

# INTERNATIONAL JOURNAL OF LEGAL SCIENCE AND INNOVATION

[ISSN 2581-9453]

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Volume 4 | Issue 2

2022

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# Money Laundering in India: Issues, Challenges and Remedies

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## ABSTRACT

*The money launderers invented numerous advanced techniques and means by which crimes can be committed better using the developments in Information and communication technology, especially the internet revolution. Internet revolution and growth of e-commerce with borderless online purchases and payments just with a click of the mouse on the Internet has become very convenient to the money launderer today. The antimoney laundering measures of the Governments lagging behind the money launders of this cyber age, as they have to switch over from the traditional AML strategies to that techno-savvy strategies in the light of numerous hurdles and to make the globe free from the evil effects of money laundering in the future.*

## I. INTRODUCTION

The initiatives of various international and regional bodies involved in the A.M.L. movement could be viewed as a worldwide crusade to convert all unbelievers to the faith of effective money laundering control. It is conceded that there is no single cure for such grave criminality but essential measures are required to reduce the risk of infection.<sup>2</sup> It is pertinent to refer to the observation of our Apex Court in the **R.K.Garg case** that, “*there may be crudities and inequalities in complicated experimental economic legislation, and the legislature can always step in and enact suitable mandatory legislation. Howsoever the care bestowed on its framing it is difficult to conceive*

*legislation which is not capable of being abused by perverted human ingenuity.*”<sup>3</sup>

## II. JURISDICTIONAL CHALLENGES/ MULTIPLE JURISDICTIONS

‘*Transnational character*’ of money laundering, led to the situation of multiple jurisdictions. Many differences exist between the ISPs, places where the servers are located in reality and the places from where users have access to the Internet and commit a crime. It is very difficult to find the exact place, type of crime that occurred. The real problem is, having different

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<sup>2</sup> Shazeeda Ali, A. (2003) Money Laundering Control in Carribebean, Kluwer Law International. 208

<sup>3</sup> R.K.Garg vs. Union of India (1982) (1) (SCR 947 SC

laws and courts belonging to different countries i.e. several jurisdictions are involved in the case.<sup>4</sup>

It is clearly understood that, though the technology is augmenting money laundering, the same technology is going to be a solution to the money laundering problem. Technology, which gives power to the money launderer, in the end, will become a powerful tool to check money laundering.<sup>5</sup>

### III. INDIVIDUALISTIC NATURE OF AML EFFORTS

Anti-money laundering efforts of various countries and Financial institutions are highly individualistic in nature, as they differ in their regulations against money laundering having exclusive, separate methods of their own to prevent money laundering.

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<sup>4</sup>The co-operation between the law enforcement, revenue services and judiciary is one of the most difficult tasks as far as the transnational criminality is concerned. Even though there are number of mutual legal assistance treaties and international conventions. So, it is easier to get away from the government agencies with money derived from illicit activities. One cannot stop the development of new payment technologies in order to fight crime, including money laundering..To meet the jurisdictional challenges of money laundering, continuous international negotiations are required to harmonise the definitions of e-crime, search/seizure provisions, to synchronise law enforcement mechanisms and to extend, improve extradition and mutual assistance treaties. The transnational nature of Cyber crimes requires strong international law enforcement cooperation, as well as cooperation with the private sector (e.g. social media and telecommunications companies).

<sup>5</sup>Technological developments, which monitor transactions are helping to identify suspicious patterns. *Big data analytics* is being used by contextual monitoring software to make links between transactions and parties, across internal and external third-party data sources.

