

Awareness on Anti Money Laundering and Combating Terror Financing



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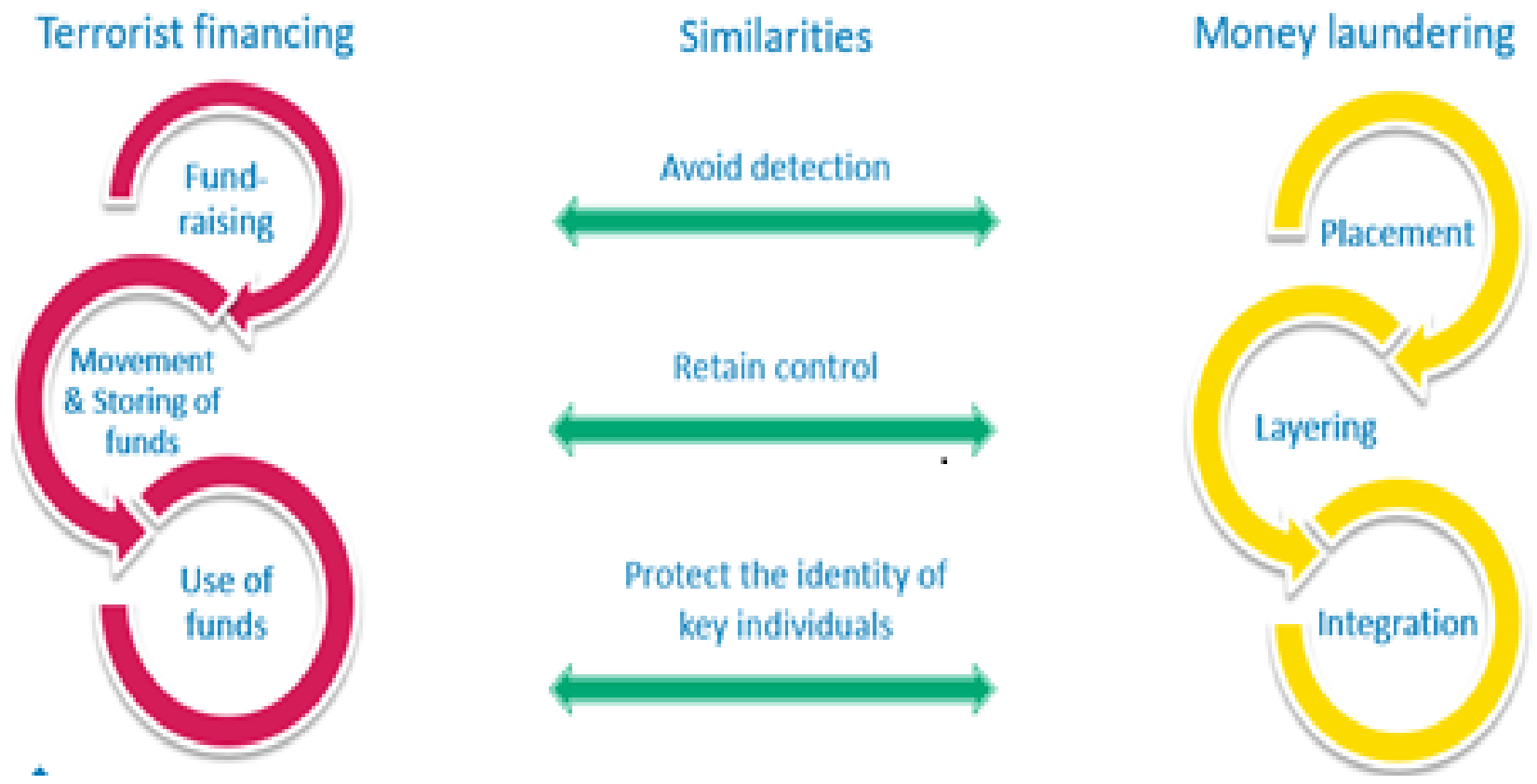
WHAT IS MONEY LAUNDERING (ML) AND TERROR FINANCING (TF)



➤ **Money laundering** involves taking criminal proceeds and disguising their illegal sources in order to use the funds to perform legal or illegal activities.
Simply put, money laundering is the process of making dirty money look clean OR cleaning dirty money into clean).

