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Critical Analysis on Money Laundering in Banking Sector

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ABSTRACT

In further development of banking sector gives raise to crimes. Banking is prime institution which regulates all activity and flow of money in all the countries. It acts as a mediator and monitoring institution of money transactions. How crime take place in banking sector? Because money is the priority motive of perpetrators and banks work only with money. Banks is not only victimized because of theft, robbery, debt by fraudsters, it also affected by perpetrators who try to disguise their ill gained money from organized crime to show as legitimate money to tax authorities and not to be filed under any criminal activities.

The activity of changing the ill gained money to legitimate source of money is known as money laundering and it is been federal international crime involving large group of countries around the globe. Money laundering is of easy way to convert their money through injecting it to bank by making small deposits and making them flow through normal money and returning back it to launders. This crime does not seem to be affecting any person or banks, then why it been a sever issue, no this money laundering act looks like an easy way changing money, money laundering is the back bone of organized crime. if there is no option for money laundering perpetrators cannot change their source of income as legitimate one and they will be odd one out and can be easy to be caught by appropriate authority. Money laundering should be eliminated in every country and the existing laws should be amended and diversified with special law enforcements and agencies without any consideration. Anti – money laundering program should be implemented at various countries and regions

In this article, we are going to study about how money laundering take place in banking sector, laws governing Anti -money laundering and law enforcements, History of money laundering, current statistical report, future prevention of money laundering in banking sector is possible and to what extent.

Keywords: Money Laundering, perpetrators, Anti- money laundering Program, Victimized, Organized Crime.

I. INTRODUCTION

Money laundering is menace to a country and its people? if money is dealt as an asset, then

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money laundering is greater threat to country and its people. Money laundering is an organized crime and money is generated from crimes such as selling illicit drugs, sale of prohibited arms and weapons, prostitution rings, terrorism, human trafficking. This large amount of money generated and hid for certain period and laundered and shown as it came from legitimate source. Money laundering is severe crime and carries a heavy penalty and jail time. Money laundering generally unnoted by regulatory authorities because they always be under radar and avoid detection from them by the way of Smurfs, Mulls, and Shells.

The activities of money laundering are governed by laws and certain rules and regulations in India, The Finance Act³, 2019 and Prevention of Money Laundering Act⁴, 2002 are special Acts which has laws related to crimes of Money laundering and regulation of banks. Here we should be known how bank is helpful in legitimizing the laundered money. The illegal money will be deposited in multiple accounts of the bank with small amount of money which will not be suspicious by regulating authority. Nearly 1180 cases were registered on money laundering in India past year 2021- 2022. Recent money laundering cases in banking sector are ABG Shipyard case, ICICI Bank- Videocon case, etc., Money laundering in banking sector is inevitable phenomenon. In many countries there are no high security on banking sectors, so money launders highly target those countries which have weak and ineffective Anti- money laundering programs. In India money laundering task is vulnerably risk but India has stable financial system which is prime target of money launders as the money should be properly returned to the individuals who generated it. In that scenario, stable financial system is a secure place where the laundered money will not be befallen because of downward movement of economy condition.

In this article, we are going to study about how money laundering take place in banking sector, laws governing Anti -money laundering and law enforcements, History of money laundering, current statistical report, future prevention of money laundering in banking sector is possible and to what extent.

II. HISTORY OF MONEY LAUNDERING IN INDIA

Money laundering existing since at-least 2000 years. Chinese merchants cycled various business and high money transactions to hide the ill-money from government bureaucrats. Al- Capone is the first person who purchased cash-only laundromats and used it to disguise and hide the money generated from bootlegged liquor sale, prostitution, and other criminal activities because

³ Herein referred as FA act.

⁴ Herein referred as PMLA.

he faced difficulties to show the source of illegal money to government. A common belief that the term ‘Money Laundering’ originated because of Italian members of Mafia in United States, such as Al- Capone. Meyer Lansky one of Al- Capone accountant, who is now known as father of Money Laundering. Money laundering came through a greater evolution over 2000 years and now it’s a biggest menace globally. The history can be detailed with 4 phases⁵:

PHASE I - THE ERA OF PROHIBITION (1920)

In the United States, money laundering took off in the year 1920s while the Era of Prohibition, Alcohol is prohibited in United States, to fulfill the demand of Alcohol new black markets were arose in US and huge revenue has been generated from the black market. As we discussed of Al- Capone also known as Scarface, the biggest Mob of that period is behind all the illegal sale of alcohol through the black market. To hide the revenue generated from alcohol sale he appointed numerous laundromats around the US to keep the money safely and keep in public circulation to show the source of revenue to the bureaucrats. Prior to 1980s Money Laundering is just a crime, tax evasion was more serious crime than money laundering and Al- Capone sent to jail for tax evasion not for money laundering. Drug dealing is the main business and money laundering is the side effect. And drug trade is proved to be one of the biggest sources of money laundering.

