Research on the Risk and Management Countermeasures of Self-money Laundering in Third-party Payment— Taking WeChat Payment as an Example

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Abstract: The Internet science and technology and e-commerce have spawned the rise of third-party payment. While bringing convenience to the public, due to the lack of regulatory norms and their own problems, the third-party payment platform has become a tool for criminals to launder money. This paper focuses on the current situation of WeChat self-money laundering, explores the self-money laundering risks caused by the regulatory environment and WeChat platform's own problems, and proposes corresponding risk management countermeasures.

1. Research Background

With the continuous development of Chinese economy and society, money laundering has become one of the major crimes in the economic field. However, there are still some money laundering behaviors outside the criminal behavior, and the "Criminal Law Amendment (XI)" criminalizes "self-laundering" as the biggest "bright spot". Self-laundering is closely related to criminal activities. By legalizing illegal funds, it increases the concealment of criminal activities, threatens social security and public order, and will also have a negative impact on Chinese economic and social development and undermine the stability of the financial system. In addition, self-laundering activities provide financial support for other criminal activities, leading to corruption and political instability, and polluting Chinese political system. The influence of self-laundering activities involves many aspects such as economy, finance, society and politics, which hinders the stability and development of the country.

With the development of economic globalization and Internet technology, the ways and channels of self-money laundering have become diversified, flexible and highly concealed. The third-party payment platform plays an important role in the process of self-money laundering. Although it provides convenient payment methods and financial services, it also has certain money laundering risks due to its characteristics and operation methods. On the one hand, the Internet is a virtual world,

which makes the whole process of self-money laundering full of concealment, and the use of virtual identity for transactions is difficult to be found, which has become a common means for fraud gangs and corrupt officials to transfer property. On the other hand, the help of the Internet makes the crime of self-laundering have the ability to cross borders. Criminals use third-party payment platforms for cross-border transactions, making it more difficult to track and monitor funds, bringing greater challenges to law enforcement departments and making economic crimes more rampant.

In summary, the third-party payment platform has money laundering risks in transactions and fund transfers, and it is necessary to conduct self-money laundering risk management to prevent money laundering activities.

2. The Identification of Self-money Laundering and the Analysis of the Current Situation of WeChat Self-money Laundering

2.1. The Identification of the Self-money Laundering Behaviors

Self-laundering refers to a criminal act in which the offender passes a series of measures and transactions on the funds obtained from his or her upstream crime to make it appear legal and compliant. In the past, when Chinese criminal law set up the crime of money laundering, only a third-party natural person or unit was considered as the subject of the crime. According to the data released by the Supreme People's Court, the number of prosecutions filed by the national procuratorial organs for money laundering crimes in 2020 was 707, rising to 1262 in 2021, and reaching 2585 in 2022, an increase of about 1 times over the previous year. However, the original upstream criminals do not constitute the crime of money laundering when they launder money, which is ' the afterwards act of impunity '. However, according to statistics, only in the first quarter of 2023, the national procuratorial organs filed more than 300 prosecutions for money laundering crimes, with a year-on-year increase of 12.1 %. The proportion of association with upstream crime was 2.7 %, an increase of 1.4 percentage points over the previous year[1]. This means that a large number of self-laundering acts have not been included in the scope of crime, and there are drawbacks such as lighter punishment, unclear whereabouts of a large amount of stolen money and insufficient efforts to combat crime. Recently, the separate criminalization of self-money laundering has become an important change in the revision of the crime of money laundering in China, and provides legal protection for financial institutions, non-financial institutions and third-party platforms to effectively supervise and manage the crime of self-money laundering.

The identification of self-laundering behavior is mainly considered from both subjective and objective aspects. The subjective aspect includes the intention and motivation of the actor, whether there is an intention to cover up the illegal source and nature. The objective aspect includes whether the money laundering behavior stipulated in the criminal law is satisfied, and the factors such as the source of funds, transfer and transformation, flow path, rationality and legitimacy of funds are considered. The court will comprehensively consider subjective and objective factors, comprehensively identify self-money laundering, and pursue criminal responsibility according to law[2].

2.2. Analysis of the Current Situation of WeChat Self-money Laundering

With the development of science and technology and the change of payment methods, third-party payment institutions have become the main channel for online fraud and money laundering. According to statistics, the total amount of fines payable by payment institutions for anti-money laundering issues accounts for 52 % of the total fines, and anti-money laundering issues are the main reason for payment institutions to be fined. In the fines issued by the central bank, payment

institutions such as UnionPay Commerce were fined up to 65.16 million yuan for illegal acts. Other payment institutions such as Fast Money and Yinsheng Payment also faced high fines. This shows that the issue of anti-money laundering is still the hardest hit area for third-party payment institutions[3].As a widely used third-party payment tool, WeChat payment may be used by criminals to carry out self-money laundering activities due to its characteristics and technical risks.

