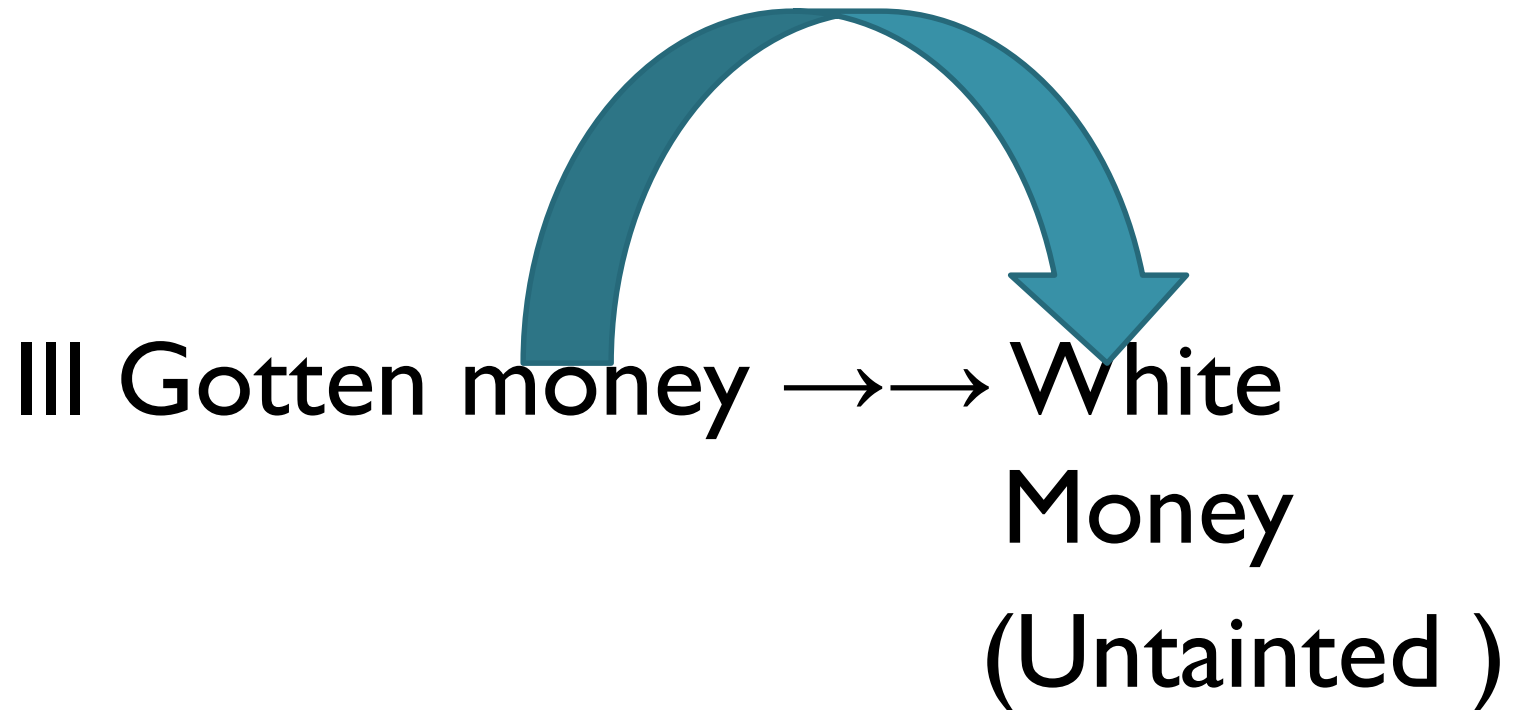


# **Money Laundering: The Prevention of Money Laundering Act, 2002: Origin and Evolution**