PHASE II – THE WAR ON DRUGS (1980)

In 1980 war on drugs was at its peak, money laundering and sale of illicit Drugs was international crime and money laundering became federal crime in history. The Reagan Administrator⁶ implemented laws to govern money laundering to curtail the sale of illicit drugs. In 1986, US Money Laundering Control Act, 1986 was one of the first act and soon followed by many other laws around the various countries.

In 1988, the United Nations implemented more orders in Vienna Convention against illicit drugs by the help of Narcotics Drugs and Psychotropic Substances Act⁷ which help in fighting against illicit drug trade. Shortly after Vienna Convention, The Financial Action Task Force (FATF). Was established in 1989 at the G7 summit⁸. The FATF was established to analyze money laundering trends and evaluate the combative steps to prevent money laundering globally. The FATF gave 40 recommendations to all countries signed to it (around 30 countries have been

⁵ *The History on money laundering*, KYC CHAIN (Oct. 02, 2023 2:30 PM), <https://kyc-chain.com/the-history-of-money-laundering/>.

⁶ Ronald Wilson Reagan: 6th Feb, 1911- 5th June, 2004, was the 40th president of U.S.A.

⁷ Herein referred as NDPS Act, 1985.

⁸ G7 summit, signed countries are Canada, France, Germany, Italy, Japan, United Kingdom, United states.

signed including UK and US).

PHASE III – ENFORCEMENT OF PATRIOT ACT (2000)

The 9/11 attack has greater impact on money laundering regulations specially in regards to banks, The Patriot Act, was passed by US government which gave powers on sweeping the terrorism. Title III of Patriot Act, directed financial institutions to expand their AML programs and concentrate on Foreign Bank Accounts Reports.

Title III of Patriot Act, has made many changes to parts of Money Laundering Control Act, 1986 to strengthen the banking rules with international money laundering by improving communication between law enforcement and financial institution. US had enforced strict AML Regime.

PHASE IV – POSTIONS OF BANK IN MONEY LAUNDERING (2010)

Money laundering is not an issue of one country, it is a threat to all the countries around the world. Money launders mostly secure their money in off shore and it's an international crime with involvement of one or more countries. One of incident is Deutsche Bank⁹ is involved off shore clients who helps in maintaining accounts which contains illegal money and also involved in Danske Bank Scandal (Largest bank of Denmark). Banks are not only target of money laundering also popular computer online games also targets such as Fortnite (created by Epic games) also became the target of cyber criminals. But banks are the primary positions of targets by money launders in major countries.

III. LAWS GOVERNING AND PREVENTING MONEY LAUNDERING

Money laundering is a federal crime and international threat around the globe. Many countries united and made special laws and enforcement against money laundering. Anti – money laundering laws and regulations were implemented in various countries. In India Anti – money laundering is a body which has certain rules and regulations to fight against illegitimate flow of funds, combating financing of terrorism framework. The Prevention of money laundering Act, 2002 (PMLA) along with Prevention of money laundering (Maintenance of Records) Rules, 2005 are the principal laws that governs and prevent money laundering. These authorities deal with the money which flow through Reserve Bank of India (RBI), Security Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI). India has been signed in numerous US conventions which helps in tackling money laundering in India and Financial Action Task Force is an international governing body which enforced in G7

⁹ Trott v. Deutsche Bank, AG, 1:20-cv-10299 (MKV) (S.D.N.Y. Mar. 30, 2022).

summit in Paris in 1989, which provide standard framework to prevent money laundering.

India has prohibited Money laundering under Prevention of Money Laundering Act, 2002 and in Narcotic Drugs and Psychotropic Substances Act, 1985 (Amended in 2001). The main objective of the PMLA is:

- To prevent and control money laundering in India.
- To seize and take possession of property acquired by laundered money.
- To deal with other issues related with money laundering in India.

