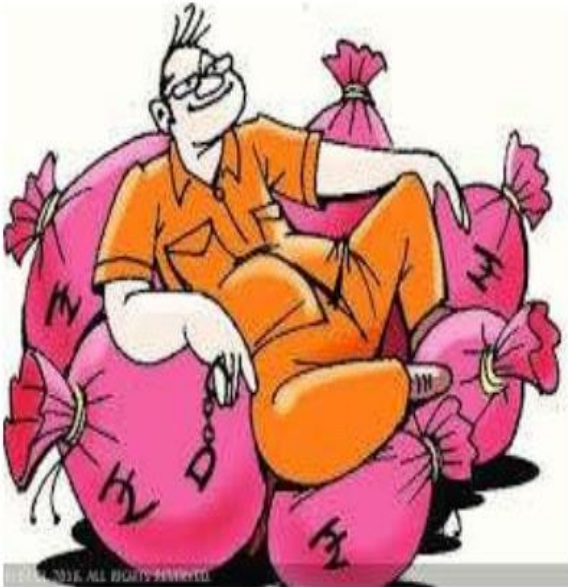


Laws of Money Laundering Prevention in Bangladesh



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Money laundering

- The word “**laundry**” literally means “**cleaning**”
- Metaphorically, money laundering refers to “**cleaning on money**”

