

Introduction to Prevention Money Laundering Act, 2002 (15 of 2003)

WIRC of ICAI

By: CA Dilip M Shah

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SONG CHEN / CHINA DAILY



Money Laundering

- The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardising their source.



Origin & Object

- PMLA, 2002 came into force w.e.f 1st July 2005, PMLA was amended in 2009, PMLA amended in 2013 and 2015
- It extends to whole of India including Jammu and Kashmir
- Preamble is to prevent money-laundering and provide for confiscation of property derived from, or involved in money-laundering and to punish those who commit the offence

Money laundering

- The PMLA, 2012 (w.e.f 15.02.2013) enlarges the definition of offence of money laundering
- To include therein the activities like concealment, acquisition, possession and use the proceeds of crime as criminal activities
- Remove the existing limit of Rs 5 lacs fine under the Act

KEY CHANGES

Amendments have been made to Sections 2, 6, 13, 18, 46, and 47

➔ Section 37A has been introduced which **empowers an authorised officer to seize assets** equivalent in value to assets held abroad in violation of the law

➔ Amended Section 13 **empowers the ED to levy a penalty of up to three times** the sum involved in contravention of the law

Scheduled Offence

- The offences listed in the schedule to PMLA, 2002 are scheduled offence. There are 2 parts – Part A & Part C
- Part A comprise of offences under: IPC, NDPC, Explosive Substances Act, Unlawful Activities (Prevention) Act, Arms Act, Wild Life (protection) Act, Immoral Traffic (Prevention) Act, Prevention of Corruption Act, Antiquities and Arts treasures Act etc
- Part C deals with trans border crimes

Indicators of Money Laundering



The following instances may prove as indicators of money laundering:

- Expensive policies or purchases taken out and then cancelled.
- Policies taken out or purchases made for no apparent reason.
- Requests for refunds or claims payments to be made to unconnected third parties.
- Transactions in-congruent with the client's usual dealings.
- Reluctance or difficulties in providing identification.
- Large claims shortly after an insurance policy has been effected.
- An unusual interest in early surrender values.
- Large cash payments or overpayments.
- Requesting cover for assets in countries where drugs trade is prevalent.
- Investments and savings, particularly with options for early surrender.
- Lump sum investments and pension arrangements.

PREVENTION OF MONEY LAUNDERING (AMENDMENT) Act 2012. (w.e.f 15.02.2013)

- Introduced the concept of “ corresponding law” to link the provisions of Indian law with the laws of foreign countries and provide for the transfer of the proceeds of the foreign predicate offence in any manner in India
- Introduced the concept of “reporting entity” to include therein a banking company, financial institution, intermediary or a person carrying on a designated business or profession

PREVENTION OF MONEY LAUNDERING (AMENDMENT) Act 2012. (w.e.f 15.02.2013)

- Introduced the provision for attachment and confiscation of the proceeds of crime even if there is no conviction so long as it is proved that offence of money-laundering has taken place and property in question is involved in money-laundering;
- Confer power upon the Director to call for records of transactions or any additional information that may be required for the purposes of the Prevention of money-laundering and also to make inquiries for non-compliance of reporting obligations cast upon them;
- Make the reporting entity, its designated directors on the Board and employees responsible for omissions or commissions in relation to the reporting obligations under Chapter IV of the Act;

PREVENTION OF MONEY LAUNDERING (AMENDMENT) Act 2012. (w.e.f 15.02.2013)

- Provide that in any proceedings relating to proceeds of crime under the aforesaid Act, unless the contrary is proved, it shall be presumed that such proceeds of crime is involved in money-laundering;
- Provide for appeal against the orders of the Appellate Tribunal directly to the Supreme Court;
- Provide for the process of transfer of the cases of Scheduled offence pending in a court which had taken cognizance of the offence to the Special Court for trial of offence of money-laundering and also provide that the Special Court shall, on receipt of such case proceed to deal with it from the stage at which it is committed;

Anti Money Laundering

- *An Act to prevent money-laundering and to provide for confiscation of property derived from, or involved in, money-laundering and for matters connected therewith or incidental thereto.*
- **Offence of money-Laundering.**-Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money-laundering.

History

- Political Declaration and Global Programme of Action, annexed to the resolution S-17/2 was adopted by the General Assembly of the United Nations at its seventeenth special session on the twenty-third day of February, 1990;
- Political Declaration adopted by the Special Session of the United Nations General Assembly held on 8th to 10th June, 1998 calls upon the Member States to adopt national money-laundering legislation and programme

Money Laundering

- **Financial Action Task Force on Money Laundering (FATF)** defines money laundering as “the processing of criminal proceeds to disguise their illegal origin in order to legitimize the ill-gotten gains of crime.”

**“This will bring the
proceeds of tax crimes
within the scope of the
powers and authorities
used to investigate
money laundering”
-FATF**

**FATF marks milestone by broadening
attack on financial crime to include tax
evasion and corruption in 'New 40'**

The Financial Action Task Force, the leading international catalyst for best practices in tackling money laundering, issues its "New 40" Recommendations that expand its focus on beneficial ownership, corruption and tax evasion.

