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EFFECTS OF ECONOMIC GLOBALIZATION ON WHITE COLLAR CRIMES: A MONEY LAUNDERING PERSPECTIVE

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ABSTRACT

One of the most crucial element in which globalization has facilitated money laundering is the rapid growth of cross-border movement of funds. It is pertinent to mention herein that in this interconnected world where capital can move across borders very swiftly and effortlessly has been made possible by globalization. Money laundering is a complicated and ubiquitous problem that threatens the global economy and financial institutions. It entails the process of converting the earnings of criminal acts into legitimate finances, letting criminals to operate with impunity while profiting from their illegal actions. Money laundering has become even more difficult to combat in the context of globalization due to the increased cross-border flow of cash, the expansion of international trade, the proliferation of offshore financial hubs, and the rise of digital currencies. The global economy's facilitation of money laundering activities, also the issues of cross-border transactions and a review of the measures put in place to combat this illegal behavior are all evaluated and examined in this research paper. In this research paper the author discuss about the evolution of economic globalization, also explores and exhibits the implications of globalization on white collar crime, especially in terms of money laundering and how it evolved, treaties held for making stricter laws/regulations against money laundering and lastly measures taken by India to combat the process of money laundering.

Keywords: *Globalization, Economic Globalization, White Collar Crimes, Money-Laundering, Treaties and Proceeds of Crime.*

I. Introduction

Economic globalization is the term which is described as the rising interconnectedness of world economies as a result of the expansion of international capital flows, the wide and quick diffusion of technology, and the size of cross-border commerce in goods and services. It is an unstoppable trend for the global economic development at the turn of the millennium and shows the ongoing enlargement and mutual integration of market borders. The two main drivers driving economic globalization are the marketization and the rapidly increasing use of information in all forms of productive activity. The part of economic globalization that is growing the fastest and having the most influence in financial globalization. To meet the demands of global investment and commerce, international finance was created. However, it has grown increasingly autonomous as a result of economic globalization. The financial market is the only one that has seen globalization in the proper meaning of the word, as compared to commodities and labor markets. But due to rapid increase in economic globalization the act of Money laundering has been complicated and ubiquitous problem that has threatened the global economy and financial institutions. It entails the process of converting the earnings of criminal acts into legitimate finances, letting criminals to operate with impunity while profiting from their illegal actions. Money laundering has become even more difficult to combat in the context of globalization due to

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the increased cross-border flow of cash, the expansion of international trade, the proliferation of offshore financial hubs, and the rise of digital currencies.

Multiple international and national organizations are actively battling money laundering. There are initiatives underway to raise public awareness of the problem and give the authorities the required legal or regulatory capabilities. In India, Prevention of Money Laundering Act came into force in the year 2005[11259], and many progressive developments have been made to secure the country from this heinous economic crime and moreover a specialized agency i.e. Directorate of Enforcement was also made on 1 May 1956 to tackle these economic crimes.

In other country like in U.S.A, Departments of Justice, State Departments, the Federal Bureau of Investigation, the International Revenue Service, Drug Enforcement Agencies, and other regulatory organizations have departments that look into money laundering and the supporting systems that enable it to occur. The majority of countries have deemed money laundering illegal. Through numerous institutions, including **Financial Action Task Force** commonly known as ***FAFT***[1260], the international community is battling money laundering. Additionally, there are anti-money laundering units at the World Bank, the International Monetary Fund, and the United Nations. These agencies actively keep an eye on and impose laws and rules on every institution or business engaged in money transfers.

II. Globalization: Economic Aspect

Economic globalization refers to the intensification and stretching of economic interrelations across the globe.[1261] In other words, the phrase *"Economic Globalization"* refers to the increasing interconnection of the world's economy as a result of the growth of global capital flows, the rapid and widespread spread of technology, and the volume of cross-border trade in products and services. It demonstrates the increasing widening and mutual integration of market borders and represents an inexorable trend for the growth of the global economy at the turn of the millennium. The world's economies have been rapidly globalizing in recent years due in large part to the advancement of science and technology, the rapid spread of the market economic system globally, and the growth of the cross-border division of labor, which has flooded all the way down to the level of production chains within multinational businesses. The process of reformation of global industries occurs concurrently with the process of economy globalization. The industrial structures of all the nations have been undergoing adjustments and upgrading along with the advancement of science and technology and the rise in wealth level. In recent years, many labor-intensive businesses with low international competitiveness have begun to migrate to developing nations in western industrialized countries as they increasingly embrace the era of the information economy. This cross-border shifting mechanism is accelerating the trend of economic globalization.[1262]

The organized trading arrangements were severely damaged by World War I. World trade had been severely interrupted by the end of hostilities, making recovery exceedingly challenging. The removal of restrictions imposed during wartime characterized the first five years of the postwar era.