These three are the main objectives and goals of the PMLA in India. In 2004 under the provisions and guidance of PMLA, the Financial Intelligence Unit (FIU-IND)¹⁰ has been formed as the primary body for assisting, processing, coordinating, analyzing, receiving, and disseminate information relating to suspicious financial transaction and it also helps in strengthening the international intelligence, investigation authorities, and other enforcements agencies to prevent money launders around the world. In 2005, Enforcement Directorate (ED)¹¹ was introduced by Government of India to utilize exclusive powers to investigate and prosecute under the provisions of PMLA.

Acts other than PMLA, which helps to fight against money laundering and assists in smooth flow of legitimate funds in society¹²:

- The Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974.
- The Benami Transaction (Prohibition) Act, 1988.
- The Indian Penal Code, 1860 and Code of Criminal Procedure Code, 1973.
- The Narcotics Drugs and Psychotropic Substances Act, 1985.

Money laundering is considered as global threat and illegal act cannot be stopped by single country's laws and enforcement. Every country should come forward and unitedly form various legislations to constitute the laws against money laundering. There are several countries which has special laws and acts to prevent money laundering such as some major countries:

- Canada - Financial Transactions and Report Analysis Centre of Canada (FINTRAC), Proceeds of Crime (Money laundering) and Terrorist Financing Act (PCMLTFA)

¹⁰ FIU-IND is a revenue department in India, Pankaj Kumar Mishra is the director and it was started on 2004.

¹¹ Head of ED, Sanjay Kumar Mishra and parent agency is Ministry of Finance governed by Nirmala Sitaraman.

¹² Ahlawat & Associates: *Top Lawyers & Law Firms in Delhi-India*, A&A (Aug. 16, 2023), <https://www.ahlawatassociates.com/>.

- USA- Financial Crimes Enforcement Network (FinCEN), Bank Secrecy Act (BSA), 1970, Office of the Comptroller of the Currency (OCC), Office of Foreign Assets Control (OFAC)
- France- Intelligence Processing and Action against Clandestine Financial circuits.
- UK- Financial Conduct Authority (FCA), Office for Personal Body Anti-Money Laundering Supervision (OPBAS)
- Germany- Federal Financial Supervisory Authority (BaFin)
- E.U- Framework and Directives: 4th Money laundering Directive (4MLA), 5th Money laundering Directive (5MLA), 6th Money laundering Directive (6MLA), European Banking Authority (EBA)
- Russia- Federal Financing Monitoring Service (FFMS)
- South Africa -Financial Intelligence Centre Act (FICA)
- Australia- Australian Financial Report and Analysis Centre (AUSTRAC)
- New Zealand - New Zealand Financial Intelligence Unit (NZFIU)
- China- China Banking and Insurance Regulatory Commission (CBIRC)
- Hong Kong- Hong Kong Monetary Authority (HKMA)
- Japan- Financial Service Agency (FSA)

There are certain countries without special laws against money laundering or prevention of money laundering and do not sign the Anti-money laundering act under G7 summit and those countries are with danger of high risk in money laundering menace and they do not have proper source of prevention against money laundering. So, people are suffering from use of banking sector in those countries. So special laws should be implemented and banking sector should be secured and developed to its highest extent and money laundering should be prevented.

IV. STEPS USED TO DISGUISE ILLEGALLY LAUNDERED MONEY INTO LEGAL MONEY

Money laundering is the work of disguising the illegal money which is earned from illegal means by organized crime and changing that money into useful use and legitimate money by the launders and criminals. There are certain steps to followed by money launders to change the illegitimate money into legitimate money. Basically, below mentioned steps are used by money launders:

PLACEMENT- The money is flowed into financial system¹³ by various deposits and investments through different bank accounts with minimum amount which will not be suspicious by the Intelligence Authorities.

LAYERING- The money deposited and invested will be circulated among the people so it will be distance between it and money launders or perpetrators.

INTERGATION- The money which is circulated again bought back to the perpetrators as a legitimate source of Income.

These are the steps followed by the money launders and perpetrators to change ill-legitimate money into legitimate money and following methods are used to avoid detention and hide the real source of money from where it is generated. The methods are:

SMURFS– Money launders use above mentioned steps to cover the original source of money from where it is generated but, in this method, the large amount of money is deposited in various bank accounts with smaller transactions which helps the money launders to escape from regulatory authorities and show it as generated from legitimate source of income.