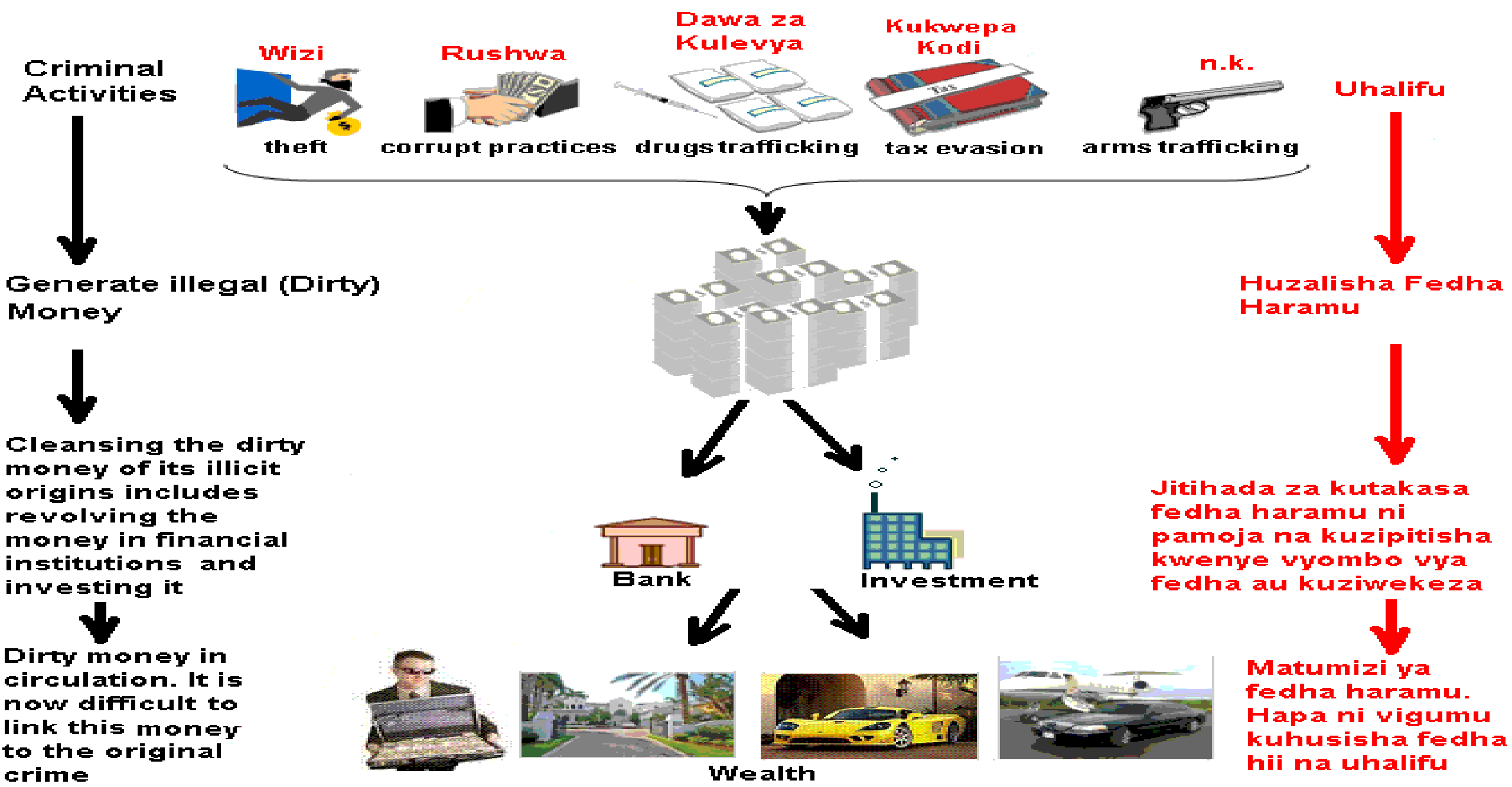


WHAT IS MONEY LAUNDERING

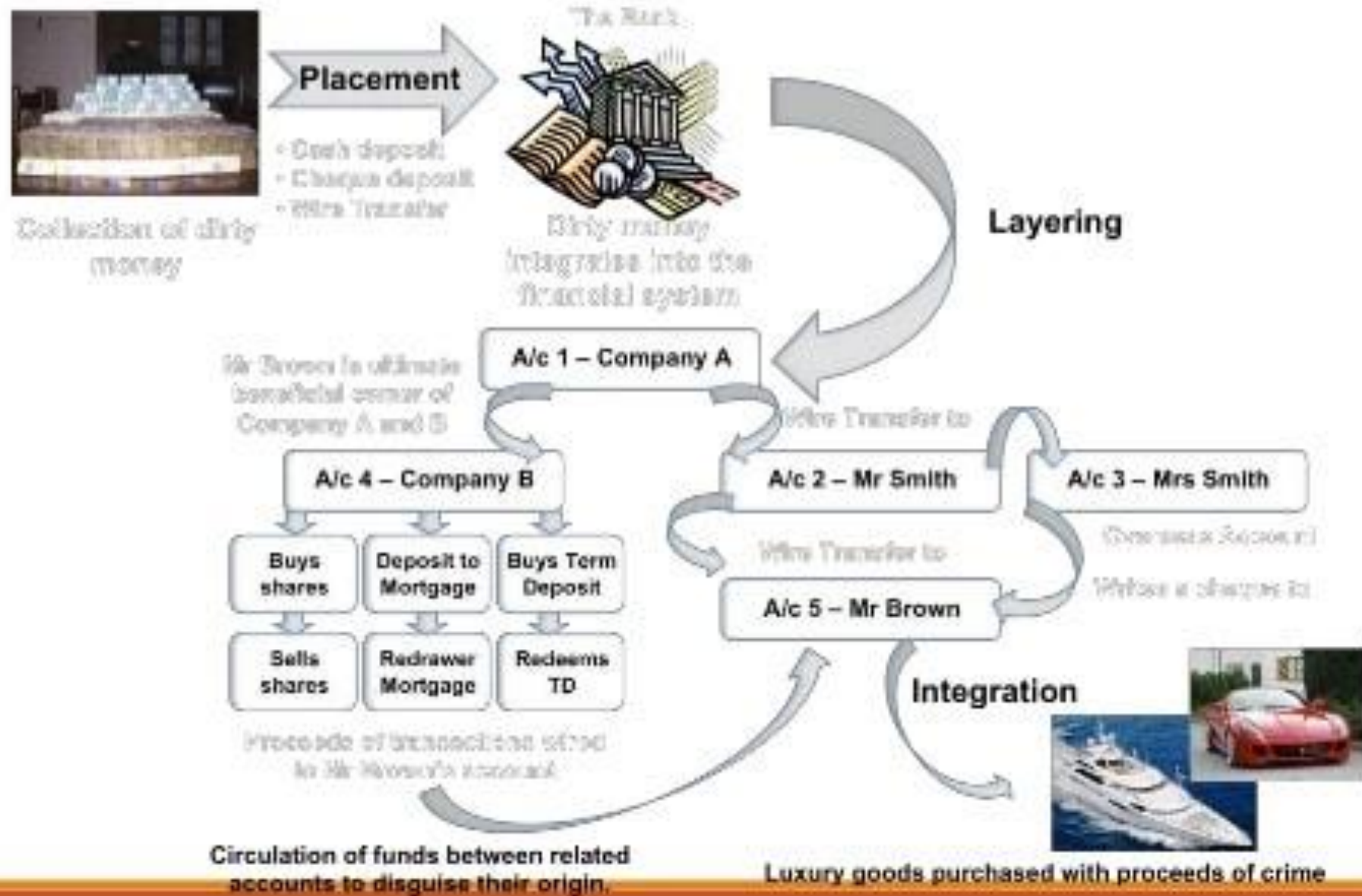


Definition: 'Money Laundering' is the process by which illegal funds and assets are converted into legitimate funds and assets.