➤ **Terrorist financing** involves the solicitation, collection or provision of funds with the intention that they may be used to support terrorist acts or organizations.
Simply put, Terror Financing means financing / adding Individual terrorist or group of terrorist for the purpose of terrorist activity.

STAGES OF ML AND TF



DIFFERENCE BETWEEN ML AND TF

Money Laundering

- **Source**, money earned from crime
- **Concealment** of source
- **Legalise** earning from crime
- **Aim** is PROFIT
- **Closed Loop**, Money laundered remains/comes back to owner

Terrorist Financing

- **Source**, Legal & Illegal Funds
- **Aim** to carry out subversive activities
- **Open Loop** as Money is spent and does not remain with original contributor of funds

OVERVIEW - PREVENTION OF MONEY LAUNDERING ACT, 2002



- ▶ Prevention of Money Laundering Act, 2002 (PMLA 2002) is an Act of the Parliament of India enacted by the NDA government to prevent money-laundering and to provide for confiscation of property derived from money-laundering. PMLA and the Rules notified there under came into force with effect from July 1, 2005.

https://fiuindia.gov.in/files/AML_Legislation/pmla_2002.html

PMLA 2002 deals with following;

- ▶ 75 Sections and Scheduled offence (Part A, B & C)
- ▶ PML (Maintenance Of Records) Rules 2005
- ▶ Define what is offence of money laundering
- ▶ Records and information to be maintained
- ▶ Punishment and process for recovery of fines/penalty
- ▶ Who are reporting entity and their responsibilities
- ▶ Method of verify identify of client including PEP and UBO
- ▶ Various Reports to FIU-IND
- ▶ Authorities and its power

PMLA 2002 and Its Rules mandate

- ▶ Abide by PMLA 2002 and PML (Maintenance of Records) Rules, 2005
- ▶ Appointment of Designated Director and Principal Officer
- ▶ Written Policies and its regular updation
- ▶ Employee Training and Customer awareness
- ▶ Ensuring KYC, Customer Due Diligence, Enhance Due Diligence and Transactions monitoring
- ▶ Regular updating Client information / data
- ▶ Submission of Reports to FIU-IND

RESPONSIBILITY OF CLIENT UNDER PMLA 2002

- ▶ Give complete information and document while opening account
- ▶ Pro-actively inform change in address or contact details to ASL
- ▶ Periodically update the financial details
- ▶ Co-operate ASL Employee whenever contacted for re-KYC or updating details including financial and share required documentary evidence of financial information

NATIONAL AND INTERNATIONAL BODIES DEALING IN ML/TF

► National Bodies / Authorities

- FIU-IND
- Directorate of Enforcement (ED)
- Central Bureau of Investigation (CBI)
- Income Tax
- Police authorities
- National Investigation Agency (NIA)

<https://fiuindia.gov.in/>

<https://enforcementdirectorate.gov.in/>

<https://cbi.gov.in/>

<https://incometaxindia.gov.in/>

<https://www.nia.gov.in/>

► International Bodies / Authorities

- Financial Action Task Force (FATF)
- FATF-Style Regional Bodies
- Organization of American States (OAS) / CICAD
- United Nation
- European Union
- Egmont Group of Financial Intelligence Units
- Wolfsberg Group
- World Bank and the International Monetary Fund
- Basel Committee on Banking Supervision

<https://www.fatf-gafi.org/en/home.html>

<https://www.un.org/en/>

https://european-union.europa.eu/index_en

<https://egmontgroup.org/>

<https://wolfsberg-group.org/>

<https://www.worldbank.org/en/home>

<https://www.bis.org/bcbs/index.htm>

INDIAN REGULATORS AND THEIR EFFORTS TO DEAL THE ISSUE OF ML/TF

➤ Indian Regulators dealing to counter effort of ML and TF;

- RBI – Reserve Bank of India
- SEBI – Securities and Exchange Board of India
- IRDAI – Insurance Regulatory and Development Authority of India
- PFRDA – Pension Fund Regulatory & Development Authority

<https://www.rbi.org.in/>
<https://www.sebi.gov.in/>
<https://irdai.gov.in/>
<https://www.pfrda.org.in/>

➤ Following are efforts by Regulators

- Issued Circular/Master Circular and guideline for Intermediaries in relations to AML/CFT
- Conducting Inspection of Intermediaries
- Seek document and clarification of clients whenever required in context to suspicious activity

Thank You