MULES– Mules are individuals who are selected or appointed by money launders to carry out their money laundering schemes. Generally, they select people who don't have criminal or offensive record and who is socially secured person to avoid further detention. These mules do not have complete idea about their job. Their work is to open a bank account and deposit smaller amount of money allocated to them after that the money will be transferred through wire transfer or currency exchange to move their money around the financial system. Once the job is done by mules, they get hug sum of money for the job done by them. They act as carrier of laundered money back to the perpetrators.

SHELLS– Shells or shell corporations are companies which do not carry out any business operations or activities, assets, employees. They are sustaining as a startup or for merging with the new companies. They do not show any tax revenues to the regulatory authorities. But fraudsters use shell corporations to hide their illegal activities and secure their illegal money or profits. These will be built up and operated in more secured place where anonymity is much higher. As they run their illicit crime under the shell corporations, they do not show their source of income and tax filing record to regulatory authorities like Internal Revenue Service (IRS)¹⁴.

¹³ Financial systems are banks, insurance companies, stock exchanges help in exchange of funds.

Financial condition in India is way better, holding 6th position globally with \$3.1 trillion of GDP.

¹⁴ IRS invented to pay the expenses of Civil war and first signed by President Lincoln on 1862, and established in 1944 and IRS originates from commissioner of Internal Revenue, a federal office created in 1862.

OTHER METHODS – Investing in mobile commodities such as Gold and Gems so it can be easily moved to other jurisdictions, investing in real estate and selling the invested property, gambling, counterfeiting, etc.

V. STATISTICAL REPORT OF MONEY LAUNDERING IN BANKING SECTOR

Banks are the veins of money laundering as banks help in conversion of ill gained money into legitimate money. Banks pay high fine for violating the norms of Anti- Money laundering. According to 2019 Anti- money laundering report statistics¹⁵ says 60.5 percent of bank's fine is imposed on bank because violating the anti- money laundering norms and acting against it with due knowledge. Cryptocurrencies became the hide place for more criminals to transact their illegal source of income. In 2019, Chainalysis (The block chain data platform) traced a total of \$2.8 billion in Bitcoin moved by criminals. Most of this amount moved to two exchange platforms- Binance and Huobi. Standard Chartered Bank has involved large violation of Anti- Money laundering and imposed and ordered to pay \$677 Million for the year 2001 to 2007.

According to Money laundering Conviction Statistics, 91.1 percent of money launderers were imprisoned in the fiscal year 2019 and sentenced for 70 months on average. The anti-money laundering market value in 2016 and 2017 was around \$690 million and \$868 million respectively according to available anti money laundering data statistics there is an upward movement in the Money- Laundering software market is projected to reach \$1.77 billion by 2023.

Global money laundering statistics shows that 400 times more money is laundered in fiat currencies¹⁶ than in cryptocurrencies as an example in the year 2009, it is shown \$2.5 Billion money is laundered in cryptocurrencies and through fiat currency annually \$1 trillion money is laundered by perpetrators. Researcher Ronald F. Pol from Trobe University in Melbourne, Australia studied and has said that 0.1 percent of laundered money is recovered from money launderers. Money laundering activities cost the world 2 to 3 percent of its GDP annually that approximately \$800 million to \$2 trillion money laundered. Financial institutions have set up monitoring systems to keep note on suspicious transactions and frequent movement of money from one bank to another and the system generated alerts was 95 percent were false positives about the money laundering.

¹⁵ Tookitaki, *Statistics on money laundering*, TOOKITAKI (Oct. 5, 2023 5:45 PM), https://www.tookitaki.ai/compliance_hub/50-statistics-on-money-laundering/.

¹⁶ Fiat Currencies are type of currencies that not backed by any commodity like gold and silver such as Indian Rupee, US dollar, British Pound.

The Basel AML index¹⁷ measure the world's annual progress against money laundering and terrorist financing across 144 countries around the globe. In 2020, the report showed that index is 5.22 out of 10, where 10 is the maximum risk. According to the report, only 6 countries shown improvement in Anti- Money Laundering and Afghanistan is at high risk of money laundering schemes as its AML index is at 8.16 out of 10. In US 30 percent mules were under age of 21. One of the most prominent cases in US is Wachovia Bank which includes of worth \$380 billion of Drug cartel and bank paid \$160 million as fine to preventing them from prosecution.