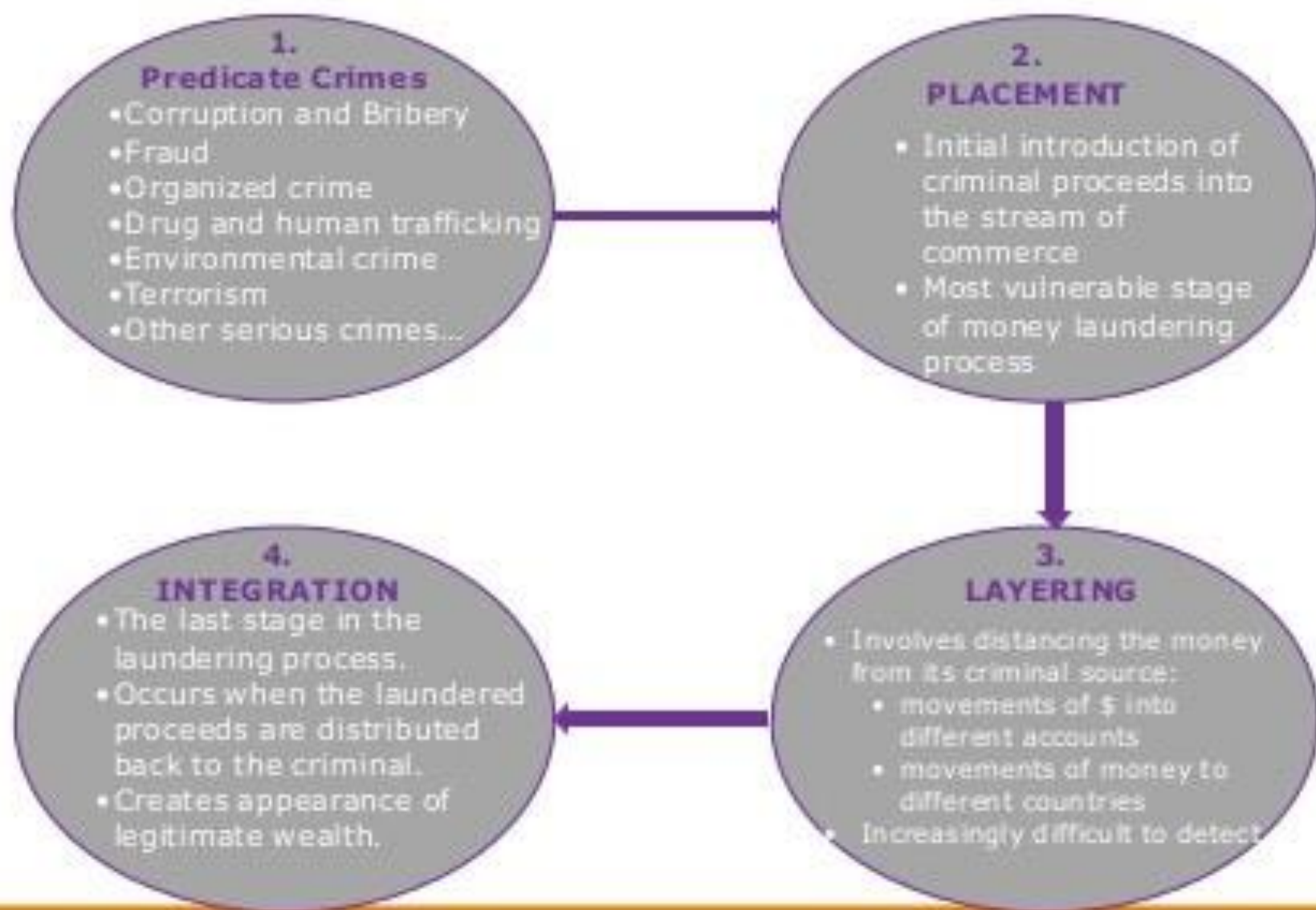
Money Laundering



HOW MONEY LAUNDERING WORKS:



Money Laundering Cycle:



Stages of Money Laundering

The 3 stages of money laundering

The money laundering process is often described as taking place in three stages:

PLACEMENT

LAYERING

INTEGRATION



Stages of Money Laundering

Placement

- Placement is the first stage of money laundering process in which illegal funds or assets are brought into financial system directly or indirectly.

Layering

- In this stage funds and assets are moved, dispersed and disguised to conceal their origin.

Integration

- Integration is the third stage of money laundering process where illegal money and assets are successfully cleansed.

REASONS FOR MONEY LAUNDERING

Absence of legislation

Evasion of tax

Increase in profits

To make black money
appear white money

Limited risks of exposure



people smuggling



arms trafficking



tax evasion



theft



drug trafficking



corrupt practices



terrorism

Absence of legislation against money laundering:

- Absence of legislation against money laundering give a free hand to criminals. sometimes governments itself is involved they do this to win political rivals, to please their allies and to strengthen their rule. Also CBR (Central Board of Revenue) has never bothered to unearth laundered money, rather always joined hands with the and money launderers.



Evasion of tax:

- Tax evaders launder money so that they can lie about where money and assets came from in order to evade tax. And sometimes they simply operate outside that part of the economy where records are kept.



