



FIU-India Welcomes DGGI Officers

**Orientation Program of DGGI Officers
21st September 2022**



What is Money-laundering?

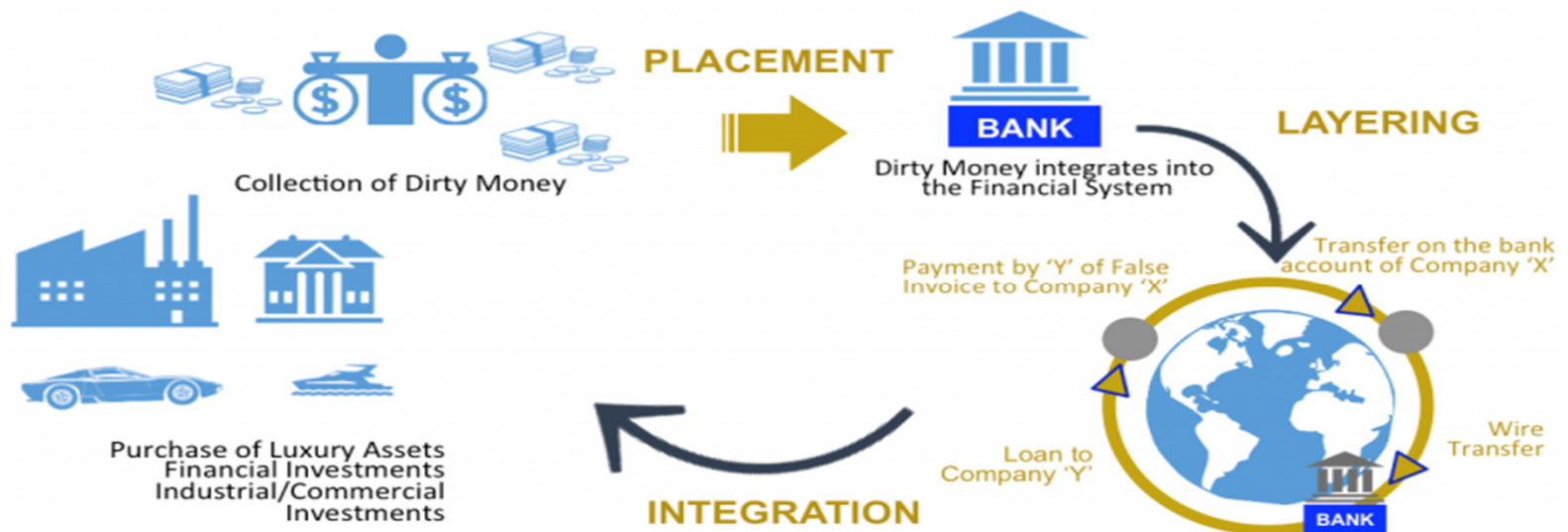
Money-laundering:

- To convert black money (illegally earned) money into legitimate money
- Invested in such a way that even the investigating agencies can't trace the main source of wealth
- The person who manipulates this money is called 'launderer'
- As per study of The United Nations Office on Drugs and Crime (UNODC), **criminal proceeds** amounted to
 - 3.6% of global GDP**
 - 2.7% Laundered Money



Process of Money-laundering

Processing of **criminal proceeds** into legitimate funds and assets to disguise their illegal origin.



Source: The United Nations, Office of Drugs and Crime



Process of Money-laundering

There are three stages to the Money-laundering:

- **Placement:** The first stage of money laundering is known as 'placement', whereby 'black' money is placed into the legal, financial systems
- **Layering:** The second stage in the money laundering process is referred to as 'layering'. This is a complex web of transactions to move money into the financial system
- **Integration:** The third of the stages of money laundering is 'integration'. After this stage, 'black' money is absorbed into the economy



Financial Action Task Force (FATF)

Inter-governmental policy making body:

- In 2001 added Combating Terror Financing to its mandate
- 40 Recommendations + 9 Special Recommendations