According to ED registered cases, in India 1,180 cases have been filed against money laundering activities and yearly more than 15,55,000 crores of money is laundered. India is also listed in high risk of money laundering jurisdiction.

VI. RECENT MONEY LAUNDERING CASES IN INDIA

(A) ABG SHIPYARD CASE

ABG Shipyards Ltd.¹⁸ is a Gujarat based company purposefully defrauded consortium of 28 banks which is under the governance of State Bank of India (SBI) and ICICI bank by creating a web of transactions. According to, Central Bureau of Investigation (CBI) report says that ABG SL took loans from various banks and investing in real estate and bought assets in the name of affiliated companies and also transferred money to related parties. A forensic audit with a help of Ernst and Young was conducted by SBI in January 2019, in which it is concluded this fraud took place over past five years from April 2012 to July 2017, around INR 22,842 Crore is laundered. The first complaint was registered on November 2019 and later the case is handed to CBI.

(B) ICICI BANK – VIDEOCON CASE

Chanda Kochhar¹⁹ former MD and CEO of the ICICI bank and her husband Deepak Kochhar who runs business Videocon Groups and NuPower Renewables Pvt. Ltd., In 2016, by Aravind Gupta an investor in both ICICI bank and Videocon groups has found dealings between both the companies and wrote a letter to Prime Minister, Governor of Reserve Bank of India, and other Authorities, demanding potential conflict of Interest. The first allegation is been not considered that serious when again in 2018 second allegation made against Chanda Kochhar, the issue is considered seriously and all the appropriate authorities made investigations and

¹⁷ Basel AML index is an independent annual ranking that assesses the risks of money laundering and terrorist financing around the world. It has special indicators to measure money laundering risks.

¹⁸ M/s. ABG Shipyards Ltd Through RP v. ICICI Bank Ltd, 53/7/NCLTAHM/2017, (20th. Dec, 2017).

¹⁹ Deepak Virendra Kochhar vs Directorate of Enforcement, (25th. March, 2021).

identified and arrested Kochhar has been sanctioned certain loan of Rs 1875 Crores from ICICI bank to Videocon Groups, in exchange of kickbacks through her husband's entities. In September 2020, Chanda Kochhar and Deepak Kochhar were booked under Prevention of Money Laundering Act (PMLA) and later released Chanda Kochhar was granted bail from special court in Mumbai and Deepak Kochhar was granted bail from high court of Mumbai.

(C) YES BANK – DHFL CASE

The case centered on Dewan Housing Finance Limited (DHFL)²⁰ and the credit facilities offered to it by Yes Bank founder and former CEO, Rana Kapoor. Rana Kapoor allegedly obtained large personal financial gains from the credit facilities given to DHFL. The advantages included, among other things, kickbacks amounting to over INR 900 crores from the promoter of DHFL in the form of loans to a business owned entirely by Rana Kapoor's daughters; and a purchase of a bungalow in Delhi from the promoter of Avantha Group at a significantly reduced cost. A thorough inquiry into the situation identified a few inconsistencies in the loans Kapoor approved for DHFL. Consequently, in July 2020, the ED attached assets totaling over INR 2203 crores including the Kapoor family's personal property. The ED has detained Rana Kapoor and members of his family on various occasions throughout the course of the problem. In the case involving the Delhi property deal, Rana Kapoor, his wife Bindu, and Avantha Group promoter Gautam Thapar received bail on February 20, 2022, from a special court in Mumbai operating under the PMLA.

(D) PUNJAB NATIONAL BANK CASE

The Punjab National Bank case²¹ involving money laundering shocked the whole country. The diamantaires Nirav Modi and Mehul Choksi are accused of a scam that involves over USD 2 billion in fraud. This crime is said to have been carried out with the assistance of roughly 50 Punjab National Bank staff in a single branch (in Fort, Mumbai), all while keeping the upper management completely in the dark. Employees of the Punjab National Bank Brady House branch in Fort, Mumbai provided phony bank guarantees to help the diamantaires obtain multibillion dollar Foreign Credit. Nirav Modi and Mehul Choksi secured over 1,200 such fake guarantees without raising any suspicion. The Indian government has been tenacious in their pursuit of the two businessmen, both of whom have been listed as fugitives as of this writing, for extradition. After more than a year of searching, Nirav Modi was apparently discovered in London in March 2019. Choksi is purportedly in Cuba because that country doesn't have an

²⁰ Yes Bank Limited vs Dewan Housing Finance Corporation Ltd ANR, LPA 388/2021 & CM APPL. 37359/2021, (21st. Oct, 2021).