Money Laundering

- Illegal arms sales, smuggling, and the activities of organised crime, including for example drug trafficking and prostitution rings, can generate huge amounts of proceeds. Embezzlement, insider trading, bribery and computer fraud schemes can also produce large profits and create the incentive to “legitimise” the ill-gotten gains through money laundering.

In a first, ED seizes 1,280 acres of Indian company's land in US

Attachment In Bank Fraud Case Biggest Abroad

PiyushMishra@timesgroup.com

Ahmedabad: In its biggest-ever attachment abroad, the Enforcement Directorate on Thursday seized land worth around Rs 1,000 crore in the United States in connection with a case of money laundering against a real estate developer. This is the first time an Indian agency has attached property in the US.

The ED's Ahmedabad zonal unit attached the 1,280 acres of land in California belonging to Zoom Developers and its promoter Vijay Choudhary. It

INDORE TO US VIA LIECHTENSTEIN

THE CASE Vijay Choudhary & his company, Indore-based Zoom Developers, set up more than 100 dummy companies in India, Switzerland & London

➤ Took ₹2,200 crore in loans from more than 20 banks for projects in European countries

➤ No project took off; money siphoned through dummy firms

➤ Large amounts were moved to a trust in Liechtenstein,

considered a tax haven. Money then used to buy properties in India and abroad in the name of Zoom Developers

➤ Land in California was one such acquisition

NET CLOSES IN 1 director arrested last month; arrest warrant out for Choudhary

➤ CBI has booked company for fraud. Zoom is among top 5 defaulters of PSU banks

has initiated action against the company under sections 5 and 60 of the Prevention of Money Laundering Act in a Rs 2,200 crore fraud.

Although ED has earlier attached properties abroad, the sheer scale of the action

in the US is being seen as a message to those who have spirited away illicit funds abroad in the hope of escaping the law.

The case is considered one of the biggest bank loan frauds in the country.

Sources said the company and its promoter had set up more than 100 dummy companies in London, Switzerland and India. Huge amounts were diverted to a trust in Liechtenstein through fake firms. From there the money was moved to dummy companies and properties were bought in the name of Zoom Developers in and outside India. The land in California was purchased in the company's name.

The CBI has already booked a case of fraud against the company. Sharad Kabra, one of the directors of Zoom Developers, was arrested last month. He is in judicial custody. An arrest warrant has been issued against Choudhary, who is absconding.

► ₹2,200 crore fraud, P 17

Scale

- The United Nations Office on Drugs and Crime (UNODC) conducted a study to determine the magnitude of illicit funds generated by drug trafficking and organised crimes and to investigate to what extent these funds are laundered. The report estimates that in 2009, criminal proceeds amounted to 3.6% of global GDP, with 2.7% (or USD 1.6 trillion) being laundered.



Scale

- International Monetary Fund, who stated in 1998 that the aggregate size of money laundering in the world could be somewhere between two and five percent of the world's gross domestic product. Using 1998 statistics, these percentages would indicate that money laundering ranged between USD 590 billion and USD 1.5 trillion. At the time, the lower figure was roughly equivalent to the value of the total output of an economy the size of Spain.

Govt's money laundering crusade looms over India property bubble

BLOOMBERG
19 March

Siddharth Sharma, an aviation consultant, was looking to buy an apartment near New Delhi. Of the eight projects he viewed, developers of three expected part payment in cash, an illegal but common demand in India. "With my salary, I don't generate much cash," said Sharma, 43. "For me, to cough up so much was impossible."

The practice of investing in real estate with untaxed income or unaccounted wealth is widely prevalent in India. That could change if Prime Minister Narendra Modi has his way. His government is planning a new Bill to curb "black money" that has inflated property prices, narrowed options for buyers like Sharma and kept homes beyond reach for many.

Finance Minister Arun Jaitley told lawmakers on February 28 he plans to introduce a revamped version of a lapsed Benami Transactions (Prohibition) Bill in the current session of Parliament. Benami means anonymous, and such deals often involve concealing the identity of the true buyer or the seller.



The biggest beneficiary of black money in India is the real estate sector, says Samir Arora, founder of Helios Capital Management

First pillar

"The first pillar of my tax proposals is to effectively deal with the problem of black money which eats into the vitals of our economy and society," Jaitley said, adding, "This law will enable confiscation of benami property and provide for prosecution, thus blocking a major avenue for generation and holding of black money in the form of benami property, especially in real estate."

Data provided by Mumbai-based Liases Foras Real Estate Rating & Research Pvt Ltd show

the real estate sector accounts for a large share of illicit deals, with an estimated 30 per cent of transactions done with black money.

That's high for a sector making up six per cent of India's \$1.88 trillion economy and for an industry forecast to grow five-fold to \$676 billion by 2025 and 13 per cent of GDP by 2028, according to KPMG.

