



Initiation of Child Protection from Sexual Exploitation Crimes by Financial Service Providers

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Abstract. Current advances in financial technology really help everyone who wants to make transactions quickly to complete the payments they make. The development of financial service providers or PJK is one of the causes of this fast transaction, but this technological progress is also exploited by perpetrators of child sexual exploitation crimes everywhere, they also use financial service providers to facilitate the crimes they commit. The Financial Transaction Reports and Analysis Center (PPATK) also discovered financial transactions amounting to IDR 114 billion related to criminal acts of human trafficking (TPPO) and child pornography in 2022. PPATK's tracking was successfully uncovered through banking transaction activities. PPATK stated that many child pornography perpetrators use digital wallets / e-wallets to pay for content. There is a need for involvement from financial service providers to help prevent this from continuing to happen. Perpetrators of child sexual exploitation have used financial institutions to carry out financial transactions. Financial institutions are deliberately used to disguise the origin of the money. Apart from that, with the increasing development of information and technology, online transactions are also carried out. Banking financial institutions are no longer used, these criminal actors use payment methods that utilize non-bank financial institutions, for example Western Union, transactions via T-cash, or other financial transactions that cannot be monitored by PPATK, for example digital wallets. It is necessary to encourage financial service providers to carry out regular audits and reviews of profiling and transaction monitoring programs, financial service providers can identify and stop financial transactions related to sexual exploitation of children.

Keywords: Financial Service Providers, Child sexual exploitation, Victims of sexual exploitation, payment for content, E-Wallet

1. Introduction

1.1 Background

The history and development of fintech in Indonesia cannot be separated from its origins. As a term, fintech has only become popular in the last decade. However, this form of innovation actually began to emerge more than a century ago. This term has existed since 1886 based on scientific research. Initially, starting in 1866, innovations in communication technology such as the telegraph, rail transportation, and the trans-Atlantic cable made it easier to transfer financial information around the world.¹

In fact, Western Union, a multinational financial company, was founded in 1851 in Rochester, New York. This company is increasingly dominant thanks to increasingly sophisticated telegraph technology to serve electronic transfers widely. Furthermore, Diners Club was founded in 1950 and was also a credit card pioneer. The creation of the first credit card also marked the beginning of the development of the modern non-cash payment system.²

Fintech has appeared in Indonesia for various types of digital financial services since 2007. Fintech in Indonesia has penetrated various sectors, starting from payments, lending,

¹ <https://www.upitra.ac.id/berita/read/perkembangan-fintech-di-indonesia>, accessed June 14, 2024.

²Ibid.

financial planning, retail investment, crowdfunding, remittances, financial research, and others. In Indonesia, fintech began to gain popularity in 2016. From initially six fintech companies, it has now grown rapidly and reached 369 fintech providers who are members of AFTECH (Indonesian Fintech Association). Based on 2020 data, hundreds of Fintech companies adhere to more than 20 business models.

Not only focusing on payment and financing system businesses, but also other business models, such as digital insurance to raising capital or fintech investment. The value of fintech transactions in Indonesia continues to increase from year to year. In 2016, it reached USD 15.02 billion or around IDR 202.77 trillion. Bank Indonesia predicts the value of electronic money transactions (including fintech in payment systems, e-money and e-wallet) to reach IDR 284 trillion in 2021. Meanwhile, from OJK data, online loan distribution from Fintech lending companies as of September 2021 was IDR 262.9 trillion. This figure is almost the same as the total distribution of People's Business Credit (KUR) from the government of IDR 285 trillion.³

With the formation of integrated services in the electronic system implementation ecosystem, users of these services will be all ages, including children. Legal problems arise due to children because children as service users are a vulnerable group that must be protected. Abuse of financial service providers (PJK) for sexual exploitation is currently rampant. According to records from the Financial Transaction Reports and Analysis Center (PPATK), it has been found that many perpetrators of child sexual violence use e-wallet financial technology to accommodate payments from purchasing pornography. Even PPATK recorded that there were financial transactions amounting to 114 billion rupiah related to child pornography and criminal acts of human trafficking.⁴

The situation of misuse of financial products and services does not only occur in Indonesia, but also occurs in several countries that have payment mechanisms through or utilizing technology. The results of a literature study conducted by ECPAT Indonesia show that there are 2 countries, namely Australia and Canada, which have carried out financial investigations related to the sexual exploitation of children in the online realm, carried out by financial intelligence institutions.⁵

Australia is one of the countries that has a strong commitment to combating child sexual exploitation. Australia has even traced financing for sexual exploitation, using a follow the money approach. This financing trail also involves Financial Service Providers. In the context of payments for global child sexual exploitation, facts have been discovered about the use of cryptocurrency to pay for child sexual material. Recent years have seen an increase in the use of cryptocurrency to purchase child sexual exploitation material. The world's leading and most traded cryptocurrency, bitcoin (BTC).⁶

