

Do Anti-Money Laundering Measures Threaten Human Rights? Comparative Evidence from Indonesia and Hungary

Dhoni Martien¹, Yuliana Setiadi², Talabos Dávidné Lukács Nikolet³,
Uzodinma Yurriens Peter Ezenduka⁴

^{1,2} Universitas Jayabaya, Jakarta, Indonesia

³ Faculty of Law, Debrecen University, Hungary

⁴ Parul Institute of Law, India

✉ Corresponding Author: dhonimartien75@gmail.com

Abstract

This research aims to analyse the principles of anti-money laundering legal policies from the perspective of human rights protection and to compare their implementation in Indonesia and Hungary. This research is a normative legal study with a conceptual, comparative, and legislative approach. The research results indicate that anti-money laundering policies must be built on the principles of legality, proportionality, accountability, transparency, due process of law, presumption of innocence, as well as privacy protection and non-discrimination, in order to ensure a balance between state interests and individual rights. Comparatively, Indonesia and Hungary share similarities in adopting international standards such as the Financial Action Task Force (FATF) recommendations, including the implementation of Know Your Customer and reporting suspicious transactions through institutions like the Financial Transaction Reports and Analysis Centre and the Financial Intelligence Unit Hungary. Therefore, future legal reforms need to be directed towards strengthening an adaptive risk-based approach, enhancing institutional coordination, utilising technology, and reaffirming the limits of state authority to create an effective, just, and human dignity-oriented legal system

Keywords: Anti-Money Laundering, Human Rights, Legal Principles

A. INTRODUCTION

The Money laundering is a complex process aimed at disguising the origin of funds

obtained from illegal activities to make them appear as though they come from legitimate sources, allowing them to be used freely within the formal economic system without raising suspicion (Harahap & Harahap, 2024). In the study of Criminal Law and International Law, money laundering is not only regarded as a follow-up crime to predicate offenses such as corruption, drug trafficking, or terrorism, but also as a serious threat to the stability of the global financial system and the economic integrity of a country (Fikri, 2024). This phenomenon is becoming increasingly relevant within global dynamics, characterized by the rapid development of information technology, the digitization of financial systems, and the growing volume of cross-border transactions facilitated by economic globalization (Masnun et al., 2025).

Digitization has brought about fundamental changes in almost every aspect of human life, ranging from the economy and education to government systems, offering unprecedented efficiency, speed, and accessibility (Toprak, 2026). However, this development also has another side that cannot be ignored, namely the increasing complexity and variety of crimes that have evolved in line with technological advancements. From the perspective of Criminology and Cyber Law, digitization has not only created a new space (cyberspace) as a medium for social interaction but also as a fertile ground for the emergence of various forms of modern crime (Surjanti et al., 2025). Technological advancements and digitization have enabled money launderers to utilize various modern instruments, such as digital banking, shell companies, and crypto assets, to conceal transaction trails, thereby complicating law enforcement efforts by both national and international authorities (Rachbini, 2023).

The link between money laundering and global dynamics is also evident in the increasingly intensive international cooperation, such as the role of the Financial Action

Task Force (FATF), which sets global standards for the prevention and eradication of money laundering and terrorist financing, subsequently adopted by various countries into their domestic regulations (Nashwan Mohammed Suleiman, Saud Suwaid Armoosh, Rami Salih, Bushra Salman Husain Al-Obaidi, 2024). Furthermore, institutions such as the International Monetary Fund and the World Bank also emphasize the importance of an Anti-Money Laundering (AML) regime as part of good governance and the stability of the global financial system. Consequently, money laundering can no longer be viewed merely as a domestic issue, but rather as a transnational phenomenon demanding a collaborative cross-border approach, regulatory strengthening, and adaptation to technological developments to ensure that prevention and enforcement efforts remain effective amid the evolving global landscape.

The Anti-Money Laundering (AML) regime comprises a set of policies, regulations, and supervisory mechanisms designed to prevent, detect, and prosecute money laundering practices as part of efforts to safeguard the integrity of the financial system and prevent organized crime and terrorist financing. However, in practice, it often gives rise to debates due to its potential intersection with the protection of Human Rights, particularly regarding the right to privacy, personal data protection, and the principle of presumption of innocence (Usman, 2023). From the perspective of State Administrative Law and International Law, the implementation of AML requires financial institutions and state authorities to conduct intensive transaction monitoring, report suspicious activities, and freeze or seize assets suspected of being linked to criminal acts. Under certain conditions, this can impact individuals who have not necessarily been proven guilty legally. For instance, Know Your Customer (KYC) and Customer Due Diligence (CDD) policies often require the extensive collection of personal data, while account

freezes can be executed based on initial indications without a complete judicial process. This has led to criticism that such policies potentially violate the principle of due process of law. Globally, the standards developed by the Financial Action Task Force (FATF) serve as an important reference for countries in strengthening their AML regimes. However, their implementation at the national level does not always strike a balance between security interests and the protection of individual rights (Zengin & Kocoglu, 2022). Therefore, the main challenge in anti-money laundering policy is finding a balance between effective law enforcement and respect for fundamental human rights. This ensures that efforts to combat crime do not inadvertently create new forms of violation that disproportionately harm individuals within the increasingly complex dynamics of the global financial system.

The right to privacy and freedom in conducting economic transactions is essentially an integral part of Human Rights, affirming human dignity, autonomy, and individual freedom to live one's life without arbitrary interference from others, including the state (Singla, 2022). From the perspective of International Law, the right to privacy is universally recognized, for example in the Universal Declaration of Human Rights, specifically Article 12, which states that no one shall be subjected to arbitrary interference with their privacy, family, home or correspondence. In modern developments, this also encompasses personal data and digital activities, including economic transactions conducted through the financial system (Westerstrand, 2025). On the other hand, the freedom to conduct economic transactions is part of the right to own and manage property and to carry out legitimate economic activities, which is also protected under international human rights instruments such as the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights. Consequently,

every individual has the right to participate in economic activities without discrimination or disproportionate restrictions.

In the context of globalization and digitization, the relationship between the right to privacy and economic transactions has become increasingly intertwined, as modern economic activity relies heavily on data exchange, digital banking systems, and electronic platforms, which are vulnerable to excessive surveillance by both states and corporations. Therefore, the protection of privacy rights in economic transactions is not merely a legal issue, but also an ethical and global governance concern (Kurniawan et al., 2026). States are required to strike a balance between supervisory interests, such as those within the anti-money laundering regime, and the protection of individual rights. This ensures that implemented policies do not lead to excessive surveillance practices or violations of citizens' economic freedoms. Consequently, the right to privacy and the freedom to conduct economic transactions must be understood as two interconnected dimensions within the framework of modern human rights, demanding strong legal protection, policy transparency, and institutional accountability in facing the dynamics of technological development and the global economic system.