If enacted, the law could mean a "healthy" correction to property prices, said Samir Arora, founder of Helios Capital Management Pte Ltd, a

Singapore-based hedge fund.

Tough rules

"The biggest beneficiary of black money in India is the real estate sector," Arora said. "The government looks serious on this Bill. Once you make the rules tough, somebody will get caught. When a few get caught, others will freeze."

For land deals, the cash component could range between 30 per cent and 50 per cent of the deal value, said Pankaj Kapoor, founder of Liases Foras. Politicians and businessmen hold a lot of land as they expect asset appreciation, Kapoor said, adding, "If black money goes away, property prices could see a sharp correction."

The S&P BSE Realty Index, comprising 13 property stocks, has dropped 87 per cent from a high in January 2008 as developers grappled with debt, high interest rates and declining sales after the global financial crisis.

Unitech Ltd led the slump during this period, tumbling 96 per cent while DLF Ltd slid 86 per cent. Unitech dropped 3.3 per cent on Thursday in Mumbai, the most in a week, while DLF slipped 0.3 per cent.

The proposed Bill will seek to prohibit accepting cash of ₹20,000 and above for the pur-

chase of immovable property while buyers will have to provide their income tax identification numbers for property transactions exceeding ₹100,000.

Easy play

"In principle, the more checks and balances they bring, the better for the industry," said Rohit Gera, managing director of Pune-based Gera Developments Pvt Ltd.

The prevalence of unaccounted wealth being pumped into real estate is more acute in land deals than in housing, said C Shekar Reddy, president of Confederation of Real Estate Developers' Associations of India. "Where developers are concerned, I can say black money in residential transactions is almost nil," Reddy said.

The passage of the Bill hinges on Modi's ability to push it through the Upper House of Parliament, where his Bharatiya Janata Party lacks majority.

Long wait

After the government failed to notify an original law in 1988, another version of the Bill was introduced in 2011, which lapsed a few years later. That draft recommended jail terms

ranging from six months to two years and a fine of 25 per cent of the fair value of the property held in "benami".

The government's efforts to tackle unaccounted wealth aren't just confined to domestic black money. The cabinet this week approved the Undisclosed Foreign Income and Assets (Imposition of Tax) Bill, which will target citizens with secret overseas bank accounts.

India ranked third in the world for money illegally moved overseas in 2011, behind China and Russia, according to a 2013 report by Global Financial Integrity, a Washington-based group researching cross-border money transfers.

Modi's avowed intent to unearth black money was a key campaign pledge that helped him win the largest electoral mandate in three decades.

India's real estate sector, which opened to overseas investors in 2005, has got inflows of about \$10.5 billion, which is about 5 per cent of the total foreign direct investment in the country, according to KPMG.

As for Sharma's search for a suitable property near New Delhi, he says he hasn't seen a draft recommended jail terms

The Hindu

ED attaches godman's assets

NEW DELHI: The Enforcement Directorate has attached assets, including over a dozen bank accounts and cars, of a self-styled godman 'Icchadhari baba' in connection with its money-laundering probe against him and his associates for allegedly running a sex racket in Delhi.

The case dates back to 2010 when a Delhi Police team nabbed the alleged kingpin of a sex racket in the capital, Shiv Murat Dwivedi alias Shiva alias Rajeev alias Swami alias 'Icchadhari baba', when he was allegedly conducting a flesh trade deal near PVR Saket cinema along with his accomplices. The police subsequently pressed charges under the Immoral Traffic (Prevention) Act against Dwivedi and his associate Praveen along with half-a-dozen girls, who were apprehended from the same spot. The ED subsequently slapped criminal charges under the Prevention of Money Laundering Act (PMLA) against the two men. — PTI

Trib, 23

IPL betting Raids in Mumbai, Ahmedabad, Jaipur and Delhi

ED cracks down on bookies

TRIBUNE NEWS SERVICE

MUMBAI/NEW DELHI, MAY 22

With betting on Indian Premier League (IPL) matches peaking with the tournament heading for a close, the Enforcement Directorate (ED) today conducted raids across the country on known bookies and their associates.

According to sources here, ED teams launched co-ordinated raids at several premises in Mumbai, Thane, Ahmedabad, Jaipur and New Delhi.

In Mumbai the raids were conducted in suburban Andheri, near the international airport and Kalbadevi in South Mumbai. Among those raided include several diamond exporters, angadias or couriers and many money-changers suspected to be part of hawala rackets, sources said.

Many operating out of vessels on sea

- Mumbai police sources say prominent bookies had long gone into hiding and were operating from off-shore locations
- While many bookies are said to be working from Dubai, sources say some could be operating out of vessels on sea
- The ED had recovered incriminating information from computers, mobile phones and pen drives after prominent bookies were picked up in different parts of the country recently

Today's raids come after some prominent bookies were picked up in different parts of the country earlier this month. ED officials here said the raids conducted by sleuths from its Ahmedabad office followed incriminating information recovered from computers, mobile phones and pen drives recovered from bookies arrested in the earlier raid.

