveillance Monitoring (SM)/ Foreign Bank Account Reporting (FBAR)

The SM (V8) is an automated account monitoring tool that can track multiple transactions and apply various rules to detect potentially suspicious activity. It can also adapt over time based on historical activity, trends, or internal peer comparisons. These systems are usually used with in-house-developed or vendor-provided software to identify individual transactions, unusual activity patterns, or deviations from expected behavior. They can monitor a wide range of account activities, such as deposits, withdrawals, funds transfers, automated clearing house (ACH) transactions, and automated teller machine (ATM) transactions, directly from the bank's core data processing system. Large banks operating in multiple locations or serving higher-risk customers typically rely on surveillance monitoring systems.

Surveillance monitoring systems include rule-based and intelligent systems. Rule-based systems identify unusual transactions that fall outside of system-developed or management-defined "rules." These systems can have a few or many rules, depending on the complexity of the in-house or vendor product. The rules are applied using transaction filters or a rules engine. Rule-based systems are more advanced than basic manual systems, which only filter transactions based on a single rule (e.g., transactions over \$10,000). They can use multiple, overlapping, and more complex filters. For example, these systems can first apply a set of rules to all accounts within a bank (e.g., all retail customers) and then apply a more specific set of criteria to a subset of accounts or risk categories (e.g., retail customers with direct deposits). Additionally, rule-based systems can filter based on individual customer account profiles.

Intelligent systems are adaptive and can filter transactions based on historical account activity or compare customer activity against a pre-established peer group or other relevant data. Intelligent systems review transactions in the context of other transactions and the customer profile. In doing so, these systems increase their information database on the customer, account type, category, or business as more transactions and data are stored in the system.

Regarding surveillance monitoring, system capabilities, and thresholds refer to the parameters or filter banks used in their monitoring processes. Parameters and filters should be reasonable and tailored to the activity that the bank is trying to identify or control. After developing parameters and filters, they should be reviewed before implementation to identify gaps (standard money laundering techniques or frauds) that may not have been addressed. For example, a bank may discover that its cash structuring filter is triggered only by a daily cash transaction of over \$10,000. The bank may need to refine this filter to avoid missing potentially

suspicious activity, as standard cash structuring techniques often involve transactions that are slightly under the CTR threshold.

Monetary Instrument Records (MIR)

The MIR (V9). This section outlines the regulatory requirements for banks in Chapter X, specifically regarding record-keeping for the purchase and sale of certain monetary instruments, as set forth in 31 CFR. Banks offer a variety of monetary instruments, including bank checks or drafts, cashier's checks, money orders, and traveler's checks. Monetary instruments are typically purchased to pay for transactions and, in the case of traveler's checks, as a form of stored value for future purchases. Criminals may use the purchase or exchange of monetary instruments to hide the source of illegal proceeds. A bank must keep records of certain information if it issues or sells a bank check or draft, cashier's check, money order, or traveler's check for \$3,000 or more. Purchases of \$3,000 or more, whether of the same or different instruments, must be treated as a single purchase. Banks are required to keep records of monetary instrument sales for five years and provide them to the Secretary of the Treasury upon request. When a deposit account holder deposits currency to purchase monetary instruments between \$3,000 and \$10,000, the transaction must be documented. This requirement applies regardless of whether the transaction follows the bank's policy or the customer's request. Generally, the bank already holds most of the necessary information due to BSA requirements for customer data.

Funds Transfer Records (FTR)

The FTR (V10) is a BSA component that requires banks to keep records of funds transfers for amounts of \$3,000 and above. Regular reviews of this data can help banks spot patterns of unusual activity. For banks with low funds transfer activity, periodic record reviews are usually enough to detect unusual patterns. For banks with higher transfer volumes, using

spreadsheets or vendor software is more efficient for reviewing activity for anomalies. Most vendor software includes standard suspicious activity filters, which often focus on detecting high-risk geographic locations and large transfers involving individuals or businesses. Each bank should set its own filtering criteria for both individual and business accounts. Noncustomer transfer transactions and payable upon proper identification (PUPID) transactions should be monitored for unusual activity. Any suspicious activities found during these reviews should be investigated further to confirm that they align with the account's intended purpose and typical activity. Banks may also need to conduct a comprehensive relationship review when inconsistencies arise to decide whether a Suspicious Activity Report (SAR) is necessary.

Record Retention and Supporting Documentation (RRSD)

The RRSD (V11). Banks must retain copies of SARs and support documentation for five years from the SAR filing date. The bank can retain copies in paper or electronic format. Additionally, banks must provide all documentation supporting a SAR filing upon request by FinCEN or an appropriate law enforcement or federal banking agency. "Supporting documentation" refers to all documents or records that assisted a bank in determining that the activity required a SAR filing. No legal process is required to disclose supporting documentation to FinCEN or an appropriate law enforcement or federal banking agency.

Notifying the Board of Directors of SAR Filings (NOBODOSARF)

The NOBODOSARF (V12). The SAR regulations require banks to notify their federal banking agency when the board of directors or an appropriate board committee has been notified of SAR filings. However, the rules do not specify a particular notification format, and banks should have the flexibility to structure it as they see fit. Therefore, banks may, but are not required to, provide actual copies of SARs to the board of directors or a relevant committee.

Alternatively, banks can provide summaries, tables of SARs filed for specific types of violations, or other notification formats. Regardless of the chosen notification method, management should provide sufficient information on its SAR filings to the board or an appropriate committee to meet its fiduciary duties, while remaining mindful of the confidential nature of the SAR.

Illegal Financial Flows (IFFs)

Cobham and Janský (2020) define illegal financial flows (IFFs) as transactions that cross borders in which the origin of capital or the nature of the transactions is intentionally hidden. These flows may include those forbidden by rules or customs, which can be illegal, socially unacceptable, and morally wrong. The literature on this topic suggests that illicit financial flows typically involve practices such as money laundering, bribery by international companies, tax evasion, and trade mispricing (Musselli & Bürgi Bonanomi, 2020). Illegal financial flows (IFFs) refer to the transfer of illegal funds across international borders. However, some argue that IFFs can include valuable commodities, such as gold and diamonds, leading to the idea of "exchange of value." The traditional definition also fails to include unethical activities like aggressive tax avoidance. Despite these issues, the traditional definition is still used to avoid normative dilemmas. Nevertheless, it is important to recognize that IFFs can take different forms, and the traditional definition has its limitations (Brugger et al., 2024).

According to Madsen (2019), the United Nations Office on Drugs and Crime (UNODC), Illegal Financial flows (IFFs) refer to illicit financial flows in origin, transfer, or use that cross country borders and reflect an exchange of value. To qualify as an IFF, the flow of value must have at least one of the following illicit aspects: it must be illicitly generated (e.g., from criminal activities or tax evasion), illegally transferred (e.g., violating currency controls), or illicitly used (e.g., for financing terrorism). IFFs measure the flow of value over a given period and

encompass the exchange of goods and services, as well as financial and non-financial assets.

This comprises more than purely financial transfers. For example, the illicit cross-border bartering of goods and services for other goods and services is common in illegal markets and is considered an illicit financial flow. It is worth noting that some flows that are not strictly illegal may still fall within the statistical definition of IFFs. This includes cross-border tax avoidance, which erodes a country's tax base in the jurisdiction where that income is generated.

Additionally, ownership changes from a resident of a country to a non-resident, even if the assets remain in the same jurisdiction, are considered a cross-border flow.

The dimensions and factors involved in illegal financial flow include determining the source of the proceeds, such as bribery, tax evasion or avoidance, corruption, currency regulation evasion, sanctions-busting, or earnings from criminal activities. These funds are the result of illegal activities, including smuggling, drug trafficking, and human trafficking, and are used for illegal purposes, such as financing organized crime (Brandt, 2023; Collin, 2020; World Bank Group, 2017). Additionally, the actors involved, such as corporate groups, individuals, public officials, or private persons, are essential. The drivers that motivate IFFs, such as tax differentials, currency controls, or secrecy provisions, should also be investigated. Additionally, it is crucial to understand the geography of IFFs, including the countries involved, transit countries, and the channels through which illicit funds flow, ranging from simple smuggling to elaborate trade-based money laundering techniques (Musselli & Bürgi Bonanomi, 2020). According to Netshisaulu et al. (2022), the UNODC and UNCTAD (2020) identified the following features of Illegal Financial Flows:

- Illegal in origin, transfer, or use. Value created illicitly (criminal activities), transferred illicitly (violation of currency controls), or used illicitly (terrorism financing).

- Exchange of value. This includes instances where goods and services are exchanged, as well as when financial and non-financial assets are exchanged (such as illicit cross-border bartering).

- IFFs measure the flow of value over a given time.

- Flows that cross a border (ownership changes between a country resident and a nonresident).

The Tax Justice Network developed the Financial Secrecy Index (FSI) to evaluate the extent of financial secrecy a jurisdiction offers and the volume of financial activity within it (Collin, 2020). It results from a detailed review of the regulatory, legal, and tax situations in about 100 countries, focusing on four main areas: beneficial ownership transparency, regulation of corporate transparency, effective tax and financial regulation, and adherence to international standards for tax and anti-money laundering (AML). The FSI is calculated by combining various qualitative assessments to produce a "secrecy score" ranging from 0 to 100. To determine the overall index, the proportion of global financial services exported from the jurisdiction—referred to as the "global scale weight"—is transformed and then multiplied by the transformed secrecy score. This approach measures both the level of financial secrecy and the amount of money involved in a jurisdiction. The FSI gauges the risk of hiding small amounts of money sent to a jurisdiction, and the risk of hiding money within that jurisdiction in the global economy. The secrecy score part of the FSI helps assess the risk of Illegal Financial Flows (IFF). For example, when a dollar moves from a developing country to a country with high financial secrecy, it becomes easier to suspect that the money might be hidden or involved in illegal activities. It is important to understand that the FSI does not directly measure illegal financial transactions.

Instead, it evaluates the features that make a jurisdiction attractive for holding cash in secret. Thus, it serves as a country risk indicator mainly for illegal financial inflows.

Many cross-border transfers to countries with a high secrecy score could be considered suspicious. While the Financial Secrecy Index (FSI) does not distinguish between sources and channels of illegal financial flows (IFFs), most countries that score high on the FSI are often referred to as "tax havens," suggesting that tax evasion is a key driver of money moving to these areas. The FSI is linked to other tax haven measures. This analysis revealed that a one-standard-deviation increase in a country's FSI correlates with a 90% increase in the number of entities from that country (Collin, 2020).

The Secrecy Score of each jurisdiction is determined by analyzing 20 Secrecy Indicators that evaluate the effectiveness of its legal framework, systems, and processes in allowing or preventing legal and financial secrecy for individuals and entities from other locations. The index assigns a "Secrecy Score" out of 100 to each country's tax and legal system. A score of 0 indicates no room for financial secrecy, while a score of 100 indicates unrestricted potential for it. These indicators provide clear policy recommendations to help jurisdictions enhance transparency. While we often follow criteria established by organizations such as the IMF, the FATF, the Global Forum, the EU, or the OECD, we frequently set a higher standard. The 20 indicators can be grouped into four broad categories of secrecy, which overlap to some extent. The following is a brief overview of each of the four categories of secrecy and the 20 Secrecy Indicators.

Table 3:

Measuring Illegal Financial Flows

Variable Name	Variable Type	Data Scale	Sources of Data	Defined as	Research Questions
THE DEPENDENT VARIABLE (Y)	Dependent	Ratio	Disclosure Index	Strength is calculated by replacing raw data with ranks instead of actual values. Individual data points are ranked separately from highest to lowest.	Q1
Banking Secrecy Evaluation	Dependent	Ratio	Survey Response	Banking Secrecy Evaluation	Q2
Transparency of Company Ownership	Dependent	Ratio	Survey Response	Transparency of Company Ownership	Q3

Public Company Account	Dependent	Ratio	Survey Response	Public Company Account	Q4
Legal Entity Identifier	Dependent	Ratio	Survey Response	Legal Entity Identifier	Q5
Tax Administration Capacity	Dependent	Ratio	Survey Response	Tax Administration Capacity	Q6
Consistent Personal Income Tax	Dependent	Ratio	Survey Response	Consistent Personal Income Tax	Q7
Avoid Promoting Tax Evasion	Dependent	Ratio	Survey Response	Avoid Promoting Tax Evasion	Q8
Tax Court Secrecy	Dependent	Ratio	Survey Response	Tax Court Secrecy	Q9
Harmful Structures	Dependent	Ratio	Survey Response	Harmful Structures	Q10
Anti-Money Laundering	Dependent	Ratio	Survey Response	Anti-Money Laundering	Q11
Automatic Information Exchange	Dependent	Ratio	Survey Response	Automatic Information Exchange	Q12

International	Dependent	Ratio	Survey	International	Q13
Legal			Response	Legal	
Cooperation				Cooperation	

Banking Secrecy Evaluation (BAS)

This indicator measures whether a jurisdiction provides banking secrecy by assessing the scope of information banks must collect and report, the accessibility of this information to competent authorities, and the consequences for breaching it. Correct information recorded and reported by banks effectively prevents criminal or illicit financial activity such as embezzlement, illegal arms trading, or tax fraud.

Transparency of Company Ownership (TCO)

Does a jurisdiction require non-public companies to publish updated beneficial and legal ownership information in a freely accessible public record online? This indicator checks this requirement. Public disclosure of beneficial ownership information online is crucial as it maximizes transparency and holds governments and companies accountable, thereby preventing corruption.

Public Company Accounts (PCA)

This measures whether a jurisdiction requires companies to file annual accounts with the government and make them publicly available online. This helps evaluate companies' adherence to fair trade, environmental protection, human rights, and charitable purposes, and prevents tax avoidance methods.

Legal Entity Identifier (LEI)

This indicator shows whether a jurisdiction requires domestic legal entities to use a unique identification number, known as the Legal Entity Identifier (LEI), for financial transactions. The LEI is a standardized identifier that links data on a legal entity's worldwide financial activity. This identification is essential for effectively identifying and fighting entities involved in corruption.

Tax Administration Capacity (TAC)

This indicator assesses tax agencies' ability to investigate and collect taxes from individuals and companies that evade their obligations. It examines organizational capacity, data processing prerequisites, and rules for targeted intelligence on complex tax avoidance activities.

Consistent Personal Income Tax (CPIT)

Most countries tax individuals who reside within their borders based on their worldwide income. This measures how well jurisdictions can tax their residents' worldwide income and whether they have strict residency and citizenship rules to prevent non-residents from avoiding taxes in their resident jurisdiction.

Avoid Promoting Tax Evasion (APTC)

Double taxation arises when jurisdictions compete for investments by lowering tax rates and exempting sources of income. This practice leads to a race to the bottom, ultimately resulting in the elimination of taxation on capital income. A unilateral tax credit system can prevent this by eliminating double taxation and discouraging harmful tax competition. This indicator measures the effectiveness of a country's tax regime in preventing such competition and avoidance by analyzing the tax base for worldwide capital income and the granting of unilateral tax credits for foreign tax paid on certain foreign capital income.

Tax Court Secrecy (TCS)

This indicator assesses a jurisdiction's transparency in its judicial system regarding tax matters by examining the online availability of tax verdicts. This transparency is crucial for maintaining accountability and clarity in legal interpretation.

Harmful Structures (HAS)

This indicator evaluates harmful instruments and structures within a jurisdiction's legal and regulatory system, including commercial bank notes, unregistered bearer shares, "Series limited liability companies," "protected cell companies," and flee clauses for trusts. These structures create a legal environment with little accountability for those seeking to hide illegal activities, corruption, and tax evasion, thereby undermining financial transparency and the public interest.

Anti-Money Laundering (AML)

This indicator evaluates a jurisdiction's anti-money laundering (AML) system based on the recommendations of the Financial Action Task Force (FATF). Meeting these standards shows a nation's ability to stop criminals and money launderers from depositing and laundering illegal funds through its financial system.

Automatic Information Exchange (AIE)

The Multilateral Competent Authority Agreement (MCAA) is a legal framework for the automatic exchange of information (AEOI) that helps prevent tax evasion. It evaluates whether a jurisdiction has signed the MCAA, how many jurisdictions it currently shares information with, any obstacles to implementation, potential improvements beyond the MCAA, and whether the jurisdiction is involved in pilot projects to assist developing countries.

International Legal Cooperation (ILC)

This indicator measures a jurisdiction's involvement in international transparency commitments and judicial cooperation on money laundering and other criminal matters. Commitment to these efforts creates a disincentive for organized crime, bribery, terrorism, and large-scale tax evasion.

To address the research question in this study, the researcher will distribute a web-based questionnaire to staff members at all 46 participating banks. The survey questions were adapted from the Office of the Comptroller of the Currency and the National Credit Union Administration (NCUA), based on Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) resources. This set of questions will be used to form a single survey instrument. Suppose the required minimum number of surveys is not met; a request will be submitted to the IRB to extend the response period to allow additional surveys to be conducted. Follow-up reminders will also be sent to encourage those who have not yet completed the survey to participate. The researcher will broaden the respondent pool by reaching out to a larger group to increase the number of potential responses. Finally, the survey design will be reviewed to ensure it is neither too lengthy nor too complicated, as this could deter participation.

The five archival records, spanning 20 years from 2005 to 2025, will be acquired by searching for relevant materials using keywords, the National Archives Identifier (NAID), or the specific archival material type on public records and government websites. Following this, a thorough examination of the records will be conducted to confirm their relevance to the research question and to assess their format and accessibility. If available, these records will be downloaded in accordance with the archive's instructions. Once downloaded, they will be used in the research as needed, ensuring compliance with any copyright policies and guidelines set by

the archive. The level of measurement for each variable shall be ordinal, given that the questions are designed to fit the Likert scale (Iannario, 2025).

Table 4:

Potential scores for each question in the variables

TYPES	RESPONSE OPTION				
Agreement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Like hood	Very Likely	Likely	Neutral	Unlikely	Very Unlikely
Satisfaction	Extremely Satisfied	Satisfied	Neutral	Dissatisfied	Extremely Dissatisfied
Quality	Excellent	Above Average	Average	Below Average	Poor
Frequency	Very Often	Often	Sometimes	Rarely	Never
Importance	Essential	Very Important	Of Average Importance	Of Little Importance	Not at all Important
Numeric Score	5	4	3	2	1

All survey questions were structured using the 5-point Likert Scale, as described above. Using Spearman's Rank Correlation method for analysis, the values will be ranked, and the differences between observed or calculated ranks will be determined. These differences will then be squared and summed. The analysis will be performed using SPSS software.

Study Procedure

The purpose of this study is to examine the relationship between compliance with the Bank Secrecy Act (BSA) and illegal financial flow activities in commercial banks. A straightforward research question guides the study: Is there a statistically significant relationship between the occurrence of illicit financial flow activities and adherence to the Bank Secrecy Act? Additionally, what factors contribute to illegal financial flow activities within commercial banks? A mixed-methods, explanatory-sequential, and correlational research design will be used for this study. This approach is best suited because it allows for a practical examination of the relationship between the two variables. The findings could have important implications for compliance practices in the banking industry.