This study aims to analyze anti-money laundering measures or policies and their relevance to the substance of human rights, particularly regarding the right to privacy, conducted through a legal comparison between Indonesia and Hungary. A legal comparison between Indonesia and Hungary regarding anti-money laundering policies is important because the two countries represent different legal systems, cultures, and political dynamics. This provides a rich comparative perspective in assessing how the Anti-Money Laundering (AML) regime is implemented and how Human Rights protection is maintained in practice. There are two focuses of analysis in this study,

namely: (i) the principles of anti-money laundering legal policy and their relevance to ensuring the protection of human rights; and (ii) the legal comparison of anti-money laundering policies in Indonesia and Hungary and their relevance to human rights.

This study, focusing on anti-money laundering policy aspects and their relevance to the substance of human rights particularly regarding the right to privacy conducted through a legal comparison between Indonesia and Hungary, is a normative legal research. Normative legal research is an approach in Legal Science that focuses on analyzing legal norms, principles, and doctrines contained in legislation, court decisions, and legal doctrines (Masnun, Muh. Ali, Prasetyo, Dicky Eko, 2025). It is therefore highly relevant for examining anti-money laundering policies in relation to the substance of Human Rights inherent in every individual. In this context, normative legal research not only examines how Anti-Money Laundering (AML) regulations are formally formulated but also tests the consistency and alignment of these norms with fundamental human rights principles, such as the right to privacy, personal data protection, the principle of legality, and due process of law. The primary legal materials used include international conventions related to human rights and international anti-money laundering policies. Other primary legal materials consist of legislation governing anti-money laundering policies in Indonesia and Hungary. Secondary legal materials include journal articles, books, and research findings discussing anti-money laundering policies, human rights (particularly the right to privacy), as well as AML policies in both countries. Non-legal materials include legal dictionaries. The analysis in this study is conducted prescriptively, meaning that normative legal research into anti-money laundering policies is essentially directed at formulating how the law should be established, implemented, and developed to achieve an optimal balance between the effectiveness of combating financial crime and

the protection of Human Rights (Hamzani et al., 2023)(Negara, 2023). Within the framework of Legal Science, this analysis does not stop at merely identifying applicable norms but goes further by providing normative recommendations based on the principles of justice, legal certainty, and utility.

B. RESULT AND DISCUSSION

1. Principles of Anti-Money Laundering Legal Policy and Their Relevance to Ensuring the Protection of Human Rights

Money laundering is a form of complex and organized transnational crime, essentially aimed at disguising or concealing the origin of assets derived from criminal activities to make them appear as though they originate from legitimate sources. This allows the funds to be used freely without raising suspicion from law enforcement authorities or the formal financial system (Onunka et al., 2023). In the study of Criminal Law and Criminology, money laundering is understood as a layered process generally consisting of three main stages: placement (introducing illegal funds into the financial system), layering (separating or disguising the funds through a series of complex transactions to obscure their origin), and integration (reintroducing the funds back into the economy as seemingly legitimate assets) (Ridho Ilham, Elwi Danil, 2020). This phenomenon has grown rapidly alongside economic globalization, advancements in information technology, and the increasing use of digital financial systems including electronic banking and crypto assets such as Bitcoin which provide new opportunities for perpetrators to move funds across borders quickly and with relative anonymity.

Money laundering is closely linked to various predicate offenses, such as corruption, drug trafficking, human trafficking, and terrorism, making it a "follow-up crime" that sustains the continuity of these illegal activities. Within the context of

International Law, combating money laundering has become a global concern, manifested through various international instruments such as the recommendations issued by the Financial Action Task Force, which establish international standards for the prevention and eradication of money laundering and terrorist financing (Mahboob et al., 2023)(Ifejika & Ojo, 2024).

From a social and economic perspective, the impact of money laundering is significant as it can undermine financial system stability, disrupt market integrity, and create economic inequalities due to the uncontrolled flow of illegal funds. In the long term, it may even threaten national sovereignty and erode public trust in financial institutions and governments. Therefore, the approach to combating money laundering is not only repressive through law enforcement but also preventive through regulatory strengthening, enhanced financial system transparency, international cooperation, and public education regarding the dangers and modus operandi of this crime. This is expected to create a financial system that is clean, transparent, and of high integrity (Kurniawan et al., 2025).

Essentially, anti-money laundering legal policy represents the normative and institutional response of the international community to the growing complexity of money laundering as a transnational crime threatening global financial stability. Consequently, its regulation is no longer partial or limited to national scope but has evolved into an integrated global legal regime connecting different countries. (Shaffer & Sandholtz, 2024). From the perspective of International Law and Criminal Law, this policy has undergone significant development since the late 20th century, marked by the emergence of various international instruments. Notably, the Financial Action Task Force formulated 40 Recommendations in 1989 as global standards for the prevention and eradication of

money laundering and terrorist financing, which have since been continuously updated to keep pace with the evolving modus operandi of modern financial crime (Vu Cao & Cao, 2025). Furthermore, the development of global policy has been strengthened through international conventions such as the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 (Vienna Convention) and the United Nations Convention Against Transnational Organized Crime of 2000 (Palermo Convention). These instruments affirm the obligation of states to criminalize money laundering, strengthen extradition cooperation, and enhance mechanisms for tracing and seizing assets derived from crime (Tatara, 2024).

Alongside the development of economic globalization and the digital technology revolution, anti-money laundering legal policy has also transformed to become increasingly adaptive and risk-based. Countries no longer merely apply formalistic rules but also adjust the level of supervision based on the vulnerability of financial sectors to money laundering risks, including the banking sector, non-bank financial institutions, technology-based financial service providers (fintech), and crypto assets such as Bitcoin. In this context, the principles of Know Your Customer (KYC), Customer Due Diligence (CDD), and Enhanced Due Diligence (EDD) serve as essential instruments for detecting suspicious transactions. These are further supported by the obligation to report findings to the Financial Intelligence Unit (FIU) in each respective country (Anggono & Riskiyadi, 2021). Other developments are also evident in the increasing international cooperation through cross-border information exchange, mutual legal assistance, and the establishment of global networks such as the Egmont Group, which strengthens coordination among FIUs in tracking illegal fund flows more effectively.

Globally, anti-money laundering legal policy has also expanded its scope, focusing not only on the proceeds of conventional crimes but also covering emerging issues such as terrorist financing, the proliferation of weapons of mass destruction, and digital-based crime. This demands the harmonization of national laws with international standards to prevent regulatory gaps that could be exploited by criminals (Adigwe et al., 2024). The issue in anti-money laundering legal policy essentially lies not only in the aspect of law enforcement effectiveness but also in the normative and practical implications it raises regarding the protection of Human Rights. This is particularly evident when states implement increasingly strict, comprehensive approaches based on intensive surveillance of public financial activities.

Human rights are a set of fundamental rights inherently bestowed upon every individual from birth as an inalienable endowment that cannot be revoked, restricted, or transferred by anyone. Since these rights originate from human dignity and value itself, recognition and protection of human rights serve as a primary indicator of the legitimacy of a modern state governed by law, within the perspective of Human Rights and International Law (Widodo et al., 2026). Conceptually, human rights encompass various dimensions, ranging from civil and political rights, such as the right to life, freedom of expression, and the right to a fair trial, to economic, social, and cultural rights, such as the rights to education, health, and welfare. Collectively, these rights demand an active role from the state as the duty bearer to ensure that they are not only recognized normatively but also realized in practice within society (Sugirman et al., 2025).