Mumbai police sources say, prominent bookies from the city had long gone into hiding and were operating from

off-shore locations. While several bookies are said to be working from Dubai, sources say some could also be operating out of vessels on the high seas.

A team of over 30 officials are part of search teams, the sources said. The searches, earlier this month, were largely in the national capital and its adjoining areas and two Delhi-based alleged bookies were arrested. Over ₹26 lakh was seized then apart from a cache of comput-

er peripherals, mobiles and hard drives, the sources said.

In March this year, the Ahmedabad office of the agency had claimed to have busted the alleged betting racket and arrested some bookies from a farmhouse on the outskirts of Vadodara city in Gujarat. Later, the probe agency arrested 13 others in connection with this illegal activity from Gujarat.

The same office registered a money laundering case against two prime suspects and a few others in connection with the alleged racket suspected to be between ₹1,000 and ₹4,000 crore. The accused had been earlier charged under Sections 418 (cheating), 419 (punishment for cheating), 420 (cheating) and other sections of the IPC by the agency.

Hawala

- Money laundering is popularly known as Hawala transactions. It gained popularity during early 90's when many of the politicians were caught in its net. Hawala is an alternative or parallel remittance system.
- The Hawala Mechanism facilitated the conversion of money from black into white. "Hawala" is an Arabic word meaning the transfer of money or information between two persons using a third person.
- The system dates to the Arabic traders as a means of avoiding robbery. It predates western banking by several centuries.

GAMING

MALTA

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**EUROPE'S
EGAMING
CAPITAL**

Process of Money Laundering

- Placement
 - Dirty money being inserted in financial system
- Layering
 - Separates the proceeds from their criminal origin by moving them through a series of financial transactions
- Integration
 - Creating a legitimate explanation for their sources of funds, allowing them to be retained, invested or used, to acquire goods or assets



Placement

- The first stage is the physical disposal of cash.
- The launderer introduces his illegal profits into the financial system.
- This placement is accomplished by depositing the cash in domestic banks or in other types of formal or informal financial institutions.
- This is done by breaking up large amounts of cash into less conspicuous smaller sums that are then deposited directly into a bank account, or by purchasing a series of monetary instruments (cheques, money orders, etc.).

Sebi probes money laundering at cos

Over 50 Firms Under Scanner, Scam May Run Into Thousands Of Crores

Sidhartha@timesgroup.com

New Delhi: Over 50 companies are being investigated by the Securities & Exchange Board of India (Sebi) for what the market regulator suspects are activities aimed at money laundering and tax evasion in unheard of shares, which have seen sharp price spikes in recent months.

Already, Sebi whole-time member Rajeev Agarwal has passed orders involving four-five companies where 350-400 entities have been found to have violated rules and several have been banned from accessing the market. Given that a sum of Rs 625 crore is involved in case of just three companies, the overall scam could run into thousands of crores.

The scale of the crack-

down is going to be much bigger and comes at a time when the Supreme Court has set up a Special Investigation Team to track black money and the revenue department has acknowledged that illicit wealth within the country is a big concern although the political debate has focused on funds stashed abroad.

For long, stock markets have been seen to be major sources of laundering and the regulator had failed to act against wrongdoers. In his two-orders on Friday, Agarwal has alluded to the possibility of money laundering or tax evasion and suggested that the income tax department, enforcement directorate and the financial intelligence unit should probe it further.

A tax department official said the issue of preferential

STOCK PRICE RIGGING



- Shares of unheard of companies saw massive spikes, raising suspicion
- Sebi has already suggested that income tax department, enforcement directorate and the financial intelligence unit should probe these companies
- Preferential allotment of shares is said to be linked to manipulation of stock prices

allotment is already being looked at and is one of the parameters under scrutiny.

Sources told TOI that the companies, which are essentially "paper companies" with very weak finances but showed sharp price increases, are under the lens. Typically,

in these companies preferential allotment was done and those involved in the manipulation exercise exited after 14-15 months to avoid capital gains tax implications.

Several companies in which trading had been suspended but saw sharp price

jumps in recent months are also under the scanner.

Sources said Sebi is going to the extent of conducting physical checks at the offices of some of the companies that it is investigating.