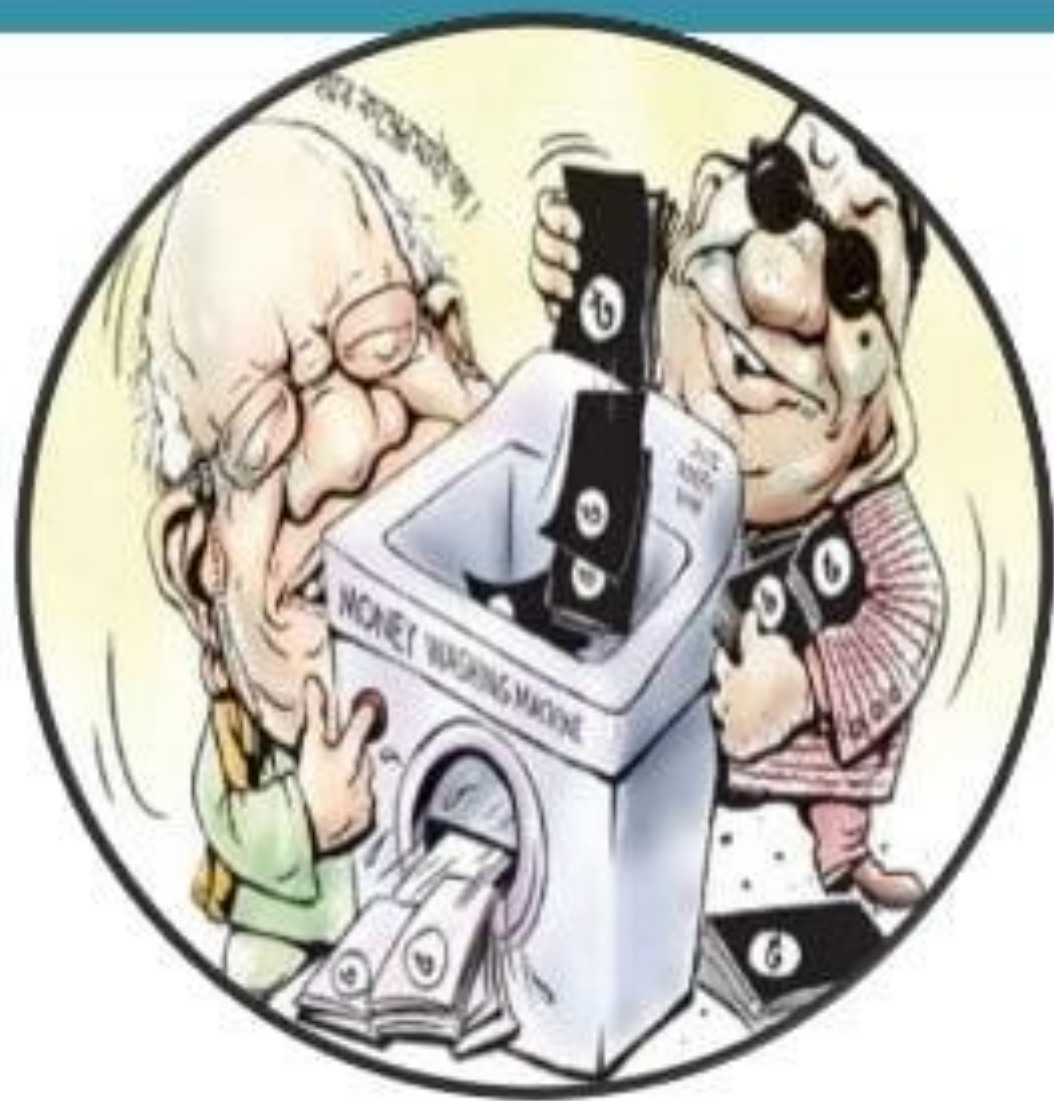
Increase profits:

When people have incentive for more profit in any particular area, such as in production and trading of drugs, arms, and across the borders trade, they start taking risk to earn higher profits.



To Appear black money legitimate:

- ❑ In money laundering, black money usually becomes legitimate after a series of process. And less risk is involved of being caught. This doesn't happen in other economic crimes. So in order to appear their money more legitimate they go for money laundering.



Limited risks:

The availability of multiple opportunities for personal enrichment without the risk of being exposed is another cause of money laundering. Such economic environments are much more conducive to make black money.



OBJECTIVES OF MONEY LAUNDERING

- **Hide**- to reflect the fact that cash is often introduced to the economy via commercial concern which may knowingly or not knowingly be part of the laundering scheme.
- **Move**- clearly explains that the money launderer uses transfers, sales and purchase of assets and changes the shape.
- **Invest**- the criminal spends the money. He/she may invest it in assets or his/her lifestyle.




EFFECTS OF MONEY LAUNDERING ON ECONOMY

- Economic Distortion and Instability
- Money laundering Facilitates corruption and crime
- Lose of control of Economic policy
- Undermining the integrity of financial markets
- Risk of privatization efforts
- Reputation at stake



How does Money Laundering affects Business

- ▶ Make crime profitable business
 - ▶ Damage market integrity
 - ▶ Diminish Govt. tax revenue
 - ▶ Contaminate the industry
 - ▶ Risk for financial institution
 - ▶ Deter foreign invest investment
- 