Many nations imposed additional trade restrictions in the wake of the 1920 economic crisis and the commercial benefits that came to those with depreciating currencies. The first World Economic Conference was established by

[1259] The Prevention of Money Laundering Act, 2002, https://fiuindia.gov.in/files/AML_Legislation/pmla_2002.html#:~:text=The%20Prevention%20of%20Money%20Laundering%20Act%2C%202002%20(PMLA)%20forms,effect%20from%20July%201%2C%202005%20, **HOME>LEGISLATION>PMLA,2002,** Accessed on 16.09.2023

[1260] The Financial Action Task Force (FATF) was established in 1989 by the G7 to examine and develop measures to combat money laundering.

[1261] Prof. Manfred B. Steger, ***Globalization: A Very Short Introduction*** (3rd Edition, Series from Oxford University Press), Publication date: 23rd May 2013, Pg. Referred: 58 of 177.

[1262] **MICHAEL Mussa**, Economic Counselor and Director of Research, IMF. Article on Factors Driving Global Economic Integration dated 25.08.2000.

the League of Nations in May 1927 in an effort to stop the ongoing rising of customs barriers.[1263] The most multilateral documented and evenly balanced global trade deal approved to date was signed by 29 governments, including the major industrialized nations. In 1927 however, essentially had no impact and remained ineffective practically. Unemployment rates in developed nations hit record highs during the Great Depression of the 1930s.[1264] Countries made an effort to stabilize their balance of payments by implementing currency controls, increasing customs taxes, and a variety of import limits or even import prohibitions. Moreover, in the beginning in 1933, all postwar economic conferences' suggestions that were founded on the core principles of economic liberalism were disregarded. Planning for international commerce eventually began to be seen as a typical government duty.

The Bretton Woods Conference, 1944: The United Nations Monetary and Financial Conference, also known as the Bretton Woods Conference, was a gathering of representatives from 44 countries, including soviet union that took place from July 1 to July 22, 1944, in Bretton Woods, New Hampshire, to establish a number of new principles and guidelines for the post-World War II international monetary system. As a result of the meeting, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) were established. The purpose of establishing the International Monetary Fund and the International Bank for Reconstruction and Development was to finance short-term imbalances in international payments in order to stabilize exchange rates. Moreover, the exchange controls and discriminatory tariffs should be eliminated as quickly as feasible, even though the conference acknowledged that they would likely be required for some time after the war. So, by following governmental ratifications, the IMF and IBRD were established in 1946 and became operational in 1947 and 1948, respectively.

The three relevant outcomes concluded from the Bretton Woods Conference were:

(1) The IMF's Articles of Agreement, which aimed to encourage the stability of financial flows and currency rates.

(2) The IBRD's Articles of Agreement, which aimed and was designed to provide monetary loans post-World War II for the reconstruction and promotion of economic growth, particularly for infrastructure development. And

(3) Additional suggestions for global economic cooperation.

These agreements and suggestions were included in the conference's Final Act.[1265]

Later, the General Agreement on Tariffs and Trade commonly known as GATT, a world trade body for the creating and implementing multilateral trade agreements, was founded in 1947. The GATT was established to aid the International economy's recovery after World War II by reconstructing and liberalizing global commerce. The purpose for setting up GATT was established to set laws to eliminate or minimize the most expensive and inefficient features of the prewar protectionist period, particularly quantitative trade barriers such as trade controls and quotas. Second, the agreement also established a system for resolving international economic disputes and a framework for multilateral tariff reduction negotiations. Further from 1947 to 1993, seven rounds of talks decreased average tariffs on industrial goods from 40% to 5%. GATT's actions resulted in economic globalization.[1266]

[1263] Bertrand, Trent J. , Robinson, Romney , Wonnacott, Paul , Allais, Maurice and Balassa, Bela. "international trade". *Encyclopedia Britannica*, 13 Sep. 2023, https://www.britannica.com/money/topic/international-trade. Accessed 16 September 2023.

[1264] **Robert A. Margo,** Employment and Unemployment in 1930s, https://fraser.stlouisfed.org/files/docs/meltzer/maremp93.pdf.

[1265] Article named *'Bretton Woods Conference'*, https://en.wikipedia.org/wiki/Bretton_Woods_Conference, latest edited on 24 July 2023.

[1266] Britannica, The Editors of Encyclopaedia. "General Agreement on Tariffs and Trade". *Encyclopedia Britannica*, 1 Aug. 2023, https://www.britannica.com/topic/General-Agreement-on-Tariffs-and-Trade , Accessed 17th September 2023.