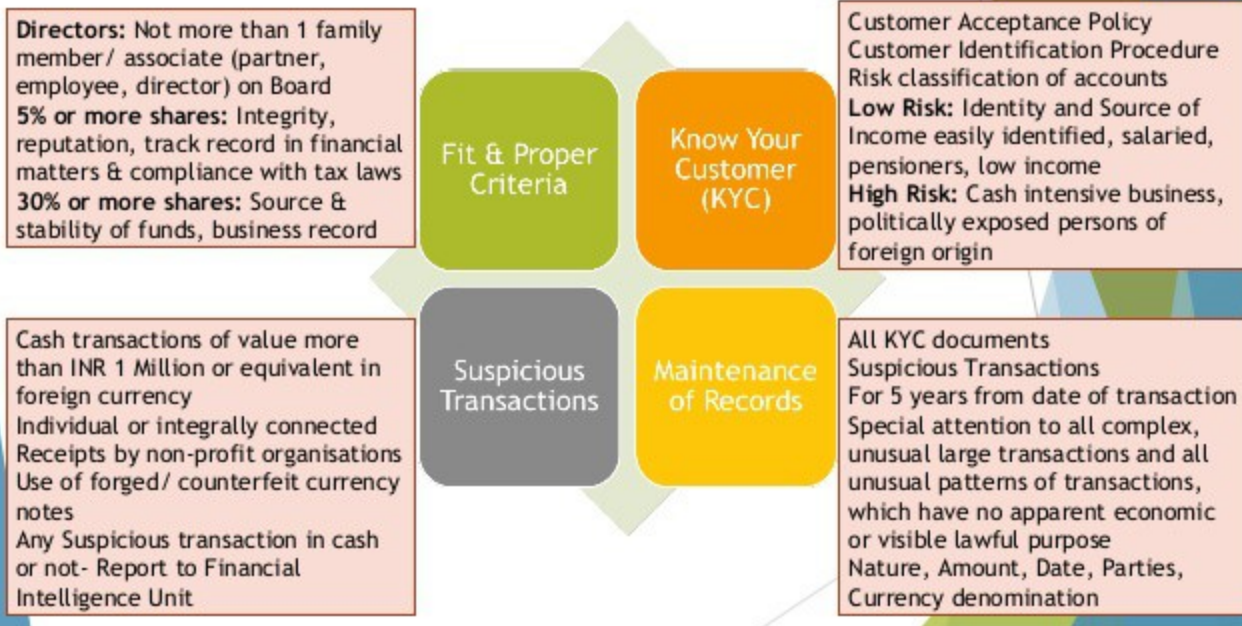
Usually, preferential allotment was done at a little premium. So, for a share with a face value of Rs 10, the allotment would be done at Rs 15 a share and an investor would pay, say, Rs 1.5 lakh for 10,000 shares. Around 15 months later, when the share traded at around Rs 130, the investor exited, pocketing a gain and paying a commission of 7-8% to some entities related to the promoter, who helped ramp up the prices.

Since there is multi-layering of transactions, Sebi is said to be taking time in completing the investigations.

Placement

- The cash is usually siphoned off across borders for deposit in foreign financial institutions, or used to buy high-value goods, such as artwork, aeroplanes, and precious metals and stones, that can then be resold for payment by cheque or bank transfer.

Role of Banks & Financial Institutions



Layering

- The Second stage in money laundering is layering.
- The launderer engages in a series of conversions or movements of the funds to distance them from their source.
- The funds might be channelled through the purchase and sale of investment instruments such as bonds, stocks, and traveller's cheques or the launderer might simply wire the funds through a series of accounts at various banks across the globe, particularly to those jurisdictions that do not cooperate in anti-money laundering investigations.
- In some instances, the launderer might disguise the transfer as payments for goods or services, thus giving them a legitimate appearance.

Layering

- A number of rotations to slush funds are given through banks and this complex layer of financial transactions are carried out to divorce the illicit proceeds from their source and mislead the investigating agencies.
- The high-value goods and monetary instruments are resold and the proceeds are invested in real estate and legitimate businesses, particularly in the leisure and tourism industries.
- Shell companies i.e. paper companies/bogus companies) serve as front and are registered in offshore havens.
- They are a common tool in the layering phase.

Integration

- This is the stage where the funds are returned to the legitimate economy for later extraction. Examples include investing in a company, purchasing real estate, luxury goods, etc.

Where can it occur

- As money laundering is a consequence of almost all profit generating crime, it can occur practically anywhere in the world. Generally, money launderers tend to seek out countries or sectors in which there is a low risk of detection due to weak or ineffective anti-money laundering programmes. Because the objective of money laundering is to get the illegal funds back to the individual who generated them, launderers usually prefer to move funds through stable financial systems.

Where can it occur

- Money laundering activity may also be concentrated geographically according to the stage the laundered funds have reached. At the placement stage, for example, the funds are usually processed relatively close to the underlying activity; often, but not in every case, in the country where the funds originate.

Where can it occur

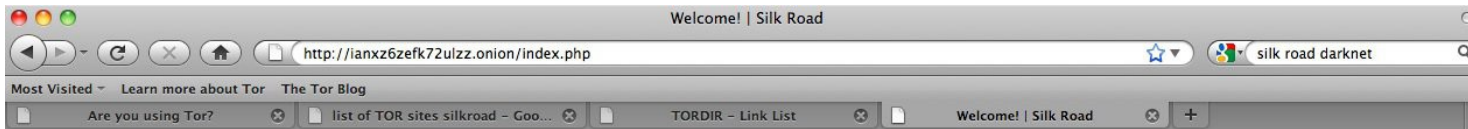
- With the layering phase, the launderer might choose an offshore financial centre, a large regional business centre, or a world banking centre – any location that provides an adequate financial or business infrastructure. At this stage, the laundered funds may also only transit bank accounts at various locations where this can be done without leaving traces of their source or ultimate destination.