²¹ Punjab National Bank v. M/s stellar diamonds, (6th. July, 2019).

extradition treaty with India. The ED returned diamonds, pearls, and other jewelry valued at INR 1135 crores in June 2020 that belonged to foreign companies held by Nirav Modi and Mehul Choksi. The ED wanted to formally seize this jewelry under the PMLA. Nirav Modi is currently awaiting his extradition trial in Wandsworth Prison in southwest London.

VII. AML PROGRAM IN BANKING SECTOR

Banking sector is only sector which has millions of transactions in a single day worldwide and deals with risk of high potential loss of money by the act of fraudsters. Money laundering is the act of crime that use banks and financial institutions to fulfil the criminal objective. So, there should be high level security in banks and financial institutions. To make sure the security of banks and people's fund that flow through banking sector, Government of India brought AML program with strict policies and framework which should be followed in every bank and financial institutions in banking sector. In present, due to high technological shift in financial infrastructure every transaction is to be noted, reported and monitored by banks to ensure the safety of public money and no money is laundered. To achieve all directives of AML all the banks and financial institutions adopt emerging trends in AI- based AML solutions to handle AML compliance with greater efficiency²².

There are four key areas how banks address with AML compliance program:

(A) KYC verification

KYC – Know Your Customer is mandatory step in AML program to know every valid and necessary details of customer and to verify the details of the customer when he wants to open a bank account in India. The verification contains valid ID proof, proof of address (bills or bank statements), Face verification. KYC should be must done for every customer irrespective of his personal reputation, business standards, and life achievements.

(B) Customer due diligence

Customer due diligence is control process, after the KYC verification every customer profile's will be collected and assessed for potential money laundering and terrorist financing. The profile checked with various databases including, politically exposed persons (PEPs)²³, Government Record, watchlists, and sanctions screening in order control the risk of money laundering and terrorist financing. The customer due diligence CDD process may vary from

²² Jackie Wheeler, *Guidance on Anti-Money Laundering (AML) in Banking and Finance*, JUMIO (Oct. 5, 2023 9:30PM), <https://www.jumio.com/aml-guidance-banking-finance-2021/>, accessed on 13th Aug, 2022.

²³ PEPs are state leader, high ranked Judges, government ministers, high ranking military officers, Governor of RBI, board members of international organizations, etc...

country to country but primary goal of CDD is to detect risks. Customer's Nationality and number of financial transactions is one of factor that affect the Customer's risk rating.

(C) Customer and transaction screening

As we know, banks act as mediator for transferring money, the transactions take place when money transfer from one of the random bank customer's accounts to another bank's customer account with the persons own interest of transferring the money from his account. As this per day thousands of transactions happens between various banks and all the transactions should be monitored by respective bank. Because, when the mediate the transfer from one legitimate person to another illegal or banned person it's a severe crime and it leads to bank bad reputation and the bank should be pay huge amount as fine. In order to skip this problem every transaction greater than \$10,000 should be reported and verified and every suspicious transaction should be clearly noted and informed to appropriate authority. Now, manual money laundering controls are outdated and inefficient, banks should have an automated transaction screening process to carry out customer transaction as per AML policies.

(D) Suspicious activity reporting

Banks and financial institutions should record every financial transaction and monitor on suspicious activity in any bank accounts or any kind of bank transfers and is so it should be immediately reported to AML investigation authorities to trace back the crime to its perpetrators. To have a compliance analyst in bank will help easy closure and trace of case and it reduce the time and smoothy work of law enforcement.

(E) Requirements of AML compliance program

There are certain regulatory requirements which should be fulfilled by every bank in order to create an effective and efficient AML compliance program in bank and financial institutions. AML consists of all controls and directives to meet all obligations and protected from all regulatory penalties. An effective AML compliance program should require these followings: AML compliance officer, AML training, Suspicious activity Reports, Transactions report, transaction monitoring, Record Keeping, Risk based approach, Customer Identity Verification, Sanctions Screening, PEP status.