The role of the state in this context is generally defined by three main obligations: the duty to respect, to protect, and to fulfill human rights, each of which carries distinct yet interconnected legal and policy implications (Salmon & Jacob, 2025). The duty to

respect requires the state to refrain from acts that directly violate or restrict individual rights, such as repressive measures without legal basis or disproportionate restrictions on freedom. Meanwhile, the duty to protect demands that the state prevent third parties whether individuals or corporations from committing human rights violations through effective regulation, supervision, and law enforcement. Furthermore, the duty to fulfill means that the state must take positive measures, including through public policies, budget allocation, and institutional development, to ensure the realization of basic rights for all people, including vulnerable and marginalized groups (Prasetio, Masnun, & Widodo, 2025).

In practice, the implementation of these three obligations often faces various challenges, such as limited resources, political conflicts of interest, and the dynamics of globalization that influence national policies. Therefore, an approach based on universal principles such as non-discrimination, accountability, transparency, and public participation is required. In the global context, international instruments initiated by the United Nations, such as the Universal Declaration of Human Rights (UDHR) and various other human rights conventions, have provided a normative framework that serves as a reference for countries in formulating policies and legislation aligned with international standards (Shah & Sivakumaran, 2021). Therefore, it can be emphasized that human rights are not merely moral or philosophical concepts, but also represent binding legal obligations for the state to actively and continuously guarantee, protect, and fulfill these rights to achieve justice, welfare, and human dignity within the nation and state. Challenges in the fulfillment and protection of human rights within the context of anti-money laundering policy are complex and multidimensional. On one hand, states are required to strengthen the regime for preventing and combating financial crime. On the

other hand, these policies often carry consequences that may potentially restrict or even violate fundamental Human Rights principles if not designed and implemented proportionately and accountably. From the perspective of Criminal Law and International Law, one of the main challenges lies in the expansion of state authority to monitor public financial activities, including mechanisms for reporting suspicious transactions, freezing assets, and cross-border data exchange. While essential for detecting and preventing money laundering, these measures often impact the right to privacy, personal data protection, and individual freedom to manage wealth.

Furthermore, the application of principles such as Know Your Customer (KYC) and Customer Due Diligence (CDD) by financial institutions can create structural barriers for certain groups of society, particularly those in the informal sector, rural communities, or individuals lacking proper identification documents. Consequently, anti-money laundering policies may inadvertently lead to financial exclusion, which contradicts the principle of non-discrimination in Human Rights (Andari Rizky Aria Putra et al., 2025). Furthermore, the dominance of global standards set by bodies such as the Financial Action Task Force presents its own challenges, as countries often adopt these policies normatively without considering domestic socio-economic conditions. This can potentially create an imbalance between financial security interests and the protection of individual rights.

Other issues arise in the procedural aspect, where actions such as account blocking or asset seizure based on initial suspicions are often not accompanied by effective objection mechanisms or legal remedies for affected individuals. Consequently, this may violate the principle of due process of law and the presumption of innocence (Achmad Rilyadi Sholeh & Setiawan Noerdajasakti, 2024). Furthermore, the

confidentiality within the suspicious transaction reporting system creates limitations on transparency, hindering individuals from knowing the basis of the actions taken against them, which ultimately weakens access to justice (Didwania, 2025). Therefore, it can be emphasized that the challenge to human rights in anti-money laundering policy lies in the imbalance between the security approach and rights protection. Consequently, there is a need for policy reconstruction that prioritizes the principles of proportionality and accountability, as well as strengthening supervisory mechanisms and legal protection. This ensures that the goal of eradicating money laundering can be achieved without sacrificing the fundamental values of Human Rights themselves.

Within the framework of Criminal Law and State Administrative Law, anti-money laundering policy often requires financial institutions to conduct customer identification, verification, and transaction monitoring through the principles of Know Your Customer (KYC) and Customer Due Diligence (CDD). While these measures are important for preventing the misuse of the financial system, they also have the potential to violate the right to privacy and personal data protection if not regulated proportionately and accountably (Iriansyah et al., 2021). Furthermore, the extensive authority granted to authorities, such as freezing accounts without a final and binding court decision, may give rise to issues concerning the principles of due process of law, the presumption of innocence, and the protection of individual property rights. This is particularly relevant when such actions are taken based on initial indications that have not necessarily been legally proven (Hamaish Khan et al., 2025).

This policy also creates a dilemma in the context of access to financial services (financial inclusion), where the application of overly strict standards may actually exclude certain groups of society, such as small business owners, communities in remote areas, or

individuals lacking adequate identification documents. This indirectly contradicts the principles of social justice and non-discrimination within Human Rights. From the perspective of International Law, global pressure from bodies such as the Financial Action Task Force also pushes countries to adopt uniform standards without always considering national social, economic, and cultural contexts. Ultimately, this can create an imbalance between financial security interests and the protection of individual rights (Nurhani Mouriska & Ani Purwati, 2025). Other issues arise from the aspect of transparency and accountability, as the confidential nature of suspicious transaction reporting mechanisms often provides no room for individuals to know or challenge the actions taken against them. This has the potential to violate the right to justice and effective legal protection. Anti-money laundering legal policy contains a normative paradox: efforts to safeguard public interests and maintain the integrity of the financial system may inadvertently lead to violations of fundamental individual rights unless accompanied by the principles of proportionality, accountability, transparency, and effective supervisory mechanisms. Therefore, policy reconstruction is necessary to substantially balance the interests of law enforcement with the protection of Human Rights. The existence of these legal principles is crucial to ensure that legal practice aligns with the substance of the law, allowing legal objectives to be achieved optimally (Prasetio, Masnun, Disantara, et al., 2025).

In practice, anti-money laundering policy often creates normative tension with Human Rights principles, particularly when implemented broadly and repressively without regard to the safeguards enshrined in international instruments such as the Universal Declaration of Human Rights and various derivative conventions within the United Nations framework. One of the most evident conflicts is seen in the intensive

monitoring and reporting of financial transactions through Know Your Customer (KYC) and Customer Due Diligence (CDD) mechanisms. These practices potentially violate the right to privacy as stipulated in Article 12 of the UDHR, which states that no one shall be subjected to arbitrary interference with their privacy, family, or correspondence. Furthermore, policies allowing the freezing and seizure of assets without a final and binding court decision may conflict with Article 17 of the UDHR, which guarantees the right to own property and prohibits arbitrary deprivation of property, as well as Article 10, which ensures the right to a fair and public hearing.