Where can it occur

- Finally, at the integration phase, launderers might choose to invest laundered funds in still other locations if they were generated in unstable economies or locations offering limited investment opportunities.







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CaliforniaSunrise	5 of 5	Fast shipping. Nice packaging. I haven't tried the chocolate yet, but it looks tasty! Smooth transaction.	item
Rook	5 of 5	all good! thanks so much!	item
illy	5 of 5	Very friendly. Fast Shipping. Great packaging.	item
somatik	5 of 5	Order arrived quickly and as described. Thanks!	item
gamely54	5 of 5	No issue at all, I officially recommend this seller. Now go forth and purchase from him!	item
mellowyellow	5 of 5	Item arrived quickly and as described, good communication. This guy's legit.	item
dirtysof(100)	5 of 5	looks good	item

Integration

- This is the final stage in the process.
- The launderer makes it appear to have been legally earned and accomplishes integration of the “cleaned” money into the economy.
- By this stage, it is exceedingly difficult to distinguish legal and illegal wealth.
- It involves making the wealth derived from crime appear legitimate.



Anar Retails Pvt Ltd.

Gramshree Trust, an NGO run by Gujarat chief minister Anandiben Patel's daughter Anar Patel, "shipped thousands of kilograms of shipments from Gandhi Ashram premises but despite shipping goods outside, the revenues are not brought into India. They do exhibitions also but neither Gujarat Charity Commissioner nor FCRA division of MHA has any accounts from Gramshree Trust."



CARBON TRADING in BELGIUM

Belgian prosecutors highlighted the massive losses faced by EU governments from VAT fraud after they charged three Britons and a Dutchman with money-laundering following an investigation into a multimillion-pound scam involving carbon emissions permits.

The three Britons, who were arrested in Belgium, were accused of failing to pay VAT worth €3m (£2.7m) on a series of carbon credit transactions.

Methods of Money Laundering

- **Structuring ("Smurfing"):** Smurfing is possibly the most commonly used money laundering method. It involves many individuals who deposit cash into bank accounts or buy bank drafts in amounts in small amounts to avoid the reporting threshold.
- **Bank Complicity:** Bank complicity occurs when a bank employee is involved in facilitating part of the money laundering process



Vijay Mallya

The Enforcement Directorate has registered a money-laundering case on March 7, 2016 against Vijay Mallya and the CFO of Kingfisher Airlines A. Raghunathan in connection with the CBI's probe into the alleged default of a Rs. 900-crore loan in collusion with IDBI officials. The ED is pursuing the case under the Prevention of Money Laundering Act to trace the transactions pertaining to a suspected diversion of funds

Methods

- **Money Services and Currency Exchanges:**
Money services and currency exchanges provide a service that enables individuals to exchange foreign currency that can then be transported out of the country
- **Asset Purchases with Bulk Cash**
- **Electronic Funds Transfer**
- **Postal Money Orders**



Lalit Modi

A special court in Mumbai on March 1, 2016 issued an order allowing the Enforcement Directorate (ED) to begin extradition proceedings against former IPL chairman Lalit Modi in connection with its money laundering probe against him and others

The ED has invoked PMLA along with sections 420 (cheating) and 120-B (criminal conspiracy) of IPC to probe if BCCI-IPL and the exchequer had been cheated in the award of telecast rights for the T-20 tournament in 2009

Methods

- **Credit Cards**
- **Casinos**
- **Refining:** This money laundering method involves the exchange of small denomination bills for larger ones and can be carried out by an individual who converts the bills at a number of different banks in order not to raise suspicion. This serves to decrease the bulk of large quantities of cash



Karthi's company "Advantage Strategic Consulting"

The Enforcement Directorate has found in a search in March 2016 that Karti has made investments in real estate assets and other businesses in many countries, including England, United Arab Emirates, Thailand, Singapore, Malaysia, South Africa, USA, Switzerland, Philippines, Sri Lanka, British Virgin Island, France, Greece and Spain

Methods

- **Legitimate Business / Co-mingling of Funds**
- **Value Tampering:** Money launderers may look for property owners who agree to sell their property, on paper, at a price below its actual value and then accept the difference of the purchase price "under the table". In this way, the launderer can, for example, purchase a 2 million rupee property for 1 million rupee, while secretly passing the balance to the seller. After holding the property for a period of time, the launderer then sells it for its true value of 2 million rupees



SIT to monitor Rs 1000 crore basmati rice scandal

According to the probe being done by the DRI in March 2016 , over two lakh metric tonnes of Basmati rice was illegally offloaded in Dubai in the last over a year instead of in Bandar Abbas in Iran. The case is now being investigated by ED

Methods

- **Loan Back:** Using this method, a criminal provides an associate with a sum of illegitimate money and the associate creates the paperwork for a loan or mortgage back to the criminal for the same amount, including all of the necessary documentation. This creates an illusion that the criminal's funds are legitimate. The scheme's legitimacy is further reinforced through regularly scheduled loan payments made by the criminal, and providing another means to transfer money.