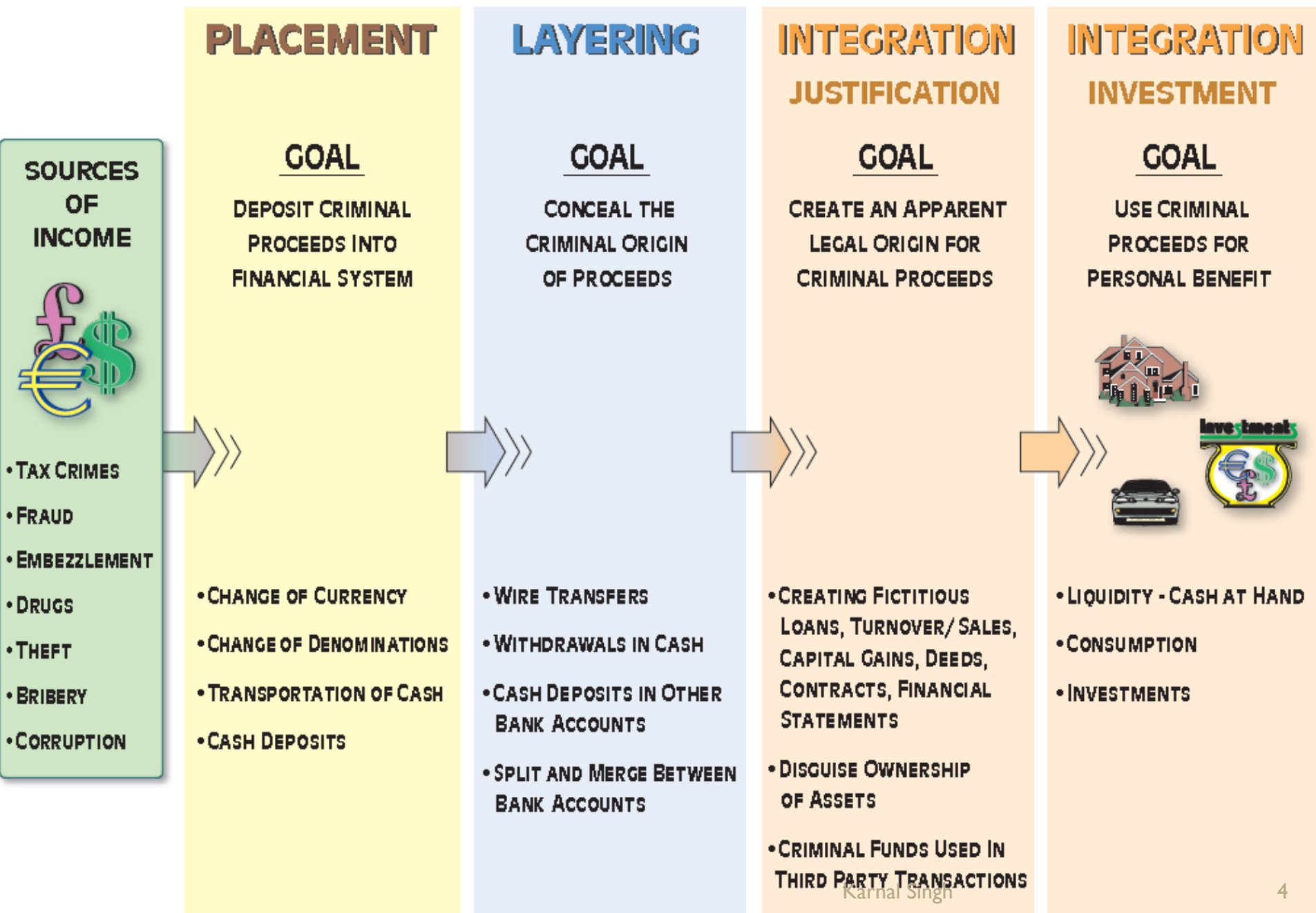
# Topics

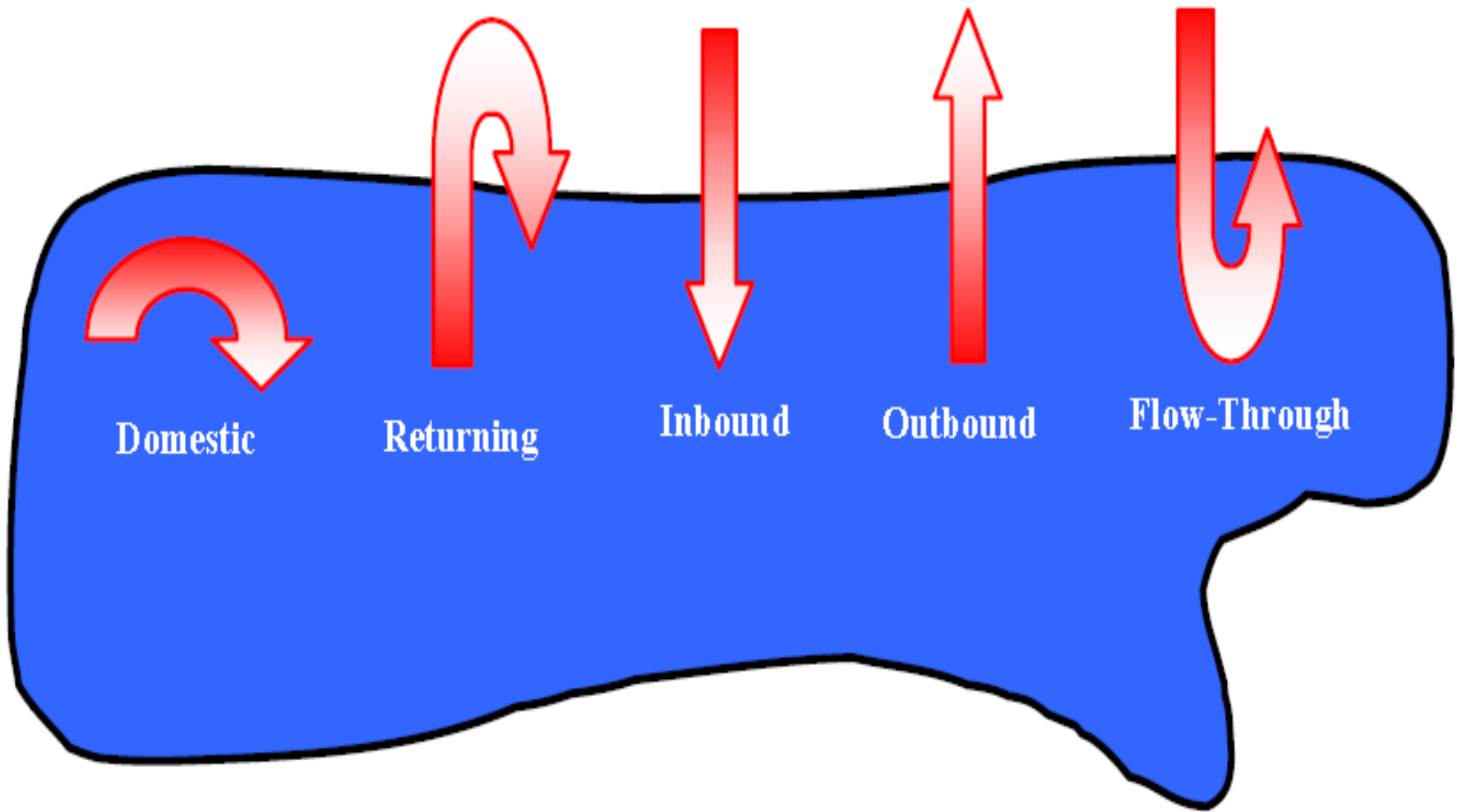
- Money laundering?
- Impact of money laundering
- Strategy to Address Money Laundering
  - International efforts
  - Indian Scenario
- Salient features of PMLA Act

