International Journal of Research Publication and Reviews, Vol 6, Issue 6, pp 3615-3623 June 2025

International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

India's Role in Cross Border Money Laundering Investigations: Legal and Diplomatic Dimensions

Aman Raj, Dr. Ratnesh Srivastava

Law College Dehradun, Uttaranchal University

ABSTRACT

The predominant support for worldwide terrorist activities stems from several attitudes; yet, a thorough analysis reveals that the fundamental impetus behind most terrorist actions is financial backing. Therefore, it may be concluded that restricting the flow of finances that facilitate terrorist activities will substantially reduce the incidence of terrorism. Terrorist acts are consistently characterized as low-cost endeavours. Conversely, Ehrenfeld contends that even a highly advanced and deadly assault, like the one on September 11, 2001, was believed to have incurred a cost of approximately US$500,000, while the maintenance and growth of terrorist networks require ongoing substantial financial investments. Numerous ideas and inconsistencies may arise when evaluating the basic reasons of terrorism and its accompanying backward integration; yet, the theory of financial backing for the continuation of such terror- related acts cannot be disregarded. Disrupting the financial resources of terrorists poses a considerable task; yet, if accomplished, it could render the entire globe a more harmonious and secure environment. An effective international money laundering framework requires three essential components: the formulation of internationally recognized norms, the execution of a robust legal and enforcement infrastructure, and the establishment of strong interconnections among national systems to ensure the integration of international standards into domestic legal frameworks. This study will examine the element of establishing an efficient international money laundering framework, concentrating on India. India has made significant strides in accepting and integrating the law of the nation with the worldwide anti-money laundering framework; nonetheless, substantial efforts are still required for effective implementation.

Keywords: United Nations, Money Laundering, Treaty, Agreements, FATF, PMLA

1. INTRODUCTION

The danger Money laundering carries global hazard. It refers to a sequence of complex transactions carried out under several national jurisdictions meant to hide the origins of illegal money and fit it into the official financial scene. According to a study of Canadian police records on money laundering, more than eighty percent of all laundering activities included an overseas component. Usually, jurisdictions lacking strong financial control systems provide means for the laundering of illegal money.

To fight money laundering, several international legislative systems have been developed. Starting in 1988, the first project consisted in two main components: the “United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances”[1], succeeded by the forty recommendations of the “Financial Action Task Force”, in 1990, and the “Basel Committee on Banking Regulations and Supervisory Practices”, established in 1974. The effectiveness of these global actions depends mostly on how each member state incorporates them into their own legal systems as well as on their capacity to promote cooperation to reach the common goal of stopping money laundering. This paper looks at India's response, including legal rules and regulatory actions, to the international anti-money laundering system. Money laundering is the process of hiding the source, origin, and application of money obtained by illicit and criminal activity therefore giving them an air of legitimacy.

'Money laundering' seems modern, coming from the British magazine ‘Guardian’. Black's Law Dictionary defines ‘money laundering’, “the investment or transfer of funds obtained from racketeering, drug trafficking, and other illicit sources that are untraceable”.

‘Money laundering’, is “the process of turning ‘black money’, obtained from illicit activity, into ‘white money’, or ‘legitimate money’. To hide the source of these money, this entails the washing of cash or other assets obtained from illegal activity through respectable companies and businesses”.

Article 1, of the EC Directive defines "money laundering" as “the conversion of property, with knowledge that it originates from serious crime, aimed at concealing or disguising its illicit origin or aiding individuals involved in such offenses to evade legal repercussions, as well as the concealment or

[1] https://www.incb.org/incb/en/precursors/1988-convention.html (visited on 23rd April, 2025).

disguise of the true nature, source, location, disposition, movement, rights concerning, or ownership of property, while being aware of it is derived from serious crime".

Robinson says money laundering is "a process in which 'illegal, or dirty, money is subjected to a series of transactions, or washed, resulting in legal, or clean money"[2]. By use of several transactions and agreements, the existence and source of illegally obtained money can be hidden, therefore allowing these monies to be finally reported as legitimate revenue.

2. TECHNIQUES AND STRATEGIES FOR MONEY LAUNDERING

Money laundering is executed by a sequence of clandestine and fraudulent transactions. Money laundering, in contrast to numerous other unlawful activities, entails a sequence of transactions that ultimately transform criminal monies into legitimate assets. Money laundering activities have three fundamental stages. The initial phase is termed 'placement,' during which proceeds from illicit activities are deposited into legitimate financial institutions. This phase involves the physical disposal of unlawfully obtained assets, mostly aimed at enhancing liquidity of funds. For instance, converting cash into a bank deposit facilitates more straightforward transfer and management.

