# Prevention of Money Laundering Act, 2002 (PMLA)

Any person who directly or indirectly:

* 1. Attempts to indulge.
  2. Assists the person who is actually involved in any process.
  3. Is a party to the activity connected with the **proceeds of crime**.

As the supply of illegal arms, drug trafficking, and prostitution, which can generate huge amounts of money and projecting or claiming it as untainted property; shall be guilty of the offence of Money Laundering. The Act was formulated for the following objectives:

* + 1. Prevent money-laundering.
    2. Combat/prevent channelising of money into illegal activities and economic crimes.
    3. Provide for the confiscation of property derived from, or involved/used in, money-laundering.
    4. Provide for matters connected and incidental to the acts of money laundering.

**Money laundering vis-à-vis syphoning of funds** Mere earning of money or obtaining any property by committing a crime does not amount to money laundering, though it may amount to syphoning of funds. Obtaining or deriving any property by committing a crime which amounts to a Scheduled offence, and then projecting or claiming such money or property as untainted property amounts to money laundering.

**2.Method of Operation**

* + - The first stage is when the money derived through crime is introduced into the formal financial system called ‘**placement**‘.
    - In the second stage, the money so introduced into the system is layered and spread over various transactions with a view to clear the tainted origin of the money and is called ‘**layering**‘.
    - In the third and the final stage, the money enters the financial system in such a way that original association with the crime is sought to be cleared so that the money can then be used by the offender or person receiving it as clean money and this is called ‘**integration**‘.

**3.Common Forms of Money Laundering**

Hawala, bulk cash smuggling, fictional loans, cash-intensive businesses, round-tripping, trade-based laundering, Shell companies and trusts, real estate, gambling, and fake invoicing are some of the common methods of money laundering.

**4.Proceeds of Crime**

‘Proceeds of Crime’, means and includes, any property obtained or is derived directly or indirectly as a result of criminal activity relating to a **Scheduled Offence**.

**5.List of Offences**

Under PMLA, the commission of any offence, as mentioned in Part A and Part C of the Schedule of PMLA will attract the provisions of PMLA. Some of the Acts and offences, which may attract PMLA, are enumerated below:

* + - * **Part A** enlists offences under various acts such as: Indian Penal Code, Narcotics Drugs and Psychotropic Substances Act, Prevention of Corruption Act, Antiquities and Art Treasures Act, Copyright Act, Trademark Act, Wildlife Protection Act, and Information Technology Act.
      * **Part B** specifies offences that are Part A offences, but the value involved in such offences is Rs 1 crore or more.
      * **Part C** deals with trans-border crimes and reflects the dedication to tackle money laundering across global boundaries.

**6.Authorities Entrusted for Investigation**

**The Enforcement Directorate** in the Department of Revenue, Ministry of Finance, the Government of India is responsible for investigating the offences of money laundering under the PMLA. [Financial Intelligence Unit – India (FIU-IND)](https://fiuindia.gov.in/) under the Department of Revenue, Ministry of Finance is an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister. FIU-IND is the central national agency responsible for receiving, processing, analysing, and disseminating the information relating to suspect financial transactions. It is also responsible for:

* + - * 1. Coordinating and strengthening the efforts of national and international intelligence,
        2. Investigations for pursuing the global efforts against money laundering and related crimes.

The scheduled offences are separately investigated by agencies mentioned under respective acts, for example, the local police, CBI, customs departments, SEBI, or any other investigative agency, as the case may be.

**7.Actions that can be Initiated Against the Person Involved in Money Laundering**

Seizure/freezing of property and records and attachment of property obtained with the proceeds of crime.

Any person who commits the offence of money laundering shall be punishable with –

Rigorous imprisonment for a minimum term of three years and this may extend up to seven years.

Fine (without any limit).

* + - * 1. If the proceeds of crime involved in money laundering related to Part A (offence specified under the Narcotic Drugs and Psychotropic Substances Act, 1985, then the punishment shall be –

Rigorous imprisonment for a term which shall not be less than three years but which may extend up to 10 years.

Fine (without any limit).

Over the past decades, several anti-money laundering policies have been adopted to overcome laundering. Financial institutions and governments are constantly looking for new approaches to fight against the money launderers. The banks and financial institutions play a pivotal role in the world of financial crime. It is important that they are properly trained on how to identify and handle money laundering. Almost every bank employee receives training in anti-money laundering, and all financial institution and banks are legally required to report any suspicious activity. With the help of technology such as special compliance platforms, companies are now able to easily research their customers and ensure that they are not doing business with criminals.