For this reason, strategies and initiatives are needed from financial service providers to prevent sexual exploitation of children through concrete steps to prevent transactions/payments that have the aim of sexually exploiting children. Encouraging initiatives from financial service providers to combat this in Indonesia and more broadly in the ASEAN region is an important thing to do at this time. All stakeholders, such as government, financial institutions, law enforcement officials and the community, need to

³Hadi Purwanto, Delfi Yandri, Maulana Prawira Yoga, Development and Impact of Financial Technology (Fintech) on Financial Management Behavior in Society, Faculty of Economics and Business, ITB Swadharma, 2022, Page. 81

⁴ PPATK Finds IDR 114 Billion Transactions Related to Child Pornography, <https://news.detik.com/berita/d-6485840/ppatk-cepat-transaksi-rp-114-m-terkait-pornografi-anak-sebuah-2022>, accessed June 23, 2024.

⁵ECPAT Indonesia, Research Report, Abuse of Financial Products and Services in Indonesia for Sexual Exploitation of Children, Jakarta, 2024, Page. 12

⁶Ibid. Matter. 13

participate according to expertise to prevent misuse of financial services for child sexual exploitation.

2. Literature Review

Findings in the 2022 disrupting harm research show that 2 percent of child internet users aged 12 to 17 years in Indonesia are victims of cases of sexual exploitation and abuse in the online realm in the form of blackmail in sexual activities, dissemination of sexual images of children without consent, or coercion of sexual activity with the promise of money or gifts. Apart from that, 2 (two) percent of children admitted to receiving requests for conversations with sexual nuances that the child did not want, and 1 (one) percent stated that they received requests for photos of intimate organs by boyfriends, peers, strangers, or adults known to the child.⁷

ECPAT Indonesia together with the Bandung Wangi Foundation will carry out monitoring in 2023. The monitoring results show that children's ignorance of the risks of vulnerability has trapped children into dating applications. The Bandung Wangi Foundation has identified 26 children who have become victims of sexual exploitation in the online realm by using live streaming transactions for sexual purposes using digital payment platforms (Financial Technology) such as e-wallets and other forms of payment available on these platforms. There are three types of currency as transaction tools used, namely rupiah (Rp), American dollars (US\$) and Euro (€), with the lowest rate range being for prostitution while the highest rate is for offering live streaming for sexual purposes, which ranges from 100 thousand rupiah to 5 million rupiah.⁸

3. Methodology

The research method used in this writing is a normative juridical research method, namely legal research carried out by researching and conducting searches of legal literature and literature related to research, as well as analyzing secondary data to obtain accurate data or truth according to the theme of this research. .

The data collection technique was carried out through reviewing and tracing data obtained from writings about Financial Technology (Fintech), research results, magazines, articles, and visiting internet sites related to child sexual exploitation material and abuse of financial service providers to commit crimes in general. and specifically regarding child sexual crimes.

4. Results and Discussions

The existence of fintech in Indonesia will definitely have a huge impact, especially in relation to the financial system. The impacts produced by fintech are divided into two, namely positive impacts and negative impacts. The positive impacts of Fintech include:

1. Facilitate Financial Inclusion⁹

One of the benefits of fintech development in Indonesia is increasing financial inclusion in the country. Financial inclusion can mean the availability of financial services safely, comfortably and affordably for anyone. The presence of fintech has helped improve the national economy, thereby potentially increasing people's welfare. Therefore, people who are not yet reached by banks can access financial services practically.

⁷ECPAT Indonesia, UNICEF, Interpol, Disrupting Harm Research in Indonesia Evidence of Online Child Sexual Exploitation and Abuse, Jakarta, 2022, Page. 50

⁸Umi Farida, Aldi Harlanda and Alma Musa Raysindi, Report on Monitoring Results of Online Child Sexual Exploitation Cases in the Period November 2022 to January 2023, Collaboration between ECPAT Indonesia and Bandungwangi.

⁹Ibid, Hadi Purwanto, Delfi Yandri, Maulana Prawira Yoga, Hal. 82

2. Easy Financial Services

The presence of fintech means that people no longer need to come to the bank directly. The reason is, various kinds of services are easier and more practical thanks to the application of increasingly sophisticated technology. People can also get financial services online anywhere and anytime. In this way, every financial activity can run faster than before.

3. Makes It Easier To Obtain Business Capital

One of the developments in fintech for entrepreneurs is that it makes it easier to obtain capital. Funding will be much more efficient and effective. Even better, the peer to peer lending system makes it easier for people to get capital at interest rates. As a result, this can help people avoid loan sharks who charge very high interest rates, making repayment easier.