The subsequent phase is the 'layering' stage, which involves a complex array of financial transactions designed to obscure the true origin of illicit funds, allowing them to integrate into the legitimate market by distributing and concealing the criminal capital. Money laundering employs various methods, including correspondent banking, low- or no-interest loans, currency exchange offices, back-to-back loans, fraudulent sales and purchases, trust offices, and, more recently, Special Purpose Vehicles (SPVs). The concluding phase of money laundering, wherein illicit funds are ultimately assimilated into the legitimate market, is referred to as 'integration'. Subsequent to this phase, the illicitly acquired capital is extracted and put back in new businesses and ventures.

While these three methods are frequently employed in money laundering, their necessity is not absolute. In specific instances, only two of the three steps have been employed for money laundering, as evidenced in the Spence Network and the Douglas case.

Numerous methodologies exist for the laundering of illicit funds. Various tactics may be employed to assimilate illicit monies into the legitimate financial market, contingent upon the circumstances. 'Smurfing' is a method that involves dividing cash into smaller amounts to evade accusations of money laundering and circumvent anti-money laundering reporting requirements. The other method involves operating a 'cash-intensive business,' which typically includes accepting cash and putting it into accounts that hold both legitimate and illicit funds, while inaccurately reporting the entirety as lawful income. A service firm exemplifies this, as it incurs no variable costs.

Likewise, real estate investments and casino chip acquisitions serve as additional avenues for money laundering. The property may be acquired with illicit finances and subsequently sold, rendering the proceeds seemingly legitimate to external parties. In casinos, an individual may enter with cash, purchase chips, engage in gameplay for a duration, and thereafter exchange the chips for a check. The money launderer may later deposit the cheque into their bank account and assert it as gambling winnings. Another technique of money laundering is 'round tripping', wherein profits are put in a meticulously overseen foreign entity situated abroad, preferably in an offshore tax haven with minimal documentation, and subsequently repatriated.

3. INDIA'S STRATEGY REGARDING THE INTERNATIONAL MONEY LAUNDERING FRAMEWORK

Structural changes to India's economic system drove the country's inclusion into the world economy starting in the 1990s. Globalization, privatization, and liberalization of the Indian economic structure directly led to these changes. India grew vulnerable to international money laundering activities as it moved toward more improved global financial and political integration. The Bureau for International Narcotics and Law Enforcement Affairs International Narcotics Control Strategy Report notes that India's growing role as a regional financial hub, its extensive informal cross-border money transfer system, and common tax evasion problems all help to explain India's vulnerability to money laundering. Among the common sources of illegal income in India are narcotics trafficking, the unlawful trade in endangered species, the illicit gem trade (particularly diamonds), smuggling, human trafficking, corruption, and tax avoidance.

Legislative actions against money laundering taken by India are covered within "the Prevention of Money Laundering Act, 2002 (PMLA)"[3]. Various legislative measures addressed money laundering in several ways prior to the PMLA: the Income Tax Act, 1961; the Benami Transactions (Prohibition) Act, 1988; the Penal Code, 1860; the Code of Criminal Procedure, 1973; the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974; and the Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988.

Under Prime Minister Narendra Modi, the NDA government has lately carried out several initiatives aimed at combating black money and money laundering. Enacted to control and tax foreign unreported income and hidden assets kept by Indian tax residents, the Black Money (undisclosed foreign income and assets) and Imposition of Tax Act of 2015 is the most important legislation. Two main clauses in the Black Money (undeclared Foreign Income and Assets) and Imposition of Tax Act, 2015 are a 30% tax rate and a penalty equal three times the tax liability on undeclared foreign income and assets, together with a three to ten years mandatory prison sentence. For those with hidden overseas income and assets, the 2015 Act created a single

[2] http://data.europa.eu/eli/dir/2015/849/oj (visited on 23rd April, 2025).

[3] THE PREVENTION OF MONEY-LAUNDERING ACT, 2002.

compliance option. From July 1, 2015, to September 30, 2015, those who revealed their assets were given immunity from prosecution provided they paid the necessary taxes and fines. Still, during the compliance period just 638 declarations totalling Rs. 3,770 crores were sent in. The later legislative projects are noteworthy in their fight against money laundering.

i. Criminalization of Money Laundering Legislation

The basic idea behind all worldwide anti-money laundering policies is criminalizing money laundering actions. This criminalizing of money laundering calls for the classification and treatment of it as a criminal offense. Two main laws forbid money laundering in India: the "Narcotic Drugs and Psychotropic Substances Act, 1985 (NDPS Act)", changed in 2001; the "Prevention of Money Laundering Act, 2002 (PMLA)"[4], changed in 2005 and 2009. Whereas the PMLA covers all facets of money laundering, the NDPS Act deals with drugs, their financing, and proceeds.