The study aims to determine the relationship between compliance with the BSA and the Illegal Financial Flow activities of knowledgeable employees in commercial banks who understand and work on compliance in their daily operations. The participants are from 46 commercial banks that recently participated in compliance decisions, implemented compliance practices, and provided support during the last three years. It is assumed that, prior to the program's implementation, all staff members at these banks were trained in compliance practices, particularly regarding the Bank Secrecy Act of 1970 and its current amendments.

Data will be collected through an online survey featuring a closed-ended questionnaire with items rated on a 5-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree." This method will enable the gathering of quantitative data to assess levels of BSA compliance and perceived illegal financial flows. The survey will target full-time employees of commercial banks in New Jersey. To ensure relevance and reliability, participants will be selected based on their experience, specifically those with an average of 5 years of BSA

implementation experience. This criterion is designed to guarantee that participants possess adequate knowledge and familiarity with BSA compliance practices. The online survey will be distributed to eligible participants via their professional networks, internal communication channels within the banks, and, if applicable, industry-specific forums or associations. Qualtrics software will serve as the primary platform for embedding and distributing the questionnaire, chosen to maximize outreach and participation among the target demographic. Before responding, participants must first provide their consent at the beginning of the survey. Followed by their demographic data to determine their eligibility.

Ensuring the trustworthiness of archival records is crucial for maintaining credibility. (Donaldson, 2016) highlight that, unlike archival science, where trustworthiness is inherent to the document itself, web credibility depends on end users' perceptions. (Lin et al., 2020) define trustworthy information as reliable, unbiased, and fair, emphasizing that perceptions of trustworthiness depend on the user's viewpoint. (Metzger & Flanagin, 2013) further argue that trustworthiness is ultimately a subjective judgment. Qualitative research shows that, from the end user's perspective, trustworthiness is complex and encompasses factors such as believability, authenticity, and quality (Ahmed, 2024a). (Schotz et al., 2025) found that users interpret trustworthiness in different ways, including reliability and verifiability. Additionally, (Alfano & Klein, 2024) noted that users tend to see objective information as more trustworthy than subjective content. These insights suggest that methods from web credibility research can improve understanding of how users perceive trustworthiness in digital archival documents. (Shallcross, 2020) states that for an online archival record to be considered trustworthy, it must exhibit reliability, accuracy, and authenticity. This requires that the creators are competent and that the content is precise, unaltered, and uncorrupted. The researcher plans to use court case

records validated by qualified government officials, who inherently carry authority. The identity, integrity, reliability, and stability of these records can be assured since qualified professionals create and maintain them for public access. The study procedure for a sequential explanatory research design involved the following steps:

Formulation of a straightforward research question that requires both quantitative and qualitative methods. Designed and carried out a quantitative study, creating survey tools, selecting sampling techniques, and planning for data collection. I analyzed the quantitative data to identify key findings, including unexpected patterns and notable differences among variables. Developed the qualitative phase by determining which archival records are suitable to explore specific aspects of the quantitative results needing further explanation. Collected and examined qualitative data from archival records to gain insights into the quantitative findings. Combined both sets of results to achieve a comprehensive understanding of the research topic.

This sequential approach enabled a deeper understanding of complex phenomena and addresses the limitations of single-method research. It enhanced explanatory power by integrating statistical trends with contextual insights, making it valuable across research fields such as communication research and higher education.

In any mixed-methods design, it is important to address the prioritization, implementation, and integration of quantitative and qualitative approaches (Ivankova et al., 2006c). Therefore, the first step was to determine which approach—quantitative, qualitative, or a combination of both—would take precedence in the study design. Next, establish the sequence of data collection and analysis for both approaches, and identify where the integration of these two methods would occur within the study. This decision-making process was guided by the study's

objectives and research questions, as well as by insights from the literature on methodology (Farrugia et al., 2010; Hosseini et al., 2024).

Priority

Priority refers to the degree to which a researcher emphasizes quantitative or qualitative (or both) approaches during the data collection and analysis phases of a study (Dawadi et al., 2021; Park & Ho, 2025). According to reports, determining priority can be challenging and may be influenced by the researcher's interests, the study's target audience, or the specific aspects the researcher wishes to highlight (Creswell, 2003). In the sequential explanatory design, the quantitative approach typically receives primary focus since quantitative data collection is conducted first in the sequence and often constitutes the dominant aspect of the mixed-methods data collection process. The subsequent qualitative component follows in the second phase of the research. However, depending on the study's objectives, the nature of the quantitative and qualitative research questions, and the design of each phase, a researcher may prioritize qualitative data collection and analysis (Creswell & Inoue, 2025a), or use both approaches. Such decisions can be made at the study design stage, prior to data collection, or later during the data collection and analysis phases.

In the illustrative study, I focused on collecting and analyzing qualitative data from the beginning, even though this was the second phase of the research process. The study's purpose guided the decision to identify and explain the factors influencing subjects' noncompliance with the BSA Act. The first quantitative phase mainly assessed the possible relationship between compliance with the Bank Secrecy Act and the occurrence of Illegal Financial Flow activities. Although this phase was thorough, data collection was limited to a single-source cross-sectional survey, and the analysis employed only two statistical methods: descriptive statistics and

Spearman's Rho correlation. The qualitative phase aimed to explore and interpret the statistical results from the first quantitative phase. To deepen the qualitative analysis, I used archival records, which involved extensive, detailed data collection across multiple sources and levels of analysis (Borgerud & Borglund, 2020). I performed thematic and content analyses at two levels: examining individual cases and comparing themes and categories across cases.

Implementation

Implementation concerns whether quantitative and qualitative data are collected and analyzed sequentially or simultaneously (Creswell & Inoue, 2025b; Hongling et al., 2025; Östlund et al., 2011). In the sequential explanatory design, data are gathered over time in two consecutive phases. First, a researcher collects and analyzes quantitative data. Qualitative data are collected in the second phase of the study and relate to the results from the initial quantitative phase. The decision to follow a quantitative-qualitative data collection and analysis sequence in this design was guided by the study's purpose and the research questions, which aimed to understand the contextual, field-based explanations of the statistical findings (Hongling et al., 2025).

In the illustrative study, I first collected quantitative data through a Qualtrics Web-based survey. The goal of this phase was to assess the potential relationship between compliance with the Bank Secrecy Act and Illegal Financial Flow activities for the second phase of the study. I then collected and analyzed qualitative data to explain why certain external and internal factors, tested in the first phase, were significant or not significant links to BSA compliance, and to identify the occurrence of IFF activities. Thus, the quantitative data and statistical results provided a general understanding of the internal and external factors that contributed to noncompliance and, consequently, the rise of IFF in commercial banks. The qualitative data and

its analysis provided the necessary explanation for why certain factors contribute, either significantly or non-significantly, to the occurrence of Illegal financial flow activities among the study participants.

Integration

Integration is the stage in the research process in which quantitative and qualitative methods are combined (Lorenzini et al., 2024); (Plano Clark, 2019). The possibilities for integration range from blending methods at the initial stages of the study, during the formulation of its purpose and the development of both quantitative and qualitative research questions (Schwartz & Revicki, 2012)—to merging findings during the interpretation phase (Skamagki et al., 2024). Furthermore, in mixed-methods sequential designs, the quantitative and qualitative phases are interconnected (Shiyanbola et al., 2021) during the intermediate stage, where the results from the first phase inform or guide data collection in the subsequent phase. In the sequential explanatory design, I developed the qualitative data collection protocols grounded in findings from the initial quantitative phase, enabling a more in-depth exploration of those results through qualitative analysis in the study's second phase (Creswell & Inoue, 2025a). I combined quantitative and qualitative approaches in the study design by incorporating research questions from each method and subsequently integrating the findings from both phases in the interpretation of the overall study outcomes.

Record selection. The options for record selection in the mixed-method sequential explanatory design include examining a few typical recorded cases that are deemed beneficial for supporting the quantitative findings (Fetters et al., 2013b); (Ivankova et al., 2006b). Although case selection was identified as one of the connecting points in such a design (Gillispie, 2023), there are no established guidelines for how researchers should proceed with selecting cases for

the follow-up qualitative analysis or subsequent steps (Negrin et al., 2022). In the illustrative study, given its explanatory nature in the second phase, I focused on archival records that best aligned with the study's problem, purpose, and research questions. I then developed the following systematic procedure to identify adjudicated court cases that exist for reference. The archival records collection process involved processing, creating a finding aid, and preparing a summary and analysis.

Processing

The term "processing" refers to all tasks involved in making collections accessible for research. This includes gathering and analyzing information about the collection, organizing and describing its contents, and creating a finding aid to help users easily locate relevant materials.

Finding Aid

A finding aid is a documented description of archival materials that allows repositories to maintain both physical and intellectual control over these items. This, in turn, helps researchers explore the nature and contents of a collection. For this study, finding aids were accessible through archival catalogs and web search engines and were produced in various formats, including paper (e.g., Word documents, PDFs, or typed pages) and web-based formats.

Data Analysis

The data collected will be analyzed using Statistical Package for the Social Sciences (SPSS) version 24 for descriptive analysis. The researcher will discuss both the inferential and descriptive data used to address the research question. Data will be exported from Qualtrics into an Excel file and then imported into SPSS. Figures, scatterplots, and tables will be used to present and interpret the data. In this study, (y) will represent the dependent variable, labeled "Illegal Financial Flow," while (x) will represent the independent variable, Bank Secrecy Act

Compliance. Spearman's correlation analysis will be selected because the researcher aims to test a hypothesis by examining the relationship between Bank Secrecy Act Compliance and Illegal Financial Flow, in terms of both direction and strength. The survey questions will be organized using the Likert scale for ease of analysis. This allows for measuring a range of opinions and varying degrees of agreement, including the option to express no opinion. These features are vital for the study's analysis. Data will be collected from survey participants when they respond to questions in the web-based survey, making it self-reported. In this study, the researcher will treat the Illegal Financial Flow variables as ordinal data on the Likert scale. Likewise, Compliance with the Bank Secrecy Act will also be analyzed using an ordinal scale. Data will be collected cross-sectionally through self-administered web questionnaires. The report will detail the number of participants who did not complete or return the survey, along with an analysis of response bias comparing respondents and non-respondents.

The demographic section of the survey will be analyzed using descriptive statistics, including totals and percentages, over two weeks in commercial banks in New Jersey. Specifically, the researcher will use Spearman's correlation to assess whether there is a relationship between compliance with the Bank Secrecy Act and illegal financial flow activities. The archival records will be examined systematically, which includes assessing content, evaluating its validity, aligning it with the research question, reviewing archival sources, determining the scope and number of records, and conducting data extraction or downloads for analysis. Content analysis involves categorizing words, phrases, or other textual units into meaningful groups or rating them across specific dimensions. This method helps classify themes, phrases, characters, or words and evaluate if they accurately represent underlying concepts. The validity check requires assessing the authenticity of the archival data, ensuring that all relevant

categories are included in the coding scheme, and confirming that the data genuinely reflect the concepts under investigation. Clearly defining the research question is vital for narrowing the study's focus and establishing the project's scope. Identifying archival sources involves searching for relevant collections, documents, and materials linked to the research. Developing a research plan outlines the scope, sets a timeline, and allocates the necessary resources. The extracted data will then be analyzed using various qualitative methods, including the researcher's judgment on how well the collected records align with the research question and complement other data collection techniques. These strategies are essential for conducting archival research responsibly and efficiently, ultimately advancing the broader field of study.

Study Procedures

This study used a sequential explanatory design that combined quantitative and qualitative methods. As a result, the procedure for obtaining data and conducting analysis consisted of two phases. The purpose of the study was to examine the relationship between compliance with the Bank Secrecy Act (BSA) and illegal financial flow activities in commercial banks. A straightforward research question guides the study: Is there a statistically significant relationship between the occurrence of illicit financial flow activities and adherence to the Bank Secrecy Act? Additionally, what factors contribute to illegal financial flow activities within commercial banks? A mixed-methods, explanatory-sequential, and correlational research design will be used for this study. This approach was the best suited because it allows for a practical examination of the relationship between the two variables. The findings could have important implications for compliance practices in the banking industry.

The study aimed to determine the relationship between compliance with the BSA and the Illegal Financial Flow activities of knowledgeable employees in commercial banks who

understand and work on compliance in their daily operations. The participants were from 72 commercial bank institutions. The 46 participants who responded were professionals who had recently participated in compliance decisions, implemented compliance practices, and provided support in the last three years. It was assumed that, prior to the program's implementation, all staff members at these banks were trained in compliance practices, particularly regarding the Bank Secrecy Act of 1970 and its current amendments.

Phase 1: Quantitative Procedure

The study used online social networks, personal contacts, personal emails, and an online questionnaire through Qualtrics. Undertaking paper-based questionnaires and interviews can be laborious and time-consuming (Hounshell, 2022); Regmi et al., 2016), where data needs to be collected, analyzed, and evaluated. Web-based questionnaires/surveys are typically user-friendly and flexible.

The software embedded in the website enabled data collection, reducing the time and cost of manually handling the data (Michel, 2023). It was also possible to reach a broader, more diverse population, which may not be possible with traditional data-collection approaches (Leathem & Burt, 2024). Another advantage is that, with wireless technology, the person responding to the questionnaire/survey does not need to take a day off work; they only need a computer with an internet connection. (Rubenstein & Furnier, 2021) points out that many people spend significant time online, and new software and hardware enable researchers to collect data online. (X. Xu & Reed, 2021) add that the internet has an impact on research in all fields, and it is therefore not surprising that researchers have been attracted to online research methods (Johnson, 2006). It is therefore unsurprising that the use of web-based questionnaires/surveys

appears to be increasing, with, for example, approximately a third of questionnaires/surveys undertaken online (Apuke & Iyendo, 2018).

In the first instance, it was necessary to obtain a representative sample of the population. This was achieved using the G*Power calculator as shown in Figure 9. The targeted group from which the calculated sample size was selected comprised 72 commercial and national banks in the State of New Jersey. However, to reach out to them, we used many social media platforms, including LinkedIn, Facebook, X, and personal email addresses found via Google search. Additionally, the researcher visited some banking halls to speak with participants and used colleagues to reach out to others. Because the researcher anticipated possible non-responses, about 300 emails and contacts were made.

A reminder email was also sent after the first week, followed by another reminder each week throughout the one-and-a-half-month data collection period, even though it had initially been planned that the questionnaire/survey would remain open for two weeks. However, it was acknowledged that this was too short. The time frame in which the questionnaire/survey was to remain open was therefore extended to a total of six weeks.

Participants were directed to the self-administered online questionnaire/ survey. Data was collected through an online survey featuring a closed-ended questionnaire with items rated on a 5-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree." This method will enable the gathering of quantitative data to assess levels of BSA compliance and perceived illegal financial flows. A question was placed on the questionnaire/survey asking the participant to confirm that they were full-time banking employees and officials with higher ranks (They should be responsible for ensuring the installation, maintenance, updating, and effectiveness of the Bank Secrecy Act (BSA). Additionally, they should be responsible for drafting policies,

procedures, and processes that support effective implementation of the Bank Secrecy Act (BSA). They are also responsible for developing and implementing effective processes to identify, measure, monitor, and control banking risks, and ensure compliance with BSA regulatory requirements. They should be professionals responsible for evaluating existing controls, information technology sources, systems, and processes to ensure compliance with the Bank Secrecy Act (BSA). The Board of Directors, senior management, BSA Officer, Internal Auditors, Information Technology Manager, and financial institution employees are responsible for compliance with the Bank Secrecy Act (BSA). Participation was voluntary, and everyone had the capacity to decide whether to take part. The sample was self-selecting. They were directed to the online questionnaire/survey, negating the need for them to identify themselves, thus ensuring anonymity and confidentiality. Then, the use of the SPSS software for analysis and interpretation.

Phase 2: Qualitative Procedure (Archival Data)

Lewin and Glenton (2018) note that qualitative research has become a prominent approach within social sciences, enabling researchers to explore more deeply what people think and feel and how they cope with experiences (Sinop University et al., 2022). Qualitative research aims to explain and describe experiences and events (Lichterman, 2021). Z. Xu et al. (2025) emphasize that interviews are crucial, providing insights into the social world and how others interpret it (Knott et al., 2022). It can also enhance and enrich findings from quantitative data (Universidad Autónoma de Madrid et al., 2022; Taylor & Trumbull, 2005). Themes may emerge from the data, offering a detailed and rich understanding of the information (Ahmed et al., 2025a). The purpose of phase 2 of this study was, therefore, to identify specific archival records

that could be used to uncover themes through purposive sampling, which serves as a backup for large data sets (Ahmed et al., 2025b).

Data Source Identification – the researcher located relevant archival records from institutional reports, government databases, and historical datasets that align with the research questions.

Then followed the Data Extraction, during which variables of interest, such as demographic data, together with previously ruled court cases regarding the BSA, were systematically collected from archival records, including the periodic range. This was followed by data cleaning and preparation to ensure standardized formats and data integrity.

Statistical Analysis – Conduct descriptive and inferential statistical tests to identify trends, patterns, relationships, and significant differences.

Finally, a preliminary interpretation summarized key quantitative findings to inform the qualitative phase.

Phase 3: Integration and Interpretation

The findings were merged and presented both quantitatively and qualitatively in a narrative that connects them. Followed by drawing overarching conclusions that integrate both phases, highlighting how qualitative findings explain the quantitative trends. In terms of validation, triangulation was used in this case, a defense system in which questions were asked to enhance credibility.

Assumptions

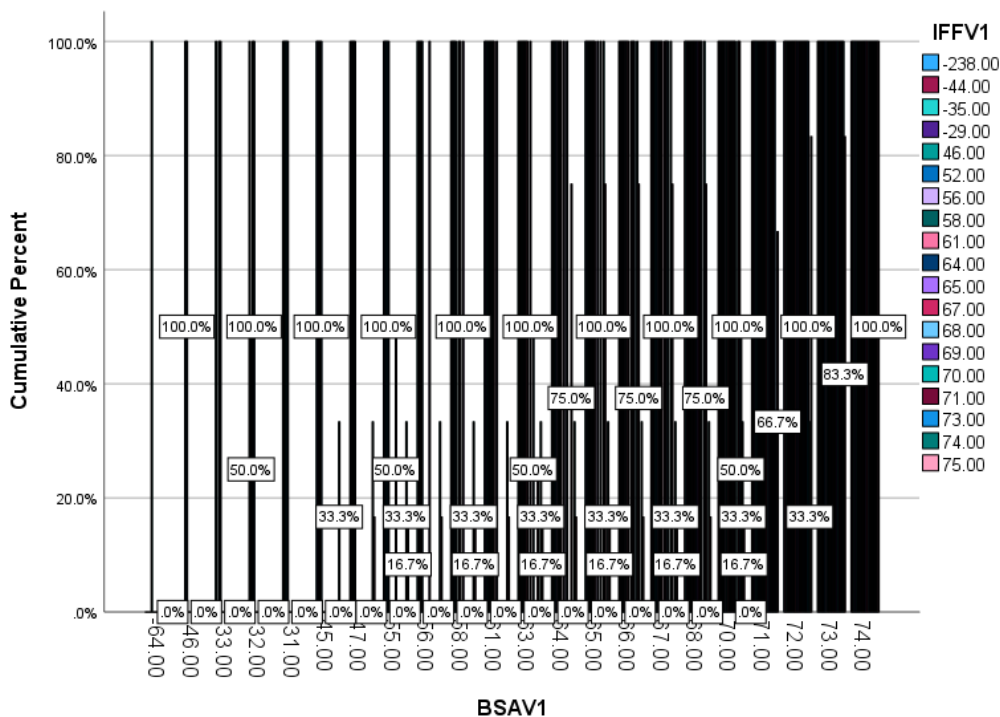
Assumptions are foundational to research studies, serving as implicit beliefs about the relationships and conditions under investigation. According to Adu and Miles (2023), while these assumptions cannot be definitively proven, they must be explicitly stated and justified to

lend validity to a study. In this research, four key assumptions underpin the use of Spearman's correlation test. Firstly, the variables are assumed to be measured on an ordinal scale, which aligns with the use of Likert scales and compliance levels. Secondly, paired observations are essential, ensuring that each data point reflects both variables under study. Thirdly, the assumption of a monotonic relationship is crucial; if the relationship between variables is not monotonic, Spearman's correlation may not be appropriate. Lastly, the independence of observations is assumed, like linear regression and correlation methodologies.

