

8. *In view of the upcoming FATF review in 2021, identify the ways in which India can raise the bar on anti-money laundering systems.* (150 words) 10

Approach:

- Give a brief introduction about the FATF and about India's anti-money laundering regime.
- Identify the steps that can be taken by India to raise the bar on its anti-money laundering systems.
- Conclude accordingly.

Answer:

The Financial Action Task Force (**FATF**) is an **intergovernmental body** created in 1989 with the objective of **development and promotion of national and international policies to combat money laundering and terrorist financing**. It has established a **series of recommendations on money laundering**, which has been deemed as the international standard for effective anti-money laundering measures.

The **FATF regularly reviews its members** to check their **compliance with the above said recommendations** and also suggest areas for improvement. The 4th round of **Mutual Evaluations** of India is slated in 2021. The mutual evaluation of country specific anti-money laundering and terror-financing mechanism by the FATF is a routine ongoing process and is being conducted on all member countries of the global body on a rotational basis.

India's **anti-money laundering system is relatively new**. The Prevention of Money Laundering Act (**PMLA**) was enforced in 2005 and was **amended later in 2019** to widen its ambit. Further, the **Unlawful Activities (Prevention) Act, 1967 was updated** to bring it in line with the **UN Convention for the Suppression of the Financing of Terrorism**. Also, various bodies like the **Financial Intelligence Unit, RBI, SEBI, E.D. etc. keep a check on money laundering**.

Despite its efforts, **India needs to raise the bar on anti-money laundering systems** before the FATF review. **It can be done in the following ways:**

- **Application of risk-based approach:** India should **enhance identification, assessment and understanding** of the money laundering and terrorist financing risks for the country and should apply a risk-based approach to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified.
- **Unified architecture:** A **single enforcement agency is required** to deal with money laundering, as currently separate wings of the law enforcement are dealing with digital crimes, money laundering, economic offences and terrorist crimes.
- **Adoption of international standards/conventions:** India **should criminalise money laundering** on the basis of the **Vienna and Palermo Conventions**. Further, it should criminalise terrorist financing on the basis of Terrorist Financing Convention, and should criminalise not only the financing of terrorist acts but also the financing of terrorist organisations and individual terrorists.
- **Regular training:** **Enforcement agencies need to be regularly trained** in the increasingly evolving and widespread area of cyber finance.
- **Increased compliance:** Banks need to ensure that customers **strictly adhere to Know Your Customer (KYC) norms**.
- **Timely dispute resolution:** Efforts are required to make the **judicial system more efficient**, as judicial delay in anti-money laundering cases defers the ultimate disposition of laundered assets.

Also, since money-laundering activities are a global concern, India must constantly take efforts to bring different countries on the same platform in order to deal with the ever changing dynamics of money launderers who constantly evolve innovative methods to evade the existing laws and global norms.