### IV. DIVERSE DEFINITIONS/LAWS OF VARIOUS COUNTRIES

Money launderers escape due to discrepancies in the legal structures among various countries. The definitions of crime, legal and penal definitions of money laundering vary from country to country and this led to a complex situation. The United Nations sought steps to reduce this ambiguity and inconsistencies. <sup>6</sup>There is also a wide gap in transnational regulations/laws between the developed and developing nations providing undeterred liberty to the money launderers to perpetuate their illegal activities.<sup>7</sup>

### V. M.L. CONTROL THROUGH ‘COLLECTIVE GLOBAL EFFORTS’

In view of the enormity and capability of modern scientific life, the ill effects of money laundering cannot be wiped out by a single individual, society, or state but could be thwarted by a

<sup>5</sup>As the loopholes are discovered and closed. Technology enables better monitoring and analysis, perhaps soon the rodent will have few paths to escape. All businesses and individuals should perform due diligence and make every effort to guard themselves. **The Law Enforcement Implications of New Technology; Chapter2-** Money Laundering and Electronic Commerce; **August 2001**© Commonwealth of Australia 2006; ISBN 0 642 71150 X

[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Former\\_Committees/acc/completed\\_inquiries/1999-02/itlaw/report/c02](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Former_Committees/acc/completed_inquiries/1999-02/itlaw/report/c02); The aim is to place each transaction into a wider context. Only by looking at this wider network can companies gain a full view of their customers and identify unusual and illegitimate transactions consistently and accurately among thousands of genuine interactions.

<sup>6</sup>ECOFIN Study Guide – London International Model UN (2014). P.6.

<sup>7</sup> Dominic Suszek, Top 10 Anti Money Laundering Stories in 2017, <https://globalradar.com/the-top-10-anti-money-laundering-stories-in-2017-year-end-review/>

concerted and coordinated global endeavour.<sup>8</sup>Anti-money laundering Strategies require an integrated approach to individual, civil, legal, economic and other rights. As an alternative, a doctrine of civil money laundering liability is to be considered.<sup>9</sup> It is clear that neither the government working with penal law instruments nor the financial institutions can separately tackle the problem of money laundering effectively. one cannot do without the other.

*The New payment methods* also provided opportunities to the money launderers to use these differences to their advantage. This is the biggest challenge for the investigating authorities while dealing with the ‘*money trail*’ in money laundering cases.

## VI. ONLINE GAMES MAY BE ILLEGAL BUT NOT ONLINE CURRENCIES

Although online games are illegal, currencies used in online games are not illegal. Hence, enforcement authorities are not able to check their illegal gaming activities going online/websites. Gamers should be created,

tuned in to the crucial role they need in law-breaking whenever they participate in the exchange of online currencies<sup>10</sup>. Law enforcement authorities investigating cyber Money laundering need to know these new methods, adopted by the launderers.

## VII. OUTDATED AML TECHNOLOGIES IN THE DIGITAL ERA

The anti-money laundering measures applied by many banks/financial institutions are outdated and are not suitable to meet the business needs of the present digital era. present transaction monitoring systems are suffering from low speed and can monitor only the less volume of transactions. Now, digital financial transactions became faster, encrypted for greater security and anonymity. They do not require any financial institutions as intermediaries. Due to this, present AML measures are unable to investigate these transactions now, giving scope for abuse by cyber launderers.<sup>11</sup>

<sup>8</sup>In this connection, it is pertinent to borrow the view of Mr.Brown, an Interpol Expert that , “the key to making an impact in money laundering is to get all of the countries of the world to enact and enforce the same laws dealing with money laundering so the criminals have nowhere to go.”<https://www.globalsecurity.org/intell/library/news/1998/06/launder.htm>

<sup>9</sup>Baker, Raymond W. (2005) – Capitalism – Achilles Heel – Dirty Money & How to Renew the Free Market System, John Wiley & Sons. P. 45-50.

<sup>10</sup>Denial of service attacks, identity theft, and financial fraud are just a few attacks, funded by the sale of online gaming currencies and have devastated companies and organizations of all sizes. Jean-Loup Richet, in a report written for the United Nations lifts the lid on many of these increasingly popular

techniques of money laundering and stated that criminals are increasingly using the net to show plunder into a spick shade of inexperienced. Richet’s main sources of information are online hacker forums where anonymous criminals exchange tips on the best ways to launder money and are surprisingly frank about their methods. He says the closure of Liberty Reserve is unlikely to finish these practices as a result of there numerous alternatives like Web Money, Bitcoins, Paymer, Perfect Money, Money Mules and so on.