However, merely stating these assumptions is insufficient. Researchers must provide evidence or a rationale that these assumptions are likely to hold throughout the research process. This involves demonstrating that the study design and data collection methods are constructed to support these assumptions. To assess whether the data were organized correctly and aligned with the 5-point Likert scale, an initial analysis of participants' responses was performed for ordinal categories, since the questions were rated using this scale.

Figure 1:

Ordinal Data Test



An SPSS analysis produced the bar graph presented below, which shows a logical rank order of the responses, from negative (-64) to positive (74). For example: “Strongly disagree”, “Disagree”, “Neutral”, “Agree”, “Strongly agree” from the Bank Secrecy Act (BSA) variable on the X-axis while the response from the Y-axis (Illegal Financial Flow (IFF) activities) is ranked from negative (-238) to positive (75), also arranged on the same 5-Likert Scale.

The height of each bar also indicates how many cases fall into each category, allowing them to be compared to see which is most frequent. Since this is only a test, the researcher did not check the mode and median, even though they would have been easy to test. Except that, the mean could not be tested, since one cannot test meaningful statistics on ordinal data. This is because no mathematical operations, such as addition or division, can be performed, as the difference between ranks is not necessarily equal.

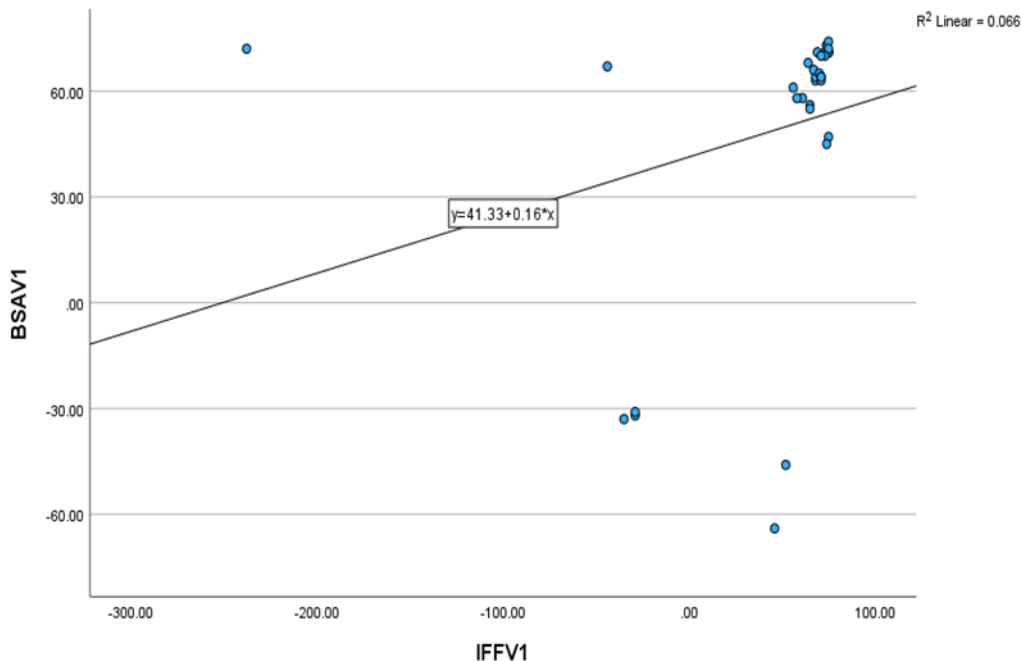
Paired Observation Assumption - The variables in this study represent paired observations because the researcher aimed to explore the relationship between compliance with

the BSA and the occurrence of illegal financial flow activities. Each paired observation consists of the scores for both variables related to a single participant. With 46 participants in the study, this will yield 46 paired observations. Additionally, using scatterplots to visually confirm a monotonic relationship can substantiate the appropriateness of Spearman's correlation.

An initial monotonic relationship between the data obtained and tested in a scatterplot is shown below, indicating a positive association between the variables ($R^2 = 0.066$). The result shows that 6.6% compliance or noncompliance with the Bank Secrecy Act also leads to a similar reduction or increase in Illegal Financial Flow activities. There is a consistent, one-directional association between the variables in the study. A change in compliance with the Bank Secrecy Act consistently increases or decreases Illegal Financial Flow activities without changing direction.

Figure 2:

Monotonic Relationship and Linear Regression Test



In this study, a scatterplot created with SPSS Statistics will assess whether a monotonic relationship exists between the two variables. The analysis does not assume that the measurements are normally distributed or homoscedastic, nor that the relationship is linear. Spearman's rank correlation can be used even if the association between the variables is curved, provided the relationship is monotonic. Like linear regression and correlation, Spearman's rank correlation assumes that the observations are independent.

Furthermore, the results from the scatterplot indicate that the linear regression line is $Y = 41.33 + 0.16x$. This equation captures the estimated relationship between the independent variable (X), compliance with the Bank Secrecy Act (BSA), and the dependent variable (Y), which represents illegal financial flow (IFF) activities. In this context, the predicted value (Y) corresponds to the dependent variable, whereas X denotes the independent variable. This "line of best fit" effectively minimizes the distance between the regression line and the actual data points.

The Y-intercept of 41.33 indicates the value of Y when X is 0, serving as the starting point for the dependent variable. The slope or regression coefficient of 0.16 indicates the average change in Y for each one-unit increase in X. Since this coefficient is positive, it suggests that for every unit increase in compliance with the Bank Secrecy Act, illegal financial flow activities are expected to increase by 0.16, starting from the baseline value of 41.33.

Additionally, it is assumed that all respondents will provide honest and thoughtful responses to the survey questions. After completing the survey, each respondent was assigned a Likert-scale score based on their responses to the 12 questions. The total score and the percentage of respondents will be used, as they provide an accurate representation of their compliance knowledge. The researcher will use content and Spearman's Correlation for analysis.

When conducting a hypothesis test, it is essential to consider the risk of a Type I error, which happens when you incorrectly conclude there is a difference between groups when none exists. This error, often called alpha, involves setting a specific probability threshold for rejecting the null hypothesis. The standard level for a Type I error is 5%, meaning a researcher considers a p-value of 0.05 sufficient evidence to reject the null hypothesis. Depending on the context, the researcher aims to minimize this risk as much as possible. It is important to understand that lowering the risk of a Type I error requires aiming for a smaller p-value, which demands more substantial evidence to reject the null hypothesis (Smith, 2012).

Limitations

According to Ruppap (2025), limitations in a study often originate from factors beyond the researcher's control, such as research design and funding restrictions. These imposed constraints can influence the study's design and conclusions and should be acknowledged in any submitted paper. The researcher might be confined to a small geographical area, which may not

capture the full range of responses (Ross & Bibler Zaidi, 2019). Additionally, although a correlation may be observed between two variables, it does not always imply causation; it only shows a statistical relationship and does not prove that changes in one variable cause changes in the other (Rohrer, 2018). This distinction is vital for accurately interpreting results.

It is important to recognize that the quantitative research study on Bank Secrecy Act compliance and Illegal Financial Flow activities has certain limitations. The study only considered the perceptions of staff members at 72 selected commercial banks in New Jersey. It did not include the opinions of consumers or newly hired employees. Additionally, the study was limited to voluntary responses from staff members who chose to complete and return the survey at their bank locations or offices. These limitations were effectively addressed through the comprehensive analysis of supporting archival records of convicted perpetrators. By thoroughly examining these historical documents, the researcher gained a more detailed understanding of the behaviors and patterns associated with these individuals, thereby enhancing the validity and depth of the findings. This robust archival framework not only provided context but also enriched insights into the factors surrounding their convictions. Lastly, although the survey used standard pre-existing instruments to ensure instrument validity, the combined survey was not pre-tested.

Delimitations

In his study, C. Coker (2022) defines delimitations as critical characteristics arising from the inherent limitations of a research project's scope. These delimitations effectively establish the study's boundaries, informed by the researcher's decisions about what to include and exclude in the research design. It is the intentional choices that shape the approach to the research question,

setting the study's focus, sample population, methodologies adopted, and the timeframe for data collection.

Delimitation acts as a guide for what the research will cover, outlining the parts of the topic that will be examined and those that will be deliberately excluded. This deliberate narrowing of the research scope is essential for improving clarity, feasibility, and relevance, helping the researcher focus on specific objectives without risking the aims becoming too broad or unmanageable. Delimitations also help clarify the study's theoretical framework, including its objectives, research questions, and the specific variables under study.

Moreover, the researcher must present alternative approaches considered but ultimately rejected. This transparency ensures that readers are fully informed of the decisions made throughout the research process, thereby enhancing the study's credibility and rigor (Ahmed, 2024b).

This study had several limitations. First, data were collected from only 72 commercial banking institutions in New Jersey that implement the Bank Secrecy Act regulatory framework. These banks control significant market shares/portions of the banking industry. Secondly, the study was limited to the survey of selected bank staff members, including the Board of Directors, Senior Management, Bank Secrecy Act Officer, Internal Auditors, and Information Technology Management. They were considered to have some required knowledge about the objects of study (BSA and IFF). Finally, delimitations was not be imposed on different factors that involve the respondents, which may include their particular education, private lives, socio-economic status, the physical location of their office building, years the respective financial institution is in operation, diversity of the respondents, the age of office staff members, the length of the current bank staff members' contracts, and how many years the other bank staff members have been

employed. The rationale for collecting data only from banks in New Jersey and surveying bank staff at commercial banks is to focus on the study's goal. The findings and results may not necessarily generalize to other subjects, locations, or future periods.

Ethical Assurances

According to Serpico (2024), researchers seeking to involve humans in their studies must follow three fundamental principles outlined in the Belmont Report: respect for persons, beneficence, and justice. Respect for people means treating individuals as autonomous agents capable of making their own decisions. This requires informed consent, which involves providing participants with comprehensive information about the study, including the methods used and any associated risks and benefits. Respecting participants also includes protecting their privacy. Additionally, special care must be taken when involving groups with diminished autonomy, such as children and individuals with disabilities, in research. Accordingly, the survey will be conducted online, and the researcher will obtain consent from all participants through a questionnaire before they participate. The selected sample will not be high-risk and will exclude children, individuals with care needs, and those unable to make informed decisions. Participants under 18 years old will not be allowed to take part, as they are considered minors. These individuals will not be considered vulnerable and will receive an email from the researcher containing the relevant study information and an active link. Those who wish to proceed with the web-based survey will be instructed to click 'yes' or 'agree' to grant the researcher permission to use their information and confirm their understanding of the study details.

The term "beneficence," often linked to acts of kindness, is regarded as a moral obligation in research according to the Belmont Report. It involves two core principles: (a) "do no harm," aligning with the goal of protecting participants, and (b) "maximize benefits while

minimizing harms." By following beneficence, researchers respect their subjects' choices and prioritize their well-being. This study is designed to ensure the highest safety and comfort for all participants. No survey questions will be crafted to cause discomfort, conflicts, or tension in the workplace. The participating banks will remain anonymous to protect the privacy of both the subjects and the banks, helping to keep all other confidential and personal information secure. The management of each participating bank will receive an email explaining the research and requesting their permission to participate. It carefully avoids including any emotionally charged or potentially triggering phrases in the survey questions. By using a thoughtful and respectful approach, we aim to foster an environment where participants can share their perspectives openly, without fear of discomfort or distress. Qualtrics will assign a unique number to each participant during analysis to maintain confidentiality, and no personally identifiable information will be collected. The survey is focused on neutral topics that encourage open dialogue, thereby reducing the risk of emotional harm. Ultimately, the study's results will offer valuable insights and recommendations that could benefit the subjects involved.

The principle of justice concerns the fair distribution of research benefits and burdens. Injustice occurs when someone is unfairly denied a deserved benefit or subjected to an undue burden. The principle of justice emphasizes the importance of informed consent, requiring participants to receive clear information about the study's objectives, risks, and potential benefits. Because the data will be collected via Qualtrics, it will be impossible to determine who completed which survey when the results are printed. All printed data shall be kept confidential and secure. I will take precautions by using preexisting tools for the survey questions to maximize the validity of the measurement instruments and data, ensure the survey content is

consistent with the research questions, and adequately protect and store the data collected by the researcher for at least 3 years.

The researcher has specific roles to fulfill when conducting a study (Niemczyk & Rónay, 2023). Consequently, the following outlines the key responsibilities undertaken by the researcher to complete this study: designing and planning the research, actively engaging in the research process, upholding the rigor and credibility of the research, and ensuring the safety and well-being of the research subjects.

The researcher's responsibilities included formulating the research question, selecting the appropriate methodology, and outlining the research design. Additionally, the researcher participated in data collection, analysis, and the reporting of findings. A critical aspect of the researcher's role in the study involves monitoring and minimizing bias, developing expertise in relevant methods, and accurately presenting the findings. Furthermore, the researcher's positionality significantly impacts the research process and the study's outcomes, while prioritizing the safety and well-being of the subjects involved.

Summary

The purpose of this chapter is to explain the research method employed to answer the research questions. It includes a detailed discussion of the procedure, study participants, data collection, data analysis, operational definitions, instrumentation, research assumptions, and information about how the study will be conducted and who will participate. A quantitative, non-experimental, correlational methodology will be used to determine the relationship, direction, and strength between compliance with the Bank Secrecy Act and Illegal Financial Flow activities. All study respondents will contribute to this research by sharing their thoughts through

an online questionnaire developed for this purpose, as well as their perspectives on how they perceive the BSA and Illegal Financial Flows.

Based on an illustration, forty-six (46) respondents indicate that 55% of their respective bank's resources are allocated to the Bank Secrecy Act compliance. Using big data analytics for internal control and monitoring is the most widely endorsed approach among respondents, as reflected in their responses. The chart above shows survey participants' responses regarding their organization's adherence to the Bank Secrecy Act. Nearly all respondents (44.70 percent) say their company plans to use quantitative metrics of business performance to measure BSA compliance, primarily through Big Data analysis. An additional 30.30 percent reported that their organization intends to use qualitative metrics linked to business performance for the same purpose. Employing extensive data analysis to evaluate business performance and the effectiveness of Bank Secrecy Act compliance aligns with the literature review findings, which indicate that prior studies have used this approach.

This study should motivate policymakers, enforcement agencies, and implementers to use the findings when making decisions about the Bank Secrecy Act and Illegal Financial Flows. It will highlight issues such as the costs of implementing the BSA provisions, the role of qualified professionals in combating these issues, technology, leadership ideologies, and priorities. Educators should encourage and support teamwork between governments and various economies worldwide, particularly in countries identified as tax havens for offenders of Illicit Financial Flows. The researchers believe that respondents with higher compliance awareness scores and higher Illicit Financial Flow averages are more likely to encounter this type of transfer at work. These respondents can leverage their experiences and apply that knowledge to their job responsibilities.

Furthermore, the study will demonstrate that as respondents' awareness of compliance with the Bank Secrecy Act increased, the variability of their Illicit Financial Flow score decreased. These findings will strengthen the evidence of a strong relationship between compliance with the Bank Secrecy Act and Illicit Financial Flow activities in this study. Additionally, the study will develop a Bank Secrecy Act Compliance Survey instrument with high internal consistency reliability.

Five archival records will be used to enhance the study's reliability and validity by corroborating the quantitative analysis's evidence. Ultimately, these findings will significantly contribute to understanding compliance with the Bank Secrecy Act (BSA) among commercial banks. In conclusion, three main points deserve attention: compliance with the BSA, its impact on illegal financial activities, and the reasons for noncompliance.

Chapter 4: Findings

The purpose of this sequential explanatory study was to examine whether, and to what extent, there was a statistically significant correlation between compliance with the Bank Secrecy Act of 1970 and Illegal Financial Flow Activities among commercial banks in the State of New Jersey. This study addressed the problem of compliance with the Bank Secrecy Act (BSA) of 1970 and its effects on combating illegal financial flows (Young & Woodiwiss, 2021; Zavoli & King, 2021).

This study used a 5-point Likert-scale questionnaire distributed via social media, personal contacts, and email. It also included archival records selected through appraisal, covering 20 years. The questionnaire was accessed via a Qualtrics link, and archival records were obtained from online government and public websites.

Validity and Reliability

The study employs a robust methodological approach to ensure reliability and validity, which are essential components of quantitative research. By employing a descriptive, quantitative correlational design and an explanatory sequential design, the research effectively integrates quantitative and qualitative methods (Subedi, 2016). This dual-phase design begins with the collection of quantitative data via an online survey, utilizing a 5-point Likert scale. This data is analyzed using Spearman's correlation, a statistical method designed to assess the strength and direction of association between two ranked variables (Chen et al., 2024).

To reinforce the study's validity, the second phase involves the qualitative analysis of online archival documents, such as government and legal reports. This phase serves to validate and contextualize the quantitative findings, offering a comprehensive understanding of the research problem. The use of random and purposive sampling methods (Ahmad & Shabbir,

2024; Gaikwad et al., 2025) further enhances the study's reliability by ensuring a representative and relevant sample.

Focusing on commercial and national banks, the study examines key components of the financial industry that are crucial to enforcing the Bank Secrecy Act, which aims to deter illegal financial activities such as money laundering and terrorist financing (Hook, 2021). This focus is strategically limited to banks in New Jersey to balance the project's timeline constraints and the complexities of engaging with a large population. The meticulous data collection process outlined in Chapter 3 ensures comprehensive coverage and participant engagement across channels, including email, social media, and direct outreach. Spearman's Rho correlation and content analysis are employed to analyze the data, with efforts to address nonresponse through collaboration with industry associations and personal networks.

This methodological rigor, coupled with strategic sampling and comprehensive data analysis, underpins the study's reliability and validity, providing valuable insights into regulatory compliance and financial integrity.