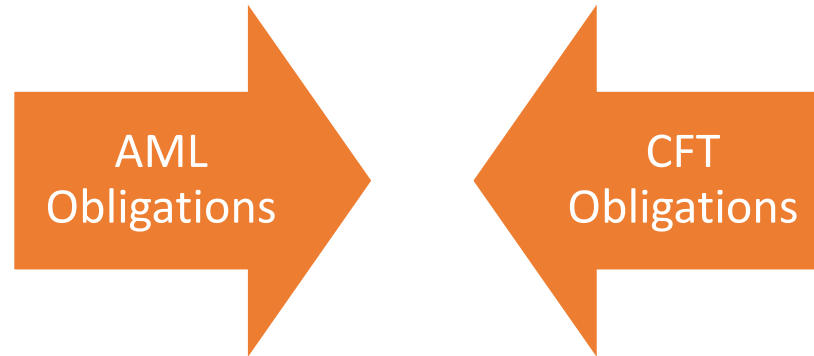
R29: Countries should establish a FIU that serves as a national centre for the receipt and analysis of:

- STR
- other information relevant to money laundering, associated predicate offences and terrorist financing, and for the dissemination of the results of that analysis.





Obligations and Reporting Entities



FIU-IND has **two** major obligations

FIU-IND acts as a **bridge** between Reporting Entities (RE) and Law Enforcement Agencies.



Terror financing

Providing financial support to terrorists / terrorist organizations

Intended purpose is disguised

Sources are often unaccounted for

Low cost of terror

Difficult to detect and prevent

Use of latest technology





The Prevention of Money-laundering Act 2002

- The prevention of Money Laundering Act 2002 is applicable to whole of India, came into force with effect from **July 1, 2005**. It was enacted 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
- The Prevention of Money-laundering Act, 2002 consists of 10 chapters containing 75 sections and 1 Schedule

The objectives are:

1. To prevent money-laundering
2. To combat/prevent channelizing of money into illegal activities and economic crimes
3. To provide for the confiscation of property derived from, or involved/used in, money-laundering
4. To provide for matters connected and incidental to the acts of money-laundering



Scheduled Offence/Predicate Offences

Every Scheduled Offence is a Predicate Offence

- The scheduled offences are divided into three parts - **Part A**, **Part B** and **Part C**
- **Part A** of schedule to PMLA has 156 offences under 28 criminal acts
- **Part B** of schedule has offence under section 132 of the Customs Act, 1962 - false declaration, false documents, etc. (If the total value involved in such offences is 1 crore or more)
- **Part C** of schedule covers offence of cross border implications and covered in:
 - Part A
 - Chapter XVII of the Indian Penal Code
 - Section 51 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015



Authorities Under PMLA

- Enforcement Directorate (ED)
- Financial Intelligence Unit (FIU) of India
- Officers to assist authorities

Punishment for Money-laundering

- Section 4 of PMLA prescribes the Punishment for Money-Laundering as under:
- Rigorous Imprisonment minimum for 3 years and maximum up to 7 years (10 years for offence under NDPS)
- Fine (Without any limit)



Financial Intelligence Unit of India (FIU -IND)

- Governments in several countries have formed Financial Intelligence Units (FIU) to receive, process and disseminate information on money related crimes. They function as a national centre for the receipt and analysis of suspicious transactions, information about money laundering, other related offences and financing of terrorism. FIUs in most countries has administrative and law enforcement nature. Financial Intelligence Unit work in cooperation with the international bodies like the [FATF](#) and the [Egmont Group](#).
- The FIU- IND was set by the Government of India on 18th November 2004 as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions.
- FIU-IND is an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.



Financial Intelligence Unit of India (FIU -IND)

The function of FIU-IND is to receive cash/suspicious transaction reports, analyse them and, as appropriate, disseminate valuable financial information to intelligence/enforcement agencies and regulatory authorities. The functions of FIU-IND are:

- **Collection of Information:** Act as the central reception point for receiving Cash Transaction reports (CTRs), Cross Border Wire Transfer Reports (CBWTRs), Reports on Purchase or Sale of Immovable Property (IPRs) and Suspicious Transaction Reports (STRs) from various reporting entities.
- **Analysis of Information:** Analyze received information to uncover patterns of transactions suggesting suspicion of money laundering and related crimes.
- **Sharing of Information:** Sharing information with national intelligence/law enforcement agencies, national regulatory authorities and foreign Financial Intelligence Units.
- **Act as Central Repository:** Establish and maintain national data base on cash transactions and suspicious transactions on the basis of reports received from reporting entities.
- **Coordination:** Coordinate and strengthen collection and sharing of financial intelligence through an effective national, regional and global network to combat



Reporting Entities

Banking

- Public Sector
- Private Sector
- Cooperative Banks
- Regional Rural Banks
- Foreign Banks
- Payment Banks/ Small Banks

Financial Institutions

- Insurance Companies
- Housing Finance Inst.
- NBFC
- Deptt. of Posts
- Pre Paid Instruments (PPIs)/ Payment System Operators
- Chit fund companies
- Hire purchase companies
- Authorised Money Changers

Intermediaries

- Stock Brokers
- Recognized Stock exchange
- Intermediary Registered by PFRDA
- Mutual Funds
- Asset Management Companies
- Venture Capital Funds
- Depositories/DPs
- FIIs
- Share Transfer Agents
- Registrars to Issue etc.