In the context of the principle of due process of law and the presumption of innocence, anti-money laundering policies that permit administrative actions based on initial suspicion without sufficient proof may contradict Article 11 of the UDHR. This article states that everyone charged with a penal offense has the right to be presumed innocent until proven guilty according to law in a fair trial (Achmad Rilyadi Sholeh & Setiawan Noerdajasakti, 2024). In other instruments such as the International Covenant on Civil and Political Rights, similar violations can be linked to Article 14, which guarantees the right to a fair trial, and Article 17, which protects the right to privacy against arbitrary interference. On the other hand, overly strict policies regarding customer identification standards may also hinder public access to financial services, indirectly contradicting the principles of non-discrimination and the right to welfare recognized in the International Covenant on Economic, Social and Cultural Rights, particularly regarding the right to an adequate standard of living and participation in economic life.

Furthermore, global pressure from bodies such as the Financial Action Task Force often pushes countries to adopt very strict policies to meet international standards, without necessarily being balanced by adequate rights protection mechanisms. This can

potentially lead to overcriminalization and abuse of power by state authorities. Therefore, it can be emphasized that although anti-money laundering policies have the legitimate objective of protecting the financial system and preventing crime, their implementation may conflict with various articles of the Universal Declaration of Human Rights and other human rights instruments if not based on the principles of proportionality, legality, accountability, and respect for fundamental rights. Consequently, a careful balance is required between law enforcement interests and the substantive protection of Human Rights.

The principles applicable in anti-money laundering legal policy must essentially be designed as a normative framework that not only focuses on the effectiveness of combating financial crime but also guarantees comprehensive protection of Human Rights. This creates a proportional balance between the state's interest in maintaining the integrity of the financial system and the rights of individuals as legal subjects. From the perspective of Criminal Law and State Administrative Law, the first principle to be prioritized is the principle of legality. This means that every measure taken within anti-money laundering policy must have a clear, explicit, and unambiguous legal basis, thereby leaving no room for arbitrary action by state authorities (Bustomi, 2021). The second principle is proportionality, which requires that any restriction on individual rights such as transaction monitoring or asset freezing be implemented in a balanced and non-excessive manner. Such measures should only go as far as necessary to achieve legitimate objectives, in line with the provisions of the International Covenant on Civil and Political Rights, which permits restrictions on rights under specific conditions (Gunatilleke, 2021)

The principles of accountability and transparency are essential in ensuring that all policies and actions taken by authorities can be monitored, accounted for, and challenged

through available legal mechanisms. Consequently, individuals who suffer harm have access to effective legal remedies (Fitriasari, 2023). The principle of due process of law and the protection of the presumption of innocence must also be upheld consistently. This ensures that policies such as suspicious transaction reporting or asset freezing do not automatically label an individual as a criminal without valid proof in a court of law, in line with the guarantees set forth in the Universal Declaration of Human Rights (Vu Cao & Cao, 2025). Furthermore, the principles of personal data protection and the right to privacy are highly relevant in the digital era, where anti-money laundering policies involve the collection and exchange of data on a large scale. Consequently, strict regulations are necessary to prevent the misuse of data by both the state and third parties.

The principles of non-discrimination and inclusivity must also be integrated into anti-money laundering policies to ensure that the application of standards such as Know Your Customer (KYC) and Customer Due Diligence (CDD) does not hinder access to financial services for certain groups of society (Levi & Reuter, 2006). This is crucial to avoid contradicting economic and social rights as stipulated in the International Covenant on Economic, Social and Cultural Rights. The risk-based approach adopted from Financial Action Task Force standards also needs to be implemented wisely, considering local contexts and the vulnerability levels of specific sectors, to prevent overregulation that could harm the public. Therefore, it can be emphasized that the application of these principles in anti-money laundering legal policy not only serves to enhance law enforcement effectiveness but also acts as an essential instrument to ensure that such policies remain aligned with Human Rights values. This ultimately enables the creation of a legal system that is fair, balanced, and oriented toward the protection of human dignity.

The foregoing principles, however, cannot operate merely as a catalogue of abstract legal values. Their normative significance depends on their capacity to regulate the exercise of public authority at the precise point where anti-money laundering measures move from preventive intervention to coercive interference with individual rights (Morris-Cotterill, 2001). This distinction is particularly important because AML regimes are deliberately designed to operate at an earlier stage than conventional criminal adjudication: suspicious transaction reporting, enhanced customer due diligence, temporary transaction restrictions, and asset freezing may be triggered before a criminal offence has been conclusively established. The existence of an early-intervention mechanism is not, in itself, incompatible with human rights protection; rather, the legal difficulty arises when the preventive rationale is used to justify measures whose practical consequences are substantially equivalent to punishment without corresponding procedural safeguards.

This suggests that the legality of AML intervention should not be assessed exclusively by asking whether an authority formally characterizes a measure as “administrative,” “preventive,” or “regulatory.” A more substantive inquiry is required, namely whether the measure has a sufficient legal basis, pursues a legitimate objective, is necessary to address an identifiable risk, remains proportionate to that risk, and is accompanied by effective mechanisms for review and redress. Such an approach is particularly relevant to asset freezing because the interference may directly affect an individual's ability to use property, conduct economic activities, meet contractual obligations, or access essential financial services. The classification of such measures therefore cannot be separated from their actual effects on the rights and interests of affected individuals.

The distinction between prevention and punishment therefore requires a functional rather than merely formal test. Under this approach, an AML measure should be evaluated according to at least four interconnected elements: the legal character of the measure, the evidentiary threshold triggering the intervention, the intensity and duration of its effects, and the availability of procedural safeguards. A measure based on reasonable suspicion may be justified where its purpose is genuinely temporary and investigative, its scope corresponds to the identified risk, and the affected person is provided with a meaningful opportunity to challenge its continuation. Conversely, where an intervention produces prolonged deprivation of property or financial access, is based on vague or undisclosed grounds, lacks periodic review, and offers no effective avenue of challenge, its classification as “preventive” cannot by itself resolve the human rights problem. The decisive question is therefore not whether the state possesses a legitimate interest in preventing money laundering, but whether the intensity of state interference remains legally proportionate to the evidentiary and risk conditions that justified the initial intervention.

This functional approach also provides a more precise interpretation of the principle of presumption of innocence in the AML context. The presumption of innocence should not be understood as prohibiting every preventive measure taken before conviction, because such an interpretation would unduly restrict the state's legitimate capacity to prevent financial crime. Rather, it requires the state to prevent suspicion from being transformed into a *de facto* determination of guilt. Suspicion may justify investigation; it should not, without further procedural development and evidentiary justification, become an enduring legal status that deprives an individual of fundamental rights. This distinction is essential because the legitimacy of preventive AML intervention

ultimately depends upon maintaining a conceptual boundary between risk identification, criminal accusation, and adjudication of guilt (Kovalchuk et al., 2026).

The same reasoning can be applied to the risk-based approach itself. The risk-based approach should not be interpreted as granting financial institutions or public authorities an unrestricted discretion to classify individuals as “high risk” and impose increasingly intrusive restrictions. Risk must be identified through an objective and reviewable methodology, while the regulatory response must remain connected to the specific nature, intensity, and probability of the identified risk. A differentiated response is therefore necessary because the mere existence of a risk does not establish that the maximum degree of regulatory intervention is legally justified. The greater the interference with individual rights, the stronger the justification required to demonstrate why such interference is necessary.