Results

As highlighted in the New Jersey Department of Banking and Insurance (NJDOBI) Consumer Information-Financial Institutions report (2021), the State of New Jersey is home to 72 commercial and national banking institutions. These banks serve as crucial pillars of the state's economy, offering a diverse range of financial services tailored to the needs of individuals and businesses. Their presence not only supports local communities but also underpins broader economic activity across the region. This array of financial institutions served as the study's population. Below is a detailed list showcasing these banking entities:

Table 5:

Demographic Representation of the Study Population: List of Commercial and National Banks in New Jersey as of 2025

1	1st Colonial Community Bank	37	M&T Bank
2	Alma Bank	38	Metro City Bank
3	Amboy Bank	39	Mid Penn Bank
4	Bank of America	40	New Millennium Bank
5	Bank of Hope	41	New Bank
6	BCB Community Bank	42	Newfield National Bank
7	Bessemer Trust Company	43	Ocean First Bank
8	BNY Mellon, National Association	44	Parke Bank
9	Capital One, National Association	45	PCB Bank
10	Cathay Bank	46	Peapack Private Bank & Trust
11	Citibank, N. A	47	Pennsville National Bank
12	Sumitomo Mitsui Trust Bank (U.S.A), Limited	48	People's Security Bank and Trust Company
13	Commonwealth Business Bank	49	Citizens Bank, N. A
14	Connect One Bank	50	PNC Bank, National Association
15	Cross Riverbank	51	Popular Bank
16	Crown Bank	52	Republic Bank
17	CTBC Bank Corp (U.S.A)	53	Royal Business Bank
18	Customer Bank	54	Santander Bank, N. A
19	First Bank	55	Shinhan Bank America
20	First Citizens Community Bank	56	Somerset Regal Bank
21	First Commerce Bank	57	State Street Bank and Trust Company
22	First Hope Bank, A National Banking Association	58	KEB Hana Bank, U.S.A., National Association
23	First IC Bank	59	Sterling National Bank
24	First National Bank of Absecon	60	TD Bank, National Association
25	First National Bank of Elmer	61	The Bank of Delmarva
26	Five Rivers Bank	62	The Bank of New York Mellon
27	Flagstar Bank	63	The Bank of Princeton
28	Freedom Bank	64	Truist Bank
29	Fulton Bank, N. A	65	Unity Bank
30	Goldman Sachs Bank, U.S.A	66	Univest Bank & Trust Company
31	Habib American Bank	67	Valley National Bank
32	Hanmi Bank	68	Wells Fargo, N. A
33	Hanover Community Bank	69	Wilmington Trust Company
34	HSBC Bank U.S.A, National Association	70	Woori America Bank

35	Industrial Bank	71	Israel Discount Bank of New York
36	JPMorgan Chase Bank, National Association	72	Liberty Bell Bank, A Division of The Bank of Delmarva

The study involved a sample of 46 participants, labelled R_1, R_2, R_31, etc., as shown in Figure 3 below, which was determined using G*Power and labelled with SPSS, along with five archival documents. This sample size was calculated to provide sufficient statistical power to detect the expected effects, given the selected significance level and effect size. Using G*Power offers strong justification for the sample selection, which is vital for the study's reliability and validity. Below is a statistical summary of the demographic data for the 32 institutions represented in the survey.

Table 6:

Demographic Representation of the study population institution that responded to the survey

Banking Institution	Survey Response
1 Bank of America	2
2 BCB Community Bank	1
3 Bank of Hope	1
4 Citibank, N. A	1
5 Cathay Bank	1
6 Capital One, National Association	2
7 Commonwealth Business Bank	1
8 Cross Riverbank	1
9 Crown Bank	2
10 CTBC Bank Corp (U.S.A)	1

11 First Bank	1
12 First Commerce Bank	2
13 First Hope Bank, A National Banking Association	1
14 Fulton Bank, N. A	2
15 Freedom Bank	1
16 M&T Bank	2
17 Metro City Bank	1
18 Ocean First Bank	1
19 Pennsville National Bank	1
20 Citizens Bank, N. A	2
21 PNC Bank, National Association	2
22 Republic Bank	1
23 Santander Bank, N. A	2
24 TD Bank, National Association	1
25 Truist Bank	1
26 Valley National Bank	2
27 Wells Fargo, N. A	1
28 HSBC Bank U.S.A, National Association	2
29 JPMorgan Chase Bank, National Association	2
30 Industrial Bank	1
31 Uninvest Bank & Trust Company	1
32 Unity Ban	1

Forty-four (44) participants took part in the survey. The demographic analysis indicates that 35 participants fully completed the required demographic questions without issues. The responses collected from participants were linked to unique identifiers, enabling effective tracking and detailed analysis. These identifiers are shown as "R_1 or R_2" etc. in the accompanying table (Response ID) below. Additionally, a brief overview is included in the frequency statistics summary, explaining the number of responses from participants.

Among those who willingly participated, a few individuals failed to complete the demographic section as required, as detailed below. The table below depicts the summary of the survey demographics results of the respondents before cleaning up the data:

The Table below shows a snapshot of the demographic information for the 35 survey responses, along with their unique response IDs.

Figure 3:

Snapshot of Demographic information

Statistics	N		1. Response ID		
	Valid	Missing		N	%
1. Response ID	36	0	R_1a5tPk2Heib4yfn	1	2.8%
2. Please indicate your age category.	35	1	R_1aW8h7tmBrcq8Hr	1	2.8%
3. What is your current level of experience in the position?	35	1	R_1B3FAVrfEIRPcf7	1	2.8%
4. Choose one or more races that you consider yourself to be: - Selected Choice White	35	1	R_1BBKDemu0ekLcGJ	1	2.8%
5. Choose one or more races that you consider yourself to be: - Selected Choice Black or African American	35	1	R_1CrVm5qTvjGF1zX	1	2.8%
6. Choose one or more races that you consider yourself to be: - Selected Choice American Indian or Alaska Native	35	1	R_1Khyu70n48n5cU9	1	2.8%
7. Choose one or more races that you consider yourself to be: - Selected Choice Asian	35	1	R_1qqYEmbsJG16DEA	1	2.8%
8. Choose one or more races that you consider yourself to be: - Selected Choice Native Hawaiian or Pacific Islander	35	1	R_1sNQS3DJEWcmS5P	1	2.8%
9. Choose one or more races that you consider yourself to be: - Selected Choice Other	35	1	R_1wIQA3MTOjn6fuN	1	2.8%
10. What is the highest level of education you have completed or the highest degree you have received?	35	1	R_31BL8OWAbpwpali	1	2.8%
11. Which statement best describes your current employment status? - Selected Choice	35	1	R_3CIXb0pmACq4I1b	1	2.8%
12. Are you able to understand and respond to questions in the English language?	35	1	R_3fIPjvQJL23d28g	1	2.8%
13. Which of the following industries most closely matches the one in which you are employed?	35	1	R_3g2bnDCRxb4Q800	1	2.8%
14. How many employees work in your establishment?	35	1	R_3vY9Npa4w15a5AR	1	2.8%
15. In which state is your primary work location?	35	1	R_55t6qS5dqMcaPYc	1	2.8%
16. What is your ZIP code? - Selected Choice	35	1	R_5age7gAq4A7pOwV	1	2.8%
17. Are you currently involved in any roles related to the Bank Secrecy Act (BSA) compliance at your workplace?	35	1	R_5g0pNuumxvs0bAU	1	2.8%
18. What is your current level of experience in the position?	35	1	R_5h5e2iM7anJ08u0	1	2.8%
19. In which state is your primary work location?	35	1	R_5Jz1ijSK8tYnjC9	1	2.8%
			R_5ml8mWYMc3WALws	1	2.8%
			R_5nT8d9kadIsD4mA	1	2.8%
			R_5o4HKfs2yyybK7R	1	2.8%
			R_5qHzgdHMAowk2p	1	2.8%
			R_5sz8UcETxjBoZcd	1	2.8%
			R_5vr8qluaaAcLUB	1	2.8%
			R_5x6XVaLuzxk0nT3	1	2.8%
			R_5XKININpu2RL1cd	1	2.8%
			R_61EV8bV9yTWw6m8	1	2.8%
			R_6cTbLldpEsnCTeh	1	2.8%
			R_6MRtmU4KgY2H4lz	1	2.8%
			R_6oyxJ0JpFrHYeW	1	2.8%
			R_77j3zil7Q4J3G5h	1	2.8%
			R_7fpoma1oJeRNng9X	1	2.8%
			R_7JgAu01oQDYjm3T	1	2.8%
			R_7OU9nAleGd1R1pT	1	2.8%
			R_7XM9wpjFfwie2LT	1	2.8%

Figure 2b: Unique ID for the 35 survey respondents

Preparation of Raw Data for Analysis

The sample for this study consisted of 35 senior and middle-level employees in commercial and National banks from New Jersey who volunteered to participate. The participants were asked to complete an online survey via Qualtrics. The researcher computed the minimum sample size for the planned nonparametric Spearman's correlation analysis using G*Power.

The minimum sample size for Spearman's correlations was 46 participants, as mentioned above. Participants in this study were given 2 months to complete the survey via a Qualtrics link. A total of 44 participants completed the surveys. These surveys were exported directly from Qualtrics into SPSS software. The software automatically performed the data cleaning process according to the preset settings. However, the researcher had to manually reject and delete some responses that did not meet the project's required standards before analysis. After removing incomplete responses, 35 valid responses remained for this study. The raw data were then recoded, transformed, and grouped into two variables (BSA and IFF) because the questions were on a 5-Likert scale. Recoding ensured accurate calculation of the results. Once recoded, the data were categorized correctly into the correct measurement level (continuous/interval).

In the following sections, the researcher provides a detailed demographic profile of the research participants. This profile includes important characteristics such as age, education level, and other relevant factors that collectively help to understand the sample group's composition and context, ensuring a comprehensive exploration of the study. The table below shows the demographic information for the 35 responses used in the analysis. A detailed demographic analysis of the responses is presented below, providing insights into the participants' characteristics and diversity.

Figure 4:*Demographic Analysis-Age Category***2. Please indicate your age category.**

	N	%
25-34	3	8.3%
35-44	5	13.9%
45-54	14	38.9%
55-64	10	27.8%
65 and Over	3	8.3%
Missing System	1	2.8%

Figure 5:*Demographic Analysis-Level of Experience of Participants***3. What is your current level of experience in the position?**

	N	%
5-7 Years of Experience	16	44.4%
7-10 Years of Experience	12	33.3%
Above 10 Years of Experience	7	19.4%
Missing System	1	2.8%

Figure 6:*Demographic Analysis-Race of Participants***4. Choose one or more races that you consider yourself to be: - Selected Choice White**

	N	%
-99	21	58.3%
White	14	38.9%
Missing System	1	2.8%

Figure 7:*Demographic Analysis-Race of Participants*

5. Choose one or more races that you consider yourself to be: - Selected Choice Black or African American

	N	%
-99	20	55.6%
Black or African American	15	41.7%
Missing System	1	2.8%

Figure 8:

Demographic Analysis-Race of Participants

6. Choose one or more races that you consider yourself to be: - Selected Choice American Indian or Alaska Native

	N	%
-99	32	88.9%
American Indian or Alaska Native	3	8.3%
Missing System	1	2.8%

Figure 9:

Demographic Analysis-Race of Participants

7. Choose one or more races that you consider yourself to be: - Selected Choice Asian

	N	%
-99	31	86.1%
Asian	4	11.1%
Missing System	1	2.8%

Figure 10:

Demographics Analysis: Race of Participants

8. Choose one or more races that you consider yourself to be: - Selected Choice Native Hawaiian or Pacific Islander

	N	%
-99	33	91.7%
Native Hawaiian or Pacific Islander	2	5.6%
Missing System	1	2.8%

9. Choose one or more races that you consider yourself to be: - Selected Choice Other

	N	%
-99	35	97.2%
Missing System	1	2.8%

Figure 11:

Demographic Analysis: Level of Education

10. What is the highest level of education you have completed or the highest degree you have received?

	N	%
Associate degree in college (2-year)	1	2.8%
Bachelor's degree in college (4-year)	10	27.8%
Master's degree	18	50.0%
Doctoral degree	5	13.9%
Professional degree (JD, MD)	1	2.8%
Missing System	1	2.8%

Figure 12:

Demographic Analysis- Employment Status

11. Which statement best describes your current employment status? - Selected Choice

	N	%
Working Full-time	34	94.4%
Working Part-time	1	2.8%
Missing System	1	2.8%

Figure 13:

Demographic Analysis- English Proficiency

12. Are you able to understand and respond to questions in the English language?

	N	%
YES	35	97.2%
Missing System	1	2.8%

Figure 14:

Demographic Analysis-Industry of Participants

13. Which of the following industries most closely matches the one in which you are employed?

	N	%
Finance or insurance	35	97.2%
Missing System	1	2.8%

Figure 15:

Demographic Analysis- Total Employees in Establishment

14. How many employees work in your establishment?

	N	%
10-19	3	8.3%
20-49	9	25.0%
50-99	3	8.3%
100-249	6	16.7%
250-499	9	25.0%
500-999	3	8.3%
1000 or more	2	5.6%
Missing System	1	2.8%

Figure 16:

Demographic Analysis-Work Location of Participants

15. In which state is your primary work location?

	N	%
New Jersey	35	97.2%
Missing System	1	2.8%

Figure 17:

Demographic Analysis: Roles Related to the Bank Secrecy Act

17. Are you currently involved in any roles related to the Bank Secrecy Act (BSA) compliance at your workplace?

	N	%
YES	35	97.2%
Missing System	1	2.8%

18. What is your current level of experience in the position?

	N	%
3-5 Years of experience	3	8.3%
5-7 Years of experience	16	44.4%
7-10 Years of experience	12	33.3%
Above 10 years of experience	4	11.1%
Missing System	1	2.8%

The analysis of the data shows that 38.9% of respondents are in the 45- to 54-year age group, making it the most common demographic in this study. The 55-64 age group is close behind, accounting for 27.8% of participants, indicating a strong presence of middle-aged and older individuals in the survey. Almost all respondents work in the finance and insurance sector, a field known for its central role in the economy, as noted by (Sun, 2024). The researcher classifies banks in this sector due to their vital financial functions across economies.

Furthermore, 44.4% of participants have gained extensive expertise, having held their current roles for 5-7 years. This reflects a wealth of experience that enriches the findings. Additionally, nearly all respondents are based in New Jersey, underscoring the region's workforce focus and the influence of local economic factors on their professional experiences.

Of the 44 participants who completed the survey, 35 carefully filled out the demographic section, revealing an interesting trend: every participant reported their primary work location as New Jersey. The specific details about their work environments not only met a key requirement for the study but also enhanced the depth and relevance of the findings.

Assumptions Behind the Statistical Tests

This section provides a comprehensive overview of the statistical assumptions underlying the research and a detailed discussion of the results for each research question, alternative hypothesis, and null hypothesis. It also provides a summary of the statistical analyses performed

throughout the study. Before beginning the analytical process, all essential assumptions were thoroughly verified to ensure the accuracy of the results. Specifically, three key assumptions were carefully examined to confirm their validity in the Spearman correlational analysis, thus establishing a strong foundation for the findings.

According to the Rahman and Mehnaz (2024) three assumptions must be met for Spearman correlation:

1. There should be two continuous or ordinal variables.
2. There should be a monotonic relationship between the variables.
3. The variables must be paired.

Assumption 1. Two variables are measured on a continuous and/or ordinal scale.

Spearman's rank correlation was deemed appropriate for assessing the extent to which the relationship between the variables in the analysis can be described by a monotonic function (S. Lewis-Beck et al., 2004), whether linear or nonlinear. The method provides crucial insights into patterns and interactions in data, facilitating informed decision-making across various fields (Wisniewski & Brannan, 2024). According to Wisniewski and Brannan (2024), the choice of correlation analysis depends on the type of data available. For continuous or ordinal data, the Spearman rank-order correlation is a commonly used measure of the direction and strength of association between two variables (J. Salkind, n.d.). The nonparametric (i.e., not based on a standard distribution) statistic is computed from the data's sequential arrangement rather than the actual data values. It is robust to outliers because it uses rank order rather than actual values. It does not assume a normal data distribution because it is adaptable to a range of distributions. Variables represented by ordinal data relate to clear concepts of a continuum of effect intensity, ordered according to a logical, monotonic sequence, but not necessarily proportionally

(Mirtagioglu & Mendes, n.d.). With ordinal data, other types of correlation (such as biserial, point-biserial, polychoric, tetrachoric, and others) may also be more appropriate. Specifically, when both variables are ordinal, numerical integration can be used to estimate the expected proportion of observations in each cell of the multivariate contingency table. This approach can be directly extended to cases involving both continuous and ordinal measures (Verhulst & Neale, 2021).

Since the data questionnaire used a Likert scale from 1 to 5, the data are ordinal. In other words, the 5-point Likert scale is considered ordinal because it has a clear order of response options but lacks fixed numerical values or equal intervals. Although responses can be rated or ranked, the distances between them are not measurable (Sullivan & Artino, 2013). However, SPSS software can convert continuous measurement scales to interval responses as an alternative to a Likert Scale (Sullivan & Artino, 2013). In SPSS, a “scale” measure is used for continuous data, including both ratio and interval data types. Ratio data have a valid zero point and can be compared using ratios. In contrast, interval data have equal intervals between values but lack a valid zero point.

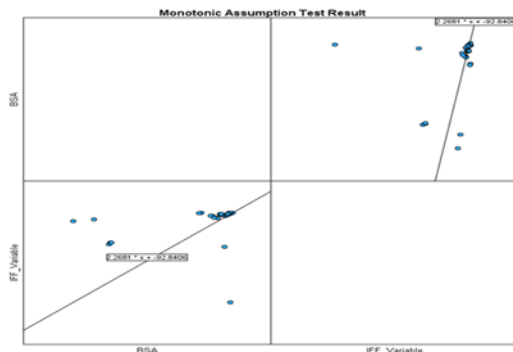
Assumption 2. Monotonic Test

A monotonic relationship between two variables indicates that, as one variable changes in a specific direction, the other consistently changes in the same or opposite direction (Schober et al., 2018). This type of correlation does not require assumptions of linearity or specific measurement levels, making it a nonparametric alternative to Pearson’s correlation. It can be applied to ordinal variables and is less sensitive to outliers. The assumptions for this study’s coefficient are that the data must be at least ordinal and that scores on one variable must be monotonically related to scores on the other variable (Mirtagioglu & Mendes, n.d.).

From Fig. 4: the graph below from the SPSS analysis depicts the test of the monotonic relationship between the variables in the study (Bank Secrecy Act compliance and Illegal Financial Flow activities).

Figure 18:

Monotonic Relationship Result



From the above, both variables move in a similar direction, as indicated by the equations $Y = 2.2681$ and $X = (\pm 92.8406)$. This illustrates the monotonic relationship observed between the variables in the study, where one variable consistently increases in tandem with the other at a similar rate. The two variables in the study move in the same relative direction, as an increase in one variable consistently causes the other to increase or decrease. However, unlike linear relationships, the rate of change does not have to be constant, but for direction. Furthermore, the variables examined in the survey are assumed to be independent, suggesting that the value of one participant's score does not influence another's score. In Spearman's Rank correlation, this assumption ensures that the correlation coefficient accurately reflects the monotonic relationship between the two variables, without bias from related or repeated measurements, and that fluctuations in one variable do not affect the behavior of the other. This nuanced interaction underscores a clear pattern, highlighting the unique dynamics of play within the dataset. It should be noted that the independent assumption is different from the independent variable, as it is

assumed to influence or predict changes in another variable. The independent variable is one of the two variables whose ranked relationship is evaluated; although it is not manipulated, it is observed in this study.