VIII. IMPACT ON MONEY LAUNDERING AFTER COVID-19 PANDEMIC

Covid – 19 Pandemic made a big impact on financial and banking sectors concerned with money laundering issues. The impacts made changes and affects most of the banks and financial institutions.

- Criminals taking advantage of remote employment to get through customer due diligence (CDD) checks and conceal and launder money.
- Using online banking services fraudulently to swindle money.
- Utilizing insolvency techniques to hide and launder criminal proceeds and stealing funds from economic stimulus programs.
- Increased use of the unorganized financial sector to hide illegally obtained money.
- Misuse of financial assistance and emergency funds.
- Utilization of innovative cash-intensive and high-liquidity business models in emerging nations for money laundering and supporting terrorist activities.

These are some of clear impact after the covid -19 pandemic issues in banking sector security and advantage to money laundering. Fraud proof KYC verification²⁴ has been introduced after the pandemic situation. People were focusing on their personal issues and their financial status is literally dropped to ground level and banks and government cannot help them with financial support but the money launders can easily continue with their laundering criminal activity because they use the situation as transferring money to hospital name or trust name for elders, etc., and convert their money generated from legitimate source. After the Covid -19 pandemic issue, actually money laundering is increased. But even though on and after pandemic situation the AML investigators and authorities working remotely and assisting banks issues related to money laundering.

IX. CONCLUSION

Money laundering is a Global threat, various countries economic growth has been down fallen financially and unstable in banking sector. Money laundering affects smooth and legitimate flow of income in a country and launders make use of banks to show their illegitimate source of income has been sourced from legitimate source without any suspicious detection by AML. Money laundering should be completely demolished by government in order to make proper growth of a country as well as to reduce in organized crime. Perpetrators or mules cannot easily change ill gained money from organized crime to legitimate money until or unless the money is injected in societal flow of money through the transactions of bank.

Government should make strict laws against money laundering in banking sector. Banks should know about every transaction in their branch and if any suspicious transactions occur it should

²⁴ Sign Desk harnesses cutting edge AI and ML to create a Fraud Proof KYC verification solution.

be immediately informed to appropriate investigative authority. Money laundering is not that easy to curb because of its ill nature of being an international federal crime. It involves various nations laws and regulations to investigate and international relations should be followed and should not violate any national laws to investigate the activity of money laundering.

Money laundering can increase risk the macro-economic instability and it can facilitate the habit of corruption and other illegal activities at the expenses of countries development. It also deteriorates the moral and ethical value of society and its traditional and custom way of financing. The controlling process should establish and operated in particular framework and proper, there should not be any way of loop holes in banking sector to perpetrators for laundering the ill gained money from organized crime and other illegal means. Money laundering is a cancer to the banking sector which should be cured quickly or else it will destroy the whole financial society.

(A) Suggestions

- Money laundering should be eliminated globally in order to achieve the elimination every nation should cope with one another and proper international framework should be created and proposed.
- Special enforcement agencies and investigative authorities to be formed and trained with high priority, no political interference should be involved in selection process of officers.
- New acts and provisions have to be amended in Prevention on money laundering act and acts related to it according with the new regulations of bank policies and high advancement in banking technologies.
- 24/7 monitorization on every transaction irrespective of the value of amount or personality who transferred it. Banks should develop new techniques and software to identify the fraud transactions by perpetrators.
- Investigative authorities (regarding the matter of money laundering) should be given authorization to every client profile (specially required for verification) to complete the investigation process quickly and smoothly.
- The complaints or suspicious note on transactions whichever is given by public to an AML program's officer should be considered and clearly investigate on the issue spontaneously in order to prevent from banks or financial institution frauds including money laundering by the perpetrators.

- Backgrounds and profile check of every client in bank should be verified in-person by the bank staffs instead checking through online. Online process of bank account opening or registration should be strictly prohibited in every bank norm.
- Financial assistance should be given to AML program and related institutions to perform their maximum level to eliminate money laundering in our country.
- Banks policies, norm, regulations should be clearly and completely disclosed to every staff, clients, and concerned members without any delay in action.
- Development in banking sector is required, government should provide various schemes to help the people who suffered by the banks (banks which faced loss because of money laundering).
- Banks should be provided with maximum safety from the government view.

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