<sup>11</sup> Ex:-Crypto-currencies, used for money laundering activities by criminals because it remained unregulated. Block chain Technology to Simplify Anti-Money Laundering Solutions [idmerit.com/blog/blockchain-technology-to-simplify-anti-money-laundering](http://idmerit.com/blog/blockchain-technology-to-simplify-anti-money-laundering)

### VIII. LIMITED UNDERSTANDING OF THE LATEST AML TECHNOLOGIES

It is observed during the studies that, despite its potential, adopting “*Artificial Intelligence(AI)* and *Machine Learning(ML)*” as part of Anti-Money Laundering measures is relatively slow. This is partly because of the limited understanding of the application of AI and ML for compliance programs. *Machine learning* is considered to be more useful check suspicious activities and transaction monitoring<sup>12</sup>.

### IX. ‘LACK OF APPROPRIATE LEGISLATION’

There is no proper legislation to combat cybercrime in the light of technological advancements.

### X. DISCLOSURE DUTIES UNDER AML INFRINGING HUMAN RIGHTS/PRIVACY RIGHTS

Certain human rights issues are involved in enforcing money-laundering laws. Some are of the view that the disclosure requirements under AML laws affect one’s right to privacy. Disclosing information relating to financial transactions with foreign countries amounts to a

violation of constitutional guarantees.<sup>13</sup> Studies also revealed the FATF’s guidelines on privacy Rights of the citizens, wherein, the FATF opined that Financial secrecy laws must not come in the way of implementation of AML measures and should not consist of measures in excess of legitimate data protection and privacy concerns.<sup>14</sup> However, in the interest of justice, privacy rights must succumb to the higher public interest inherent in the prevention and detection of a crime<sup>15</sup>

### XI. AMBIGUITY PREVAILS IN MONEY LAUNDERING OFFENCE

Right from the date of inception, PMLA, Indian courts have been continuously in a confusing situation to deal with two major issues. The first issue related to the **independence of the offence of ML** from the conviction of the scheduled offence, i.e, Punishment under PMLA depends on punishment in Scheduled offences, If the Scheduled offences are not proved/not punished, then the accused cannot be punished under the PMLA, as it is a predicate offence and the second

<sup>12</sup> The regulators and compliance officers are of the view that AI and ML are “black boxes” whose inner workings are not clearly understood. Regulators require compliance officers to understand and validate not just the outputs, but also how the outcomes from AML models are derived.

<sup>13</sup> Francis Julian A (2009) Combating Financing of Terrorism – Legislative Initiatives in India, Jindal Global Review – Commemorative Issue – Vol. I. Issue-1, Jindal Global Law School, India. P.94 There is no doubt that ‘enhanced due diligence’, ‘enhanced scrutiny’ and related guidelines for strengthening and further promulgating ‘Know Your Customer (KYC) principles, and suspicious activity reporting (SAR)

are, through coordinated inter-governmental efforts, spreading across the globe in the forms of hard and soft law and leading practices. Meanwhile, however, privacy rights initiatives have also continued to gain momentum. As the former serve to foster transparency and latter may easily serve to deter it, there is a fundamental disparity between these two important objectives.

<sup>14</sup> As per Recommendation 4 of FATF; FATF/OECD (2010) “Corruption – A Reference Guide and Information Report on the Use of FATF recommendations in the fight against corruption.”;

<sup>15</sup> Shazeeda Ali, A. (2003) Money Laundering Control in Carribean, Kluwer Law International. P. 208.

one is the manner of operation of PMLA i.e, whether *retrospectively or prospectively*<sup>16</sup>

## **XII. HANDICAPS OF THE ENFORCING AGENCIES**

Enforcement agencies are suffering from certain problems such as '*underfunding 'inadequate investment* in better technology. Different enforcement agencies have separate funding sources and do not combine them in their operation. A high number of cases burdens the Enforcement Directorate and greater efficiency of the E.D.is required now. '*Lack of requisite expertise*' of the law enforcement authorities to investigate these crimes. '*Poor coordination*' among the investigating agencies and '*shortage of skilled manpower*' is faced by the agencies. Consuming a lot of time to obtain information from foreign counterparts during an investigation by the Enforcement Directorate. The enforcement machinery's efforts to combat money laundering and terrorism still have not reached the desired levels and a lot more needs to be done<sup>17</sup>. The studies have shown that the performance of the Directorate of Enforcement is encouraging in terms of launching prosecutions and it has wrapped up probes in as many as 1800 cases in 2014. Short-sighted measures by the law enforcement agencies by oversight, tend to ignore the basic criminal activity which actually causes greater harm to society. Ex:- Customs

authorities, regard *undervaluing of goods* as evading duties.<sup>18</sup> The laundering may have links with the narcotics trade, arms, human trafficking, or corruption. Investigating these links requires *collaboration and data sharing across the agencies and jurisdictions*.<sup>19</sup>