# Money Laundering?



# OVERVIEW OF MONEY LAUNDERING





# Adverse impact

- Bad money drives out Good money
- Capital flight

# Adverse impact

- Stimulation of financial services
- Reputation of the financial sector
  - Non cooperative countries and territories (NCCT)

# Adverse impact Economic Effects

- Distortion of the foreign exchange market
- Distortions of economic statistics.
- Terrorist Funding is made easier



# Adverse impact Economic Effects


- “Spill-over effect” into crime
- Corruptive penetration of the upperworld
- “Corruptive penetration of the AML system”




# International efforts

# Anti-Money Laundering Architecture-Global Perspective

- **UN Convention of 1988 (Vienna Convention)** against Illicit Traffic in Narcotic Drugs & Psychotropic Substances calls for prevention of laundering of proceeds of Drug Crimes and confiscation
- **Basel Statement of Principles, 1989**, outlines Guidelines for Banks to follow on the prevention of criminal use of the banking system and to assist Law Enforcement Agencies in tackling Money laundering

- 
- **Financial Action Task Force (FATF)** created in 1989 an inter-governmental body whose purpose is development and promotion of national and international policies to combat money laundering and terrorist financing and to evaluate the effectiveness of AML/CFT regimes of various countries vis-à-vis Recommendations/Standards


**The Political Declaration and Global Programme of Action adopted by United Nations General Assembly by its Resolution No. S-17/2 of 23<sup>rd</sup> February, 1990, *inter alia*, calls upon the member States to develop mechanism to prevent financial institutions from being used for laundering of drug related money and enactment of legislation to prevent such laundering.**



**Egmont Group** a coordinating body for international group of Financial Intelligence Units (FIUs) formed **in 1995** to promote and enhance international cooperation in anti-money laundering and combating terror financing by transforming banking data into financial intelligence


## Anti-Money Laundering Architecture-Global Perspective

- **Global Programme against Money Laundering** established in 1997 in response to the mandate given to UNODC by the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances broadening beyond drug offences to all serious crimes



**The United Nations in the Special Session on  
countering World Drug Problem Together  
concluded on 10<sup>th</sup> June, 1998 has made another  
declaration regarding the need to combat  
money-laundering.**





- United Nations Convention of 2001 against Transnational Organized Crime (Palermo Convention) specifies what constitutes the offence of money laundering for countries to adapt the same within their legal systems

# FATF

- Evolution of FATF
  - 1989
  - 1996
  - 2001
  - 2003
  - 2010
  - 2012
  - 2013
- 9 FSRB
- Implemented by more than 180 countries

# UN and FATF

- 2005- UNSCR 1617 – strongly urges all Member states to implement FATF recommendations
- FATF Recommendations on TF require countries to implement UNSCR 1267 and 1373.



