

**INTERNATIONAL JOURNAL OF LAW  
MANAGEMENT & HUMANITIES**  
**[ISSN 2581-5369]**

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**Volume 4 | Issue 1**

**2021**

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# Combating Money Laundering and Finance Terrorism

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## ABSTRACT

*This paper will focus on giving the understanding and study about the fight and prevention against the concept and issues against money laundering and the financial terrorism faced in the economy to bring economic viability and stability. The paper also focuses on giving a detailed study of the issues that have arisen because of the recent changes and the legislative implications. The money laundering concept can be regarded as the central pivot for numerous offenses occurring in society. The paper, in the beginning, gives a detailed study about the concepts, causes, issues as well as how this is happening, the following part will focus upon giving the regulatory and controlling aspects of the process of money laundering and the summing up section includes how prevention of money laundering can be done within the nation.*

## I. INTRODUCTION

*"Money laundering is giving oxygen to organized crime."*

- *Enrique Peña Nieto*

Money laundering a global concept regarded as a way of acquiring, using, possessing, disguising, concealing, transferring, converting as well as removing from one nation to another nation to gain any benefit as the conduct of the criminal activity. The offense of money laundering does not merely include the doing of the act but also includes any of the acts that are done for the conduct of this. This concept includes the process in which the actual and real ownership of the proceeds are converted into the false ones to manipulate the real sources and have the overall money laundering manipulation.

Money laundering is not a word instead of an entire concept that includes various causes and ways. Some common ways by which money laundering can be seen in the nation includes smuggling, which involves financial institutions in money manipulation. The concept of "money laundering" is said to start from Mafia responsibility in the United States. Hoodlums,

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there were bringing in colossal entireties in money from blackmail, prostitution, betting, and contraband alcohol<sup>2</sup>. They expected to show a genuine hotspot for these monies. One of the manners by which they had the option to do this was by buying ostensibly real organizations and to blend their illegal income in with the authentic profit they got from these organizations. Laundromats were picked by these hoodlums because they were money organizations and this was an undoubted favorable position to individuals like Al Capone who bought them. Al Capone was arraigned, however not for money laundering but rather for tax avoidance.

### **(A) Research Objectives**

The following are some of the stated objectives that will be addressed in the entire paper:

- To analyze the concept and causes of money laundering
- To evaluate and study the actual scenarios of money laundering and its prevention
- To determine the issues that money laundering has raised in the nation <sup>3</sup>

### **(B) Research Aim**

The study aims to understand the issues of preventive measures that are to be undertaken in a paper for making the study of money laundering real and to undertake the proper amendment in the act so that the better prevention of the actions and measures can be taken in the nation and the related acts.

### **(C) Research Rationale**

The rationale of the research is to undertake the amendments and the preventive measures of the acts of money laundering. Although scholastically it very well may be examined that money-laundering may demonstrate valuable in certain unique situations, considering the hurtful impacts of money-laundering presented over nobody would contend against the counter money-laundering laws. There are different inspirations to have an AML component set up. In the first place, at the most essential, the reasoning is to help the aphorism that "wrongdoings don't pay".

### **(D) Research Hypothesis**

H0- The higher rate of money laundering leads to higher corruption.

H1- Money laundering has a proportional impact on the country's economic position.

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<sup>2</sup>Kandukuri, U., 2015. Corruption in India. *Journal of Multidisciplinary Research*, 1(5).

<sup>3</sup>Das, A., 2013. *Banks Violating Prevention of Money-Laundering Act for Excluding the Excluded*.

### **(E) Research Questions**

The following questions will be addressed in the paper:

- What are the major causes that have resulted in the activity of money laundering?
- What are the preventive measures to be taken to eliminate money laundering from the nation?
- What amendments have been brought in the money laundering and prevention act to have a better societal impact and eliminate money manipulation acts?

## **II. LITERATURE REVIEW**

The law of money laundering prevention is essential as this concept focuses on tendering the corruption in the society and amongst the professional people also<sup>4</sup>. A legitimate business person can be a money launderer also without having any legal implications. According to Das, 2013, Money Laundering is an illegitimate act that can hinder the act and can make contamination of the professional and business acts<sup>5</sup>. In every sector, money laundering is hindering and giving hype to bribery and corruption. In India, money laundering is majorly seen from two distinct perspectives, from the global perspective and from the eyes of the nation. To launder black money and to make it clean, money laundering is the most effective process to be undertaken by nations.