3. The Risk of Self-money Laundering in WeChat Payment

3.1. The Self-money Laundering Risk Caused by WeChat Payment Regulatory Issues

China has issued a series of regulatory laws and regulations on the anti-money laundering of third-party payment platforms: the ' Network Security Law ' stipulates the basic requirements of network security and clarifies the responsibility of third-party payment institutions to strengthen information security; the "Regulations on the Administration of Payment and Liquidation Agencies" stipulates in detail the third-party payment institutions and strengthens their management of money laundering risks; the "Internet Payment Security Management Measures" require third-party payment institutions to establish a security management system to prevent various security risks; the Anti-Money Laundering Law requires third-party payment institutions to strengthen customer identification and transaction record management to prevent illegal and criminal activities such as money laundering and terrorist financing. However, for WeChat payment, there are no clear provisions on the identification of regulatory operations, management models and suspicious operations, which provides criminals with opportunities to often use WeChat payment for self-money laundering criminal activities.

3.1.1. Lack of Supervision of WeChat Service Terms

There are some unreasonable aspects in the terms of service of WeChat payment, and the risk and responsibility of self-laundering are all pushed to users, while the platform itself has no corresponding legal definition and responsibility. For example, in the terms of Tenpay, it is mentioned that ' If you use the Tenpay Service in connection with a product or service provided by a third party, Tenpay Company shall not be liable for any dispute that may arise between you and a third party ', and ' In the course of your use of the Service, the Company shall not be liable for the following risks: threatening, defamatory, objectionable or illegal content information that is impersonated by others; any psychological, physical damage and economic loss caused by others ' misleading, deception or other reasons; other risks caused by network information or your behavior. In these terms, the user himself has become a risk-taker, but the platform itself has been put aside, which is obviously unreasonable. In this case, criminals have the opportunity to take advantage of, resulting in the lack of platform supervision. At the same time, its delayed settlement provisions on anti-money laundering are as follows: ' Tenpay found that you may have money laundering, terrorist financing, fraudulent transactions, credit card cashing, malicious bankruptcy or other illegal acts, Tenpay can delay the settlement of the corresponding funds in your WeChat payment account. When it is found that merchants may have self-money laundering behavior, they do not report the specific situation to the relevant regulatory authorities in time. To a certain extent, it gives the time for the perpetrator to respond and process the evidence, and there is an anti-money laundering regulatory vacuum.

3.1.2. Regulatory Issues Caused by the Lack of Personal Information Supervision Service Terms

WeChat's terms of service do mention the possible use of user information and sharing with third-party platforms. Users need to agree to these terms to register a WeChat account, so personal

information security cannot be guaranteed. Although Caifutong will sign relevant legal documents with third parties and try to require third parties to take protective measures against user information, whether it will be implemented and the responsibility for infringement of personal information is not clearly stipulated in the terms, which violates the principle of subject behavior and consequence bearing. In addition, this provision is contrary to the relevant provisions of the "Measures for the Administration of Online Payment Business of Non-bank Payment Institutions," providing criminals with the opportunity to steal user information. After the illegal self-money laundering, due to the lack of relevant provisions, the regulatory authorities cannot define the subject of responsibility.