Accordingly, proportionality in AML regulation should be understood as a dynamic obligation rather than a one-time justification. The initial decision to restrict a transaction or freeze an asset may be justified by the information available at the beginning of an investigation; however, the continued interference requires continuing justification as new facts emerge. This creates an important temporal dimension of proportionality: the longer a restriction remains in force, the stronger the justification required for its continuation and the more significant the procedural safeguards that should accompany it. A regulatory framework that permits an initial suspicion to produce an indefinite or practically indefinite restriction without periodic reassessment risks converting a temporary preventive mechanism into a substantive deprivation of rights.

This temporal dimension reveals a further weakness in conventional AML regulatory design: the concentration of attention on the legality of the initial intervention

rather than on the legality of its continuation. The existence of statutory authority to freeze an account or restrict a transaction does not necessarily establish the continuing legality of the measure. The latter requires a separate assessment of whether the factual basis remains valid, whether less restrictive alternatives are available, whether the individual has been informed of the grounds to the extent compatible with legitimate investigative interests, and whether an independent authority can review the continuation of the restriction. The legality of AML intervention must therefore be understood as an ongoing requirement rather than a condition satisfied merely at the moment of initial intervention.

The requirement of effective remedy therefore constitutes more than an ancillary procedural guarantee; it is a structural component of the legitimacy of AML governance. Where the state permits intervention on a relatively low evidentiary threshold because immediate preventive action is considered necessary, the availability of subsequent review becomes particularly important. The lower the threshold for initial intervention, the greater the need for independent scrutiny, reasoned decisions, temporal limitations, and accessible mechanisms for challenging the continuation of the measure. This produces a reciprocal relationship between substantive and procedural legality: a state may possess broad preventive powers only if those powers are constrained by procedures capable of correcting error, preventing arbitrariness, and restoring rights when the factual or legal basis for intervention disappears.

A further implication concerns the relationship between AML effectiveness and human rights protection. These objectives should not be conceptualized as inherently antagonistic. An AML system that systematically excludes legitimate users, produces arbitrary financial restrictions, or leaves affected individuals without effective remedies may undermine the institutional legitimacy upon which effective financial regulation

depends. The objective, therefore, should not be to weaken AML enforcement in the name of human rights, but to design enforcement mechanisms in which effectiveness is itself conditioned by legality, proportionality, accountability, and access to remedy (Barone & Schneider, 2026).

From this perspective, the appropriate normative framework can be reconstructed around a rights-sensitive risk governance model. Under such a model, risk assessment constitutes the starting point, but not the endpoint, of legal decision-making. The identification of a risk must be followed by a legally defined intervention threshold; the intervention must correspond to the level of risk; its duration must be subject to periodic reassessment; its effects on fundamental rights must be explicitly considered; and the affected person must have access to an effective mechanism of review. This framework transforms proportionality from a general constitutional principle into an operational decision-making requirement capable of structuring the entire lifecycle of an AML intervention—from identification and reporting to restriction, review, continuation, and termination (Makarychev & Sazonov, 2025).

The proposed framework consequently advances the argument beyond the conventional proposition that AML policies must “balance” crime prevention and human rights. Balance, when formulated only as a general aspiration, provides insufficient guidance for determining when state interference becomes excessive. What is required instead is a structured legal relationship between risk, evidence, interference, duration, and remedy. The higher the degree of interference with individual rights, the stronger the evidentiary and procedural justification should be; conversely, where the identified risk is limited, uncertain, or capable of being mitigated through less restrictive means, the legal system should favour measures that preserve access to financial services and

individual autonomy. In this sense, proportionality does not weaken the preventive function of AML law; it determines the legal conditions under which that preventive function may legitimately be exercised.

The contribution of this approach lies in repositioning human rights from an external limitation on AML policy to an internal criterion of regulatory validity. Under the conventional regulatory paradigm, effectiveness is frequently treated as the primary objective, while legality, proportionality, privacy, due process, and financial inclusion appear as constraints imposed upon that objective (Zhang et al., 2025). The rights-sensitive approach proposed here reverses this relationship: an AML measure should be considered legally legitimate only when its effectiveness is pursued through procedures and substantive limitations compatible with fundamental rights. Human rights therefore do not merely operate after an AML measure has been adopted, as a mechanism for challenging governmental excess; they should shape the design, implementation, review, and termination of the measure itself.

This reconstruction ultimately leads to a more demanding conception of the rule of law in anti-money laundering governance. The rule of law requires more than the existence of statutory authority; it requires that the exercise of such authority remain foreseeable, reviewable, reasoned, proportionate, and capable of correction. Accordingly, the legitimacy of AML policy should be assessed not solely by the number of suspicious transactions detected, assets frozen, or prosecutions initiated, but also by whether the regulatory system can distinguish genuine financial risk from mere suspicion without producing unjustified restrictions on persons who have not been adjudicated guilty. Such an approach establishes a normative foundation for an AML regime in which the protection of the financial system and the protection of human dignity are not competing

objectives, but mutually conditioning dimensions of legitimate law enforcement.

2. The Comparison of Anti-Money Laundering Legal Policies in Indonesia and Hungary and Their Relevance to Human Rights

The Legal comparison in legal science plays a fundamentally vital role as an analytical method. It not only broadens the understanding of various legal systems worldwide but also serves as a reflective tool to assess the quality, effectiveness, and relevance of national law in responding to the dynamic development of society (Lukito, 2022). According to the view of Michael Bogdan, legal comparison focuses on the aspects of differences and similarities regarding legal principles, norms, and practices between countries or legal systems. Through this comparison, strengths and weaknesses can be identified, which then serve as a basis for carrying out law reform in a more rational manner (Bogdan, 2019). Legal comparison also serves as an instrument to promote legal harmonization at both regional and international levels, particularly in addressing global issues such as international trade, human rights, and transnational crime. These areas require aligned legal norms to ensure legal certainty and justice across jurisdictions.

Legal comparison in anti-money laundering policy is a highly important and strategic approach for understanding, evaluating, and developing national legal systems that are responsive to the dynamics of global financial crime which is increasingly complex, organized, and transnational. Through this method, a country can not only identify the strengths and weaknesses of its own regulatory framework but also study best practices implemented in other countries, covering aspects of legal substance, institutional structures, and law enforcement mechanisms. Consequently, it enables the harmonization and convergence of legal norms in line with international standards, such

as those recommended by the Financial Action Task Force (FATF), which serves as the primary reference for establishing anti-money laundering regimes worldwide (Nurhani Mouriska & Ani Purwati, 2025). Legal comparison also functions as a critical analytical instrument to assess the extent to which a policy can guarantee a balance between the effectiveness of combating money laundering and the protection of human rights, considering that overly repressive policies have the potential to violate fundamental principles such as due process of law, the presumption of innocence, and the protection of privacy rights, while overly lenient policies may create loopholes for criminals to misuse the financial system. In the context of economic globalization and the integration of international financial systems, legal comparison has become increasingly relevant since money laundering often involves different jurisdictions with diverse legal characteristics, thus requiring a comparative understanding to enhance the effectiveness of international cooperation, whether in the form of information exchange, extradition, or mutual legal assistance. This ultimately strengthens the state's capacity to prevent and combat money laundering in a comprehensive, adaptive, and fair manner.