DNFBPs*

- Registrars, Sub registrars
- Casinos
- Real estate agents
- Dealer in precious metals and stones

(*Designated Non-Financial Businesses and Professions)



Reporting Entities

Reporting Entities (REs) means an entity or organization which will give report or information

PMLA defines the reporting entity as:

- **Banking company,**
- **Financial institution,**
- **Intermediary** (viz. stockbroker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser or any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992, etc.)
- **Person carrying on a designated business or profession** (viz. Casino, I.G. of registration, Real estate agents, Dealer in precious metals and stones, Safe keepers of cash and liquid securities, Person carrying such other activities as notified, etc.)
- As per The Prevention of Money Laundering (Maintenance of Records) Rules, Reporting Entities are required to appoint **Principal Officer and Designated Director**



Maintenance of Records

As per section 12 of the PMLA- Every reporting entity shall:

- (a) Maintain a record of all transactions, including information relating to transactions covered under clause (b), in such manner as to enable it to reconstruct individual transactions
- (b) Furnish to the Director within such time as may be prescribed, information relating to such transactions, whether attempted or executed, the nature and value of which may be prescribed
- (c) Maintain record of documents evidencing identity of its clients and beneficial owners as well as account files and business correspondence relating to its clients

2. Every information maintained, furnished, or verified, save as otherwise provided under any law for the time being in force, shall be kept confidential

3. The records referred to in clause (a) of sub-section (1) shall be maintained for a period of five years from the date of transaction between a client and the reporting entity

4. The records referred to in clause (e) of sub-section (1) shall be maintained for a period of five years after the business relationship between a client and the reporting entity has ended or the account has been closed, whichever is later



Reports received by FIU

STR – Suspicious Transaction Reports

CTR – Cash Transaction Reports

- INR 10 lakh/1 Million USD\$ per month aggregate – credit / debit

CWTR – Cross-border Wire Transfer Reports

- INR 5 lakh/0.5 Million USD\$ – credit / debit

NTR – Non-profit org Transaction Report

- INR 10 lakh/1 Million USD\$ receipt

CCR - Counterfeit Currency Report



Types of Reports

As per Rule 3 of Prevention of Money-Laundering (Maintenance of Records) Rules 2005 - Every reporting entity shall:

1. All cash transactions of the value of more than Rupees ten lakh or its equivalent in foreign currency. Required to be filed in **Cash Transaction Report (CTR)** on monthly basis within 15th day of the succeeding month.

- All **series of cash transactions** integrally connected to each other which have been individually valued below Rupees ten lakh, or its equivalent in foreign currency taken place within a month and the aggregate exceeds Rupees ten lakh, or its equivalent in foreign currency.
- Required to be filed in **Cash Transaction Report (CTR)** on monthly basis within 15th day of the succeeding month.

2. All transactions involving receipts by non-profit organizations of value more than rupees ten lakh, or its equivalent in foreign currency. Required to be filed in **Non-Profit Organization Transaction Report (NTR)** on monthly basis within 15th day of the succeeding month.

3. All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions. Required to be filed in **Counterfeit Currency Report (CCR)** on monthly basis within 15th day of the succeeding month.



Types of Reports

4. All cross-border wire transfers of the value of more than Rupees Rupees five lakh or its equivalent in foreign currency where either the origin or destination of funds is in India. Required to be filed in **Cross Border Wire Transfer Report (CBWTR)** on monthly basis within 15th day of the succeeding month.
5. All **suspicious transactions** whether or not made in cash Required to be filed in **Suspicious Transaction Report (STR)** Within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature.
6. All purchase and sale by any person of **immovable property** valued at Rupees fifty lakh or more that is registered by the reporting entity, as the case may be.