# Indian scenario

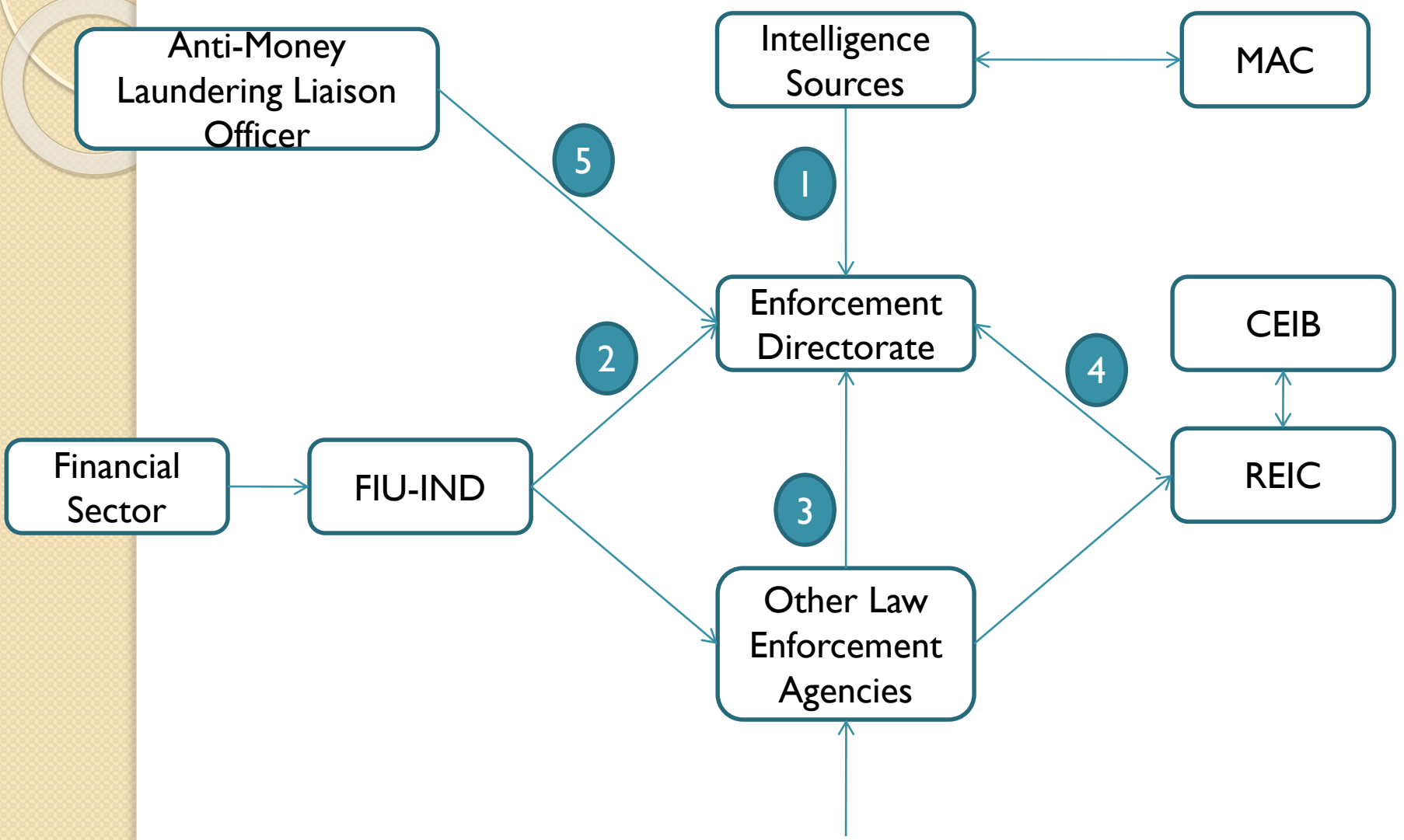
# Evolution of PMLA

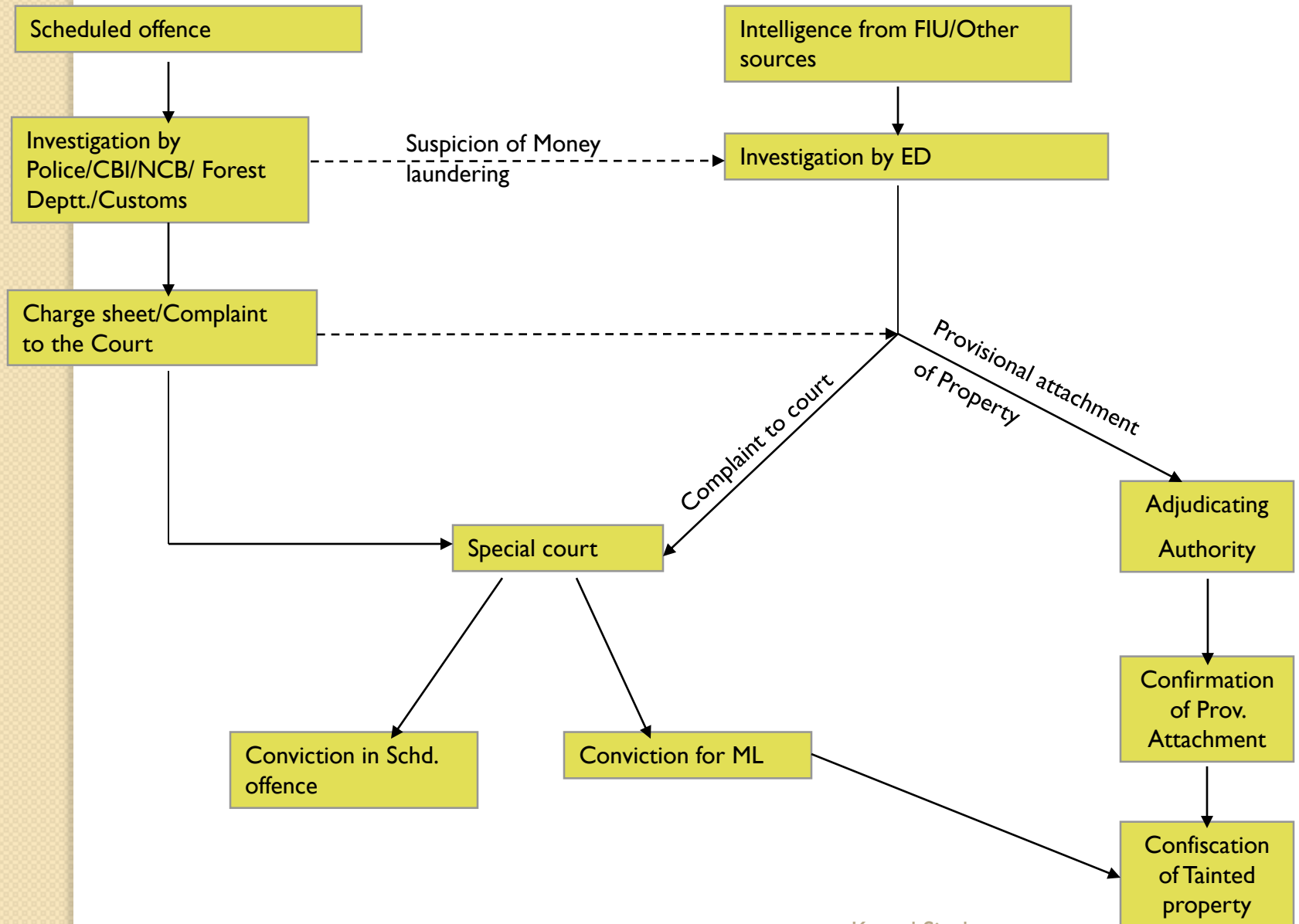
- PML Bill was introduced in the Lok Sabha on 4th August 1998, which ultimately was got President's accent on 17<sup>th</sup> January, 2003.
- Came into force on 1<sup>st</sup> July, 2005
- Amendments

# AUTHORITIES UNDER PMLA

- **FIU-IND**
- **Directorate of Enforcement**
- **Adjudicating Authority**
- **Appellate Tribunal**
- **Special Courts**

# Sources for identification of ML cases







# Sectors with ML risks

Predicate Offences	No of Cases	Attachment of Assets
Cheating & Fraud	39%	69%
Corruption	19%	27%
UAPA	3%	0.04%
Arms & Explosive	2.60%	0.30%
Securities	0.20%	0.30%
Customs	0.50%	0.30%

The cases under scheduled offences are taken up for investigation by ED.

Schedule offences include 159 sections under 29 Acts.

# Money Laundering Channels

Sector	Percentage Numbers of Total Attachment
Banking	45%
Securities	3%
Real Estate	36%
Precious metals & stones	6%
Insurance	1.5%
Others	8.5%

- The launderers use multiple channels
- Banking is used for entering ill-gotten wealth into system
- Real Estate is the major place to park Proceed of Crime



**Thank you**