Two United Nations Conventions the Vienna and Palermo Conventions led the PMLA and NDPS Acts to be developed. Among other things, these agreements compel the prosecution of activities including the transformation or transit of illicit proceeds for specified uses as well as the concealing or modification of the true form, origin, status, actions, or ownership of illegal monies. The PMLA's Section 3 and the NDPS Act's Section 8A list the following:

Section 3: "Any individual who directly or indirectly endeavours to participate in, knowingly aids, is complicit in, or is actively engaged in any process or activity concerning the proceeds of crime and represents it as legitimate property shall be deemed guilty of the offense of money laundering."

Similarly, Section 8A of the NDPS Act stipulates that "no individual shall convert or transfer any property, aware that it is obtained from an offense under this Act or any analogous legislation of any nation, or from involvement in such an offense, with the intent to conceal or obscure the unlawful origin of the property, or to assist any individual in perpetrating an offense or to evade legal repercussions; or obscure or mask the genuine nature, origin, location, or status of any property, with awareness that such property is obtained from an offense perpetrated under this Act or any analogous legislation of another nation; or intentionally obtain, hold, or employ any property that originated from an offense perpetrated under this Act or any analogous legislation of another nation".

The preamble to the PMLA states that its objective is to prevent money laundering and to facilitate the confiscation of property obtained from or associated with money laundering activities. The Act comprises X chapters, 75 sections, and a schedule, and it is applicable throughout India.

According to Section 3, the "offence of money laundering", refers to "the act of representing illicit monies (proceeds of crime) as legitimate, either directly or indirectly, or will fully facilitating such behaviour, being associated with, or actively participating in any related procedures or actions. The consequences for the crime of money laundering, particularly involving funds obtained from conventional unlawful activities, entail a minimum incarceration of three years, up to seven years, alongside a possible fine of five lakh rupees".

Furthermore, Section 5 pertains to, "the seizure of assets associated with money laundering. The provision states that if the Director has reasonable suspicion that an individual holds property linked to money laundering or is involved in dealings with such property, the Director is empowered to confiscate the property. The Director have the authority to seize laundered funds involved in drug-related offenses immediately upon a police officer submitting a case or complaint to the relevant court for acknowledgment of the offense under the NDPS Act". In other instances, specific safeguards exist, allowing attachment only after the inquiry is concluded and a report is generated in accordance with Section 173 of the Criminal Procedure Code. Additionally, the Act mandates the establishment of a three-member Adjudicating

Authority to address issues concerning the attachment and forfeiture of property under its provisions. Upon receiving a complaint or information about a violation of the Act, the adjudicating authority must issue a notice to show cause under the Act, questioning why the specific item should not be classified as property involved in money laundering.

ii. Criminalization of Financing for Terrorism

Terrorist financing and narcotics trafficking are two primary domains where illicit or laundered capital is frequently utilized. Consequently, specific law has been established to address both infractions. The principal anti-terrorist financing statutes include the Unlawful Activities (Prevention) Act of 1967 (UAPA),[5] modified by the Unlawful Activities (Prevention) Amendment Act of 2004 and the Unlawful Activities (Prevention) Amendment Act of 2008, along with the National Investigation Agency Act of 2008. India enacted legislation to criminalize terrorist financing prior to international initiatives in this domain. On September 8, 2000, the International Convention for the Suppression of Terrorist finance (FT Convention) was signed, initiating a significant global effort to combat terrorist finance. In October 2002, the FATF released nine explicit recommendations regarding money laundering and terrorism financing.

Subsequent to amendments in 2004 and 2008, India's terrorist financing rules aligned with international standards. Sections 17 and 40 of the UAPA prohibit the financing of terrorism. Section 17 specifically addresses the accumulation of funds intended for terrorist financing. It stipulates, "Any individual, within India or abroad, who directly or indirectly raises or collects funds, provides funds to any person or persons, or seeks to provide funding to any person or persons, with knowledge that such funds are likely to be utilized by such individuals or groups to perpetrate a terrorist act, irrespective

[4] *Ibid.*

[5] THE UNLAWFUL ACTIVITIES (PREVENTION) ACT, 1967.

of whether such funds were actually employed for the execution of such an act, shall incur a penalty of imprisonment for a minimum of five years, which may extend to life imprisonment, and shall also be liable for a fine."

