

- Money
 - Laundering



What is Money Laundering?

- **Proceeds of crime projected as untainted property.** Crime means any crime punishable under Indian or equivalent global laws and includes terrorism, fraud, cheating.
- It also includes offence related to **commodity futures** market i.e **Insider trading and market manipulation**

Why so much focus on AML?

- **Terrorist using illicit money for terrorist operations**
- Many countries ban investors from investing in Non FATF countries. India is member of FATF

Financial Intelligence Unit (FIU)

FIU is a national agency set up by Government of India to Coordinate and strengthen collection and sharing of financial intelligence to combat money laundering and related crimes.

Sourcing / Collection of Information:

Every reporting entity i.e. banking company, financial institution and intermediaries **including commodity brokers** to furnish:

- **Suspicious Transaction Report (STR)**
- **Cash Transaction Report (CTR)**

FIU disseminates STR / CTR details to appropriate agencies like Income Tax, CBI etc.

Crime

- Suspected transaction involving proceeds of crime

Complex

- Appears to be made in circumstances of unusual or unjustified complexity

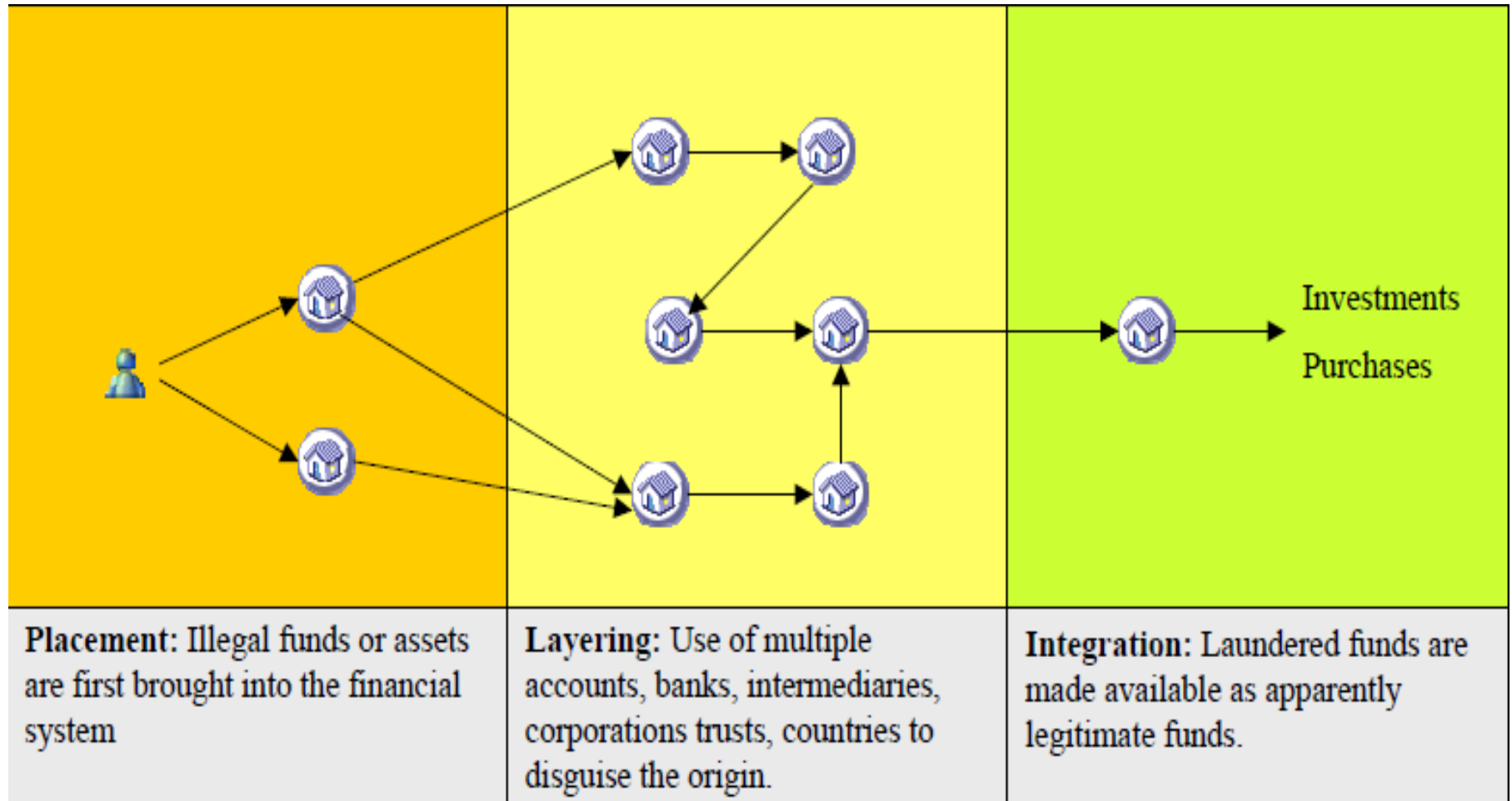
No purpose

- Appears to have no economic rationale or bonafide purpose

Terrorist Financing

- May involve financing of the activities relating to terrorism

Stages involved in Money Laundering



Sr. No	Type Of Alerts Generated	What is Expected
1	Unusual Transactions, not keeping in line with clients financial position	Check the background Financial worth of client (liquid Net worth) Trading pattern
2	Customer turnover v/s exchange turnover	Check the background Financial worth of client (liquid Net worth) Trading pattern Whether client is trading in illiquid scrips-if yes, then the reason
3	Frequent lossmaking trades	Check the background Financial worth of client (liquid Net worth) Trading pattern Rationale of the client for such trades Whether client is shifting losses to his other family codes, if mapped in KS
4	Sudden surge alerts	Rationale for sudden spurt in trading Trading pattern and financials of the client
5	Transactions breaching threshold limits-instrument bases limits	Reason for undertaking such transaction Financial worth of the client (ITR/ Net worth /Balance sheet) Background and Trading pattern of the client