Assumption 3: Paired Variable Observation - Spearman's correlation requires analyzing variables in pairs (Keller-McNulty & McNulty, 1987). This quantitative study examines the relationship between two variables: compliance with the Bank Secrecy Act and illegal financial flow activities. The study uses single-pair observations, capturing scores for each variable from each participant. With a total of 35 participants, this research includes 33 paired observations.

To provide additional evidence that the dataset does not meet the normality assumptions required for Pearson's correlation coefficient, the researcher conducted a thorough normality assessment. This included statistical tests such as the Shapiro-Wilk and Kolmogorov-Smirnov tests, both designed to determine whether the data follow a normal distribution. The results revealed significant deviations from normality, indicating that Pearson's correlation analysis is unsuitable. As a result, the researcher considered alternative methods, such as Spearman's rank correlation, which are more appropriate for non-normally distributed data. Below are the test results for the Shapiro-Wilk and Kolmogorov-Smirnov tests.

Figure 19:

Normality Test Results

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
IFF_Variable	.352	35	<.001	.342	35	<.001
BSA_Variable	.412	35	<.001	.460	35	<.001

a. Lilliefors Significance Correction

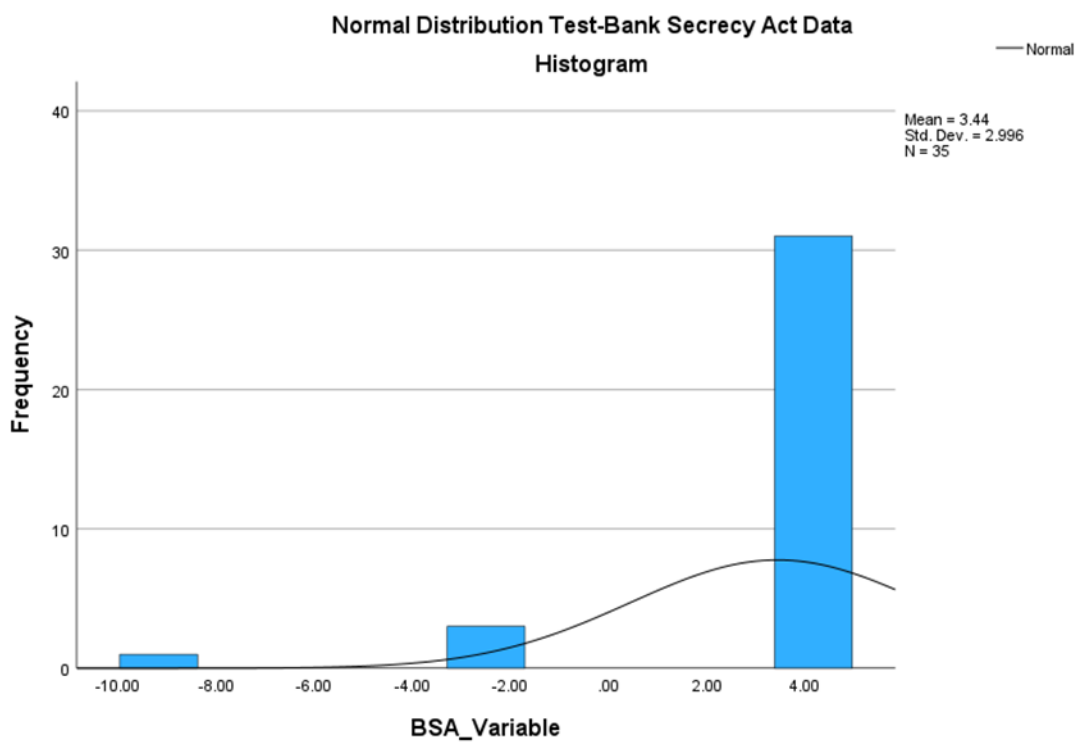
Additional evidence for the two variables indicates that the data did not exhibit a normal distribution, as shown in the graph below. This finding required a nonparametric test, specifically Spearman's rank correlation, rather than Pearson's correlation. The analysis shows that the significance scores for the observed deviations in both variables are low ($P < .001$), indicating strong statistical significance. Additionally, the calculated statistics are high, with values of 0.352 and 0.412 for one set, whereas another set shows values of 0.342 and 0.460. These results strongly indicate that the population data significantly deviate from what would be expected under a normal distribution.

In particular, the Kolmogorov-Smirnov test for normality produced statistic values of 0.412 and 0.460, each with a p-value of less than 0.001 for the BSA variable. Similarly, for the IFF variable, the test yielded statistic values of 0.352 and 0.342, both with a significant p-value of < 0.001 . While the statistical values of 0.342 and 0.352 indicate a reasonably good fit between the observed data and the expected distribution, the consistently low p-values for both variables—each falling below .001—provide evidence for rejecting the hypothesis that either variable follows a normal distribution. This indicates a significant departure from normality, reinforcing the conclusion that these datasets exhibit distinct characteristics that warrant the use of Spearman's rank correlation.

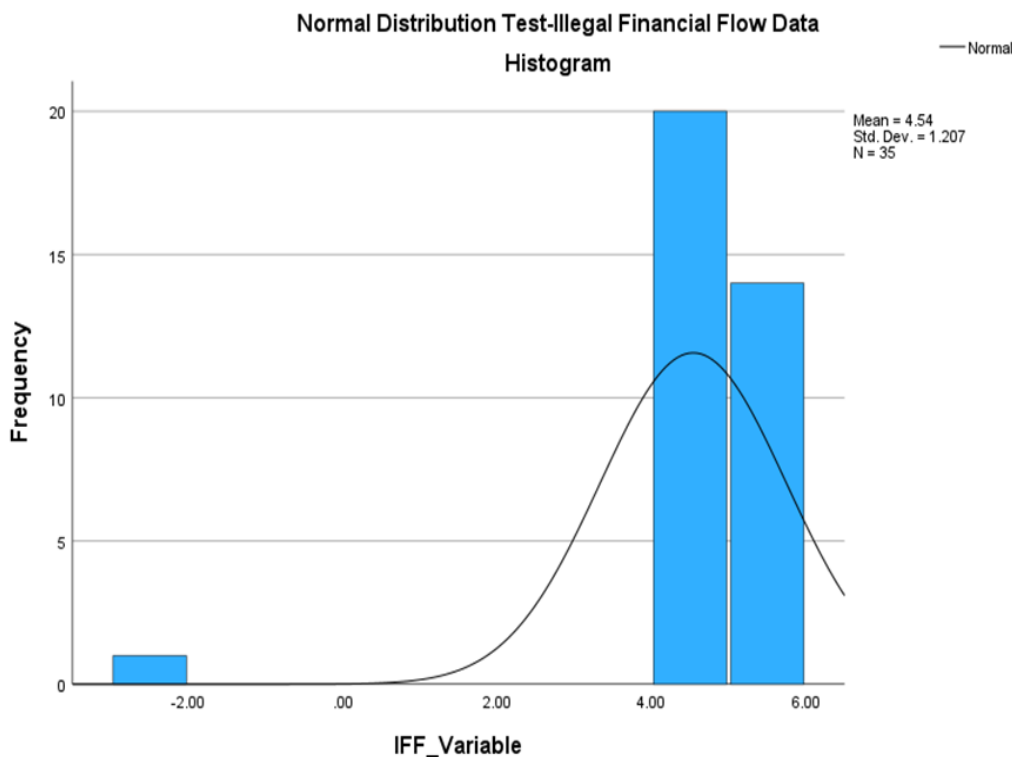
To enhance understanding of the findings, a graphical representation of the variables is provided. This visual aid not only presents the data in a more accessible format but also vividly demonstrates that both variables deviate significantly from the standard normal distribution. A visual comparison of the distributions indicates that the shapes and patterns of the data points challenge the assumption of normality, thereby reinforcing the conclusions drawn from the analysis.

Figure 20:

Normal Distribution Test (BSA) Compliance

**Figure 21:**

Normal Distribution Test (IFF) Activity



The histogram displayed above indicates a deviation of the variable data from a normal distribution. This is evidenced by the observed asymmetry and the presence of peaks that differ from the bell-shaped curve characteristic of a normal distribution. The spread and frequency of the data points suggest the presence of outliers or clusters that contribute to the non-normality, reflecting underlying patterns or tendencies within the dataset.

Descriptive Findings

The case processing summary results below present a comprehensive table that encapsulates the analysis dataset by detailing the distribution of valid and excluded cases. This summary provides crucial insights into the number and percentage of cases categorized as valid, as well as those excluded for various reasons. By highlighting the instances of missing data in respondent inputs, this summary plays a crucial role in evaluating the dataset's integrity.

Additionally, it assesses data reliability using Cronbach's Alpha, a measure of internal

consistency. Overall, this summary serves as a crucial tool for the researcher to assess the quality and completeness of their data.

Figure 22:

Case processing summary of the response

Case Processing Summary^a

	Included		Cases Excluded		Total	
	N	Percent	N	Percent	N	Percent
BSA_Variable *	35	97.2%	1	2.8%	36	100.0%
IFF_Variable						

a. Limited to first 100 cases.

The case processing summary indicates that 36 responses were assigned to both the Bank Secrecy Act (BSA) variable sample and the Illegal Financial Flow (IFF) variable, which is 100% of the responses. However, one (1) response out of the 36, representing 2.8%, was excluded from the analysis due to missing values. Therefore, 35 responses were utilized for the study, representing 97.2% of the total. This process assesses the dataset's completeness by identifying missing values, ensuring that the analysis is based on valid data. It also provides insights into data reliability, such as Cronbach's Alpha, which measures internal consistency. Additionally, it identifies weak positive linear relationships among variables, thereby helping to elucidate the data's structure and potential correlations.

Figure 9 below is a descriptive summary. The purpose of using this descriptive data in this analysis was to summarize and present the characteristics of the dataset. Descriptive statistics enabled the researcher to identify patterns, trends, and outliers, and helped inform decisions and guide subsequent analyses. The summary table presented essential features, enabling meaningful conclusions from the data.

Figure 23:*Descriptive Summary of the Variables*

		Descriptive Statistics					
		Statistic	Std. Error	Bias	Bootstrap ^a		
					Std. Error	Lower	Upper
BSA_Variable	N	35		0	0	35	35
	Range	14.13					
	Minimum	-9.40					
	Maximum	4.73					
	Mean	3.4362		.0193	.4929	2.3775	4.2743
	Std. Deviation	2.99579		-.19144	.87615	1.15714	4.39612
	Variance	8.975		-.344	4.871	1.339	19.326
	Skewness	-3.161	.398	.046	1.012	-5.627	-1.655
	Kurtosis	10.265	.778	-.001	7.942	1.393	32.648
	IFF_Variable	N	35		0	0	35
Range		7.20					
Minimum		-2.20					
Maximum		5.00					
Mean		4.5410		.0040	.2002	4.0952	4.8076
Std. Deviation		1.20693		-.19413	.61557	.24813	2.00526
Variance		1.457		-.052	1.282	.062	4.021
Skewness		-5.410	.398	2.293	2.083	-5.541	-.190
Kurtosis		30.878	.778	-17.063	13.821	-1.564	31.963
Valid N (listwise)		N	35		0	0	35

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

From the table above, N=35. BSA (Range =14.13, M=3.44, SD=3) and IFF (Range=7.20, M=4.54, SD=1.21). Thirty-five respondents from various commercial banks participated in the survey. Their positions and roles range from, but are not limited to, Board of Directors, Senior Managers, Internal Auditors, Bank Secrecy Act Compliance Officers, IT Officers, and Operations Managers. Each respondent attempted to complete the survey questionnaire for both variables (Bank Secrecy Act Compliance and Illegal Financial Flow Activities). The minimum

required years of service with the current organization were set at 3, as explicitly requested in the survey, although more years of experience would be ideal.

At the 14.13 level, the Bank Secrecy Act (BSA) compliance had a mean score of 3.44 and a standard deviation of 3. With a range of 14.13 and a mean score of 3.44, this indicates that the data has a wide range with low averages. This is evident from Fig. 3, which shows a right-skewed distribution. On the other hand, the Illegal Financial Flow (IFF) Activities had a range of 7.20, a mean score of 4.54, and a standard deviation of 1.21. With a range of 7.20 and a mean score of 4.54, the data is skewed. This is evident from Fig. 4, which shows a left-skewed distribution.

The descriptive statistics for the Bank Secrecy Act (BSA) compliance variable show a mean of 3.44 (SD = 3.0), indicating the average trend of BSA compliance in the sample. The data exhibits a negative skewness of -3.161, indicating that most data points are clustered to the left of the mean, resulting in a left-skewed distribution. Negative skewness is typically associated with heavy-tailed distributions and the presence of outliers.

For the Illegal Financial Flow (IFF) activities variable, the mean is 4.54 (SD = 1.21), reflecting the average trend of illegal financial flow activities in the sample. The skewness is -5.410, indicating that these data are also left-skewed. Skewness measures the asymmetry of the distribution, with negative skewness indicating left-skewness and positive skewness indicating right-skewness. Additionally, excess kurtosis describes the tail shape of the data distribution; a normal distribution has an excess kurtosis of 0.

Data Analysis Procedures

Based on the bivariate normal model statistical test, as well as the a priori power test in G*Power calculation, the alpha level for this study was $p < .05$. Each hypothesis involved an

assessment of the magnitude, direction, and significance of each bivariate correlation between each pair of variables. A correlational design was used to test the study's hypotheses.

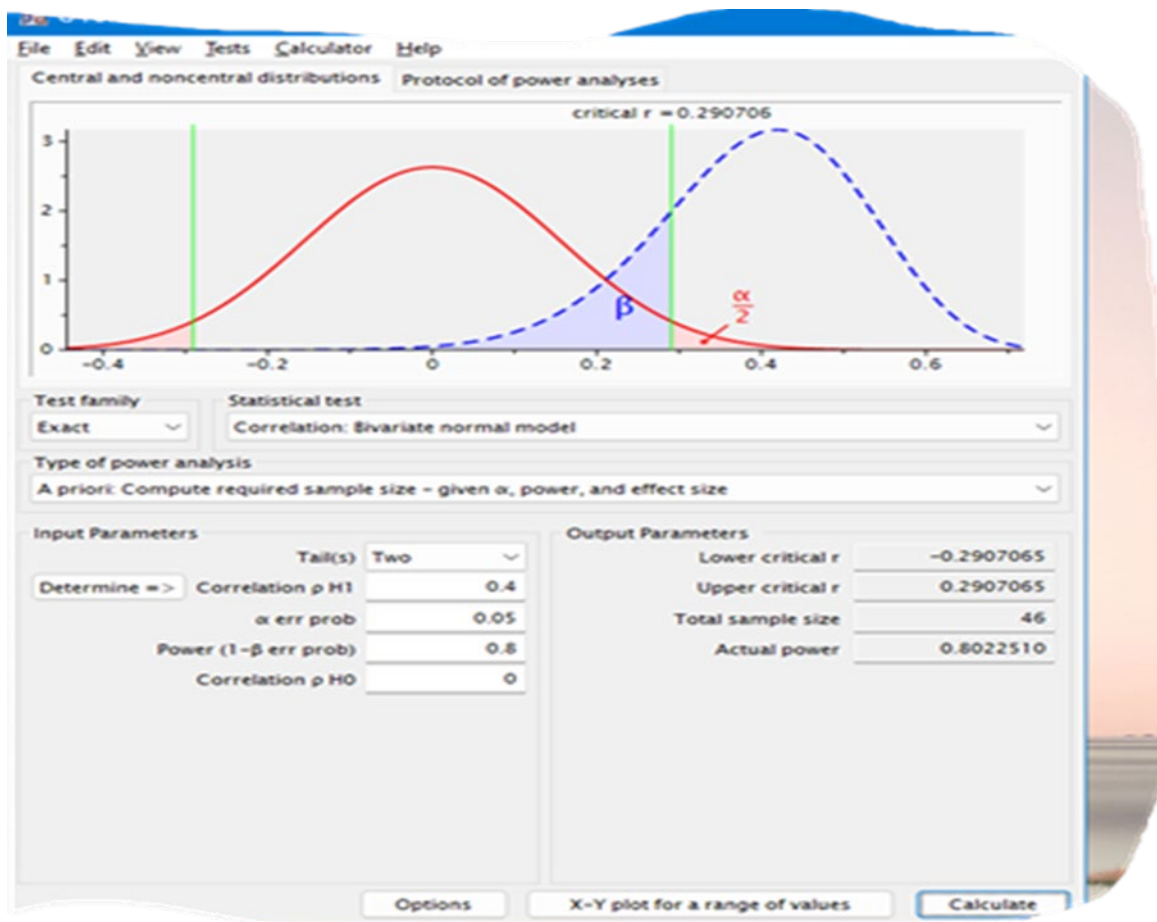
As stated above, Spearman's scores had acceptable reliability coefficients (see Fig.10). Survey data for 44 respondents were downloaded from Qualtrics into SPSS. Keeping only respondents with no missing data reduced the sample size to $N = 35$. Spearman correlation coefficients were calculated according to the authors' recommendations (Lovie & Lovie, 2010; Ramsey, 1989; Spiegelman, 2010).

Given by RQ1:H0 means $P=0$ (There is no correlation between the variables).

Then, on Alternative Hypothesis 2. RQ1:H1: There is a statistically significant positive correlation between the occurrence of illicit financial flow activities and adherence to the Bank Secrecy Act. Given by RQ1:H1, Means $\neq 0$ (There is some correlation different from zero).

Figure 24:

*G*Power Estimations for the study's sample*



Based on comprehensive estimations from G*Power and the principles of a priori power analysis, selecting a sample size of 46 requires careful consideration of the corresponding alpha and beta levels. This strategic selection not only enhanced the reliability of the findings but also offered valuable insights into the effect size that can be effectively detected within the study. By understanding these parameters, it became easier to assess the strength and significance of their results, ultimately leading to more robust conclusions. Thus, using a 2-tailed test with effect size (correlation ρ H1 = 0.4), Type 1 error rate, the alpha (α err prob = 0.05), the long run power (Power (1- β err prob) = 0.80), and allocation ratio i.e. N2/N1 (Correlation ρ H0 = 0), and a sample size of 46 per the parameters of G*Power calculations. In other words, the alpha value was 0.05, the power value was 0.80, and the effect size, r , which is the expected correlation coefficient,

was 0.40. Alpha signifies the likelihood of erroneously accepting the alternative hypothesis (H1) when, in fact, the null hypothesis (H0) is true. This error, known as a Type I error, occurs when we mistakenly reject H0 despite insufficient evidence. On the other hand, beta represents the probability of failing to reject H0 even when the alternative hypothesis (H1) is valid, which is referred to as a Type II error. When researchers increase alpha values, they reduce the risk of a Type II error, thereby enhancing the statistical power of their test. This means they are more likely to detect a true effect when it exists, allowing for more confident conclusions in hypothesis testing (Maier & Lakens, 2022). Effect size can be understood as a measure of the distance between H0 and H1, reflecting the underlying population rather than just a specific sample (Heidel, 2016). Consequently, the degree of deviation from H0 that is considered significant enough to warrant attention is what drew interest when determining the effect size. However, effects that are smaller than the specified effect size are considered negligible.