ED records best-ever performance

28-4-15

PRAMOD KUMAR
NEW DELHI, APRIL 28

The enforcement directorate (ED) has recorded its best-ever performance in crucial investigations done by the agency so far, having seized assets worth ₹3,650 crore under money laundering laws in the year 2014-15. The anti-money laundering (under Prevention of Money Laundering Act) and foreign exchange violations (under Foreign Exchange Management Act) has also made the maximum number of prosecutions against offenders of these laws during the last financial year.

Sources in the agency said, "In 2014-15, the agency arrested 19 persons under the provisions of PMLA as against seven in the preceding year. The agency succeed in recording its best-ever performance in investigations so far. The ED registered a total of 178 cases under PMLA till March 31 this year." As far as investigation under Fema is concerned, the ED issued 654 showcause notices to different persons in the last financial year, they added.

"Fifty-seven attachments were effected in 2013-14, this has been doubled to 138 in 2014-15. Besides, the agency also issued 166 provisional attachment orders in 2014-15," sources said.



Global Developments

- The importance of Anti Money Laundering (AML) to European senior management is falling faster than the other regions, with only around half of respondents stating that AML was a high profile issue in which the main board of directors took an active interest
- Most of respondents working in the American continent stated AML as being a high profile issue in which senior management took an active interest.

Global Developments

- This could be because of new money laundering cases in the region relating to narcotics trafficking and political corruption;
- More stringent requirements imposed on financial institutions in the region by banks in the U.S.;
- Number of countries in the region being singled out recently by the Financial Action Task Force (FATF) for deficiencies in their approach to AML and counter-terrorist financing.

The Forms of Money Laundering

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graph LR; A[The Forms of Money Laundering] --- B[Acquiring using or possessing criminal property]; A --- C[Handling the proceeds of crime, such as theft, fraud and tax evasion]; A --- D[Investing the proceeds of crimes into other financial products]; A --- E[Being knowingly involved in any way with criminal or terrorist property]; A --- F[Transferring criminal property]; A --- G[Entering into arrangements to facilitate laundering criminal or terrorist property]; A --- H[Investing the proceeds of crimes into the acquisition of property / assets];
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Acquiring using or possessing criminal property

Handling the proceeds of crime, such as theft, fraud and tax evasion

Investing the proceeds of crimes into other financial products

Being knowingly involved in any way with criminal or terrorist property

Transferring criminal property

Entering into arrangements to facilitate laundering criminal or terrorist property

Investing the proceeds of crimes into the acquisition of property / assets

Risk – Political Persons

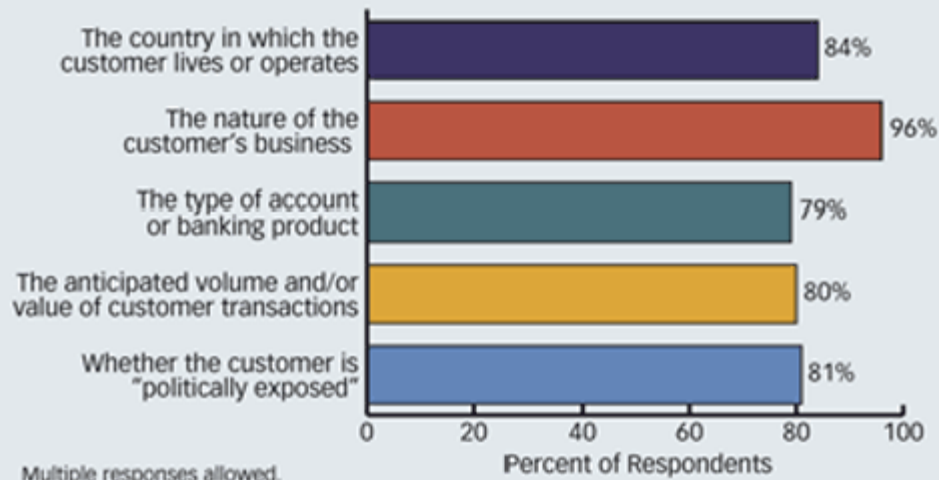
- The focus on Political Persons has increased with recent events in the Middle East and North Africa; financial institutions find themselves in a key role regarding international financial crime initiatives.
- Firstly, momentum has been gathering in relation to global bribery and corruption programs, and Libya, Egypt, Syria, other uprisings have increased Money Laundering.

De-Risking

- De-Risking has become a popular practice in financial institutions, particularly banks. The absence of an agreed definition leaves room for lengthy discussion and debate particularly in the banking industry. Some reports issued in this regard indicate that the term of de-risking refers to terminating the business relationship with customers, specifically correspondent banking relationship, instead of applying due diligence requirements to avoid the potential risk involved

Red Flags

Factors considered by financial institutions when using a risk-based approach at the account-opening stage:



Multiple responses allowed.