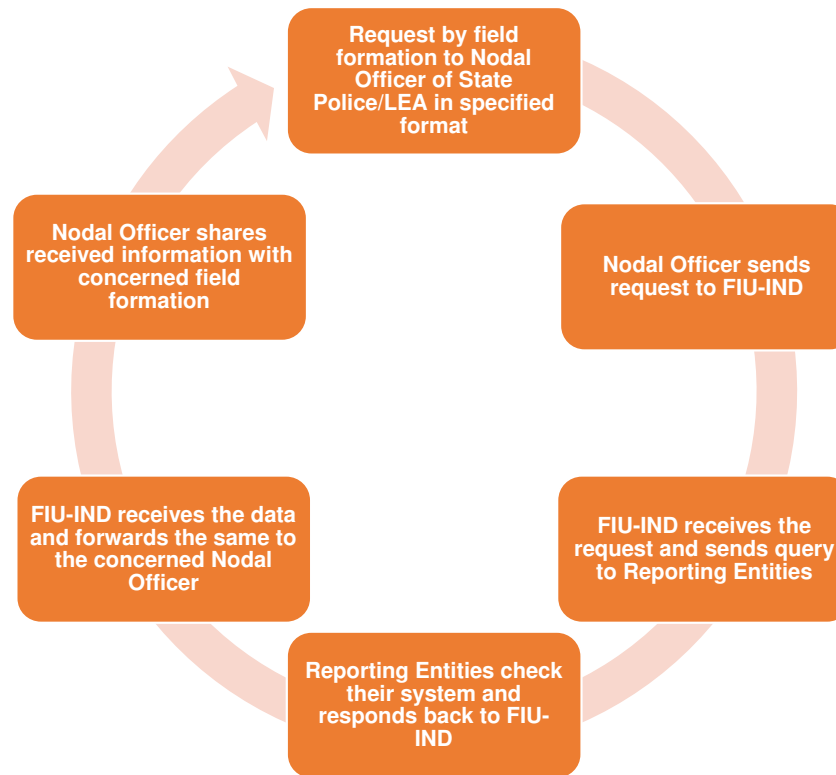


Dissemination and Exchange of information

- List of Agencies
 - As per Section 66 of PMLA
- Authorised Users
 - Head of Agency
 - Nodal officer (point of contact)
 - Alternate nodal officer
 - Designated users (optional)
 - Other users