According to Kandukuri, 2015, Taking into account the pressing requirement for the institution of an exhaustive enactment entomb Alia for forestalling money laundering and associated exercises, seizure of continues of wrongdoing, setting up of offices and systems for planning measures for fighting money-laundering and related activities, the PML Bill was presented in the Lok Sabha<sup>6</sup>.

Money laundering is the way toward hiding the illegal cause of continues of violations. Fear monger financing is the assortment or the arrangement of assets for psychological militant purposes. On account of money laundering, the assets are consistently of unlawful beginning, though on account of psychological militant financing, assets can originate from both lawful and illegal sources. The essential objective of people or elements engaged with the financing of illegal intimidation is subsequently not really to cover the wellsprings of the money yet to hide both the subsidizing action and the idea of the supported movement.

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<sup>4</sup>Kush, A.K., 2020. Money Laundering in India with Special Reference to the Prevention of Money Laundering Act, 2002. *Journal of Corporate Governance and International Business Law*, 1(1).

<sup>5</sup>Das, A., 2013. *Banks Violating Prevention of Money-Laundering Act for Excluding the Excluded*.

<sup>6</sup>Kandukuri, U., 2015. Corruption in India. *Journal of Multidisciplinary Research*, 1(5).

Comparative strategies are utilized for both money laundering and the financing of psychological warfare. In the two cases, the entertainer utilizes the monetary area. The procedures used to launder money and to fund psychological oppressor exercises/illegal intimidation are fundamentally the same as and in numerous occasions indistinguishable. A powerful enemy of money laundering/counter financing of psychological warfare structure should consequently address both danger issues: it should forestall, recognize and rebuff illicit finances entering the monetary framework and the subsidizing of fear monger people, associations or potentially exercises

### **(A) Key Amendments**

#### Section 2(u) inserted

An explanation was amended in this that included the crime proceeds, it will now be understood as that includes the act of acquiring directly or indirectly using the scheduled offenses or some related acts.

#### Section 3 Explanation

Another crucial amendment bought in this PMLA included the explanation for offenses towards money laundering.

A person should be marked as guilty in the act of money laundering is a person is unknowingly or knowingly involved for this party in regards to the crime proceeds as possession, concealment, usage, consumption, a claim of property, projected property<sup>7</sup>. The Explanation additionally expresses that the cycle or movement associated with continues of wrongdoing proceeds till such time an individual is straightforwardly or in a roundabout way getting a charge out of the returns of the wrongdoing. Likewise, the whole cycle/action associated with the returns of wrongdoing is a proceeding with the offense.

#### PMLA's Section 44 amendment

This section has added a proviso as Section 44(1) (b) that includes the submission of the closure reports that conclude the concept of investigation. In case of any closure, a report is not submitted that an assumption will be regarded and the report should be submitted in front of the Special Court. An Explanation has been embedded to Section 44 (1) (d) of PMLA which gives the Special Court a selective purview concerning planned offenses<sup>8</sup>. The Explanation specifies that the preliminary led by the Special Court for planned offenses will

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<sup>7</sup>Kush, A.K., 2020. Money Laundering in India with Special Reference to the Prevention of Money Laundering Act, 2002. *Journal of Corporate Governance and International Business Law*, 1(1).

<sup>8</sup>Kumar, R., 2019. ROLE OF CIVIL SOCIETY AGAINST CORRUPTION IN INDIA.

be particular from some other preliminary being directed for a similar booked offense. It will not be considered as a joint preliminary.

The Explanation further adds that "Grumbling" will incorporate any ensuing grievance that emerges because of additional examination against any charged individual (Kumar, 2019). It will be pertinent for all people, regardless of whether such an individual was remembered for the first grumbling.

### **(B) Ways of money laundering**

Assets moved through low-charge monetary focuses or assessment sanctuaries. Such assets are hence moved to shell organizations. Which are further reinvested in India through Overseas Corporate Bodies (OCBs). The low expenses and light guidelines founded by the OFCs are appealing not exclusively to capital getting away from regional purviews, yet additionally to examiners and criminals.

Accoridng to Colladonand Remondi, 2017, Other few ways include the hawala system transfers of the money and money related assets, currency-related smuggling, importation of worthless goods, exporting the antique goods, and other unique artifacts. Also, further ways includeengaging in the risk related factors by investing in the derivates and the other risky investments, anonymous transfers of the offshore companies to the bankrupt people<sup>9</sup>. The most common and the most evident aspect seen in this concept includes tax evasion, in which the fraudulent taxation by making overpayment of tax amount and then marking this amount as the clerical error. This raises the additional prospects of money laundering and thus the need for act amendments as well as changes in the legal compliances and making the money laundering activities more influential and increasing the scams of finance and making the financial distress within the economy<sup>10</sup>.