According to Sullivan and Feinn (2012), effect size is a critical finding in quantitative research. While a P value can indicate whether an effect is present, it does not provide information on the magnitude of that effect. Therefore, when reporting and interpreting results, both substantive significance (effect size) and statistical significance (P-value) were considered. Additionally, estimating the effect size prior to initiating research is often necessary to determine the requisite number of subjects needed to minimize the risk of a Type II error, which is the likelihood of failing to identify an existing effect. In essence, researchers must determine the appropriate sample size to ensure that their study has sufficient power to support the null hypothesis (Wang, 2010). If no difference is detected between the groups, this conclusion is considered a factual finding. In this study, the effect size was set at 0.40, which falls between

0.30 (medium) and 0.50 (large). According to Cutter (2020), an effect size of 0.40 is considered significant.

As outlined by Estrella (2003), the concept of the critical value is a pivotal element in evidence-based research, empowering researchers to meticulously appraise the credibility and applicability of their study's findings. This critical value not only helps discern the strengths and weaknesses inherent in the research but also plays a crucial role in evaluating its relevance within a specific context. Specifically, during the G*Power calculation for a sample size of 46, the critical values were -0.2907065 and $+0.2907065$, indicating the threshold beyond which findings can be deemed statistically significant.

Sullivan and Feinn (2012) illuminate the concept of statistical significance, describing it as the likelihood that the difference observed between two groups arises purely by chance. In statistical analysis, when the p-value exceeds the predetermined alpha level, researchers interpret this as indicating that any differences observed are likely due to random sampling variability rather than reflecting a true effect or relationship between the groups. Statistical power is a critical concept in research design, representing the probability that a study will detect a statistically significant difference between interventions when one truly exists. When the statistical power is high, researchers can be more confident in their conclusions, knowing that they are likely to identify an effect when it is present. Mathematically, power is expressed as $(1 - b)$, where b corresponds to the probability of making a Type II error—wrongly concluding that no effect exists when an actual effect is present.

This phenomenon underscores the importance of both effect size and sample size in statistical analyses. A larger effect size indicates that the intervention's influence is more pronounced, enabling researchers to detect effects with relatively small sample sizes.

Conversely, a smaller effect size requires a larger sample to achieve the same level of confidence in the findings. However, it is worth noting that excessively large sample sizes can lead to the detection of differences that, while statistically significant, may be so small that they hold little practical significance or relevance to real-world applications. Thus, researchers must balance the desire for statistical power with the need for findings that are meaningful and applicable.

From the test statistics conducted based on the 35-sample size, the results for testing the hypothesis were:

Figure 25:

Correlation Test Result

Correlations				
			BSA_Variable	IFF_Variable
Spearman's rho	BSA_Variable	Correlation Coefficient	1.000	.660**
		Sig. (2-tailed)	.	<.001
		N	35	35
	IFF_Variable	Correlation Coefficient	.660**	1.000
		Sig. (2-tailed)	<.001	.
		N	35	35

** . Correlation is significant at the 0.01 level (2-tailed).

N=35 and all correlations were significant at $p < .001$ with $\rho(p) = .660$.

The analysis results show a p-value of 0.001, reported under the significance level (Sig. 2-tailed), which can be interpreted as $p < 0.001$. This p-value is much lower than the typical alpha level of 0.05, indicating strong statistical evidence to reject the null hypothesis that there is no correlation (a correlation coefficient of zero) between the occurrence of illicit financial flow activities and compliance with the Bank Secrecy Act.

The implications of this finding are significant, as it indicates a moderately monotonic, statistically significant relationship between the two variables. The alternative (H1) hypothesis is

therefore supported because the null hypothesis is rejected. In other words, complying with the Bank Secrecy Act is essential to reducing illicit financial activity. By ensuring compliance, financial institutions can effectively lower the risks associated with illegal transactions and promote a more secure financial environment. Operating with an alpha level of 0.05, the researcher can be 95% confident that the decision to reject the null hypothesis is valid. This confidence level underscores the strength of the identified correlation, underscoring the need for greater vigilance and regulation to ensure compliance and reduce illicit financial flows.

Regarding the research question 2 and accompanying hypotheses:

RQ2: What factors contribute to the occurrence of illegal financial flow activities within commercial banks?

Null Hypothesis -RQ2: H0: No significant correlation exists between a bank's compliance with the Bank Secrecy Act and its ability to deter and detect financial misuse for illicit purposes.

Alternative Hypothesis- RQ2:H1: A significant correlation exists between a bank's compliance with the Bank Secrecy Act and its ability to deter and detect financial misuse for illicit purposes.

Based on the statistical test results, the null hypothesis (no significant relationship between the variables) is rejected, and the alternative hypothesis (a meaningful relationship) is accepted. This outcome reinforces the researcher's findings and invites further exploration of its implications.

The analysis yields a p-value of 0.001, conventionally reported as $p < 0.001$, which falls well below the commonly accepted threshold of 0.05. This compelling evidence strongly suggests that a monotonic, significant correlation is at play. Consequently, the researcher

confidently rejected the null hypothesis (H0) that posited no significant correlation between a bank's adherence to the Bank Secrecy Act and its effectiveness in deterring and detecting financial misconduct for illicit purposes. The results underscore a significant relationship, highlighting the crucial role of compliance in preventing financial misuse.

According to the SPSS analysis, the correlation (reported as Spearman's rho) is 0.660. This represents a moderately positive and strong correlation. This is because .660 is relatively close to positive one (1). The correlation is presented in the table above, along with a significance value of $<.001$ and a sample size of 46, indicating that, as the values of Bank Secrecy Act (BSA) compliance increase, the value of Illegal Financial Flow (IFF) activities also increases. There is a consistent trend in their relationship. The significance level of 001, which is less than one (1), indicates that there is less than a 0.1% chance that the observed strong correlation of 0.660 is due to random sampling. This is the number of observations in which both BSA compliance and IFF activities were observed. The variables BSA compliance and IFF were monotonically and moderately positively correlated, with a correlation coefficient of $r = 0.660$, $N = 35$, $p < .001$ (Akoglu, 2018; Schober et al., 2018). Therefore, the researcher was confident in rejecting the null hypothesis that there is no relationship between the variables and accepted the alternative hypothesis, as a moderately strong relationship exists between the variables: Bank Secrecy Act (BSA) compliance and Illegal Financial Flow (IFF) activities.

Phase Two: Qualitative Interpretation of Results

Analysis of Archival Records

To enrich the findings and effectively address gaps left by the questionnaire, a thoughtful qualitative approach was employed (Joyce & Cartwright, 2020). This method is particularly adept at providing profound insights and unveiling intricate details beyond surface-level data.

Qualitative research was designed to gain a deep understanding of the complexities of the issue at hand, providing a more nuanced understanding than the generalized results typically obtained from questionnaires.

In this context, the methodology was explicitly designed to explore how compliance with the Bank Secrecy Act influences the proliferation of illegal financial flow activities within the commercial banking sector. The second phase of the research involved conducting a qualitative analysis of a diverse range of online archival documents, including government reports and legislative texts, to validate and enhance the quantitative findings. Carefully selected archival records, chosen through a thorough appraisal process, were used to identify relevant documents spanning a comprehensive 20-year period. The collected information will be presented in narrative format, combining rich descriptions and insightful analyses to provide a clearer understanding of the data and its implications. This section provides an analysis of the results from archival discussions based on records retrieved online. It examines the facts, outcomes, and content of these records as determined by the competent court systems during the selected period.

The Retrieved Records/Reports Selected for Analysis from the online Archives.

First Record: Oig-20-039 Financial Regulation and Oversight Safety and Soundness: Failed Bank Limited Review – City National Bank of New Jersey, June 24, 2020, Office of Inspector General, Department of The Treasury. Department of the Treasury, Washington, D.C. 20220 Office of Inspector General OIG-20-039 June 24, 2020, Memorandum for Brian Brooks, Acting Comptroller of the Currency From: Subject: Susan Barron /s/ Deputy Assistant Inspector General for Financial Sector Audits Failed Bank Limited Review of City National Bank of New Jersey, Newark, New Jersey. This memorandum presents the results of our review of the failure

of City National Bank of New Jersey (City National), a minority-owned depository institution located in Newark, New Jersey. City National was chartered as a national bank on June 8, 1973, and was 100 percent owned by City National Bancshares Corporation (holding company). City National operated from its main office and two branches, one in Newark, New Jersey, and another in New York City. The primary cause of City National's failure was the board and management's decision to undertake a new business strategy that led to dramatically increased transaction activity from an expanded base of money service business customers. The bank pursued this business strategy without implementing adequate policies, procedures, risk management, and controls commensurate with the risk of its activities, or controls to comply with the Bank Secrecy Act. The bank's increase in money service business customer activity resulted in severe Bank Secrecy Act/Anti-Money Laundering compliance deficiencies.

Additionally, the bank's expenses, particularly high noninterest expenses related to compensation and Bank Secrecy Act/Anti-Money Laundering remediation, outpaced income, leading to continued losses. Due to City National's continued deficiencies and unsafe or unsound practices, the bank substantially dissipated its assets and earnings and depleted its capital (OIG-20-039.Pdf, n.d.).

Second Record- TD Bank Pleads Guilty to Bank Secrecy Act and Money Laundering Conspiracy Violations in \$1.8B Resolution. U.S. Attorney's Office, District of New Jersey

NEWARK, N.J. – TD Bank, N.A. (TDBNA), the 10th largest bank in the United States, and its parent company TD Bank US Holding Company (TDBUSH) (together with TDBNA, “TD Bank”) pleaded guilty today and agreed to pay over \$1.8 billion in penalties to resolve the U.S. Attorney's Office for the District of New Jersey and the Justice Department's investigation into violations of the Bank Secrecy Act (BSA) and money laundering.

- TDBNA pleaded guilty before U.S. District Judge Esther Salas in Newark federal court to conspiring to fail to maintain an anti-money laundering (AML) program that complies with the BSA, fail to file accurate Currency Transaction Reports (CTRs), and launder money. TDBUSH pleaded guilty to causing TDBNA to fail to maintain an AML program that complies with the BSA and to fail to file accurate CTRs. Over the last decade, TD Bank’s federal regulators and its internal audit group have repeatedly identified concerns about its transaction monitoring program, a key element of an effective AML program necessary to detect and report suspicious activities properly. Nonetheless, from 2014 through 2022, TD Bank’s transaction monitoring program remained essentially unchanged. It did not adapt to address known, glaring deficiencies, emerging money laundering risks, or TD Bank’s new products and services. For years, TD Bank failed to fund appropriately and staff its AML program, opting to postpone and cancel necessary AML projects, prioritizing a “flat cost paradigm” and the “customer experience.” “Inadequate AML Program: TD Bank deliberately failed to maintain an AML compliance program that met the rigorous standards required by the BSA.

- Deficient Transaction Monitoring: The bank’s static monitoring system failed to adapt to emerging risks. Nearly 92% of total transaction volume—approximately \$18.3 trillion—went unmonitored, leaving the bank vulnerable to exploitation.

- Failure to File Accurate Reports: TD Bank routinely submitted inaccurate Currency Transaction Reports (CTRs), further hampering its ability to flag suspicious activities.

- Neglected High-Risk Areas: New products and services, such as Zelle and various ACH transactions, were rolled out without ensuring updated monitoring scenarios adequately covered them. High-risk transactions, especially those involving check activity and international funds flows, were particularly neglected (Office of Public Affairs | TD Bank Pleads Guilty to

Bank Secrecy Act and Money Laundering Conspiracy Violations in \$1.8B Resolution | United States Department of Justice, 2024).

Third Record: Two Middlesex County Men Indicted in Alleged \$6.7 Million Fuel Investment Fraud Scheme for Immediate Release: July 30, 2024. TRENTON — Attorney General Matthew J. Platkin today announced that a state grand jury indicted two Middlesex County men for allegedly defrauding investors out of approximately \$6.7 million. The scheme used sham companies and false identities to deceive investors into believing they would receive significant guaranteed returns from investments in fuel products. Instead, the defendants diverted investor funds for their benefit.

Shahid Javed, 39, of Old Bridge, New Jersey, and Wilfredo Topacio, 64, of Woodbridge, New Jersey, were charged in an indictment with first-degree conspiracy, second-degree theft by deception, two counts of second-degree securities fraud, three counts of misconduct by a corporate official, three counts of second-degree impersonation, and two counts of first-degree money laundering in connection with the alleged fraud scheme. Javed is also charged in a separate count with second-degree passing a bad check to an investor during the alleged scheme. The indictment alleges the scheme began in or about March 2018 and continued through in or about April 2023.

As alleged in the Indictment, Javed and Topacio fraudulently obtained over \$6.7 million from investors by creating the false impression that legitimate business ventures were using invested funds to purchase and sell fuel products for immense profits and guaranteed returns. The alleged scheme included defrauding these investors into purchasing \$1.1 million in investment contracts with Prime Petroleum, LLC (“Prime Petroleum”) and \$5.6 million in investment contracts with Petro Traders Group, LLC (“Petro Traders”), two purportedly

legitimate businesses generating substantial profits and guaranteed returns from fuel-product investments. The defendants, however, allegedly operated these entities as sham companies, diverting investor funds for their benefit, including, among other things, purchasing expensive vehicles, making payments to friends and family, settling prior business debts, and covering other personal expenses. Javed and Topacio also allegedly laundered the funds through bank accounts and corporate entities they controlled to pay investors over \$500,000 in purported investment returns, using the investors' own money to promote the alleged deception that their investments yielded returns (Two Middlesex County Men Indicted in Alleged \$6.7 Million Fuel Investment Fraud Scheme | New Jersey Office of Attorney General, n.d.).

Fourth Record: AG: Camden County Man Sentenced to Six Years in Prison for Money Laundering Nearly \$1.5M from Transnational Fraud Involving Romance and Financial Scams. TRENTON — Attorney General Matthew J. Platkin today announced the sentencing of a Camden County, New Jersey, resident for his role in laundering money for a transnational fraud scheme that used multiple scams to defraud victims of nearly \$1.5 million.

Christopher Akeme, 39, of Sicklerville, was sentenced to six years in state prison on September 15, 2023, by New Jersey Superior Court Judge Gwendolyn Blue, presiding in the Camden County Hall of Justice. The defendant was also ordered to pay restitution to the victims, amounting to \$1,421,689. Akeme had pleaded guilty on May 26, 2023, to one count of financial facilitation of criminal activity (2nd degree) before Judge Blue. In entering the plea, Akeme admitted participating in a scheme to defraud three vulnerable individuals out of large sums of money and to money laundering, by facilitating the movement of those funds to conceal their illicit source. Akeme directed the transfer of the funds to bank accounts in the United States before the money was transferred to offshore accounts. The victims of the fraud schemes

included two California residents and a German resident, who were each scammed out of six-figure sums at various times between 2017 and 2020. “This defendant shamelessly exploited vulnerable victims in the United States and abroad using a variety of scams,” said Attorney General Platkin. “This prosecution serves as notice that New Jersey will not be a haven for fraud. We will bring fraudsters to justice, even if the victims are across the nation or the world.”

“Unfortunately, the scams used in this case to steal money and funnel funds to culprits in Nigeria are common scams that harm victims worldwide,” said Pablo Quiñones, Legal Chief of the Office of Securities Fraud and Financial Crimes Prosecutions (OSFFCP). “This case demonstrates our resolve to disrupt sophisticated transnational fraud and money laundering networks and seek justice for the vulnerable victims harmed by such scams.” One California resident was a victim of a romance scam, suffering a loss of \$926,414. The victim drained her retirement savings and investment accounts to financially support a long-distance romantic relationship with a person that did not exist, believing she was helping that fictitious individual with an overseas development project and with medical expenses.

Another California resident fell victim to an inheritance scam. The victim suffered a \$116,630 loss by sending money purportedly to release unclaimed funds in a bank account in Barcelona, Spain, that the victim’s friend supposedly inherited.

The German victim was targeted by a real estate investment scam that incorporated a romance scam component, initiated on social media. That victim suffered a \$491,645 loss by sending money to invest in a condominium in New Jersey, supposedly. The case is being handled by Deputy Bureau Chief Alyssa Bloom and Deputy Attorney General Jeremy Lackey of the OSFFCP, under the supervision of the OSFFCP Legal Chief, Quiñones. The investigation was conducted by numerous detectives with the Division of Criminal Justice in conjunction with

the U.S. Department of Homeland Security – Office of Inspector General, the U.S. Secret Service, and the New Jersey Division of Taxation (AG, n.d).

Fifth Record: WASHINGTON — IRS Criminal Investigation (IRS-CI) released investigative statistics on Wednesday on how the agency uses Bank Secrecy Act (BSA) data in its financial crime investigations. Over the past three fiscal years, more than 83% of IRS-CI criminal investigations recommended for prosecution had a primary subject with a related BSA filing. Convictions in those cases resulted in average prison sentences of 38 months, \$7.7 billion in asset seizures, \$256 million in restitution, and \$225 million in asset forfeitures.

Under the BSA, financial institutions are required to notify the federal government when they encounter instances of potential money laundering or tax evasion. Federal agencies use this data to investigate money laundering and related financial crimes. BSA data helped identify unusual financial patterns associated with Rubbin Sarpong of Millville, New Jersey. He was sentenced in May 2022 to 14 years in prison for conspiring to commit wire fraud, money laundering, and tax evasion, resulting from a romance fraud scheme. He and his co-conspirators established online romantic relationships with victims and then requested money from those victims, often posing as U.S. military members stationed in Syria. They claimed they were awarded gold bars but needed assistance shipping them back to the U.S. The victims sent money to the scheme perpetrators, which was transferred to other bank accounts, withdrawn, or wired to co-conspirators in Ghana. At sentencing, Sarpong was ordered to pay restitution of \$3.08 million to 36 victims, along with nearly \$400,000 to government agencies. BSA data were also instrumental in the prosecution of serial tax fraudster Michael Dexter Little. Little was sentenced in January 2022 to 19 years, six months in prison for conspiracy to commit wire fraud, conspiracy to commit money laundering, and aggravated identity theft. Little filed a series of

false tax returns claiming massive, bogus fuel tax credits. He submitted fraudulent tax returns in his name and in the names of co-conspirators and identity theft victims. As a result of this scheme, Little and his co-conspirators obtained at least \$12.3 million in fraudulent tax refunds and attempted to obtain at least \$27 million more. Little and his co-conspirators also conspired to launder the funds and purchase real estate and other assets. Little was previously convicted of tax fraud twice, in 1999 and 2003. BSA data provided locations of crimes, identified suspects, was used to seize fraudulent proceeds, and identified past criminal activity to demonstrate a pattern of behavior. Little was ordered to forfeit at least \$12.3 million, which was traced to his crimes (051623 Don Fort Testimony.Pdf, n.d.).

Comparison of Results to the Literature

The findings of this comprehensive study reveal a statistical association between compliance with the Bank Secrecy Act and the prevalence of illicit financial flow activities. In more straightforward terms, a statistically significant relationship exists between adherence to the Bank Secrecy Act and the incidence of unlawful financial activities. However, strict compliance with the Act remains challenging for several reasons, as this study reveals.