3.2. WeChat Platform's Own Problems Lead to Money Laundering Risk

3.2.1. Real-name Authentication is Simple

In the real-name authentication process of the WeChat platform, the user only needs to provide the name and identity card number to complete the authentication. This simple authentication method has security risks, and the traditional user name and password authentication method is vulnerable to password leakage and collision. The threat of library attacks may lead to the leakage of user identity information. In addition, the verification method lacks the support of multi-factor authentication, which further increases the security risk. Therefore, some people engaged in criminal activities such as money laundering can obtain the user's name and identity card number through other means, impersonate the user's registered WeChat account, and carry out related illegal and criminal activities[4]. The following is a practical case to illustrate the risks brought by the simple real-name authentication: From July 1 to August 21, 2021, Wan Hao, the defendant, was able to sell e-cigarettes containing synthetic cannabinoids through WeChat in order to seek illegal interests when he knew that synthetic cannabinoids had been listed. Six times, he sold e-cigarettes containing synthetic cannabinoids to multiple people by hiring others to deliver or sending couriers, with a total amount of 4900 yuan. The defendant Huang Yun twice helped Wan Hao to sell a total of 600 yuan of e-cigarette oil containing synthetic cannabinoids, and the defendant Liu Zhiyong helped Wan Hao to sell 300 yuan of e-cigarette oil containing synthetic cannabinoids. In order to disguise and conceal the source and nature of the above-mentioned criminal proceeds, Wan Hao can buy other people's WeChat accounts and use other people's identity authentication, collect drug money and then transfer it to his own WeChat account, and then extract the criminal proceeds to the bank card for consumption. On August 23 of the same year, police officers arrested him at Wanhaoneng's residence and seized 15 bottles of electronic cigarette oil on the spot, with a total net weight of 111.67 grams. The following day, police officers seized 94 bottles of e-cigarette oil in a warehouse rented by Wanhao Energy, with a total net weight of 838.36 grams. The synthetic cannabinoids of ADB-BUTINACA and MDMB-4en-PINACA were detected in the above cigarette oils. After Wan Haoneng and Huang Yun arrived at the case, they assisted the public security organs to arrest Wu and Liu Zhiyong respectively (Case source: The Supreme People's Court issued ten typical cases of drug (drug-related) crimes in 2022.).

In this case, the defendant Wan Hao can use the WeChat platform for illegal transactions, by forging identity and confusing the flow of funds to cover up the source and nature of the proceeds, buy other people's WeChat accounts and use these accounts to trade, in order to hide their true identity and confuse the flow of funds. It can be seen from Wanhao's ability to buy other people's identity information and then carry out illegal operations such as self-laundering money that WeChat payment is too simple to allow criminals to take advantage of real-name authentication. It is urgent to strengthen real-name authentication. The real-name verification of WeChat platform is of great significance for preventing and combating similar illegal activities, which can increase the transparency and traceability of transactions and reduce the occurrence of similar crimes.

3.2.2. There are High-frequency Payment Risks

The convenience and high frequency of WeChat payment enable self-money launderers to cover up illegal sources of funds through multiple small transactions, and use multiple accounts for small decentralized transactions to avoid the attention of regulators. They may collude with partners to carry out false transactions and make high-frequency payments through WeChat payments to legalize illegal funds. In addition, the convenience of WeChat payment also allows self-money launderers to make high-frequency cross-border payments using fake transactions, fake identities and etc, to transfer illicit funds. For example, between July and August 2021, in order to make illegal profits, Mr. Chen mixed e-cigarette oil containing synthetic cannabinoids with ordinary tobacco oil, sold it to others at a price ranging from 150 yuan to 300 yuan, and sent it to drug purchasers through Mr. Chen 's errand or express delivery. In order to disguise and conceal the illegal nature and illegal sources of the proceeds of drug trafficking, Mr. Chen collects drug funds through the WeChat and Alipay accounts of Mr. Liu, Mr. Duan and others (all handled separately), and requires the above-mentioned personnel to transfer drug funds through the WeChat transfer function and the Alipay ' password payment ' function. Chen sold a total of 220 ml of drugs, concealing and concealing more than 23600 yuan of drug funds. From June to November 2020, Chen purchased nitrous oxide (commonly known as 'laughing gas') from others at a low price for many times without having the relevant qualifications for operating hazardous chemicals. It was sub-packed into small bottles in a leased warehouse and sold at a price ranging from 100 to 150 yuan. The amount of illegal business amounted to 57797 yuan[5].

In this case, the defendant Chen adopted self-laundering means in the process of drug trafficking, using others ' WeChat accounts to collect and transfer funds. He used a ' small number of times ' approach to drug dealing, and frequently transferred funds through high-frequency payments to disguise the source and nature of the proceeds of drug crimes. Thanks to the adoption of small, decentralized transactions, Chen was able to quickly transfer funds derived from drug-related crimes, making them difficult to track and monitor. This high-frequency payment behavior increases the complexity and concealment of self-laundering activities, making it more difficult for relevant law enforcement agencies to detect and crack down on criminal acts. This case reminds us that we need to strengthen the monitoring and prevention of high-frequency payment behavior in order to improve the effect of combating crime.

3.2.3. Technical Support is not Enough

As an online payment tool, WeChat payment has the problem of insufficient technical support in the supervision of self-money laundering.