## **III. RESEARCH METHODOLOGY**

The section of the methodology includes the section in which a proper way and prospect are given in a direction for defining the techniques and the tools in which the research is conducted. The methods are laid down in the following section to take the concept towards a common direction of the researcher.

### **(A) Research Design**

The case study is the design adopted for this research paper that helps deliver real and

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<sup>9</sup>Colladon, A.F., and Remondi, E., 2017. Using social network analysis to prevent money laundering. *Expert Systems with Applications*, 67, pp.49-58.\

<sup>10</sup>Pieth, M., and Aiolfi, G., 2004. *A comparative guide to anti-money laundering*. E. Elgar.

accurate aspects. The case study analysis is taken up for giving the analysis that is derived from the actual scenarios of money laundering in the nation and also studying the impact that this has given on the financial prospects of the country.

### **(B) Data Collection**

The data collection is done from the secondary sources that include the data collected from the already published and authenticated sources<sup>11</sup>. The online modes of data are used that includes websites and official pages.

### **(C) Data Analysis**

The qualitative analysis of data is done that includes the quality-based study about the case study and the amendments as well as preventions that could be bought in the act for eliminating the money laundering impact and to avoid the financial manipulations within the economy.

### **(D) Data Validity and Reliability**

As the data collection is done from secondary and authenticated sources, the data is regarded to be highly reliable and from the validated sources<sup>12</sup>. As the research paper focuses on the law and judiciary prospects do the reliability and validity of data are considered as the area of prime concern in the study.

## **IV. CASE STUDY ANALYSIS**

### **1. Coal Allocation Scam, 2012**

The Indian coal controversy is one of the extensive torments amongst the money laundering concept in the past decade. The national coal deposits were the base of the scam that includes the irregularities and disagreements amongst the political parties and the public. In this fact, the CAG was a part of the scam and he was urged to drop down his position and resign from his position. Both the ruling as well as the opposition parties were in a stagnant position and made none of the progress in the session of parliament<sup>13</sup>. The litigations have been imposed in the context with the public interest as stated towards the cancellation and managing the 184 distinct coal blocks based on the unlawful virtues and were against the legal ethical implications and were against the some of the laws constituted in the Indian Constitution.

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<sup>11</sup>Colladon, A.F., and Remondi, E., 2017. Using social network analysis to prevent money laundering. *Expert Systems with Applications*, 67, pp.49-58.\

<sup>12</sup>Colladon, A.F., and Remondi, E., 2017. Using social network analysis to prevent money laundering. *Expert Systems with Applications*, 67, pp.49-58.\

<sup>13</sup>Khetan, V., and Goyal, V., 2020. ARBITRARY ALLOCATION OF COAL BLOCKS–VIOLATIVE OF ARTICLE 14 OF THE CONSTITUTION OF INDIA 1950.

Manmohan Singh was the former prime minister of India at the time this scam took place, this scam resulted in questioning his integrity in regards to the coal allocation that made defamation of his overall character as the democratic leader of the nation<sup>14</sup>. The intervention of the public authority alongside their genuine authority was addressed by the CAG of the nation in its report. The adding of a resolution to make the cycle of serious offering a standard in the designation cycle was acknowledged in 2010 after the 1957 Act was revised. The legitimate ramifications of this trick were seen by the Supreme Court while choosing the issue for the candidate. It had and will keep on majorly affecting the public authority activity structure concerning reasonable treatment, everything being equal<sup>15</sup>.

## **2. Commonwealth Game Scam, 2010**

A provisional issue was made under the PMLA, for the property attached with the Raja Aederi Consultants Ltd, as this firm took up the contract for renovation and up-gradation. The firm came up with filing the false documents to the NDMC for obtaining the additional amount for the up-gradation acts of the stadiums<sup>16</sup>. A false amount of 5.25 crore was allotted to the firm for its act and the filling of the false documents in this perspective. This was regarded as the false act and the fraudulent crime in which the firm came up for making the additional monetary amount from the government authorities<sup>17</sup>. The legal implication was taken after so many years but the blatant allegations of corruption were imposed over the people and multiple agencies were involved in making the study of this scam.

Cold-heartedness of the decision world-class, combined with Dikshit's dismissal of the VK Shunglu panel report that uncovered gigantic defilement in the honor of CWG contracts, removed the political story from the Congress unexpectedly that year<sup>18</sup>.