### **1. Improper Use /Misuse of PMLA Provisions by the Enforcement Agencies**

#### **a) Adverse Effect on Banks, Asset Recovery Companies(ARC) and the Innocent Buyers; ( Provision: 'Reason to believe')**

This is an illustration of cases, where, certain properties acquired by a criminal through his criminal activities are generally treated as proceeds of crime. But the problem arises when such criminally acquired properties are attached and sold in an auction through a legal process. Once such properties are sold to anybody, the stigma i.e, proceeds of crime ceases and the purchaser/buyer of such property should be treated as the rightful owner of the property, which is undisputed and totally unconnected with its past history of ownership and criminal links. But unfortunately, today such innocent buyers of such properties sold out in an auction are facing problems, even though they are not at fault. As such, previously acquired property of a criminal is not losing its stigma as the law-enforcing

<sup>16</sup>INDEPENDENCE AND TEMPORALITY: EXAMINING THE PMLA IN INDIA

Sameer Sharma ; Journal of Money Laundering Control; ISSN: 1368-5201;24 January 2020  
<https://www.emerald.com/insight/content/doi/10.1108/JMLC-05-2019-0042/full/html?skipTracking=true>

<sup>17</sup>According to the Interpol and International banking watchdogs.

<sup>18</sup> This addresses their primary responsibility to reduce harm from tax evasion. But while this is one effect of undervaluation, criminals might also be trying to launder money through under-invoicing.

<sup>19</sup> Collectively tackling the Money laundering activities *through greater collaboration* would be more efficient and effective to contain the menace of money laundering.

authorities are still considering it proceeds of Crime. This is because of the provision i.e., ‘*reason to believe*’ of the PMLA empowering officers of the Enforcement Directorate is *largely being improperly applied, as such innocent buyers(third parties) of the properties are suffering practically a lot*’.<sup>20</sup>

**b) E.D.Victimizing Family Members/Close Associates of the Accused (Provision(Sec.3): “whosoever”, directly or indirectly” and “attempts to indulge”<sup>21)</sup>**

Persons responsible for money laundering is vague ambiguous i.e., words such as “whosoever”, directly or indirectly” and “attempts to indulge”<sup>22</sup>are vague and all persons who are even remotely connected with the offence are implicated in the case. The family members (due to blood relationship) and close associates(due to proximity) of the offender became the vulnerable groups today. They are easily charged, prosecuted and their property, suspected of being obtained from proceeds of crime are attached, seized or frozen. If the Director or other officer has reason to believe their involvement, they can be arrested. They can

be convicted of the offence of money laundering even if they have not committed any scheduled offence. The latest trend of the Enforcement Directorate is to frame family members and close associates of the offender in the ECIR.<sup>23</sup> Framing family members with the accused creates additional hardships. Half-baked preventive measures coupled with overzealous punitive measures have been the features of India’s fight against money laundering.

Unfortunately, the PMLA contains certain lacunae. Reverse burden of proof, the presumption of guilt before the charge is proved, compulsion on witnesses to make truthful statements are the clauses that militate against the principle of natural justice, rule of law and due process. *Non-inclusion of domestic PEPs, their family members* and close associate under the purview of AML compliance, reflects the Government’s weak/poor commitment to preventing money laundering.<sup>24</sup>

In the *2G Spectrum and Aircel-Maxis* cases, the investigating efforts of the ‘*Enforcement Directorate*’ proved futile<sup>25</sup>The Supreme Court’s decision of striking down section 45 of the Act is

<sup>20</sup>While investigating money laundering charges, the ED has a provision for “*reason to believe*” that any property has been acquired from the “proceeds of crime”, it has the power to issue a provisional attachment order. This allows the ED to attach all such properties acquired from illegal monies for a period of six months.