Section 40 criminalizes the act of soliciting contributions for terrorist organizations, as stipulated in Section 17. It specifies, "An individual perpetrates the offense of soliciting funds for a terrorist organization if, with the intent of advancing the operations of a terrorist organization, solicits another person to furnish funds or other assets, with the intention that they be utilized, or having reasonable grounds to fear that they may be employed, for terrorist objectives; or acquires funds or assets with the intention that they be utilized, or with reasonable grounds to believe they may be employed, for terrorist activities; or furnishes funds or other assets, aware or having reasonable grounds to suspect, that they would or could be utilized for terrorist activities. An individual convicted of soliciting donations for a terrorist group under subsection (1) shall face imprisonment for a term not exceeding fourteen years, a monetary fine, or both penalties".[6]

The National Investigation Agency Act of 2008 established the National Investigation Agency (NIA), a federal investigative entity responsible for the investigation and prosecution of offenses under the Acts enumerated in the Schedule of this Act, including the Atomic Energy Act of 1962, the Unlawful Activities (Prevention) Act of 1967, the Anti-Hijacking Act of 1982, the Suppression of Unlawful Acts against the Safety of Civil Aviation Act of 1982, the SAARC Convention (Suppression of Terrorism) Act of 1993, the Suppression of Unlawful Acts against the Safety of Maritime Navigation and Fixed Platforms on the Continental Shelf Act of 2002, the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act of 2005, as well as offenses under Chapter VI of the Penal Code of 1860 (sections 121 to 130, inclusive) and Sections 489-A to 489-E (inclusive) of the Penal Code of 1860.

iii. Institutional Enforcement Mechanism

The Indian government has established several agencies to address money laundering. The primary objective of these companies is to oversee financial operations and guarantee the efficient enforcement of anti-money laundering legislation.

- ***Reserve Bank of India***

The Reserve Bank of India (RBI), formed in 1935 under the Reserve Bank of India Act of 1934,[7] is one of the oldest financial regulatory authorities in India. The principal responsibility of the RBI is to oversee monetary policy and regulate numerous financial institutions, including commercial banks, cooperative banks, non-banking financial companies, and various financial markets. The Board of Financial Supervision (BFS) enables this oversight. The RBI issues circulars and notices to direct banks throughout India in their anti-money laundering efforts.

Notification G.S.R. 444(E) mandates that all banks adhere to the recommendations and notifications issued by the RBI.

On July 1, 2005, the Central Government of India promulgated a notification concerning the "Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information, and Verification and Maintenance of Records of the Identity of Clients of Banking Companies, Financial Institutions, and Intermediaries) Rules, 2005," commonly referred to as the PML Rules.

Rule 7(4) mandates that all banking companies, financial institutions, and intermediaries must comply with the information provision procedures and methods established by the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), and the Insurance Regulatory and Development Authority (IRDA). The RBI has issued a series of master circulars to banks outlining the safeguards necessary for controlling consumer transactions. A notably significant guidance note has been released.

- ***The Enforcement Directorate (ED)***

The Enforcement Directorate, established in 1956, serves as the intelligence and investigation agency of the Central Government. The headquarters is located in New Delhi, with five regional offices in Mumbai, Chennai, Chandigarh, Kolkata, and Delhi, each overseen by a Special Director of Enforcement.

Enforcing the "Foreign Exchange Management Act of 1999 (FEMA)"[8], particular parts of the Prevention of Money Laundering Act, and "the Conservation of Foreign Exchange Prevention of Smuggling Activities Act of 1974 (COFEPOSA)" are the ED's main responsibilities. Among the many duties assigned to the Enforcement Directorate is the gathering, production, and dissemination of intelligence regarding 1999 FEMA violations. Central and state intelligence agencies, complaints, and other sources provide intelligence inputs for the investigation and decision-making of these issues. It is also responsible for facilitating the transfer of individuals accused under the PMLA and for offering and seeking mutual legal assistance from contracting states regarding the attachment or seizure of illicit proceeds.

- ***Financial Intelligence Unit, India:***

The Government of India created the "Financial Intelligence Unit-India (FIU-IND)", in 2004 as the main national organisation responsible for receiving, processing, analysing, and disseminating information about questionable financial activity. In the worldwide battle against money laundering and related

[6] *Ibid.*

[7] THE RESERVE BANK OF INDIA ACT, 1934.

[8] THE FOREIGN EXCHANGE MANAGEMENT ACT, 1999.

crimes, FIU-IND is in charge of coordinating and strengthening cooperation between national and international intelligence, investigative, and enforcement organisations. The Finance-Minister oversees the Economic Intelligence Council (EIC), to which the independent FIU-IND reports directly.[9]

The Financial Intelligence Unit's main responsibility is to gather information and get reports about questionable financial or security transactions. When such intelligence is received, the unit is supposed to assess it, put it together in a report, and share it with law enforcement and other regulatory organisations. The majority of the duties carried out by FIU-IND are those delegated to the Director under the Prevention of Money Laundering Act (PMLA). Every banking organisation, financial institution, or intermediary is required by Section 12 of the PMLA to provide the Director with information about all designated transactions within the allotted time. A "Director, Additional Director, or Joint Director appointed in accordance with Section 49 of the PMLA is indicated by the term "Director". The designation of designated Authorities for the PMLA's implementation is outlined in Chapter VIII, "Authorities", and Section 49 states that "the Central Government can propose anybody who it considers proper to serve as Authorities under the PMLA". Upon the establishment of FIU in 2004, the authorities of directors under the PMLA were concurrently but autonomously delegated to FIU. The responsibilities encompass collecting information and serving as the primary reception point for obtaining Cash Transaction Reports (CTRs) and 'Suspicious Transaction Reports' (STRs) from diverse reporting companies, in addition to doing data analytics.[10]

It disseminates information to national intelligence and law enforcement agencies, regulatory bodies, and international Financial Intelligence Units, functioning as a central repository by establishing and sustaining a national database on financial transactions and dubious activities derived from reports submitted by reporting entities.