4. Improving The Community's Standard Of Living

Finally, related to the three benefits above, fintech can improve people's lives. Therefore, there are various options for obtaining capital loans for businesses at large. Not to mention, the very practical payment system and low interest also make it easier for businesses to grow. Later, this can increase the business's potential to make a profit so that the standard of living increases.

Apart from the positive impacts, of course there are also negative impacts that occur with the increasingly rapid development of financial technology, including:

1. Misappropriation of customer funds¹⁰
2. Fraud under the guise of investment
3. Fraud cases under the guise of loans

Apart from the 3 negative things mentioned above, it turns out there are other negative impacts from the existence of Fintech, one of which is that it is used as a means of payment for sexual exploitation of children in Indonesia. The results of investigations carried out by ECPAT Indonesia found that financial service providers were chosen by child sex offenders to carry out their actions, especially financial services in the form of digital wallets or e-wallets. The perpetrators chose digital wallets because they make transactions easier and safer, because they can be directly received by their target victims who are still children.

Compared to conventional banks which require verification when opening an account, the option of using a digital wallet is considered safer and easier and can be accepted directly by victims. Perpetrators of financial service abuse usually buy sexual services for children and also buy content regarding child sexual violence and exploitation, such as Video Call Sexual (VCS), pornography, livestreaming of sexual material, grooming and many other forms.

According to the Internet Watch Foundation, recent years have seen the largest overall increase in darkweb marketplaces involved in MKSA sales. In 2019 there were 132,676 URLs or web pages containing, linking to, or advertising MKSA spread across 58 countries, this is an increase of 27% from 2018. IWF identified 288 new darkwebs selling child sexual abuse material. 197 of these 288 sites are rated by the IWF as commercial and only accept payments in virtual currency.¹¹

The Financial Transaction Reports and Analysis Center (PPATK) published an analysis report, finding 40 transactions related to the crime of human trafficking involving children in 2019 and 41 transactions in 2021.¹²PPATK also discovered financial transactions amounting to IDR 114 billion related to criminal acts of human trafficking (TPPO) and child pornography in 2022. PPATK's tracking was successfully uncovered through banking

¹⁰Ibid, Hadi Purwanto, Delfi Yandri, Maulana Prawira Yoga, Hal. 83

¹¹ IWF Portal Report – Indonesia 2023. <https://report.iwf.org.uk/id>

¹²Presentation on "Handling Sexual Exploitation Cases - PPATK Perspective" by PPATK in Financial Institution Training in Efforts to Eradicate ESA, Down to Zero: Building Back Better in Times of Covid-19 on 22 - 23 June 2022

transaction activities. PPATK stated that many child pornography perpetrators use digital wallets or e-wallets.¹³

As a result of PPATK's presentation at the FGD on the Preparation of Red Flag Indicators for Suspicious Financial Transactions (TKM) related to Child Sexual Exploitation (CSE), they found suspicious transactions related to child sexual exploitation crimes that used digital wallets as a means of receiving funds from the crime. PPATK succeeded in identifying suspicious transactions from a man in his 20s who received funds from several parties into the perpetrator's digital wallet account.

Apart from using digital wallets, PPATK has also succeeded in identifying other perpetrators in the Sumatra region who accept payments using cryptocurrencies such as Bitcoin, to purchase content related to child sexual exploitation. After the perpetrator received payment from Bitcoin, the perpetrator exchanged the crypto money into rupiah currency and then the perpetrator transferred the money to several bank accounts belonging to the perpetrator.

In the next case example, PPATK found that there were 2 men aged around 60 years old who came from the Americas who carried out money transfer transactions to young women (under 20 - under 30 years) in Indonesia for unknown reasons, but these transfers were frequent. Carried out by these two people, the PPATK suspected that the sender of the funds was to purchase content of a sexual nature and it was found that the amount sent by the two people was relatively small, between 100 thousand to 200 thousand rupiah.¹⁴

In the same activity, representatives from the OVO digital wallet also presented their findings regarding the misuse of financial services in cases of sexual exploitation, especially those using OVO. OVO has a division that can trace suspicious transactions by entering the darkweb or deepweb to find suspicious transactions. From the results of their team's search, suspicious transactions were found on OVO accounts that were used as a means of payment on the Telegram messaging media.¹⁵

OVO also discovered the fact that many OVO accounts were traded by irresponsible people, which were most likely used to collect money from crimes, including child sexual exploitation crimes. To prevent the practice of buying and selling these accounts from becoming more widespread, OVO is taking steps to prevent misuse of their products by collaborating with the Population and Civil Registry Service to find profiles of perpetrators who use OVO accounts to commit crimes. They also reported the findings of suspicious transactions in OVO accounts to PPATK as a responsibility of the company to the state.