<sup>21</sup> Post 2012 Amendment

<sup>22</sup> under Section 3 of the Act,

<sup>23</sup>Earlier for provisional attachment of the property, the concerned officer must have had ‘*reason to believe*’ that such person has been charged with having committed a scheduled offence. But after the amending section 5 of the Act in 2012, it is now no longer necessary that the person who is in possession of the property alleged to be proceeds of crime must also be charged with a scheduled offence.

<sup>24</sup> Despite several amendments, the Prevention of Money Laundering Act (PMLA) remains a predicate-offence-oriented law. This means, a case under the Act depends on the fate of cases pursued by primary agencies such as the “CBI, the Income Tax Department or the police. Prevention of Money Laundering Act will need more changes; Devesh K. Pandey; APRIL 15, 2018 <https://www.thehindu.com/news/national/prevention-of-money-laundering-act-will-need-more-changes/article23549980.ece>

<sup>25</sup>Prevention of Money Laundering Act will need more changes Devesh K. Pandey; APRIL 15, 2018 <https://www.thehindu.com/news/national/prevention-of-money-laundering-act-will-need-more-changes/article23549980.ece>

a welcome move. It is interesting to wait when the court applies the constitutional test to the other problematic provisions. Further, the lack of judicial decisions in this area of law fails to set a positive precedent.

### **XIII. WHAT SHOULD BE DONE FOR IMPROVEMENT?**

#### **(A) Need for Co-ordination among Enforcement Agencies**

In many cases, it is observed that coordination between different enforcement agencies is lacking, as a result, the culprits are let off easily. FIU units, Director of Revenue Intelligence, Enforcement Directorate and Police etc. must share information in respect of money laundering activities to fix the launderers.

#### **(B) To strengthen the E.D.**

Today's need is not just leak-proof legislation, but effective implementing machinery to control the activities of money laundering in India<sup>26</sup>Adequate financial resources and manpower with technology and legal expertise is the sine qua non for an effective fight against money laundering. It is noticed that law enforcement start belated investigations and seldom report to proactive and long term investigations. The focus on terrorist financing

must be continuously vigilant both at the prosecution stage and also during the trial process till the conviction of the accused is secured <sup>27</sup>To speed up the prosecution and conviction process to ensure that the guilty offenders are punished early so that it serves as a deterrent signal to criminals and launderers in India that the enforcement is tough. The working environment in the Directorate should be free from external interventions and the staff encouraged to join and working to the best of their abilities, the officers of the Directorate should perform their duty with utmost integrity and efficiency.<sup>28</sup>

#### **(C) Proper Safeguards against improper/misuse by the Investigating(ED) Agency**

There must be checks/safeguards in the form of a requirement on part of the ED to provide "reasons to believe" that the properties being attached have actually been acquired with income generated from crime. However, in most situations, statutory requirements such as "reasons to believe" for attachment and evidence of criminal activity is being ignored. In the process, "Banks, Asset Reconstruction Companies, Innocent third-party purchasers" are being victimised without fault on their part,

<sup>26</sup>Anti-money laundering measures in India- Issues and Challenges; 1 Prof.Dr.R.Thilagaraj, 2 Dr. Geni Philipose 1 Director (Academic).Centre for Excellence in Digital Forensics, Perungudi, Chennai, India, 2Advocate, High court of Madras <https://ijrcs.org/wp-content/uploads/201803103.pdf>

<sup>27</sup>APG Mutual Evaluation Report (2010)- Anti Money Laundering and Combating the Financing of Terrorism – India, APG/FATF; p.41. Some recent studies have found that hawala transactions in India are used to launder the proceeds of trade mispricing, or that the to work in conjunction in a self-sustaining

style. While the legitimate business are captured under the provisions of FEMA and Payment and Settlement System Act, 2002 (PSSA) and are now subject to provisions of PMLA there exists a sizeable and demonstrated informal sector that is operating illegally. There is no authentic method to estimate the correct size and scope of the informal hawala/hundi