Anti-money laundering legal policy in Indonesia is designed to protect economic stability and the integrity of the financial system from the threats of money laundering which endanger public life, based on Pancasila and the 1945 Constitution. This policy has a deep relevance to human rights because money laundering is often linked to serious crimes such as corruption which undermine the people's rights to prosperity, social justice, and access to public resources, so that combating it actually strengthens the fulfillment of basic rights such as the right to an adequate standard of living and protection from economic exploitation (Lu & Wang, 2024).

Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering Crime (UU TPPU) serves as the primary legal basis, replacing Law Number 15 of 2002 as amended by Law Number 25 of 2003, and aligning with international standards such as the FATF Recommendations. Article 1 defines money laundering as the act of concealing or disguising the origin of assets derived from criminal acts. Meanwhile, Article 2 paragraph (1) lists 37 types of predicate offenses, including corruption (Article 2 paragraph (1) letter a), narcotics, terrorism, human trafficking, and prostitution. Articles 3 to 5 stipulate criminal penalties of imprisonment for up to 20 years and fines of up to IDR 10 billion. Article 69 further allows for the conviction of money laundering offenses without requiring the prior conviction of the underlying predicate crime (Fikri, 2024).

The AML Act requires Reporting Parties such as banks, financing companies, insurance providers, notaries, and motor vehicle dealers (Article 17) to apply the customer due diligence (KYC) principle for transactions exceeding IDR 100 million or suspicious transactions (Article 18). They are also obligated to report Suspicious Financial Transactions (TKM) to PPATK (Article 1 number 2). As an independent body (Article 37), PPATK conducts analysis and submits its findings to investigators, while compliance supervision is carried out by authorities such as OJK. Articles 11–16 stipulate penalties for confidentiality violations and tipping-off, whereas Articles 70–76 regulate the blocking, seizure, and confiscation of assets derived from money laundering to be returned to the state or victims (Wangga et al., 2022).

Anti-money laundering policy is relevant to human rights because money laundering hinders socio-economic progress and violates the public's right to justice and victim recovery. Corruption and money laundering cause indirect human rights violations

through state financial losses, which impact the rights to education, health, and welfare. However, its implementation must be balanced with the protection of rights such as privacy (Article 28G of the 1945 Constitution) and the presumption of innocence. Constitutional Court Decision No. 90/PUU-XIII/2015 confirms that Article 69 remains valid, subject to the proof of the predicate offense. This policy supports victims' rights through asset recovery (Article 79), although challenges such as inter-agency coordination and access to justice still need improvement to focus on the restoration of human rights victims' rights.

The anti-money laundering legal policy in Hungary aims to prevent and combat money laundering and terrorist financing through a framework aligned with European Union (EU) directives such as AMLD 4, 5, and 6, while safeguarding the integrity of the national financial system as an EU member state (Horobets et al., 2025). This policy is relevant to human rights due to its effectiveness in combating crimes that undermine the public's right to economic security and social justice, although its implementation is sometimes criticized for potential violations of privacy, freedom of expression, and discrimination against civil organizations through strict surveillance that may target foreign entities.

Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing (AML Act) is the primary regulation implementing EU AMLD 4 and was amended in 2019 for AMLD 5. It covers obligations regarding Customer Due Diligence (CDD), risk assessment, and reporting. Act LII of 2017 on the Implementation of EU Restrictive Measures and UN Security Council Resolutions related to financial assets complements this framework by regulating asset freezing and financial service prohibitions (Zsigmond, 2025). Decree of the Minister for National Economy No.

21/2017 (VIII. 3.) regulates the mandatory content of internal policies under the AML Act. The Hungarian Financial Intelligence Unit (FIU) under the NAV is responsible for receiving, analyzing, and disseminating Suspicious Activity Reports (SAR), working in cooperation with the Public Prosecutor and the courts. Mandatory reporting entities include credit institutions, financial service providers, casinos, lawyers, notaries, auditors, dealers in precious metals, real estate agents, and custodian wallet providers, with supervision carried out by the MNB, the chamber of auditors, and relevant professional associations (Zsigmond, 2025). Obligations include client identification, UBO verification through a central register (since December 2020), ongoing monitoring, SAR reporting within 5 business days, and record retention for up to 8-10 years (Zsigmond, 2025).

Hungary's AML policy supports human rights by combating organized crime, shell companies, and cash transfer services that undermine the right to economic stability and the prevention of terrorism, in line with FATF recommendations where Hungary is compliant with 32 out of the 40 recommendations (Nano & Skara, 2025). However, its relevance is controversial because strict implementation, such as the pre-approval of foreign funds by the FIU, can freeze NGO grants and threaten freedom of association, expression, and democracy. This has been criticized by Human Rights Watch regarding the 2025 Bill which targets civil organizations as threats to national sovereignty. Criminal penalties of up to 10 years imprisonment for money laundering (Hungarian Criminal Code) and administrative fines up to HUF 2 billion (approximately €5.7 million) or 10% of annual turnover must be balanced with the protection of privacy and the presumption of innocence in accordance with the EU Charter of Fundamental Rights.

Accordingly, the comparative lesson for Indonesia should not be to replicate the Hungarian AML framework mechanically. Legal comparison should instead operate as a method of functional legal learning. What should be transferred is not necessarily a particular statutory provision or institutional arrangement, but the underlying legal mechanism through which preventive financial regulation is reconciled with fundamental rights. The relevant question is therefore what institutional and procedural safeguards can be adapted to the Indonesian constitutional and administrative context without undermining the effectiveness of AML enforcement.

On this basis, Indonesian AML policy requires a more structured relationship between risk identification, evidentiary justification, administrative intervention, and access to remedy. The identification of a suspicious transaction should not be equated with the establishment of criminal responsibility, while the imposition or continuation of restrictive measures should remain subject to legally defined thresholds and review mechanisms. Where a measure significantly interferes with property, privacy, or access to financial services, the intensity and duration of the interference should correspond to the degree of risk and the strength of the available evidentiary basis. Such a framework would preserve the preventive function of AML law while reducing the possibility that suspicion becomes a substitute for adjudicated responsibility.