WHY AND HOW TO COMBAT MONEY LAUNDERING

- **Money laundering has potentially devastating economic, security, and social consequences. Money laundering is a process vital to making crime worthwhile. It provides the fuel for drug dealers, smugglers, terrorists, illegal arms dealers, corrupt public officials, and others to operate and expand their criminal enterprises. Money laundering diminishes government tax revenue and therefore, indirectly harms honest taxpayers. It also makes government tax collection more difficult. In order to combat Money Laundering Bank should at all times pay particular attention to the fundamental principle of good business practice-“know your customer” (KYC). Having a sound knowledge of a customer’s business and pattern of financial transactions and commitments is one of the best methods by which Bank and its Officials will recognize attempts at money laundering.**

GUIDELINE ON KNOW YOUR CUSTOMER (KYC) PROCEDURES

- - **Helps detect suspicious activity in a timely manner, - Promotes compliance with all banking laws,**
- - **Promotes safe and sound banking practices,**
- - **Minimize the risk that the bank will be used for illicit activities,**
- - **Reduces the risk of government seizure and forfeiture of a customers loan collateral when the customer is involved in criminal activity, and**
- - **Protects the banks reputation.**

What Are The Benefits Of Money Laundering Laws?

- **Money Laundering is a separate offense which carries additional jail time.**

Allows for seizure and confiscation of proceeds of crime.

- **Allows law enforcement access to bank and other financial institution records.**

- **Requires financial institutions to file suspicious and sometimes cash transaction reports, and to identify the beneficial owners of legal entities.**

- **Requires establishment of Financial Intelligence Units which receive reports from financial institutions and can provide new channels for international exchange of information.**

What are some of the Challenges?

- **Developing political will at senior levels of government.**
- **Tighter AML can be costly and reduce resources from other needs.**
- **Building capacity in developing countries for investigation and prosecution.**
- **Knowing your client is not always easy. Knowing your client's client is difficult to impossible.**
- **Coordination among countries law enforcement, financial intelligence units, regulators, and judiciaries.**
- **Application of AML regime in a cash based economy.**

The Money Laundering Prevention Act, 2012.

- ▶ **An Act to repeal the existing Act and Ordinance regarding the prevention of money laundering and to reenact a law relating thereto.**
- ▶ **Total 31 Sections.**

Definition of Money Laundering

U/S. 2(v) “money laundering” means – (i) knowingly moving, converting, or transferring proceeds of crime or property involved in an offence for the following purposes:-

- (1) concealing or disguising the illicit nature, source, location, ownership or control of the proceeds of crime; or**
- (2) assisting any person involved in the commission of the predicate offence to evade the legal consequences of such offence; (ii) smuggling money or property earned through legal or illegal means to a foreign country; (iii) knowingly transferring or remitting the proceeds of crime to a foreign country or remitting or bringing them into Bangladesh from a foreign country with the intention of hiding or disguising its illegal source; or**

Continued...

(iv) concluding or attempting to conclude financial transactions in such a manner so as to reporting requirement under this Act may be avoided;

(v) converting or moving or transferring property with the intention to instigate or assist for committing a predicate offence;

(vi) acquiring, possessing or using any property, knowing that such property is the proceeds of a predicate offence;

(vii) performing such activities so as to the illegal source of the proceeds of crime may be concealed or disguised;

(viii) participating in, associating with, conspiring, attempting, abetting, instigate or counsel to commit any offences mentioned above;

Predicate offence [U/S. 2(cc)]

“predicate offence” means the offences mentioned below, by committing which within or outside the country, the money or property derived from is laundered or attempt to be laundered, namely:-

- (1) corruption and bribery;**
- (2) counterfeiting currency;**
- (3) counterfeiting deeds and documents;**
- (4) extortion;**
- (5) fraud;**
- (6) forgery;**
- (7) illegal trade of firearms;**

Continued...

(8) illegal trade in narcotic drugs, psychotropic substances and substances causing intoxication;

(9) illegal trade in stolen and other goods;

(10) kidnapping, illegal restrain and hostage taking;

(11) murder, grievous physical injury;

(12) trafficking of women and children;

(13) black marketing;

(14) smuggling of domestic and foreign currency;

(15) theft or robbery or dacoity or piracy or hijacking of aircraft;

Continued...