The FIU-IND manages inquiries from law enforcement organizations, including requests for information from international FIUs through the Egmont Group. The 'Egmont Group of Financial Intelligence Units' is an informal coalition of FIUs from various countries. In 1995, numerous Financial Intelligence Units globally united to establish a cooperative network. The Indian Financial Intelligence Unit engages with the Egmont Group and exchanges information with other Financial Intelligence Units.

4. THE INTERNATIONAL LEGAL STRUCTURE CONCERNING MONEY LAUNDERING

iv. Basel Committee on Banking Regulations and Supervisory Practices (1974)

The Basel Committee on Banking Regulations and Supervisory Practices is among the initial global regulatory frameworks addressing money laundering comprehensively. The organization functions mostly as a platform for ongoing collaboration about banking supervisory issues. Its objective is to enhance understanding of significant supervisory issues and elevate the overall standards of global banking supervision.

The Basel Committee on Banking Supervision was formed as the Committee on Banking Regulations and Supervisory Practices by the Group of Ten central bank governors in late 1974, in response to significant challenges in global currency trading and financial services markets, notably the failure of Bankhaus Herstatt in West Germany. The inaugural conference occurred in February 1975, and since, assemblies have been conducted three to four times annually.[11]

The Basle Committee is committed to addressing all kinds of money laundering within the financial system, encompassing the deposit, transfer, and/or concealment of funds acquired by illicit activities such as theft, terrorism, fraud, or drug trafficking. It aims to achieve this through three primary methods: disseminating information regarding national regulatory frameworks, enhancing the effectiveness of strategies for supervising international banking activities, and instituting minimum supervisory standards when required. The Committee's operations are structured into four primary subcommittees: the Standards Implementation Group, the Policy Development Group, the Accounting Task Force, and the Basel Consultative Group.

v. Prevention of Criminal Utilization of the Banking System for Money- Laundering Purposes (December 1988) (Vienna Convention)

To combat the illegal use of banks and other financial services, the Prevent Unlawful Use of the Financial System for Money Laundering initiative was created. Unknowingly, banks are frequently used as channels for the deposit or transfer of money obtained through illicit means. By putting four core principles into practice, this initiative seeks to protect the banking system from being used illegally for money laundering. In order to confirm the customer's genuine identity and prevent criminals from breaking into the financial system, it first places a strong emphasis on client identification. Furthermore, precise identification helps prevent the creation of fraudulent and fake accounts, which are the main ways that illegal money enters the economy. It emphasises that no banking transaction can take place until the customer's identity has been accurately confirmed and mandates that all banks establish adequate policies, processes, and standards for confirming each customer's identity.

Second, national laws and regulations must be followed by banks and other financial institutions. No financial institution may start operations before completing all legal and procedural requirements outlined in national laws. Furthermore, it is expected that nations will make sure their domestic banking laws conform to global norms.

[9] https://finlaw.in/blog/what-is-the-role-of-financial-intelligence-unit-india-fiu-ind (visited on 1st May, 2025).
[10] *Ibid*.

[11] https://www.bis.org/bcbs/history.htm#:~:text=The%20Basel%20Committee%20-%20initially%20named%20the%20Committee,the%2 0failure %20of%20Bankhaus%20Herstatt%20in%20West%20Germany%29 . (visited on 1st May, 2025).

Thirdly, banks must cooperate with law enforcement agencies, which means that they must work closely with domestic authorities to help fight illegal activities carried out through banking channels. Banks must take the necessary steps in accordance with their legal responsibilities when they discover evidence that plausibly suggests deposited funds originate from illegal activities or that the transactions are meant to achieve criminal goals. Withholding assistance, cutting off communication with the customer, and closing or suspending accounts are a few examples of such measures.[12]

Fourth, the Prevention of Criminal Use of the Banking System for Money Laundering regulations must be followed by all banks and financial institutions. Businesses that incorporate these core ideas into their policies and processes and governments that pass domestic laws that conform to this international standard can both attain compliance. By ensuring that banks put in place efficient safeguards and preventive measures and by promoting cooperation with law enforcement, the Statement seeks to reinforce current best practices among banks, specifically with regard to increasing vigilance against the criminal exploitation of the payment system.

vi. United Nations Convention on the Illicit Traffic of Narcotic Drugs and Psychotropic Substances (1988)