Meanwhile, representatives from conventional banks such as Bank Danamon also do the same thing by tracing suspicious financial transactions from Danamon customers. The results found that there were 25 cases of Human Trafficking that used Bank Danamon as a place to collect money from the proceeds of crimes committed by the perpetrators. From the search results, it was found that the areas where this perpetrator operated were found and the most cases were found in the West Java area.¹⁶

¹³ This e-wallet accommodates payments from buyers of pornographic content. There is a possibility that more transactions are not discovered, because the financial sector in Indonesia does not yet see the situation of child sexual exploitation as a priority issue. PPATK Finds IDR 114 Billion Transactions Related to Child Pornography, Loc., Cit.

¹⁴ Findings from the FGD Preparing Red Flag Indicators for Suspicious Financial Transactions (TKM) related to Child Sexual Exploitation (CSE), PPATK, 30-31 July 2024, Mecure Sabang, Jakarta

¹⁵ Ibid, FGD Preparation of Red Flag Indicators for Suspicious Financial Transactions (TKM) related to Child Sexual Exploitation (CSE)

¹⁶ Ibid, FGD Preparation of Red Flag Indicators for Suspicious Financial Transactions (TKM) related to Child Sexual Exploitation (CSE)

5. Prevention of Abuse by Financial Service Providers in The Sexual Exploitation of Children.

Cases of abuse increased quite a lot when many PJKs opened digital payment services. This misuse of digital payments to pay for child sexual services can be prevented by establishing a system and mechanism for monitoring and tracing suspicious transactions for child sexual exploitation activities. Apart from that, campaigns to prevent misuse of financial transactions for sexual exploitation of children need to be carried out continuously down to the lower levels of society so that the public is informed that misuse of these transactions is a crime that can be punished so that people will think when they intend to misuse financial transactions.

Financial Technology has encouraged ease of payment that prioritizes speed, breadth of reach across borders, and accessibility of financial services for consumers throughout the world. By 2022 the standard global digital payments market size will have reached USD 81.03 billion with global digital payments valued at more than USD 8 trillion, and the market size is expected to continue, with an annual growth rate of around 20 percent in the next seven years. So it can have an impact on labor, namely increasing the risk of financial criminal activity, including child sexual exploitation.

Therefore, there needs to be preventative efforts that can be carried out by Financial Services Providers (PJK), including the need to increase capacity related to the scope of child sexual exploitation in the online realm within the PJK internally as well as reviewing indicators of misuse of financial services transactions intended for child sexual exploitation in online realm to compile red flags within financial service providers internally.

In order to tackle the misuse of financial technology in cases of child sexual exploitation, a comprehensive policy is needed that can be complied with by all Financial Service Providers (PJK). Apart from appropriate policies that can be complied with, guidelines are also needed that can be used by PJK in identifying misuse of financial services in ESA cases in the online realm by creating redflag guidelines. It is hoped that this guide can be a tool in finding misuse of financial transactions in ESA cases so that Indonesia has data on misuse of financial transactions used for child sexual exploitation.

In addition to the explanation above, it is necessary to develop strategic steps to prevent misuse of financial services. There are several steps that can be taken to prevent this, including:

1. Strengthen the capacity to investigate cases of child sexual exploitation that utilize financial service providers.
2. Increase public awareness in using financial service providers not to carry out child sexual exploitation transactions
3. Building awareness of financial service providers to tackle child sexual exploitation in the online realm
4. Strengthen multi-stakeholder collaboration and coordination in dealing with misuse of financial services for child sexual exploitation
5. Amendments to the OJK Law and the Banking Law to include norms that prohibit misuse of financial services for crimes including crimes of violence/sexual exploitation of children.

5. Conclusions

From the explanation above, it can be concluded that child sexual crimes that abuse financial services are starting to become more common now. The findings explained by financial institutions are interesting to discuss and find solutions to overcome this. PPATK as a financial intelligence agency has also started to discuss child sexual exploitation which uses financial service providers as a means to carry out its actions.

Factors that cause abuse of financial services by financial service providers related to child sexual exploitation include easy access to the internet, the mushrooming development of financial technology, the use of social media and gaming platforms to look for victims, the

background of victims who are trapped in situations of poverty or financial problems. making it easier for the perpetrator to persuade the victim with money or other forms, the availability of remittance service providers and financial institutions that make it easier for the perpetrator/offender to access money transfers, the problem of limited knowledge experienced by children, families and the community, and intense communication. And there is still no prevention mechanism in financial service providers with Knowing Your Customer (KYC). Financial platform users are identified by financial service providers in the form of coding names, making it difficult to know the identity of the recipient and sender.

For this reason, initiatives are needed to take steps to prevent the misuse of financial services for child sexual exploitation in Indonesia. Child protection in Indonesia needs to involve all stakeholders, including financial institutions in Indonesia. With the involvement of all these parties, the dream of protecting Indonesian children will be realized.

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