(16) human trafficking;

(17) dowry; (18) smuggling and offences related to customs and excise duties;

(19) tax related offences;

(20) infringement of intellectual property rights;

(21) terrorism or financing in terrorist activities;

(22) adulteration or the manufacture of goods through infringement of title;

(23) offences relating to the environment;

(24) sexual exploitation;

Continued....

- (25) insider trading and market manipulation using price sensitive information relating to the capital market in share transactions before it is published for general information to take advantage of the market and attempting to manipulate the market for personal or institutional gain;**
- (26) organized crime, and participation in organized criminal groups;**
- (27) racketeering; and**
- (28) any other offence declared as predicate offence by Bangladesh Bank, with the approval of the Government, by notification in the official Gazette, for the purpose of this Act.**

Offence of money laundering and punishment [U/S. 4]

- (1) For the purposes of this Act, money laundering shall be deemed to be an offence.**
- (2) Any person who commits or abets or conspires to commit the offence of money laundering, shall be punished with imprisonment for a term of at least 4(four) years but not exceeding 12(twelve) years and, in addition to that, a fine equivalent to the twice of the value of the property involved in the offence or taka 10(ten) lacks, whichever is greater.**
- (3) In addition to any fine or punishment, the court may pass an order to forfeit the property of the convicted person in favour of the State which directly or indirectly involved in or related with money laundering or any predicate offence.**

Inevitability of the approval of the Anti Corruption Commission [U/S. 12]

(1) Notwithstanding anything contained in the Code of Criminal Procedure or any other law for the time being in force, no court shall take cognizance of any offence under this Act, except with the approval of the Anti Corruption Commission.

(2) After concluding the investigation under this Act, the investigation officer shall take prior approval of the Anti-Corruption Commission before submitting his report and shall submit a copy of the approval before the court along with the report.

Confiscation of property [U/S. 17]

(1) If any person or entity is convicted of the offence of money laundering under this Act, the court may pass an order for confiscation of any property, within or outside the country, involved directly or indirectly in money laundering or predicate offence in favour of the State.

(2) Notwithstanding anything contained in sub-section (1), during an inquiry and investigation or prosecution under this Act relating to an offence of money laundering, the respective court may, where necessary, pass an order for the confiscation of any property situated within or outside the country in favour of the State.

(3) If any person convicted of the offence of money laundering under this Act absconds or dies after submitting the charge sheet, the court may pass an order for confiscation of that person's property which was involved in the money laundering or predicate offence in favour of the State. Etc...

Powers and responsibilities of Bangladesh Bank in restraining and preventing the offence of money laundering [U/S. 23]

(1) For the purposes of this Act, Bangladesh Bank shall have the following powers and responsibilities, namely:-

(a) to analyze or review information related to cash transactions and suspicious transactions received from any reporting organization and to collect additional information relating thereto for the purpose of analyzing or reviewing from the reporting organizations and maintain data on the same and, as the case may be, provide with the said information to the relevant law enforcement agencies for taking necessary actions; etc....

Establishment of the Bangladesh Financial Intelligence Unit (BFIU) [U/S. 24]

(1) In order to exercise the power and perform the duties vested in Bangladesh Bank under section 23 of this Act, there shall be a separate unit to be called the Bangladesh Financial Intelligence Unit (BFIU) within Bangladesh Bank.

Contract with foreign countries [U/S. 26]

- (1) For the purposes of this Act, the Government may enter into a contract with any foreign State under bilateral or multilateral agreements, conventions or any other means recognized by international law.**
- (2) If the Government enters into any contract with any foreign State under this section, the Government may, for the purpose of prevention of money laundering:-**
 - (a) ask for necessary information from the foreign State or organization; and**
 - (b) provide with information asked for by the foreign State or organization if it is not a threat to national security.**

Questions Session