The CAG's decisions that the Delhi government given out wealth to private temporary workers at no advantage for the current occasion exacerbated the circumstance for the Congress on the political front<sup>19</sup>. The Opposition political party effectively scripted an enemy

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<sup>14</sup>Chao, X., Kou, G., Peng, Y., and Alsaadi, F.E., 2019. Behavior monitoring methods for trade-based money laundering integrating macro and micro-prudential regulation: a case from China. *Technological and Economic Development of Economy*, 25(6), pp.1081-1096.

<sup>15</sup>Khetan, V., and Goyal, V., 2020. ARBITRARY ALLOCATION OF COAL BLOCKS—VIOLATIVE OF ARTICLE 14 OF THE CONSTITUTION OF INDIA 1950.

<sup>16</sup>Chao, X., Kou, G., Peng, Y., and Alsaadi, F.E., 2019. Behavior monitoring methods for trade-based money laundering integrating macro and micro-prudential regulation: a case from China. *Technological and Economic Development of Economy*, 25(6), pp.1081-1096.

<sup>17</sup>Sharma, A., 2013. From Hawala scam to Coalgate: An analysis of financial scams in India. Available at SSRN 2395931.

<sup>18</sup>Sharma, A., 2013. From Hawala scam to Coalgate: An analysis of financial scams in India. Available at SSRN 2395931.

<sup>19</sup>Chao, X., Kou, G., Peng, Y., and Alsaadi, F.E., 2019. Behavior monitoring methods for trade-based money laundering integrating macro and micro-prudential regulation: a case from China. *Technological and Economic*

of Congress accounts around the Common Wealth Games.

## V. CONCLUSION AND RECOMMENDATIONS

Preventing money laundering is regarded as a dynamic process as the launders have focused on finding newer ways to launder money<sup>20</sup>. Numerous significant monetary focuses have now embraced enactment to control money laundering in regards to drugs. Be that as it may, such a large number of need monetary focuses have still not received the required enactment or endorsed the show. There is likewise a generous inquiry of regardless of whether the medication dealing focused money laundering laws that numerous administrations embraced in the prior piece of this decade are sufficient, given the late improvement in money-laundering rehearses and new advances utilized in preparing. Coordinated wrongdoing bunches are progressively a factor in significant money-laundering plans – and the different wellsprings of their returns aggravate the trouble of connecting the financial exchange to an interesting predicate offense like medication dealing<sup>21</sup>. Also, criminal associations have particular examples of activities attached to them.

India needs to give away for innovating to bring consistency and stability in the system of its finance and financial management and has enhanced protection towards the financial prospects and financial crimes<sup>22</sup>.

### **Recommendations**

The following could be the recommendations that can be undertaken to have better money-laundering prevention activities:

1. To have a reduction within the vulnerability of the money laundering act in various sectors, the government shall focus on intensifying the effects and eliminating the international concepts and cooperation with money laundering<sup>23</sup>.
2. The major issue is in regards to confidentiality. The states and the nation have focused on making the compromises amongst the secrecy of the financial prospects. A balance is to be built up amongst the confidentiality and the financial data<sup>24</sup>.

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*Development of Economy*, 25(6), pp.1081-1096.

<sup>20</sup>Campbell-Verduyn, M., 2018. Bitcoin, crypto-coins, and global anti-money laundering governance. *Crime, Law and Social Change*, 69(2), pp.283-305.

<sup>21</sup>Benson, K., 2018. Money laundering, anti-money laundering, and the legal profession. In *The Palgrave Handbook of Criminal and Terrorism Financing Law* (pp. 109-133). Palgrave Macmillan, Cham.

<sup>22</sup>Singh, P., 2012. Role of ICT to Develop Ethics in Government in Perspective of India. *Education*, 3(6).

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<sup>24</sup>Campbell-Verduyn, M., 2018. Bitcoin, crypto-coins, and global anti-money laundering governance. *Crime, Law and Social Change*, 69(2), pp.283-305.

3. Money laundering is an act that is regarded as victimless as does not merely include the victim. The sense of vigilance is to be built amongst the people so that they can consider the crimes and understand its base<sup>25</sup>.
4. A developed and the evolved cell is to be developed in the country for having a better lien of economic intelligence dealing with the proper development concept.

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<sup>25</sup>Colladon, A.F., and Remondi, E., 2017. Using social network analysis to prevent money laundering. *Expert Systems with Applications*, 67, pp.49-58.

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