Moreover, the research highlights a link between a bank's diligent compliance with the Bank Secrecy Act and its ability to effectively deter and detect financial misuse for nefarious purposes. The analysis of the selected archival records further provides evidence that noncompliance with the Bank Secrecy Act significantly contributes to the rise of Illegal Financial Flow Activities. This disregard for established regulatory frameworks not only jeopardizes the integrity of the entire financial system but also creates a fertile ground for a myriad of illicit transactions, including sophisticated money laundering schemes, fraudulent financial activities, and the clandestine funding of criminal enterprises. When institutions fail to

meet the rigorous standards mandated by the Bank Secrecy Act, they unwittingly foster an environment conducive to illegal financial practices. This not only undermines public trust in financial institutions but also poses serious threats to overall economic stability and security. The ramifications extend beyond individual cases of noncompliance, highlighting a systemic issue that demands urgent attention and reform. This study also sheds light on specific factors contributing to the emergence of illegal financial flows within commercial banks, providing a deeper understanding of the complex interplay between regulatory compliance and the mitigation of financial crime.

The findings presented resonate with the extensive body of literature in chapter 2 of this study surrounding compliance within financial regulations (Poshakwale et al., 2020). They highlight the critical role of the Bank Secrecy Act (BSA) as a vital instrument in addressing the prevalence of Illegal Financial Flow activities. While the BSA may not completely eradicate such nefarious practices, it establishes a comprehensive framework designed to significantly reduce their occurrence. The success of the BSA's initiatives is profoundly reliant on the full and unwavering commitment of industry participants; their adherence to the Act's provisions is paramount. This collective diligence not only fortifies the integrity of the entire financial system but also amplifies efforts to identify, curb, and ultimately prevent illicit financial activities that could undermine economic stability and security. It is through this rigorous compliance that the true objectives of the BSA can be realized, paving the way for a more transparent and accountable financial landscape.

Despite the evidence presented in the findings, many banks exhibit a palpable reluctance to comply with legal obligations, primarily because of their internal priorities and objectives. Some institutions even overlook severe warnings issued by regulatory authorities, opting instead

to weigh the high costs of compliance against the perceived benefits of enhancing customer experience. A thorough examination of archival records reveals a troubling pattern: banks frequently overlook clear indicators of criminal activity, including theft by deception, security fraud, and sophisticated money laundering schemes. These illicit operations often unfold within their network of accounts, involving perpetrators who exploit cross-border banking systems; yet, the warnings remain unnoticed, as if the evidence of wrongdoing were simply invisible.

These findings align with recent literature as explained in Chapter 2 of the study on compliance with the Bank Secrecy Act (BSA). Nielsen and Parker (2012) have noted that businesses have a range of potentially inconsistent motives regarding compliance, including both economic and social considerations. While economic motive seeks to advance and maximize the owners' profits, social motive aims to win the approval and respect of customers and other stakeholders. Dao and Ofori (2010) have argued that compliance theories explain why entities comply or do not comply with laws, providing insight into compliance behaviors and motives, which in turn offer a different perspective on what drives compliance or noncompliance. Copeland (2011) has also proposed that rationalist theory views business entities as rational actors who seek to maximize their economic interests. For this reason, the theory of rational crimes suggests that business entities with profit-maximizing motives would comply with regulations only when the expected punishment for violating them surpasses the compliance cost (Azam, 2018). Behavioral decision theory also argues that compliance decisions may be influenced by the risk of noncompliance and the decision maker's preferences (Bowman, 2018).

Similarly, Warrick (2023) has found that resistance to compliance often eludes observation, remaining concealed and difficult to apprehend. These scholars argue that in private conversations, individuals often express their support for change initiatives, even when they

privately disagree with the proposed plans. In some cases, they actively resisted change while simultaneously exerting considerable effort in their work. Their research revealed a striking trend: many participants did not exhibit overt defiance toward change initiatives. However, during more intimate discussions, many expressed their discontent, raising doubts about both the necessity and the implementation of these changes.

These subjects portrayed themselves as committed to regulation and possessed the best insights into what the organization needed, even as they harbored feelings of indifference, skepticism, or outright disillusionment. Many considered the rules illogical, often predicting they would be rescinded soon. Some resorted to minor acts of defiance, such as disregarding new directives, while concealing their true feelings behind a disguise of participation. This behavior enabled them to project an image of compliance while masking their genuine emotions—a phenomenon the researchers have come to label "backstage resistance." The findings of this study suggest a trend among banking institutions. While these organizations publicly assert their compliance with the Bank Secrecy Act, a closer examination reveals a pattern of partial adherence to its provisions. Many banks appear to prioritize a facade of compliance in their external communications, yet their internal practices often fall short of the rigorous standards set forth by the Act. This discrepancy raises significant concerns about oversight effectiveness and the potential implications for financial transparency and security within the industry.

Summary

While generalizing findings beyond the specific sample size of a study presents inherent challenges, particularly due to the unique individual differences among participants, it is important to note that the sample size in this investigation was deemed sufficiently representative of the broader landscape across the commercial and National banks examined. The diversity and characteristics of the selected banks provide a solid foundation for drawing meaningful conclusions, despite the complexities involved in extrapolating results to a broader context.

Although considerable research has been conducted on the Bank Secrecy Act in higher education (Halawi, 2019; Huang, 2015; Ingber, 2016; Sater, 2020; Shepherd et al., 2001; Zavatone & Michaelson, n.d.), identifying a gap for further research is a significant challenge. A mixed-methods and a sequential explanatory design provide breadth, allowing enough sample to be analyzed and evaluated, as well as archival records to complement and support the study's findings. However, once the questionnaire is released, it is not possible to add or change questions, and the academic cannot ask follow-up questions to clarify responses. Responding to questionnaires relies on the respondents being honest and able to recall their feelings, thereby providing an accurate assessment (Artino et al., 2022; Krumpal & Voss, 2020). Archival records provide access to preserved historical materials spanning long periods and unique or rare documents unavailable through other means, offering proof to illustrate and explain phenomena not typically asked about in questionnaires (*"Resrep31258.12,"* n.d.).

This research study employed a mixed-methods approach, in which findings from archival records help explain those from the questionnaire; findings that may not be identified if either approach were used alone. Undertaking the study sequentially was found to be a sensible

and practical approach to conducting the research, where the questionnaire was administered first, followed by the archival records. It enabled clarity in data collection, analysis, and evaluation. Limitations are inevitable when conducting research with people. However, using a mixed-methods approach can help mitigate potential limitations, as archival record findings can complement and explain quantitative survey findings. In turn, fuzzy generalizations can be made (Younas & Durante, 2023). As further studies are conducted, greater clarity may emerge.

Chapter 5: Discussion, Recommendations, and Study Summary

The problem addressed in this study was the ineffectiveness of the Bank Secrecy Act (BSA) of 1970 in combating illicit financial flow due to compliance issues (Young & Woodiwiss, 2021; Zavoli & King, 2021). The purpose of this sequential explanatory research design (mixed method) with a non-experimental, correlational research design was to examine the potential relationship between compliance with the Bank Secrecy Act and the incidence of illicit financial flows in selected commercial banks.

The study employed a mixed-methods approach to collect structured, numerical, and descriptive data (Novosel, 2022), as well as archival records. The main goal was to assess whether compliance with the Bank Secrecy Act (BSA) is associated with the occurrence of illicit financial flows, thereby informing predictions and generalizing the findings to a larger population. The objective was to predict and explain the behavior of the involved variables, their potential relationships, and the strength and direction of those relationships. Using correlation helped identify the connection between the two measurable variables without altering them (Farrelly, 2012).

This study employed a mixed-methods design, including correlational analyses to identify relationships, directions, and strengths between compliance with the Bank Secrecy Act and illegal financial activities within commercial banks. The study relied on structured interviews, the subjective perceptions of randomly selected participants, and archival records.

The findings clearly show that, despite strong awareness of the Bank Secrecy Act and its significant implications for noncompliance, banking institutions frequently choose to ignore its requirements. This is quite troubling, especially when subjects' intentional neglect and violations seem motivated by a desire to achieve personal goals, potentially risking regulatory standards in

the quest for profit. The enforcement mechanisms, intended to prevent violations and ensure compliance with the law, appear inadequate to influence the behavior of these financial entities. As a result, this pattern raises serious questions about the dedication of banking institutions to uphold ethical practices and maintain the integrity of the financial system, particularly as they balance compliance with their ambitions.

While the findings of this study are persuasive and reliable, several limitations may influence the interpretation of the results. These limitations include the research's narrow scope, which may not fully capture the subject's complexity. Additionally, the study's sample size may be too small to generalize the findings to a broader population, potentially limiting the relevance of the results. Finally, although the methodology was systematic, it may have inherent biases or restrictions that could impact the outcomes. Using only the New Jersey State location among the 50 states may also have affected the researcher's conclusions. Acknowledging these factors is vital for an accurate understanding of the research's implications. This chapter offers a brief introduction, discussion, recommendations, and a summary of the study.

Discussion

The findings in this study also align with the U.S. Money Laundering Threat Assessment conducted by the Department of the Treasury in 2005 (2024 National Money Laundering Risk Assessment -NMLRA, 2024). The assessment revealed that the overall situation is both concerning and optimistic, highlighting significant progress on the Bank Secrecy Act (BSA). The evaluation was based on several factors, including Suspicious Activity Reports filed by depository institutions throughout the United States. These reports were ranked according to the level of suspicious activity, covering filings from April 1, 1996, to June 30, 2004. Among the ten

states reviewed, New Jersey ranked 7th, with 41,403 reports, representing 2.86% of the total at the time of the report.

The results of the assessment of the categories below indicate that if industry players adhere to the BSA, it could effectively help address illegal financial flows. Proper monitoring and accurate reporting can lead to the development of practical solutions.

Suspicious Activity Reports filed by depository institutions ranked by suspicious activity, based on filings from April 1, 1996, to June 30, 2004, by the Assessment conducted by the Department of the Treasury and reported by the Federal Deposit Insurance Corporation.

Table 7:

Suspicious Activity Reports filed by depository institutions ranked based on filings from April 1, 1996, to June 30, 2004.

Violation Type	Filings (Overall)	Percentage (Overall)
BSA/Structuring/Money Laundering	769,502	48.22%
Check Fraud	185,839	11.65%
Other	136,021	8.52%
Credit Card Fraud	77,970	4.89%
Counterfeit Check	74,891	4.69%
Check Kiting	55,940	3.51%
Unknown/Blank	46,783	2.93%
Defalcation/Embezzlement	46,323	2.90%
Mortgage Loan Fraud	40,016	2.51%
Consumer Loan Fraud	27,240	1.71%

False Statement	26,724	1.67%
Misuse of position or self-dealing	18,460	1.16%
Wire Transfer Fraud	17,634	1.11%
Mysterious Disappearance	17,375	1.09%
Debit Card Fraud	11,315	Less than 1%
Commercial Loan Fraud	10,699	Less than 1%
Identity Fraud	10,188	Less than 1%
Computer Intrusion	8,319	Less than 1%
Counterfeit Credit/Debit Card	6,573	Less than 1%
Counterfeit Instrument (Other)	5,142	Less than 1%
Bribery/Gratuity	1,799	Less than 1%
Terrorist Financing	971	Less than 1%

The findings, as shown in Table 2 in Chapter 4, reveal a strong link between the extent to which banking institutions comply with the Bank Secrecy Act and the occurrence of Illegal Financial Flow activities. As these financial entities improve their compliance with the Act's regulations, a noticeable decrease in illicit financial transactions occurs. This relationship highlights the important role that following regulations plays in stopping illegal financial practices.

While the findings are valid, the method of data analysis may have affected the interpretation of the results. Additionally, the triangulation of outcomes from the integration of various data sources may have also influenced these results. The statistical trends and thematic insights derived from the data can further enhance the interpretation and understanding of the findings' implications.

Research into the positive dimensions and overall effectiveness of the Bank Secrecy Act (BSA) in combating Illegal Financial Flows remains in its infancy; however, existing studies offer valuable insights. The prevailing discourse often highlights the significant costs and administrative burdens placed on entities subject to the Act, which can sometimes overshadow its potential advantages (Zavatone & Michaelson, 2025). Nonetheless, findings from this study—backed by available evidence—indicate that the BSA holds a significant promise for mitigating, if not outright eliminating, illegal financial activities.

By establishing comprehensive reporting and meticulous record-keeping requirements, the BSA acts as an indispensable tool for law enforcement agencies. It empowers them to detect and scrutinize suspicious transactions that may be intricately tied to money laundering, tax evasion, and various other illicit financial schemes. Moreover, the Act compels financial institutions to implement stringent compliance measures that not only enhance the integrity of the banking sector but also foster greater transparency in the financial environment. Ultimately, this robust framework plays a crucial role in fortifying the global fight against illegal financial flows, illuminating a path toward greater accountability and ethical financial practices.

The second question in the study revealed valuable insights from meticulously analyzed archival records. In the case involving City National Bank of New Jersey, audit failures were linked to the bank's board and management adopting a new business strategy that increased transaction activity without adequate risk management in place. This led to significant deficiencies in Bank Secrecy Act and Anti-Money Laundering compliance, resulting in high non-interest expenses and asset depletion.

TD Bank, N.A., and its parent company pleaded guilty to Bank Secrecy Act violations, agreeing to pay over \$1.8 billion to the U.S. Department of Justice's Office of the U.S. Attorney.

The bank had a non-compliant anti-money laundering (AML) program, failed to monitor 92% of its transaction volume, and submitted inaccurate Currency Transaction Reports, prioritizing cost over compliance. Key issues included an inadequately funded AML program and neglected risks related to new products and international transactions.

In archival record case #3, two men from Middlesex County were indicted for allegedly defrauding investors of \$6.7 million through sham companies and false identities, promising guaranteed returns on fuel investments. They misused funds for personal gain, facing charges including conspiracy, theft by deception, securities fraud, and money laundering. The scheme reportedly ran from March 2018 to April 2023, with one individual charged for passing a bad check to an investor.

A Camden County man was sentenced to six years in prison for laundering nearly \$1.5 million from a transnational fraud scheme involving romance scams. He pleaded guilty to facilitating financial transactions for criminal activity, admitting to defrauding vulnerable individuals and moving funds to conceal their origin before transferring them to offshore accounts. The scams specifically targeted victims to release supposed unclaimed funds in Spain.

The IRS Criminal Investigation (IRS-CI) reported that over 83% of its criminal investigations relied on Bank Secrecy Act (BSA) data, resulting in significant prosecutions. In the past three years, these cases resulted in an average prison sentence of 38 months, \$7.7 billion in asset seizures, \$256 million in restitution, and \$225 million in asset forfeitures.

BSA data helped prosecute Rubbin Sarpong from Millville, NJ, who was sentenced in May 2022 to 14 years for wire fraud, money laundering, and tax evasion, all linked to a romance fraud scheme. He was ordered to pay \$3.08 million in restitution. Additionally, BSA data contributed to the conviction of Michael Dexter Little, who was sentenced in January 2022 to

19.5 years for wire fraud and identity theft. He was ordered to forfeit at least \$12.3 million in connection with his fraudulent activities. A Common theme in these cases is issues related to bank management and board oversight, leading to noncompliance.

Bank boards and management often pursue strategic goals while neglecting compliance with the Bank Secrecy Act (BSA). Many banks fail to comply with BSA provisions due to inadequate staffing and underfunding of their BSA/AML programs, prioritizing cost-cutting and customer satisfaction over compliance. Additionally, incidents of theft, securities fraud, and money laundering occur under their supervision, often attributed to negligence, either due to an inability to detect these activities because of overwhelming data or a conscious failure to do so.

The BSA framework imposes strict customer identification and reporting obligations, inadvertently capturing millions of transactions that are not illicit. The Government Accountability Office (GAO) notes that the \$10,000 reporting threshold has remained unchanged since 1972, eroding in real value due to inflation. Consequently, Currency Transaction Report (CTR) filings have risen by 62% since 2002, reflecting the depreciation of the dollar. This calls for a reassessment of reporting standards to make them more practical for today's needs. Often, these fraudulent activities involve transferring funds between accounts linked to the perpetrators, with some of the money wired offshore. Failures to file BSA reports frequently lead to prosecution.

Implications

The findings from this study led the researcher to draw several consequential conclusions that may be relevant to society. The researcher found evidence to support the existence of a moderately monotonic, statistically significant relationship between compliance with the Bank Secrecy Act and the occurrence of Illegal Financial Flow Activities. The BSA can effectively

fight against illegal financial activities. However, adhering to the Bank Secrecy Act (BSA) is crucial for its success in effectively mitigating illicit financial activities, which can erode the integrity of the financial system.

Meta-Regulation encourages governments to "regulate at a distance" by prompting enterprises to establish their own internal control and risk management systems. However, the researcher is not entirely supportive of this approach, emphasizing the need for regulators to assess the effectiveness of these systems to foster self-regulation with external oversight. On the other hand, Deterrence Theory posits that compliance relies on the threat of punishment, where the severity and likelihood of penalties are crucial. Regulatory bodies implement this through inspections and enforcement. For deterrence to be effective, the costs of non-compliance must outweigh the benefits of compliance. Meanwhile, Responsive Regulation evolves from punitive models, advocating for adaptable regulatory responses. It suggests a range of strategies, from gentle persuasion to escalating sanctions, with an emphasis on cooperation and capacity building before resorting to stricter penalties. This transition from "command-and-control" to responsive and meta-regulation reflects a shift towards a more adaptive and collaborative strategy, focusing on internal governance and engagement rather than solely imposing rules.

This finding enriches the ongoing discourse surrounding the complexities of the Bank Secrecy Act (BSA) framework and the urgent efforts required to enhance its effectiveness and societal value while achieving its intended goals. The significance of this discovery lies in its potential to guide policymakers and various stakeholders, including financial institutions and researchers, in understanding that, with committed resources and strategic initiatives, the BSA can play a vital role in mitigating the prevalence of illegal financial flows. Furthermore, it highlights the need for and the importance of collaboration among regulatory bodies and private-

sector participants to address the challenges posed by illicit financial activities across various sectors of the economy and to improve current practices. Furthermore, a strong commitment to BSA compliance cultivates a safer financial environment, enhancing public trust and promoting stability within the broader economy. This not only helps protect the institutions themselves but also safeguards the entire financial ecosystem from exploitation by criminal enterprises.

In contrast, a thorough analysis of archival records provided critical insights that reveal the underlying causes of noncompliance with the BSA and the consequences of illegal financial flow activities. These factors may make it impossible and hinder the achievement of the desired level of compliance, thereby compromising financial stability, social harmony, and public order.

Firstly, the implementation of compliance measures is hindered by their significant associated costs, which deter organizations from investing sufficiently in necessary resources. Additionally, a pervasive fear of losing customers due to privacy breaches creates a reluctance among businesses to adopt stringent compliance protocols.

Moreover, some boards and management often focus on achieving specific goals, which inadvertently leads to a neglect of broader regulatory responsibilities. The lack of adequate monitoring systems exacerbates this issue, resulting in insufficient oversight of financial activities. Further complicating matters, the understaffing of Bank Secrecy Act (BSA) programs limits the effectiveness of compliance efforts, leaving organizations vulnerable to violations. Lastly, a general atmosphere of noncompliance with the BSA underscores systemic issues that perpetuate illegal financial flows.