This Significant anti-drug trafficking measures are included in this Convention, such as rules against money laundering and the illegal transfer of prior chemicals. This treaty is noteworthy because it recognises the link between illegal drug trafficking and other criminal syndicates, including money laundering. Three major drug control treaties are currently in effect: the 1961 "Single Convention on Narcotic Drugs", the 1971 "Convention on Psychotropic Substances", and the "UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances".[13]

Signatory states are required by the agreement to forbid the illegal laundering of money connected to drugs and seize such funds when they are discovered. Every state that signs this agreement pledges to put in place thorough legal frameworks to prevent the illegal laundering of assets obtained through drug trafficking, along with procedures to detect, monitor, freeze, or seize these proceeds. The framework created by this treaty has served as the foundation for national laws in many countries.

vii. The Global Programme Against Money Laundering (GPML):

In response to a directive from the 1988 Convention, which required Member States to criminalise money laundering associated with the proceeds of illegal drug trafficking and to establish legal frameworks for the identification, freezing, seizure, and confiscation of criminal proceeds, the Global Programme against Money Laundering (GPML) was established in 1997. The program's only goal was to help Member States strengthen their ability to prevent money laundering and to deny people the profits of their illegal activities.[14]

The main tactics used by the GPML to combat money laundering are research projects and technology collaborations. The goal of technical cooperation is to assist legal, financial, and law enforcement organisations in creating the fundamental framework needed to stop money laundering. Research projects will continue to expand the body of knowledge on current money laundering issues, maintain and improve relevant databases, analyse data on specific aspects of money laundering, and provide logistical assistance for technical cooperation at the national level. GPML seeks to increase awareness of the important problems associated with money laundering and strategies for mitigating them in the public and private sectors. This entails strengthening the technical proficiency of professionals in the judicial, monetary enforcement, and supervisory domains while establishing anti-money laundering networks that adhere to international standards in each of the member countries.

viii. The Financial Action Task Force's (FATF), 1989 recommendations on Terrorist Financing and Money Laundering:

The An important turning point in the global fight against money laundering was the creation of the FATF. The main goal of the FATF, an intergovernmental organisation established in 1989 under the EU G8 framework, is to foster the necessary political will to implement changes to laws and regulations intended to create and advance national and international strategies to combat money laundering and terrorist financing. In order to prevent those involved in the laundering of drug proceeds from taking advantage of financial systems, the FATF issued forty recommendations in 1990. In 2001, this framework was updated with nine new suggestions.

Three main categories can be used to group the recommendations:

- Lawful: This relates to the steps that legislative bodies must take in order to create a thorough legal framework for fighting money laundering. Regardless of involvement in drug trafficking, the main legislative guideline requires that nations punish money laundering.
- Financial Regulation: This area deals with the duties that governments have to supervise their financial systems. The mandate that financial institutions notify the appropriate authorities of any suspicious activity is a notable example.
- International Cooperation: This component highlights countries' joint efforts. They must coordinate, share information about illegal activity, and create bilateral agreements to make seizures, confiscations, and other required actions easier.[15]

By approving the Nine Special Recommendations on Terrorist Financing in October 2001, the Financial Action Task Force (FATF) expanded its purview to include terrorist financing. The 1999 "United Nations International Convention for the Suppression of Terrorism," which forbids the financing of

---

[12] https://www.imf.org/external/pubs/ft/fsa/eng/pdf/ch08.pdf. (visited on 1st May, 2025).

[13] https://www.unodc.org/pdf/convention_1988_en.pdf. (visited on 1st May, 2025).

[14] https://www.unodc.org/unodc/en/money-laundering/global-programme-against-money-laundering/.html. (visited on 1st May, 2025).

[15] https://www.fatf-gafi.org/en/publications/Fatfgeneral/Fatf-30.html. (visited on 1st May, 2025).

terrorism, terrorist acts, and terrorist organisations as predicate offences, should be ratified and implemented by all governments. In accordance with UN recommendations, it also encouraged the passage of laws to swiftly seize the financial assets or additional properties of terrorists, their financiers, and terrorist organisations.

The guidelines also stated that every country should implement policies, including laws, that allow the appropriate authorities to confiscate and destroy property that terrorists have obtained. It underlined how crucial it is to offer other nations all-encompassing support in criminal, civil enforcement, and administrative investigations, enquiries, and actions pertaining to the funding of terrorism, terrorist acts, and terrorist organisations.[16]

Furthermore, it was suggested that nations enact laws requiring financial institutions particularly money remitters to supply precise and crucial source information (like name, address, and account number) for money transfers and related communications. Protocols must be put in place to detect the actual cross-border movement of cash and bearer negotiable instruments; these may include additional disclosure requirements or an authentication system.