Table 1. Similarities and Differences in Anti-Money Laundering Legal Policies in Indonesia and Hungary and Their Relevance to Human Rights

Aspect	Equality	Indonesia	Hungary
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Main Legal Basis	Both countries have adapted to international standards (FATF for Indonesia, EU AMLD & FATF for Hungary); the definition of TPPU/AML as concealing the origin of criminal proceeds; and a broad list of crimes (corruption, narcotics, terrorism, etc.).	Law No. 8/2010 (replacing Law 15/2002 & 25/2003); Article 1 (definition of TPPU), Article 2(1) (37 predicates, e.g. corruption letter a), Articles 3-5 (20 years/Rp10M criminal penalty), Article 69 (TPPU without predicate evidence, confirmed by Constitutional Court Decision 90/PUU-XIII/2015).	AML Act LIII/2017 (implementation of AMLD4, 2019 amendment to AMLD5); Act LII/2017 (freezing of EU assets); Ministerial Decree 21/2017 (internal policy).
Prevention Mechanism	KYC/CDD obligations on suspicious transactions;	Reporting Party (Article 17: banks, insurance, notaries, vehicle dealers);	FIU at NAV (SAR analysis, Prosecutor's cooperation); broad

	TKM/SAR reporting to FIU; broad reporting entities (banks, notaries, etc.); ongoing monitoring.	threshold of IDR 100 million (Article 18); independent PPATK (Article 37, Article 1(2)); criminal secrecy/tipping-off (Articles 11-16).	entity (casino, lawyer, crypto custodian); UBO register verification (2020); 5-day SAR reporting; 8-10 yr retention; MNB supervisor.
Enforcement & Sanctions	Blocking/confiscation/seizure of assets resulting from money laundering; severe criminal sanctions; return of assets to the state/victim.	Articles 70-76 (blocking/confiscation); Article 79 (return of victim's assets); up to 20 years in prison (Articles 3-5). Constitutional Court Decision 90/PUU-XIII/2015 protects the presumption of innocence in Article 69.	Criminal up to 10 yrs (Penal Code); a fine of HUF 2M (€5.7M)/10% of revenue; freeze of EU funds (Law LII/2017).

Relevance to Human Rights	Support the right to prosperity/social justice (fight corruption/terrorism that harms education/health); challenge privacy & presumption of innocence; balance with international standards.	Positive relevance (impedes socio-economic progress); balances the right to privacy (Article 28G of the 1945 Constitution) & the presumption of innocence via Constitutional Court Decision 90/PUU-XIII/2015 (requires evidence of the predicate of Article 69); victim restoration (Article 79).	Positive relevance (economic stability, FATF 32/40 compliance); controversy: NGO grant freeze (HRW criticism of 2025 bill threatens association/express ion); balance with EU Charter of Human Rights; stricter oversight of foreign entity targets.
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(Source: Author's)

The comparison presented in Table 1 demonstrates that Indonesia and Hungary have achieved substantial convergence in the formal architecture of anti-money laundering regulation, particularly in relation to customer due diligence, suspicious transaction reporting, financial intelligence, asset tracing, and the implementation of international AML standards. However, this regulatory convergence does not necessarily produce an equivalent level of human rights protection. The comparison therefore reveals

an important distinction between convergence in regulatory obligations and convergence in rights protection. While both jurisdictions respond to similar transnational financial risks and rely upon internationally recognized AML mechanisms, the legal consequences of those mechanisms remain shaped by their respective constitutional, institutional, and juridical contexts.

More importantly, the comparison indicates that the principal divergence between the two systems is not simply the substance of their AML provisions, but the manner in which preventive regulatory authority is constrained. Indonesia's AML regime is constitutionally embedded within the Pancasila-based state and the 1945 Constitution, which provides a normative foundation for reconciling law enforcement with social justice and fundamental rights. Hungary, by contrast, operates within a multilayered legal environment in which domestic AML legislation interacts with European Union law and supranational fundamental rights standards. The difference is therefore institutional as well as normative: Indonesia relies predominantly upon domestic constitutional and statutory mechanisms, whereas Hungary operates within an additional supranational framework capable of influencing the interpretation and application of AML measures. Nevertheless, the comparison does not support the conclusion that one legal system provides an inherently superior model of AML regulation. Rather, each system exposes a different dimension of the same structural problem. Indonesia demonstrates the importance of constitutional control and domestic rights guarantees in constraining the exercise of AML authority, while Hungary illustrates the significance of multilayered regulatory oversight in a supranational legal environment.

At the same time, both systems demonstrate that the expansion of preventive financial regulation can generate tensions with privacy, property, freedom of association,

due process, and access to effective remedies. The comparative value therefore lies not in identifying a model to be mechanically transplanted, but in determining which legal mechanisms can be functionally adapted to strengthen the legitimacy of AML intervention. A particularly significant finding concerns the relationship between risk-based regulation and legal discretion (Hamed et al., 2024). Both Indonesia and Hungary have adopted regulatory mechanisms that permit financial institutions and competent authorities to respond to perceived risks before the existence of criminal liability has been conclusively established. This preventive orientation is rational from the perspective of financial crime control because money laundering frequently involves complex transactions and rapidly movable assets. However, the same preventive structure creates a potential legal asymmetry: the state and regulated institutions may act on the basis of suspicion or risk assessment, while the affected individual may experience immediate restrictions on property, financial access, privacy, or economic activity without having been judicially determined to have committed an offence.

The comparative significance of this problem is that risk cannot be treated as an independent source of unlimited legal authority (Stumbauer, 2025). Risk assessment is an analytical mechanism for determining the appropriate level of intervention; it is not itself equivalent to proof of unlawful conduct. The distinction is particularly important where measures such as account restrictions, transaction blocking, enhanced monitoring, or asset freezing produce substantial consequences for individuals or organizations. The greater the interference generated by an AML measure, the stronger the legal and evidentiary justification required to sustain that interference. Thus, the legitimacy of a risk-based approach depends not merely upon the existence of risk categories but upon the existence

of legally defined thresholds governing how those categories translate into state or regulatory action.

This finding also exposes a limitation in treating FATF compliance as the principal benchmark of AML effectiveness. FATF standards are essential for international cooperation and regulatory convergence, but formal compliance with international AML standards does not necessarily resolve the constitutional or human rights consequences of their domestic implementation. The same international standard may be implemented through different institutional arrangements and may produce different effects depending upon the procedural safeguards available within a particular jurisdiction.

Accordingly, AML effectiveness and human rights compatibility should be treated as related but analytically distinct dimensions of regulatory legitimacy (Stumbauer, 2025). The comparison between Indonesia and Hungary therefore suggests that the central question should not be whether AML regulation is sufficiently strict, but whether the degree of state intervention is legally calibrated to the level of financial crime risk. This requires a distinction between the legitimacy of initial intervention and the legitimacy of continued intervention. A temporary restriction may be justified by the urgency of preventing the dissipation of suspected criminal assets; however, its continued application requires an ongoing legal and factual justification. The longer an interference persists, the greater the importance of periodic review, independent oversight, reasoned decision-making, and access to effective remedies. Without such safeguards, a measure initially justified as preventive may gradually acquire consequences that are functionally punitive.