Source: KPMG's Global Anti-Money Laundering Survey, 2007

ED attaches ₹485 cr assets in Odisha chit fund, mining scams

PNS ■ NEW DELHI

The Enforcement Directorate (ED) on Thursday issued orders for attachment of assets worth ₹485 crore of three mining companies and a chit fund firm in connection with its money laundering probes in mining and chit fund scams in Odisha.

In the first case, the agency's Kolkata zonal office, under which Odisha falls, issued orders attaching assets worth ₹400 crore of three firms, their owners and associates in the Uliburu mining scam.

A number of immovable and movable assets of the accused firms, including Deepak Steel, Deepak Steel and Power and Sneh Pushp, and their directors Deepak Kumar, Champak Gupta and Haricharan Gupta and a few others, stand attached following the agency's order, sources said.

The ED attached the assets of the three firms and their direc-

The agency attached the assets of the three mining firms and their directors spread across Odisha and Kolkata under the provisions of Prevention of Money Laundering Act



tors spread across Odisha and Kolkata under the provisions of the Prevention of Money Laundering Act (PMLA).

The case relates to Uliburu mines area located in Joda mining circle in Keonjhar district of Odisha where large-scale alleged irregularities were detected by the State mines department a few years back. The case was also probed by the Justice (retd.) MB Shah Commission.

Continued on Page 4

Centre ropes in ED, guns for D-gang assets

TIMES NEWS NETWORK

New Delhi: The Narendra Modi-led NDA government has launched a serious drive to break underworld don Dawood Ibrahim's nexus in India and has roped in the Enforcement Directorate (ED) to investigate all properties linked to the D-gang and other associates. Attorneys and politicians helping him launder the crime proceeds are also under the scanner.



The ED is in the process of approaching enforcement agencies of the UK, Cyprus, Turkey, Spain and Morocco with information on bank accounts and property details of Dawood Ibrahim's associates

The ED, which is being assisted by other agencies to collate information related to financial interests of the Dawood gang in India and abroad, last week wrote to the BMC seeking information on specific land and building deals made by Dawood's associates in Mumbai.

Transactions in properties, drug rackets and extortions are believed to be running into thou-

sands of crores. A source said the D-gang's operations in India were mainly run by Iqbal Mirchi, who died in the UK, and his relatives. The proceeds of crime were laundered to foreign destinations where it was reinvested in property.

The agency is in the process of formally approaching enforcement agencies of the UK, Cyprus, Turkey, Spain and Morocco with specific information on bank accounts and property details of D-gang associates.

Sources said the agency has specific information where Dawood's major investments were made through Mirchi and his associates. Some of these properties are located at Worli seaface. The agency has put all those people, including lawyers, under the scanner for helping him in the sale of these properties. Some of these transactions date back to 2010.

Home minister Rajnath Singh had said in Parliament that India has specific details of Dawood's location, which it has shared with Pakistan, seeking his extradition.

Soon after the Parliament session, the government put together all its investigative agencies to track all financial interests of the D-gang to launch a crackdown in India and abroad. The ED, after investigation, will move to attach these properties.



ED proceedings against Rose Valley in West Bengal

Enforcement Directorate in April, 2015 filed charge sheet in the Rose Valley ponzi scam case against six persons, including the company's incarcerated chairman Gautam Kundu. The charge sheet was filed on the basis of a SEBI complaint to ED. On the basis of the SEBI complaint, ED had found out that Rose Valley had garnered more than Rs 15,000 crore from the public through issue of various financial instruments, which did not have sanction of the capital market regulator. ED had also frozen numerous bank accounts and fixed deposits of the Rose Valley group.



In 2014, ED has registered a money laundering case against Sahara Group under PMLA Act, in connection with non-payment of crores of rupees to depositors as probed by capital markets regulator SEBI.

Around 1/8th (Rs 3600 crore) money of the total suspected amount (Rs 17000 crore) has been laundered to US and UK.

The funds utilised to acquire the hotel in UK, originated from the Sahara India Real Estate Corp. Ltd. and the Sahara Housing Investment Corp. Ltd., from where it made way to Sahara India Commercial Corporation Limited (SICCL) for it to acquire land and undertake project developments.



Six persons have been arrested in the case involving alleged laundering of black money to the tune of Rs. 6000 crore at a branch of Bank of Baroda in Oct, 2015. Money was being transferred through 59 accounts at the bank's Ashok Vihar branch to companies in Hong Kong and Dubai. The money was disguised as payments for imports. A search revealed that addresses given by at least 50 companies for bank records were fake. Interrogation of the bank officials revealed that some of the employees acted as middle-men for these companies.



ED has filed two FIRs against Mr Chhagan Bhujbal, his son and nephew and others under the provisions of PMLA, based on Mumbai Police FIRs, to probe the Delhi-based Maharashtra Sadan construction scam and the Kalina land grabbing case. He was arrested by ED on March 14, 2016

Thank you