5. CONCLUSION

Money laundering is a criminal conduct in which proceeds from illegal activities are processed to appear as legitimate income in the market. This technology presents a significant risk to national economies by enabling the proliferation of illicit enterprises and activities. The threat mostly manifests through its engagement in drug trafficking and the financing of terrorism. To combat money laundering, a number of global initiatives have been launched. Global efforts to prevent money laundering were started by the Basel Committee on Banking Regulations and Supervisory Practices, which was founded in 1974. The Financial Action Task Force (FATF) issued a set of forty recommendations in 1990, which marked a turning point in the development of the international anti-money laundering framework.

To combat money laundering, additional local and individual measures have been put in place in addition to these global initiatives. The Asia Pacific Group on Money Laundering is a well- known initiative in this regard, and the private sector has made contributions through the Wolfsberg AML Principles and the Global Anti-Money Laundering Rules for the Private Banking Industry. India's approach to the international money laundering framework has proven to be quite successful. India enacted a number of general and specialised laws addressing the issue of money laundering before international efforts to combat it were launched. The Code of Criminal Procedure (Cr.P.C.), the Foreign Exchange Management Act, and the Indian Penal Code (IPC) were all incorporated into this law. The Prevention of Money Laundering Act, which was passed in 2002, and the establishment of the Financial Intelligence Unit in 2004, which was in accordance with the global Egmont Group of Financial Intelligence Units, were the two most important steps India took to combat money laundering. Through a number of circulars and directives, the Reserve Bank of India (RBI) and the Financial Intelligence Unit (FIU) work together to address issues related to money laundering.

Recent measures by PM Narendra Modi concerning the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 seem promising; yet, they have yet to exhibit their whole efficacy. The amnesty scheme linked to the Act, which offers a three-month compliance period, has often been disparaged as a "superflop," mainly because it yielded merely 638 declarations amounting to Rs. 3,770 crores. Conversely, during P. Chidambaram's 1997 amnesty proposal for black money holders resulted in declarations of Rs. 33,000 crores. However, the genuine assessment of the Black Money Act will transpire after the compliance period, as it will demonstrate the efficacy of investigations and prosecutions the Act can initiate against persons retaining unreported funds overseas. Assurance and deterrence against the continued outflow of cash to foreign jurisdictions can only be achieved by rigorous investigation and prosecution. Despite India's implementation of many legislative measures and the establishment of systems to prevent money laundering, significant progress is still required to comprehensively tackle this crime. A substantial amount of illicit funds is laundered each year in the Indian economy, primarily due to insufficient enforcement measures and the current government's inability to address this problem effectively.

REFRENCES

1. As per Sec. 60 of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 tax payable would be 30% of the value of such disclosed asset on the date of the commencement of the Act.

2. As per Sec. 61 of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in addition to tax paid under Sec. 60 person would be liable to the penalty at the rate of one hundred percent of such tax.

3. Australian Transaction Reports and Analysis Centre, Austrian Government, Introduction to money laundering, Australian Transaction Report and Analysis Centre. Australian Government Official Website http://www.austrac.gov.au/elearning/pdf/intro_amlctf_money_laundering.pdf.

4. Bank of International Settlements, History of the Basel Committee, Bank of International Settlements Official Website http://www.bis.org/bcbs/history.pdf.

5. Beyond Borders: Transnational Effect of PMLA on Offences Committed Abroad, SCC Online Blog, October 11, 2024, available at: https://www.scconline.com/blog/post/2024/10/11/beyond-borders-transnational- effect-of-pmla-offences-committed-abroad/ (last visited on June 1, 2025).