❖ About the case:

- Ms. Vidhi srivastava opened account but did not have **commodity** market knowledge
- Client's husband Mr. Vineet Srivastava was employed with PSU bank having modest salary who was operating client's account.
- He siphoned off depositor's money from bank account (placement) and invested the same in **commodity** market in wife's account (Layering)
- Ms. Vidhi took payout from the broker and invested the money in real estate (Integration)

❖ What went wrong?

It was not checked as to whether **client's financial position** backed the volume of trades.

❖ Implications:

Arrest warrant was issued against client's husband for the fraud perpetrated by him. Accounts have been frozen by CBI

✓ Compliance advice:

Exercise due diligence and ensure that client's trade volumes are in line with his known financial position

Suspected AML flags which dealer can keep watch on

- ❖ **All surveillance flags are applicable to AML as well**
- ❖ **Additional flags**
 - **Client's trading volume inconsistent with known financial profile of the client**
 - **Transactions which do not have any economic rationale like client entering into loss making trades**
 - **Client staying in modest flat/chawl but doing huge volume**
 - **Client not ready to meet at his residence/office address**
 - **Client not ready to show original documents for verification**
 - **Negative media report /law enforcement enquiry about client**
 - **Client opting for branch away from his office/residence when choice is available**
 - **Client has changed residence but not updating the address despite request**
 - **Unusual or complex transaction where client does not have justifiable explanation**

- ❖ **Inform the compliance officer, if:**
 - There is any doubt on the identity of the client or his behavior.
 - There is suspicious transaction
 - Attempted suspicious transaction
- ❖ **Provide information/details asked for any AML alert including updated financial statements of clients. (Monthly regional sign off for alerts pending for more than 45 days)**
- ❖ **No Tipping off is permitted. Our obligation is complete once STR is filed.**
- ❖ **Provide all details to avoid reporting of genuine transactions as suspicious**



THANK YOU