This distinction provides an important comparative insight into the principle of proportionality. Proportionality should not be understood merely as a general requirement that AML measures must not be excessive. It should function as a dynamic legal test through which the relationship between risk, evidence, interference, duration, and remedy is continuously evaluated. Such a test requires at least four inquiries: whether the measure pursues a legitimate objective; whether it is suitable to address the identified risk; whether a less restrictive alternative is reasonably available; and whether the resulting interference with individual rights remains proportionate to the public interest pursued. In this formulation, proportionality becomes an operational mechanism for preventing the risk-based approach from becoming an unrestricted delegation of coercive authority. The comparative analysis further demonstrates that effective remedy is not merely a procedural supplement to AML regulation but an essential component of its legitimacy (Minto & de Arruda, 2025). Where preventive intervention is permitted on the basis of suspicion or risk rather than final judicial determination, the legal system must provide mechanisms through which affected persons can challenge the factual and legal basis of the intervention.

Such mechanisms should include, where appropriate, reasoned decisions, independent review, periodic reassessment, and the possibility of terminating restrictions when the underlying justification ceases to exist. The lower the threshold for initial intervention, the greater the importance of subsequent procedural safeguards. This leads to a broader conceptual proposition concerning the relationship between AML law and human rights (Tsiftsis, 2026). Human rights should not be positioned merely as external limitations imposed upon an otherwise autonomous AML regime. Instead, they should constitute an internal criterion of AML regulatory validity. Under this approach, an AML

measure is not fully legitimate simply because it has a statutory basis or contributes to the detection of financial crime. Its legitimacy also depends upon whether the measure is implemented through procedures that respect legality, proportionality, non-discrimination, privacy, due process, and access to remedy. Human rights consequently become part of the architecture through which AML effectiveness is legally defined rather than merely a limitation that becomes relevant after governmental power has been exercised.

The distinction between regulatory convergence and rights convergence also has implications for legal transplantation. Indonesia should not simply reproduce institutional arrangements developed within the Hungarian or broader European legal context because those arrangements operate within a different constitutional and supranational environment. The comparative method instead supports functional legal adaptation, whereby the underlying regulatory function is examined independently from the institutional form through which it is implemented. What may be relevant for Indonesia is therefore not the wholesale transplantation of Hungarian AML provisions, but the adaptation of mechanisms relating to independent oversight, review of restrictive measures, proportionality assessment, transparency, and effective remedies within the Indonesian constitutional framework. On this basis, future reform of Indonesian AML policy should move beyond the conventional objective of strengthening enforcement capacity alone. The central reform challenge is to establish a legal architecture in which preventive financial intelligence can operate effectively while remaining subject to identifiable limits on governmental and institutional discretion. Such a framework should distinguish clearly between suspicion and proof, between risk assessment and criminal responsibility, and between temporary prevention and continuing deprivation of rights. It

should also establish a clear relationship between the level of identified risk and the intensity, duration, and procedural requirements of the intervention imposed.

The resulting normative framework may be conceptualized as a rights-sensitive risk governance model. Under this model, AML regulation proceeds through a sequence of legally connected stages: risk identification, evidentiary assessment, calibrated intervention, periodic review, and effective remedy. Risk identification determines whether preventive action is warranted; evidentiary assessment determines the strength of the justification; calibrated intervention determines the least restrictive measure capable of addressing the identified risk; periodic review determines whether continuation remains justified; and effective remedy provides an institutional mechanism for correcting error and restoring rights. This framework preserves the preventive purpose of AML law while preventing preventive authority from becoming detached from the principles of legality and proportionality.

The comparative contribution of Indonesia and Hungary therefore lies not in demonstrating that one jurisdiction has solved the tension between financial security and human rights. Neither system eliminates that tension. Rather, the comparison demonstrates that contemporary AML regulation faces a common normative challenge: how to exercise preventive state power against financial crime without allowing risk-based governance to displace the legal status and fundamental rights of persons who have not been judicially established as offenders. The answer requires a conception of AML effectiveness that incorporates, rather than competes with, human rights protection. Accordingly, the reform of AML law should be understood not merely as a process of increasing regulatory intensity but as a process of improving the legal quality of preventive intervention. The legitimacy of an AML regime should therefore be assessed

through a dual criterion: its capacity to protect the integrity of the financial system and its capacity to ensure that the exercise of preventive power remains legally bounded, proportionate, reviewable, and rights-compatible. This provides a more substantive basis for evaluating AML policies than formal compliance alone and offers a comparative framework through which Indonesia can develop an AML regime that is simultaneously responsive to transnational financial crime and faithful to constitutional human rights protection.

C. CONCLUSION

The principles of anti-money laundering legal policy must be understood as instruments that guarantee comprehensive Human Rights protection, creating a fair balance between state interests and individual rights. Within this framework, the principles of legality and proportionality serve as main pillars ensuring that all state actions have a clear legal basis and do not exceed what is necessary. The implementation of the principles of accountability and transparency underscores the importance of public control and effective supervisory mechanisms over all anti-money laundering policies, ensuring that actions taken by state authorities are not opaque or arbitrary. Strengthening the principle of due process of law and the presumption of innocence is an indispensable element, as both serve as fundamental guarantees in a fair judicial system, as affirmed in the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights. Regarding the principle of privacy and personal data protection, the state is required to ensure that anti-money laundering policies do not serve as a legitimizing tool for excessive surveillance practices. The principles of non-discrimination and inclusivity must also be systematically integrated to prevent policies from hindering

access to financial services for vulnerable groups, as guaranteed under the International Covenant on Economic, Social and Cultural Rights. The application of the risk-based approach, referring to Financial Action Task Force standards, must be implemented contextually and adaptively by considering national socio-economic conditions to avoid counterproductive overregulation. This ensures that resulting policies remain aligned with Human Rights values, ultimately establishing a legal system that is just, balanced, and oriented toward the protection of human dignity.

The comparison of anti-money laundering legal policies in Indonesia and Hungary reveals fundamental similarities in their objectives and orientation, serving as strategic instruments to safeguard financial system stability and prevent serious crimes with broad socio-economic impacts. Both countries adopt international standards, such as the Financial Action Task Force (FATF) recommendations, reflected in the obligation to report suspicious transactions, the application of prudential principles like Know Your Customer and Customer Due Diligence, and the establishment of financial intelligence units, namely the Financial Transaction Reports and Analysis Centre (PPATK) in Indonesia and the Financial Intelligence Unit Hungary (FIU Hungary). Significant differences exist regarding the philosophical foundations and legal frameworks underlying these policies. Indonesia bases its anti-money laundering policy on the constitutional values of the 1945 Constitution and the Pancasila ideology, which emphasize a balance between legal certainty, social justice, and collective human rights protection. In contrast, Hungary is influenced by the European Union's supranational legal regime through various Anti-Money Laundering Directives (AMLD), which prioritize legal harmonization among member states. For future legal reforms, both Indonesia and Hungary need to develop anti-money laundering policies that are more

adaptive, collaborative, and responsive to global developments. While maintaining FATF standards as the primary reference, these should be substantively internalized into law enforcement practices rather than merely formal adoption. In Indonesia, reforms can focus on strengthening inter-agency coordination, utilizing information technology for transaction monitoring, and enhancing asset recovery effectiveness. Meanwhile, in Hungary, reforms should clarify the limits of authority to prevent potential abuse of power that could undermine civil liberties

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