[16] *Ibid.*

6. ED can also investigate certain matters under NDPS Act, IPC, Prevention of Corruption Act, Arms Act, Unlawful Activities Prevention Act, Customs Act, Wildlife Protection Act, Explosive Substance Act and Unlawful Activities (Prevention) Act. www.fiuindia.gov.in-official website of Department of Revenue, Ministry of Finance.
7. Financial Action Task Force, "India: Measures to Combat Money Laundering and Terrorist Financing – Mutual Evaluation Report" (2024).
8. Financial Action Task Force, FATF IX Special Recommendation, October 2001, (http://www.fatfgafi.org/media/fatf/documents/reports/FATF%20Standards%20%20IX%20Special%20Recommendations%20and%20IN%20rc.pdf.
9. Government of India Notification GSR.444(E).
10. In Operation Green Ice, law enforcement from Italy, Colombia, the United Kingdom, Canada, Spain, Costa Rica, the Cayman Islands, and the United States co-operated together to expose the financial infrastructure of the international mafia.
11. Incident is known as US Watergate Scandal, 1973.
12. International Federation of Accounts publication, Anti-Money Laundering (2nd ed. March 2004) available at http://www.pab.gov.jm/docs/anti-money-laundering- 2nd%20Edition%202004.pdf.
13. Measures against the transfer and safeguarding of funds of criminal origin. Recommendation No. R (80) 10 adopted by the Committee of Ministers of the Council of Europe on 27th June 1980.
14. Medha R. Gujarathi, "Money Laundering: India's Promising Position as a Financial Centre and Its System of Informal Cross Border Money Flows", IGIDR Conference Paper, 2009.
15. Narcotic Drugs and Psychotropic Substances Act, Sec 8A, (1985).
16. National Judicial Academy, "Cross Border Money Laundering: Issues and Challenges", (2019-20).
17. Operation Green Ice" (1992) showed the essentially transnational nature of modern money laundering.
18. Preamble of the said Act also refers to the Political Declaration and Global Programme of Action annexed to the resolution S-17/2 of General Assembly of the United Nations at its Seventeenth special session on 23rd February 1990, as well as the Sessions on 8th, 9th, and 10th June 1998 which calls upon the Member States to adopt national money-laundering (rather it should be anti-money-laundering) legislation and programme.
19. Prevention of Criminal Use of The Banking System For The Purpose of Money- Laundering, Bank of International Settlements Official Website http://www.bis.org/publ/bcbsc137.pdf.
20. Prevention of Money Laundering Act, Sec. 3 (2002).
21. Prevention of Money Laundering Act, Sec. 4 (2002).
22. Prevention of Money Laundering Act, Sec. 5 (2002).
23. R. Jagannathan, why black money scheme was a superflop, and what Modi can do to redeem it, First Post http://www.firstpost.com/business/why-the-black-money-scheme- was-asuperflop-and-what-modi-can-do-to-redeem-it-2452626.html.
24. Rakesh Chutia, "Anti-Money Laundering in India: Issues and Perspectives" 2 International Journal of Scientific Research 20 (2013).
25. RBI notification-DBOD.AML.BC.18/14.01.001/2002-03, dated August 16, 2002.
26. Ronald J. Ostrow and William D. Montalbano, Drug Agents Break Global Money- Laundering System, Los Angeles Times, September 29, 1992 http://articles.latimes.com/1992-09-29/news/mn-317_1_money-laundering-system.
27. S. K. Singh, "Transaction Monitoring in Anti-Money Laundering" 150 Future Generation Computer Systems, 1, 2024.
28. Santosh Tiwari, where is India's black money? Reports gather dust even as Modi govt scheme fails, The Financial Express, (http://www.financialexpress.com/author/santoshtiwari/).
29. Section 2 of the PMLA.
30. Section 6 Prevention of Money Laundering Act provides for composition and powers of such authority.
31. See Chapter VI of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 from Sec. 59 onwards.
32. See Circular No. 12 of 2015 F. No. 142/18/2015-TPL issued by Government of India Ministry of Finance Department of Revenue Central Board of Direct Taxes (TPL Division) http://www.incometaxindia.gov.in/news/explanatory-circular-on-the-tax- compliance-under-chapter-vi-of-the-black-money-03-07-2015.pdf.

33. See European Council Directive 91/308/EEC of 10 June 1991, Prevention of the use of the financial system for the purpose of money laundering. (October 22, 2015, 16:10 hours) http://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=CELEX:31991L0308.

34. See FATF 40 Recommendations, Financial Action Task Force Publication.

35. See Gazette of India-Notification (reference: G.S.R. No. 439(E)) dated 1 July 2005.

36. See International Narcotics Control Strategy Report dated February 29, 2008.

37. See Kris Hinterseer, The Wolfsberg Anti-Money Laundering Principles, Journal of Money Laundering Control, Vol. 5:1, 2001.

38. See official website of Asia-Pacific Group on Money Laundering (APG) http://www.apgml.org/.

39. See official website of Bank for International Settlements, (October 22, 2015, 16:30 hours) About Basel Committees. http://www.bis.org/bcbs/about.htm.

40. See Ss. 6-8 of Prevention of Money laundering Act.

41. Shruti Sharma, "Beyond Borders Transnational Effect of PMLA on Offences Committed Abroad", SCC Online Blog, 2024.

42. Strasbourg convention, intended to extend the provisions of international cooperation against the activities of international organized criminality in general beyond the area of drug trafficking.

43. Supervisory authority has been entrusted to RBI by a separate enactment in 1949, the Banking Regulation Act.

44. United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and Palermo Convention against Transnational Organised Crime-TOC Convention.

45. United Nations Office on Drugs and Crime, United Nations Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism (GPML) Official Website of United Nations Office on Drugs and Crime https://www.unodc.org/documents/evaluation/indepthevaluations/Indepth_evaluation_of_the_United_Nations_Global_Programme_against_Money_Laundering_Proceeds_of_Crime_and_the_Financing_of_Terrorism.pdf.

46. Vijay Kumar Singh, "Controlling Money Laundering in India: Problems and Perspectives" IGIDR Conference Paper, 2009.