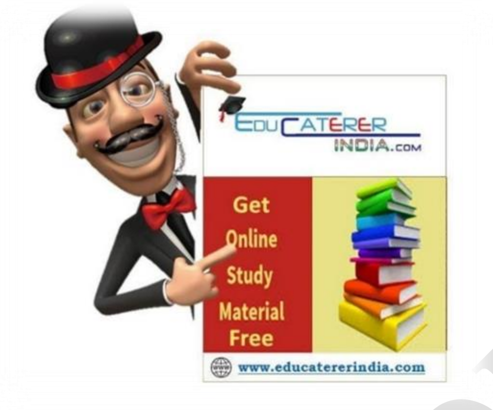
Money Laundering & Anti-Money Laundering



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Money Laundering

Meaning

It is a process of conversion of illegal money from various sources to appear to have originated from legitimated (Legal) source. By illegal money we mean to say that the money which has come from illegal sources like drug trading, Smuggling of Gold, Sand etc.. The major sources of illegal money are tax evasion, bribe, Smuggling etc. Mostly all financial institutions or government bodies which is wholly or partially governed by government have also been directed to look into this matter if any one find any suspicious activity in any accounts.

Stages of Money Laundering

Basically money laundering is divided in 3 stages namely

1. Placement

Placement is the first stage of money laundering. It refers to the initial entry point of money. In this stage placement of money occurs through various channels like Placing money in bank account, Smuggling money to abroad, etc.

2. Layering

It is the second stage of money laundering. It refers to the complex network of transaction which obscure the link between initial entry point and the end of laundry cycle i.e. make separation between the initial entry point & the final entry point. In this stage the money placed is transferred to various account in small units so as to disrupt among various investments like in business, investments in lands, share market, etc.

3. Integration

It is the last stage of money laundering. It refers to the return of funds to the legal economy. Basically integration means merging, consolidate or joining.

Anti-money Laundering

India's Effort

- To stop money laundering in India, Government introduced an act known as "Prevention of Money laundering Act, 2002".
- According to the act a convicted will force rigorous impersonated of 3 to 7 years and fine up to Rupees 5 Lakh.
- India's Bank also introduced various techniques to stop money laundering like "Know Your Customer" norms.

Enforcement Directorate (ED)

ED was made by India to stop money laundering.

- Director of Enforcement Directorate (ED) – Karnal singh
- Headquarters of ED – New Delhi

Money Laundering on International Basis

On international Basis Financial action task force was established (FATF) to combat with money laundering cases and terrorism financing.

Established in 1989

Headquarters – Geneva

Total member countries – 36

Official Language – French, English
President of FATF – Roger Wilkins

"Prevention of Money laundering Act, 2002"

It is an act enacted by Parliament of India to prevent money laundering and to provide for confiscation of property derived from money laundering.
This act was enacted on 17 th January 2003 & it was commenced on 1 st July 2003.

Objectives

1. To combat with money laundering
2. To impound and take over the property obtained from illegal sources
3. To deal with other issues which is interlinked with money laundering

Punishment for Money Laundering

If any person found guilty in money laundering case , He/she must be punished with rigorous imprisonment from 3 years to 7 years up may be extended up to 10 years instead of 7 years.
If any person found guilty in money laundering case , He/she must be punished under the Narcotic Drugs and Psychotropic Substance Act, 1985 also.

Know Your Customer

The basic 3 points of KYC is listed below
It is a process which is formulated by Central Bank of India i.e. RBI to avoid misused of Banking service.
This Guideline was introduced in 2002 by Central bank of India. In this guideline all banks need to verify all accounts details.
In this process each & every bank obtain information about the identity and address of the customers for maintaining transparency.