

Provisions of Prevention of Money Laundering Act, 2002

Prevention of Money Laundering Act, 2002 (PMLA) forms the core of legal framework put in place by India to combat money laundering and related crimes. PMLA and the Rules notified there under came into force from 1st July, 2005. Under PMLA, all the entries registered with SEBI are required to furnish information of all the suspicious transactions whether or not made in cash to FIU-IND. Under Section 3 of PMLA, projecting of crime as untainted property is an offence of money laundering liable to be punishment under section 4 of the PMLA.

Money Laundering involves disguising financial assets so that they can be used without detection of the illegal activity that produced them. Through money laundering, the launderer transforms the monetary proceeds derived from criminal activity into funds with as apparently legal source.

Financial Intelligence Unit-India (FIU-IND) is the central national agency of India responsible for receiving, processing, analyzing and disseminating information of suspect financial transactions. FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in combating money laundering and related crimes.

Section 2 (1) (g) of PMLA Rules defines suspicious transaction whether or not made in cash which, to a person acting in good faith:

- Gives rise to a reasonable ground of suspicious that it may involve the proceeds of crime; or
- Appears to be made in circumstances of unusual or unjustified complexity; or
- Appears to have no economic rationale or bonafied purpose; or
- Gives rise to a reasonable ground of suspicious that it may involve facing of the activities relating to terrorism

Some examples of suspicious transactions reported to FIU-IND are as under:

Category	Examples of Suspicious Transactions
Identity of Clients	<ul style="list-style-type: none">➤ Identification documents were found to be forged➤ Address details given by the account holder were found to be false➤ Doubt over the real beneficiary of the account
Suspicious Background	<ul style="list-style-type: none">➤ Positive match of name and date of births with person on various lists➤ Account of publicly known criminals
Multiple Accounts	<ul style="list-style-type: none">➤ Large number of accounts having a common account holder, introducer or authorized Signatory with no rational or bono fide purpose➤ Unexplained transfers between multiple accounts with no rationale
Activity in Accounts	<ul style="list-style-type: none">➤ Unexplained activity in dormant accounts➤ Unexplained activity in account inconsistent with what would be expected from declared Business
	<ul style="list-style-type: none">➤ Doubtful sources of Funds➤ Doubtful overseas fund transfer

Nature of Transactions	<ul style="list-style-type: none">➤ Doubtful foreign remittance to non-relatives➤ Doubtful cash deposits in a bank account at multiple locations➤ Suspicious use of ATM/Credit card➤ Doubtful foreclosure of loan account in cash➤ Suspicious off-market transactions in demat accounts
Value of transactions	<ul style="list-style-type: none">➤ Multiple transactions of value just under the reporting threshold amount in an apparent attempt to avoid reporting➤ Unexplained large value transaction inconsistent with the client's apparent financial Standing

Bhuushan

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MR. BHUSHAN VISHWANATH GODBOLE

SEBI Registered Investment Advisers

Registration No. INA000002405

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