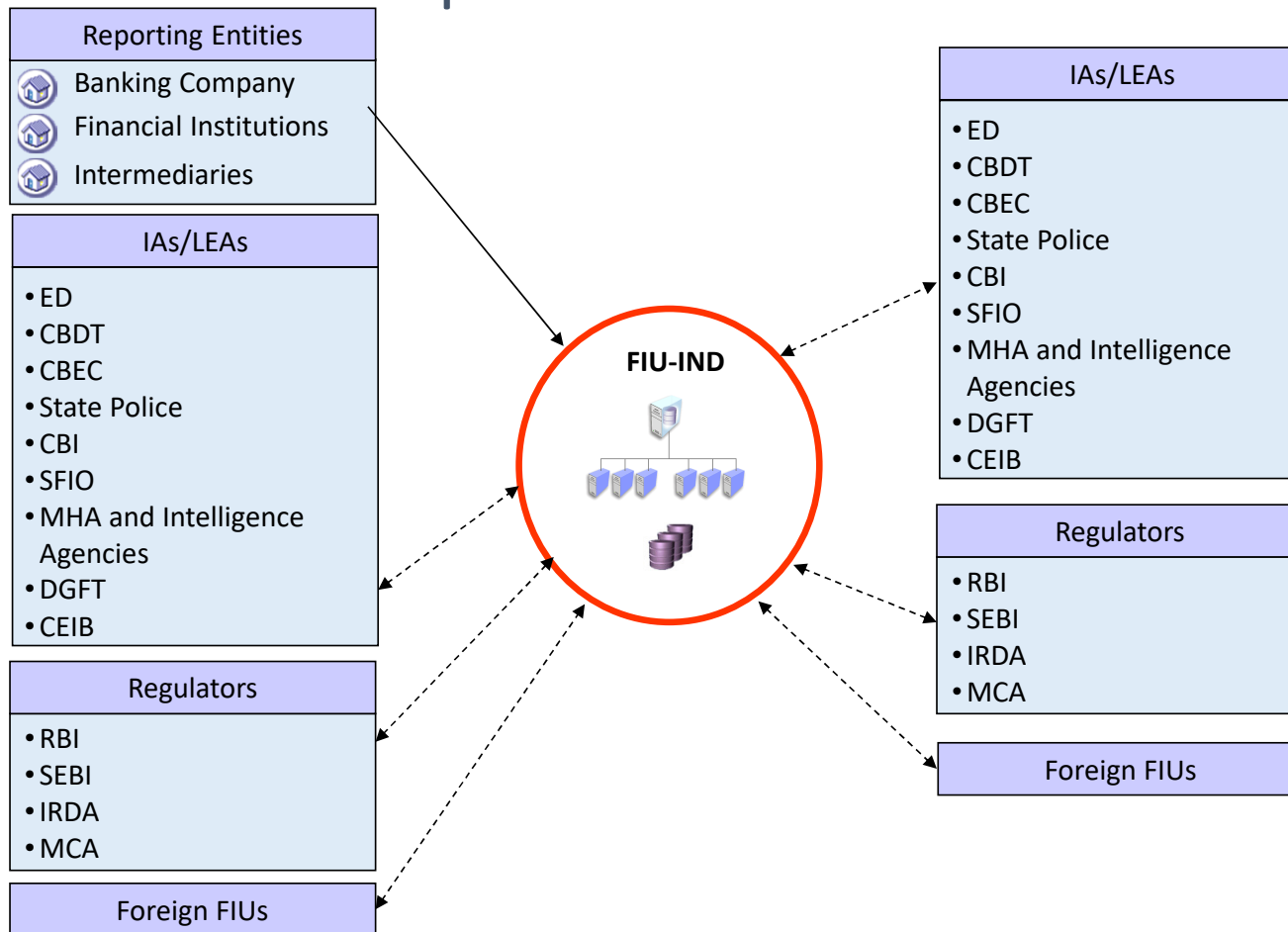


Process of Seeking information from FIU-IND





Domestic Cooperation Framework





FINnet Exchange Users

Nodal officer: The nodal officer is the officer designated by the law enforcement/intelligence agency or organization to act as the single point of contact with FIU-IND. FIU-IND will disseminate all spontaneous exchange cases to nodal officer, who will further allocate the case to other users (Designated Users and Normal users).

Alternate Nodal Officer: Alternate nodal officer works as a nodal officer in the absence of nodal officer, All roles and responsibility of Nodal officer would be played by him.

Supervisor to Nodal Officer: A supervisor to Nodal Officer can view the cases but can not download or work on the cases.

Designated Users: In case of agencies with large number of users, FIU-IND, in consultation with the nodal officer, may categorize some senior officers (e.g. Director General of Income Tax) as designated users. Designated User can send the request (Web or Bulk) to FIU directly, no approval is required, however response to their request will always go through the nodal officer.

Normal Users: The nodal officer and the designated user can register normal users which goes directly to FIU –IND for approval. Normal User can not send the request (Web or Bulk) directly to FIU, first it will go to the Nodal officer for approval.



Two Pillars of FIU-LEA Partnership

- The two pillars of FIU-LEA Partnership is Dissemination of Information (STR, CTR, CTR, CBWTR, etc.) and Request for Information.
- Request can be either domestic requests or requests to foreign jurisdiction routed through ICCG vertical of FIU-IND (Egmont Request)
- Domestic information can be obtained from any Reporting Entities Banks, Payment Wallets, Stock Exchanges, Casinos etc.
- Domestic and EGMONT requests should be made in prescribed format, the proforma of which will be shared with Nodal Officers.



Request Proforma

Domestic Request
Proforma

EGMONT (International Request)
Proforma



STR Dissemination & Reference Analysis

Disclaimer

For response related to any reference analysis done by FIU-IND, the concerned LEA must ensure that:

“The information, reports and data furnished to the FIU-IND by Reporting Entities are based upon the suspicion but **not the confirmed cases**. It is the responsibility of concerned LEA that these information need to be **re-verified with concerned RE/ independent investigation** at their end for their accuracy before initiating any action on the basis of the information being furnished by FIU-IND to LEA.”

LEA can't share or transfer any Information received from FIU-IND under STR dissemination or reference analysis by quoting/ referring FIU-IND. Before sharing any such information to any third party, concerned **LEA must independently re-verify** the facts & data and **should take ownership** of the shared information.



THANK YOU