The study's results align with the Rational Choice Theory, which posits that decisions are made by weighing costs and benefits, leading to compliance when the cost of non-compliance exceeds the benefits of non-compliance. Economic models, while valuable, often fall short in

capturing the complexities of human behavior. This is why we observe a growing trend toward socioeconomic models that integrate psychological and social factors, providing a more comprehensive picture of how people make decisions in the real world. By acknowledging these influences, we can gain a deeper understanding of the dynamics at play in our economies. Social Norms Theory emphasizes the role of key influencers in fostering compliant behavior and establishing positive norms. At the same time, Legitimacy Theory emphasizes the importance of aligning with societal values to ensure regulatory adherence. Behavioral and psychological theories indicate that individual motivations and perceptions of the regulatory environment influence compliance. Additionally, research on behavioral ethics suggests that individuals often cheat less than they believe they can get away with. The text advocates for compliance programs rooted in values and an ethical culture, rather than solely in enforcement and penalties.

Banks and other entities subject to the Bank Secrecy Act (BSA) claim to comply with its requirements (Busnel et al., 2025; RINTAMÄKI & ALVESSON, 2023). However, this study reveals that some of them may only be paying lip service to compliance and are not genuinely committed to adhering to the BSA's provisions. Instead, these institutions appear to weigh the costs of compliance against the need to prioritize their customers' interests and privacy (Michel & Schulp, 2022). As a result, while the study shows that banks focus on achieving internal objectives, it also highlights the importance of addressing misguided strategies and the potential for allowing misuse of bank accounts to obscure illegal activities. This presents an opportunity for these financial institutions to re-evaluate their priorities, ensuring that customer retention and profit maximization are balanced with a strong commitment to legal compliance and ethical practices. By adopting more transparent and accountable approaches, banks can enhance their reputation and contribute positively to the integrity of the financial system while still achieving

their business goals. Non-compliance with the Bank Secrecy Act provisions remains a significant contributor to the proliferation of illegal financial flows.

This revelation offers valuable insights for decision-makers, policymakers, regulatory enforcers, and governmental authorities, shedding light on individuals' motivations and behaviors regarding compliance with legal frameworks. It emphasizes the necessity for a nuanced understanding of how subjects perceive and respond to compliance requirements, particularly in the context of the Bank Secrecy Act (BSA). Furthermore, it suggests that future research initiatives should be strategically directed towards examining the ethical values and attitudes of subjects operating under the law.

The implications of this study's findings suggest that, rather than relying solely on punitive measures—such as imposing hefty fines or incarcerating officials for non-compliance—stakeholders should explore a broader array of motivational factors that drive compliance. Fines can be increased, but this approach could facilitate a more comprehensive understanding of the factors that encourage adherence to legal standards, potentially leading to the development of more effective compliance strategies.

Moreover, these findings can be generalized beyond the immediate context of the BSA to other sectors facing compliance challenges. By identifying common motivational undercurrents, this research may enhance practices across industries in which adherence to regulatory frameworks is critical.

In essence, this study not only paves the way for improved enforcement methodologies but also advocates for a shift in focus towards fostering a culture of compliance. This could ultimately lead to more sustainable and effective practices in mitigating illegal financial activities.

Recommendations for Practice

The study's findings show a strong statistical link between compliance with the Bank Secrecy Act (BSA) and effective management of Illegal Financial Flow Activities. This link emphasizes that a clear commitment to BSA compliance greatly influences the control and prevention of these illegal financial practices. Therefore, staying compliant is the most vital factor in achieving the goals outlined by the BSA. It is strongly advised that individuals subject to the Bank Secrecy Act (BSA) strive to comply with its provisions to make it more effective. Otherwise, additional fines may be imposed based on the extent of non-compliance and the assessment of its impact on the economy's financial system.

The study's findings support Rational Choice Theory, suggesting that decision-making is influenced by the weighing of costs and benefits. While economic models are helpful, they often overlook the complexities of human behavior, prompting a shift towards socio-economic models that incorporate psychological and social factors. The Social Norms Theory emphasizes the role of key influencers in promoting compliance, while the Legitimacy Theory highlights the importance of aligning with societal values and norms. Behavioral theories suggest that individual motivations and perceptions significantly impact compliance, indicating that a values-based approach may be more effective than strict enforcement.

While banks assert compliance with the Bank Secrecy Act (BSA), this study supports the findings of Michel and Schulp (2022) that some banks may prioritize customer interests and profits over genuine adherence to the law to minimize costs. This study reveals that, in striving to achieve their internal objectives, these institutions often implement misguided strategies, thereby enabling perpetrators to exploit bank accounts to conceal their operations. This non-compliance contributes to illegal financial activities, underscoring the need for policymakers and regulators

to understand the underlying motivations behind noncompliance. Future research should focus on ethical values and attitudes related to compliance.

The study suggests that punitive measures, including substantial fines, may be increased, but there is also a need to examine broader motivational factors to encourage compliance, a strategy applicable across sectors facing regulatory challenges. Effective compliance can be enhanced by adapting to hybrid work environments, implementing advanced data security measures, prioritizing ongoing education, and regularly monitoring regulatory updates to stay informed. Adhering to the BSA is crucial for mitigating illegal financial activities.

A key finding of the study was that City National's failure stemmed from the board and management's decision to pursue a new business strategy, which significantly increased transaction activity among a broader base of money service business customers. This strategy was adopted without adequate policies, procedures, risk management, or compliance controls regarding the Bank Secrecy Act. Additionally, TD Bank pleaded guilty in federal court to failing to maintain a compliant anti-money laundering (AML) program, failing to file accurate Currency Transaction Reports (CTRs), and laundering money.

The findings indicate that, despite awareness of the Bank Secrecy Act and its importance, banking institutions often ignore their mandates in pursuit of their own interests. This neglect of regulatory standards raises concerns about their commitment to ethical practices and the integrity of the financial system. Enforcement mechanisms appear inadequate to change this behavior. It is crucial to emphasize the significance of education in ethics. Prioritizing profit over public safety is unacceptable. Relying solely on deterrence theory, as the FATF and FinCEN do, may not effectively ensure compliance with AML and CFT regulations. Instead, a more comprehensive approach involving workflow automation, cloud-based compliance tools, and AI-

driven monitoring should be encouraged. This RegTech trend can enhance compliance management. Additionally, offering incentives could help lessen the financial burden of compliance efforts.

A key finding from the study indicated that City National's failure stemmed from the board and management's decision to pursue a new business strategy without adequate risk management and controls, particularly concerning compliance with the Bank Secrecy Act (BSA). Similarly, TD Bank pleaded guilty to failing to maintain a compliant anti-money laundering (AML) program and accurate reporting. Despite awareness of the BSA, many banking institutions overlook compliance in pursuit of profit.

This raises concerns about their commitment to ethical practices and the integrity of the financial system. Relying solely on deterrence mechanisms may be ineffective; therefore, an integrated approach that utilizes regulatory technology (RegTech), automation, and AI-driven monitoring should be encouraged. Moreover, educational programs reinforcing ethical standards are vital for fostering a corporate culture of integrity and accountability, not just in banking but across industries also governed by BSA regulations.

A modern approach to reporting Suspicious Activities is essential for simplifying compliance and monitoring high-risk customers. While adopting advanced monitoring systems may require significant resources, it is a necessary investment for institutions focused on compliance. Regular staff training can also help smaller organizations meet standards. Such educational initiatives should extend beyond banking to industries such as insurance, brokerages, casinos, and jewelers, all of which are subject to BSA regulations. Collaboration among government agencies and stakeholders is vital to ensure these efforts are practical across all relevant sectors.

This study offers valuable insights for decision-makers and policymakers on the motivations and behaviors associated with compliance with legal frameworks, particularly the Bank Secrecy Act (BSA). It emphasizes the importance of understanding how individuals perceive compliance requirements and suggests that research should focus on the ethical values and attitudes of those operating under the law.

The findings suggest that stakeholders should consider a broader range of motivational factors for compliance, rather than relying solely on punitive measures. This could lead to better strategies for promoting adherence to legal standards and can be applied across various sectors facing compliance challenges.

The research reveals a significant correlation between BSA compliance and the management of illegal financial activities, indicating that commitment to the Act is crucial. It supports the Rational Choice Theory while suggesting a shift toward socio-economic models that account for psychological and social factors.

The study emphasizes that some banks may prioritize internal objectives, such as profit maximization or market expansion, over strict regulatory compliance. This misalignment leads to poorly conceived strategies that undermine the effectiveness of their anti-money laundering (AML) programs. As a result, these institutions may inadvertently enable individuals and organizations engaged in illicit financial activities to use bank accounts to conceal their operations. This not only facilitates the flow of illegal funds but also underscores the critical need for a deeper examination of the underlying motivations driving non-compliance in the banking sector.

Recommendations include adapting to hybrid work environments, enhancing data security, prioritizing ongoing education, and staying up to date with regulations. The findings

highlight failures at banks such as City National and TD Bank, underscoring a broader issue: institutions' neglect of regulatory standards in pursuit of their objectives. This raises concerns about the integrity of the financial system and the moral responsibility of these institutions. Prioritizing profit over safety is unacceptable, and ethics education should be emphasized alongside compliance efforts.

To address concerns among financial institutions about enhanced due diligence and frequent information requests, it is important to foster transparency. Institutions should clearly communicate how their procedures align with compliance requirements. If all subjects adhere to a uniform set of protocols, clients will accept these practices as industry standards, thereby reinforcing trust and maintaining relationships with financial service providers.

Another finding revealed that specific individuals launder money through deception, tax evasion linked to romance fraud schemes, and wire fraud, using their bank accounts, and that financial institutions struggle to detect these activities.

Banks should utilize Regulatory Technology (RegTech), harnessing innovations such as automation and data analytics to enhance regulatory compliance. Technologies such as blockchain and artificial intelligence (AI) are increasingly recognized for their capacity to enhance compliance effectiveness, particularly in the financial sector. AI's data analysis and monitoring capabilities can provide real-time insights into compliance status, automate procedures, and more effectively identify risks. This shift transforms compliance from a traditional audit function to a proactive approach centered on risk management and predictive analytics, fundamentally altering the way compliance management and enforcement are conducted. However, these technological advancements also raise new ethical and governance

challenges. It is essential to continually adopt regulatory frameworks to ensure that innovation is accompanied by robust oversight and accountability.

Regarding the failure to file suspicious activity reports, regular screening and auditing of banking institutions may prompt them to hire more qualified personnel to monitor and report as necessary, thereby ensuring effective compliance. Furthermore, law enforcement agencies must increase staffing to address the number of institutions nationwide, particularly by recruiting more experienced professionals. The integration of artificial intelligence could also streamline their efforts. Although advanced automated technologies may come with high costs, they can provide real-time monitoring capabilities that enhance overall efficiency and productivity. Artificial Intelligence chatbots, such as VIGILITY, and Natural Language Processing (NLP) can be utilized for this purpose. For example, AI VIGILITY is instrumental in enhancing transaction monitoring by delivering real-time, sophisticated analyses of extensive datasets to uncover anomalies and identify potential risks with remarkable precision. Utilizing advanced machine learning algorithms, it continuously evolves to effectively counter emerging threats while significantly reducing the incidence of false-positive alerts, all while ensuring adherence to ever-changing regulatory frameworks.

This innovative system not only enhances transaction monitoring efficiency but also enables organizations to seamlessly comply with regulatory requirements, overcoming the limitations of traditional monitoring systems. By automating mundane, routine tasks, AI VIGILITY frees compliance teams to dedicate their expertise to high-value, strategic initiatives.

Moreover, it plays a crucial role in tackling internal skill shortages and swiftly adapting to shifts in the market landscape. For financial institutions, AI VIGILITY is essential to staying

ahead of increasingly sophisticated criminal tactics and navigating the intricate challenges posed by regulatory environments.

The finding also reveals Transnational Fraud Involving Romance and Financial Scams. A New Jersey resident was convicted of a role in laundering money for a transnational fraud scheme that used multiple scams to defraud victims. The defendant admitted to participating in a scheme to defraud three vulnerable individuals of substantial sums and to engaging in money laundering by facilitating the movement of those funds to conceal their illicit origin. The convict directed the transfer of funds from bank accounts in the United States to offshore accounts.

The traditional perception of regulation as a purely state-driven activity is being reshaped by the rise of regulatory regimes that involve non-state actors and new governance models. Additionally, the trend toward global regulatory convergence hints at a future in which compliance is orchestrated through complex, interconnected networks comprising governments, international agencies, industry associations, and firms' internal systems. This shift signifies a move toward a more decentralized, collectively shared responsibility for compliance, necessitating advanced coordination and a nuanced understanding of the diverse motivations and roles of all stakeholders within the global regulatory landscape.

Financial institutions, operating across various countries and regulatory frameworks, should be actively encouraged to foster collaborative partnerships that prioritize mitigating risks associated with financial activities. By doing so, these institutions can share best practices, develop innovative risk-management strategies, and create a cohesive framework that enhances the safety and stability of cross-border transactions. Financial institutions operate at varying levels of risk, influenced by factors such as their operational scope and the scale of their services. Their compliance obligations under the Bank Secrecy Act (BSA) must be meticulously aligned

with the specific risks they face in their respective environments. A key component of this alignment is the commitment to robust educational initiatives. These should include not only mandatory conferences but also comprehensive training programs that underscore the critical importance of upholding ethical standards in the banking sector.

Recommendations for Future Research

The findings of this study offer valuable insights for future researchers seeking to better understand the reasons for noncompliance among enterprises subject to the Bank Secrecy Act (BSA). While these enterprises may appear compliant, they often prioritize their own interests over the Act's purpose. At the same time, the study reveals a significant relationship between BSA compliance and reductions in Illegal Financial Flow (IFF) activities.

The findings align with rationalist theories that see business entities as logical actors aiming to maximize their economic interests (Copeland, 2011). Therefore, they typically comply with regulations only when the expected penalties for noncompliance exceed the costs of compliance (Azam, 2018). Moreover, Nielsen and Parker (2012) explain that business entities are driven by two main motives: economic and social. The economic motive usually centers on growth, expansion, financial gains, and profit maximization for owners. In contrast, social motives focus on earning approval and respect from trading partners, employees, customers, local communities, family and friends, other businesses, and the broader public. This evidence seems to support and strengthen these theories.

Future research should further explore the complexities of BSA compliance, examining how organizational culture and technology influence adherence to BSA requirements. A broader geographic focus and proactive regulatory enforcement are necessary to uncover national trends. Developing a unified theoretical framework that integrates culture, technology, and compliance

program effectiveness is essential. Conducting nationwide surveys could yield a larger, more diverse sample, providing better insights into BSA-related trends. There is also a need for research to evaluate the actual outcomes of compliance programs, rather than merely relying on implementation metrics.

To understand the legal landscape, we should look beyond law enforcement. Future research should focus on proactive measures that government agencies and policymakers can implement to help financial institutions comply with legal requirements. This includes identifying resources, training programs, and best practices to support regulatory compliance. Promoting research on collaborative approaches among financial institutions is also crucial.

Additionally, Future studies could explore the potential implications of increasing penalties for non-compliance with the Act, examining whether harsher punitive measures effectively deter unethical behavior. It would be beneficial to analyze how these increased penalties compare with other strategies, such as fostering a culture of ethical behavior through enhanced motivation and comprehensive training programs. This comparison could reveal whether instilling intrinsic motivation and educating on ethical standards lead to a more sustainable increase in compliance than relying solely on fear of punishment. Ultimately, understanding the interplay between deterrence and motivation could inform more effective policy-making and implementation strategies.

A potential qualitative study could use a phenomenological approach to explore and understand the lived experiences of individuals and other subjects under the law, for their motivations for compliance or non-compliance. This study can delve into personal narratives, emotions, and contextual factors that influence decision-making. Additionally, behavioral factors

may be included in a multiple regression model to test which predictor variable, if any, predicts changes in the dependent variable.

Exploring these areas can reveal both challenges and opportunities for improved cooperation, ultimately leading to better risk management, enhanced regulatory compliance, and greater trust among all stakeholders.

Study Summary

This study's results highlight concerns about the BSA's effectiveness in preventing illegal financial flows amid ongoing compliance challenges (Young & Woodiwiss, 2021; Zavoli & King, 2021) and explore the implications of compliance failures on financial institutions and the economy. It contributes to the discussion of the Bank Secrecy Act (BSA) by examining its effectiveness, the causes of noncompliance, its financial implications, and the information it provides to financial institutions and regulators. Michel and Schulp (2022), along with findings from Michaelson and Zavatone (2025), highlight the BSA's impact on combating money laundering and other financial crimes. Through a comprehensive review of qualitative and quantitative data, this study aimed to help policymakers understand the BSA's effects on the financial system while balancing regulatory compliance with the economic burdens on institutions, ultimately knowing the reasons behind the hidden resistance of subjects to compliance.

The findings also highlight Transnational Fraud through Romance and Financial Scams, with a New Jersey resident convicted of laundering money in such schemes. The defendant facilitated the movement of funds from victims to U.S. accounts and then to offshore accounts, emphasizing the need for robust compliance practices in financial institutions.

The evolving regulatory landscape now involves non-state actors and complex networks, shifting compliance to a shared responsibility among various stakeholders. Financial institutions should prioritize collaboration to mitigate risks in cross-border transactions, aligning their Bank Secrecy Act (BSA) compliance with specific operational risks. Ongoing educational initiatives and training are crucial for maintaining ethical standards in banking.

This study highlights a troubling trend: many financial institutions lack a sincere commitment to compliance, treating it as a mere formality to meet regulatory needs. This raises significant concerns about their dedication to ethical standards and the stability of the financial landscape. Concerningly, only 0.3% of follow-up inquiries from SAR filings result in law enforcement investigations, indicating systemic issues that undermine the BSA's effectiveness. Enhancing the compliance framework, particularly regarding high-value investigations and actionable intelligence, is crucial. Institutions should invest in advanced technology and data analytics to enable a proactive approach to combat financial crime.

The government should prioritize resources to support initiatives that enhance collaboration between the public and private sectors, strengthen defenses against financial crime, and benefit society. The Banking Secrecy Act (BSA) proves effective in combating Illegal Financial Flow activities, but all stakeholders—including government, financial institutions, businesses, and communities—must engage actively. Education and training programs are essential for recognizing and reporting suspicious activities. At the same time, collaboration among law enforcement, regulatory bodies, and the private sector is crucial for adapting to evolving criminal tactics. With dedication and cooperation, we can build a resilient financial system that promotes transparency and accountability, even if complete compliance is unrealistic.

While the Bank Secrecy Act (BSA) remains potent in suppressing Illegal Financial Flow (IFF) activities, its effectiveness depends heavily on support from its subjects; however, there is hidden resistance driven by personal gains and goals. More education on ethics and corporate social responsibility can help maintain societal peace through enhanced compliance. Subjects should be willing and serious in making the Act work to ensure a transparent financial environment both in the United States and globally.

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Appendix A: IRB Approval Letter

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Appendix B: XXX

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