(1) Limited Capacity for Data Analysis, Sharing and Collaboration

Self-money laundering supervision requires real-time processing and analysis of a large amount of transaction data to identify suspicious transactions and money laundering patterns. However, WeChat payment has limited technical capabilities in big data processing, machine learning and data mining, resulting in the inability to obtain comprehensive transaction data, affecting the accurate identification of money laundering and the effective use of data. In addition, WeChat payment needs to comply with data privacy and security regulations when sharing and cooperating with data, which limits the scope and methods of data sharing and cooperation with other institutions or platforms, and increases the complexity and cost of data processing. The lack of a unified data sharing platform also leads to difficulties in data integration and sharing, requiring additional technical and resource inputs.

(2) Lack of Real-time Monitoring and Early Warning System

There may be data delay in the real-time monitoring center, which leads to the lack of timely response to abnormal situations. In high-frequency trading scenarios, delays can affect the accuracy

and effectiveness of risk control and early warning systems, which may lead to false positives and unnecessary interventions. With the increase of payment methods and scenarios, the form of transactions has become complicated. Real-time monitoring and early warning systems are difficult to accurately monitor and identify all risk situations, especially new fraud methods and risk behaviors. WeChat payment lacks real-time monitoring and early warning mechanism, which needs to be further strengthened and improved.

4. Research on the Management Countermeasures of WeChat Payment Self-money Laundering Risk

4.1. Improving the Legal System and System Construction Related to Self-money Laundering

In order to improve the level of anti-money laundering supervision, the state should further improve the anti-money laundering system. First of all, the WeChat payment platform should establish an internal control mechanism, focus on anti-money laundering affairs, and effectively deal with suspicious transactions. At the same time, strengthen the qualification certification of WeChat payment and set up access thresholds to adapt to non-financial institutions. Regulatory authorities should incorporate third-party platforms such as WeChat Pay to conduct anti-money laundering supervision and protect user information and property security[6].

4.2. Solving the Existing Problems of WeChat Payment Itself

In recent years, the third-party payment platform has developed rapidly. With the help of open network technology and emerging trading methods, payment service products have also been continuously innovated. At present, the legal positioning of third-party payment platforms such as WeChat payment has changed from "non-financial payment institutions" to "non-bank payment institutions." In the face of heavier social responsibility and higher-level regulatory requirements, WeChat payment needs to solve its own problems in technology and management.

4.2.1. Strengthening the Management of Real-name Authentication

(1) Compulsory Real-name Authentication
WeChat payment has the characteristics of concealment and cross-regional transaction subjects, so WeChat payment requires users to complete real-name authentication to ensure the authenticity of the account owner's identity. Users without real-name authentication have limited payment and are guided to perform real-name authentication.
(2) With ID Card OCR Identification
After the introduction of OCR technology, the WeChat payment platform can verify the authenticity of the identity card, and identify the text, date, number, etc.on the certificate, convert it into text, and check with the public security department and banks to ensure that the user identity is consistent with the database information and prevent money laundering activities.
(3) Combined with Biometric Technology
Based on the identity card OCR recognition technology, the user identity is confirmed by face recognition or fingerprint recognition, and the customer file information is created, which meets the requirements of anti-money laundering supervision and avoids the problem of false registration.

4.2.2. Monitoring Suspicious Transactions through Account Ratings

The personal account rating function is based on big data technology, considering the customer's capital use needs and past capital flows, and conducting a comprehensive risk assessment. Provide

corresponding payment limit control according to different account risk levels to achieve personalized management. According to the rating hierarchy, anti-money laundering activities are regulated. For example, for suspicious transactions, WeChat payment will limit the amount and frequency of payment of the account and report it.

4.2.3. Improving Information Sharing and Realizing Data Visualization.

The WeChat payment platform can collect social data to obtain self-money laundering intelligence clues, dig deeper into money laundering customers and their associates, and track core accounts and capital flows. By analyzing data and adopting unified data analysis standards and blockchain technology, self-money laundering activities can be effectively prevented.

4.2.4. Improve the Real-time Monitoring and the Early Warning System

(1) We should enlarge real-time transaction monitoring and tracking of transaction information. The WeChat payment platform requires user name binding and regular inspection of law enforcement compliance. We will report suspicious large transactions in a timely manner, expand the scope of real-time transaction monitoring, and use big data and cloud computing technology to monitor user transactions 24 hours a day to prevent self-money laundering activities[7].

(2) We should also establish a sound early warning model. Comprehensively consider indicators such as transaction time, status, and quantity, continue to pay attention to suspicious transactions and assess the risk of money laundering, and prevent users from using WeChat payments for self-laundering.

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