<sup>28</sup>[http://www.business-standard.com/article/opinion/money-can-move-very-quickly-across-national-borders-114050301030\\_.html](http://www.business-standard.com/article/opinion/money-can-move-very-quickly-across-national-borders-114050301030_.html) 11/5/14.



but for the ownership rights on the properties, which in the past might have been acquired by a criminal with his illegitimate income. The PMLA needs review and requires modifications, if not, it further weakens the country's commerce. The Provision of 'reasonable belief' should not be casually applied. As observed by the Tribunal, to check the powers of attachment of ED. Some 'material proof in hand' is a prerequisite before exercising this power by the ED. The misuse of PMLA is reminiscent of an ancient Roman phrase "*solitudinem faciunt, pacem appellant*" which mean, they create desolation, and call it peace.<sup>29</sup>

### 1. 'Safe Harbour Provisions' to protect bonafide actions of employees

India must extend its Suspicious transaction report (STR) safe harbour provisions to cover all employees, for their bonafide actions of 'sharing AML information' with anybody, as part of AML compliance.

### 2. Punishment under PMLA should be independent of Punishment in the Scheduled Act

The "Prevention of Money Laundering Act (PMLA)" presently remains a predicate-offence-oriented law. India should make money laundering a standalone offence keeping in mind the on-site mutual evaluation by the "Financial

<sup>29</sup> We need to establish the 'actual money trail in the courts' Even before establishing money trail, the prosecution has to establish that it is "crime money". "It is not about single or solitary transactions. Hundreds of links need to be investigated by the probing agency.

<sup>30</sup> Making money laundering, a standalone offence, is one among the key recommendations of the FATF.

<sup>31</sup> The Act must apply in instances where the predicate

Action Task Force (FATF)" due in Nov/Dec 2020.<sup>30</sup> To fulfil the purpose of the Act, the offence of ML must be considered separately, irrespective of conviction under the 'scheduled Act'<sup>31</sup> The judiciary could not interpret these two issues so far. There exist uncertainty and ambiguity that prevails due to conflicting judgements.

### 3. FEMA offences must be made as 'Scheduled/Predicate Offences'

The term 'proceeds of crime' refer to the offences under 'Scheduled Offence', but the Schedule to the PMLA does not contain offences under FEMA and IT Act. FEMA does not contain the power of arrest or forfeiture of proceeds. There is a scope of illicit transfer of funds by wire to foreign accounts which could be regulated by FEMA through RBI. As such only huge transactions can be identified but not payments to fictitious invoices under TBML mode. Hence, FEMA offences should be enlisted in the Schedule to the PMLA, hence it becomes a scheduled offence.

### 4. Multi jurisdiction Cases must be tried under Single Jurisdiction

Presently, an appeal against the order of the Appellate Tribunal lies before the respective High Court, where the aggrieved party resides/carries on business. <sup>32</sup>An appropriate

offence was committed prior to its inclusion in the Act/Schedule if the act of ML occurs after such inclusion.

<sup>32</sup>Under Sec. 42 of the PMLA ;When the attached properties are located in different part of the country in a particular case, the appeals can be filed in various High Courts in the country in the same case, leading to forum shopping, and the possibility of varying orders of different high courts. To obviate this

provision must be incorporated under the Act to take care of multi-jurisdiction cases to be tried under a single jurisdiction.

#### **5. Need to Sensitize the Public and Private sectors**

Both the general public and private sector must be made aware of the activities of money laundering and the people must be apprised of the ill effects of such activities. These may help in sharing information on crimes.

#### **6. To remove Detrimental Rules obstructing International Co-Operation**

Countries all over the world should take active steps to remove detrimental rules and practices such as Offshore Financial Confidentiality from their legal systems, which are obstructing international cooperation in the joint fight against money laundering and CFT.

#### **7. All countries must have a 'Uniform list of Predicate Offences'**

There exist variations among the nations with regard to the listing of serious offences as predicate offences, and different approaches are

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difficulty, the Lok Sabha Standing Committee in 2012 proposed to incorporate provision in Sec. 42 that the appeal may lie before the Supreme Court. Concurrently, it is also proposed in Sec. 28 to raise the status of the Appellate Tribunal on the lines of the Appellate Tribunals under the SEBI Act. However, this suggestion has not been taken care of due to certain administrative difficulties.

<sup>33</sup> In view of the transnational character of the money laundering, there is a need for unitary and coherent approach at the international level and the States should adopt the same in connection with the prevention of 'money laundering & CFT';

<sup>34</sup> as suggested by the SIT on black money.

<sup>35</sup> *Block chain* is being explored as a *fraud and risk compliance solution*, which addresses some of the most critical problems with current anti-money laundering (AML) procedures. There is a need to

adopted to define what constitutes a serious crime to be considered as a predicate offence.<sup>33</sup> This must be done by amending the schedule. *Tax Evasion* must be made a predicate offence.<sup>34</sup>

#### **8. Periodical Review of AML Strategies and Continuous Up-gradation**

This exercise puts the enforcement agencies into the shoes of money launderers to find the latest techniques adopted by the launderers.

#### **9. 'Blockchain Technology' -a better monitoring tool**

The existing AML compliance procedures are handicapped with higher levels of manual, routine, data-intensive, inefficient in containing money laundering issues. There is a need for standardization to make AML more efficient through automation. Blockchain provides for top-level monitoring of entire transactions.<sup>35</sup> *Blockchain* is a very much useful tool to contain money laundering and detect fraud/risk in financial institutions. Because the data, stored on this blockchain framework is immutable.<sup>36</sup> With the help of blockchain technology, it is very difficult to evade AML

create innovative anti-money laundering solutions which are affordable and comprehensive

<sup>36</sup> Within a block chain system, data entries cannot be edited or modified. Instead, they can only be appended after entering the system. This is particularly useful in AML transaction monitoring because it prevents criminals from trying to mask their transactions to prevent detection. The transactions will always be on the block chain, no matter what a criminal does to attempt to modify them. This will help banks save money in the long run. Block chain is a distributed ledger framework that cryptographically stores data on an open or private network. Block chain is a technology that aims to transform the backend systems that most businesses run on. It aims to become a lower cost, more efficient way to share information and data between open and private networks.

procedures and damage the reputation of a financial institution.

trace the transfers(credits/debits) of digital funds easily.

#### **10. ‘Artificial Intelligence’(AI) software in Blockchain Technology for efficient monitoring**

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Now, it is time to explore the potential of artificial intelligence (AI), to deal with modern cyber money laundering activities effectively and efficiently. If the *Artificial Intelligence* software is used to monitor transactions with machine learning functionality, it runs through strings of data effectively to determine the ongoing activities of money laundering.<sup>37</sup> There has been a towing consensus on a combination of both Human and Artificial Intelligence, to be an effective AML Strategy.

#### **11. To eliminate the ‘Anonymity’ of Cryptocurrencies<sup>38</sup>**

The anonymity of cryptocurrencies is the major issue in the fight against money laundering. Anonymity prevents crypto-currency transactions from monitoring. However, with new regulations of the “*Financial Action Task Force*” (FATF), cryptocurrencies won’t be able to remain anonymous in future.<sup>39</sup> With the help of the “*Crypto Analysis Transaction Visualization (CATV) tool*” the Governments can

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<sup>37</sup> Artificial Intelligence will be able to detect patterns in large volumes of data while adapting to changes in criminal activity over time with its machine learning capabilities. These tools automate the transaction monitoring process and make it more efficient and effective than the existing ones. Further, if suspicious activity is detected, it can be highlighted, flagged and stopped for further investigation. All this activity would be immutably stored on the block chain.

<sup>38</sup>As per FATF’s New Regulations, 2019 is going to be a land mark year for new regulations against money laundering using crypto-currencies like Bitcoin.

<sup>39</sup> Block chains play a significant role in preventing money laundering by enhancing the transparency of their transactions. One such example exists today in South Korea and Singapore — Sentinel Protocol, a platform that has wallet tracking and reporting capabilities along with a block chain-based database designed to protect all its users from getting their funds mixed up with money launderers and tax evaders.