Lastly, the GATT was seen as a tremendous success in the postwar years.[1267] The GATT imposed several constraints, such as requiring nations to give up some independence in order to adhere to the free trade agreement's rules. It did, however, help many national economies by boosting interconnection, which reduced the probability of conflict and enhanced communication. In 1995, the World Trade Organization was established to take over from GATT. The Uruguay round of GATT began in September 1986 and ended on April 15, 1994, following nearly 8 years of discussions in which 128 countries were the participants. This resulted in the establishment of the World Trade Organization (WTO) replacing GATT.

Reasons why World Trade Organization replaced the General Agreement on Tariffs and Trade:-[1268]

i. The first reason why GATT was never adopted by the legislatures of the Member Nations was because of its Ad hoc and provisional character.
ii. Secondly, GATT lacked a well-defined institutional framework. Meanwhile, the World Trade Organization (WTO) favors the GATT principles and offers a more institutionalized structure as compared to GATT.
iii. Thirdly, GATT only dealt with trade in products/goods, while the WTO also deals with services as well as the Intellectual Property Rights.
iv. The WTO and its agreements are irrevocable, also having a solid legal foundation, and most importantly they have been accepted by the parliaments of all member nations.
v. Lastly, WTO dispute resolutions were quicker as compared to GATT, and its decisions cannot be challenged.

Now, the two sub processes from the economic dimensions that are responsible for globalization are firstly, it is the fusion of different and isolated areas of the global system, which entails the distribution of active forces and financial resources throughout the whole world. Due to the fact that they create laws that make the movement of money and labor easier, free trade agreements make up the majority of this process. The second step is the growth of communication, which includes the Telephone industry, the Internet, etc., all of which promote Intra-national and global relations as well as the movement of capital and labor.

Impact of Globalization on Indian Economy: The effects of globalization have positively changed the Indian economy. Trade between nations is growing. People now have more work opportunities, and the Indian market is expanding quickly and competing with the global economy. Moreover, technical advancements are occurring, which contributes to the quick economy's growth.[1269]

When the author of this research study discusses the issue mentioned above, *Dr. Manmohan Singh* the former Finance Minister of India, deserves special consideration. He was the one who was driving force behind this effort. He additionally put forward the idea for economic liberalization. The following data statistics are about how globalization impacted on the Indian economy:

1. The GDP grew at an average yearly rate of 6.1% after 1992.

2. India's exports saw a 20% exponential rise in 1993–1994–95. The next fiscal year saw it at a strong 18.4% as well.

3. The entire export value of computer services increased from $11 billion in 1995 to $110 billion in 2015.

Globalization's economic aspect in India was highly beneficial for its citizen like Special Economic Zone were set up, which resulted in increase of the jobs which helped the unemployed. Secondly, as the income

[1267] The Uruguay Round, **UNDERSTANDING THE WTO: BASICS,** https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm
[1268] Anderson, Kym. "World Trade Organization". *Encyclopedia Britannica*, 19 Sep. 2023, https://www.britannica.com/topic/World-Trade-Organization , Accessed on 20 September 2023.
[1269] **GLOBALIZATION,** https://byjus.com/commerce/globalisation/#Globalisation-in-Indian-economy.

increased due to increase of employment the life style of Indian citizen saw a sudden drastic positive change, because as the foreign brands expanded their businesses globally, the result of this came out as the standards of living of the people drastically grew over the period of time. Thirdly, after globalization many foreign companies were then able to expand its business structure. Next, developed infrastructure was introduced as new foreign companies started investing in India. Lastly, development of health sector and educational institutions saw a rapid growth.[1270]

III. Origin and Process Of Money Laundering

To conceal or disguise the identity or source of unlawfully obtained income, so that they appear in the records of the government that they have come from legitimate sources, a highly complex act known as *Money Laundering* is used. It is the procedure used to convert the illegitimate monies and assets into legitimate ones. In other terms, it is the process which is performed by the people for the conversion of their "dirty" money and camouflages it as "clean" money.

The sole intention of a money launderer is to convert illegal tainted money which is obtained unlawfully, into clean money to show the law enforcement agencies that the monies are obtained legitimately in order to avoid or safe guard themselves from the strict laws. For example, major component of financing terrorism is through the process of Money laundering.

One of the most serious threats to the world economy today is money laundering. As globalization and industrialization progress, so does the amount of money earned unlawfully by people and organizations, creating a demand for turning money hoards into legitimate ones. Governments and law enforcement agencies have taken a number of actions to address the issue of illicit money entering the legal economy. Money laundering is the practice/process of converting dirty/tainted monies into legitimate ones through complex business activities and transfers.

The *Art* of doing Money laundering activity dates back to roughly around 2000 B.C., when creamy high class of Chinese businessmen used various cycles of transactions to hide the source of their gains/profits from the Chinese government and law enforcement agencies. Chinese people tried to recoup these earnings, which were mostly obtained through extortion, black marketing, and bribery. At that time, China's corporate world was suddenly seeing a growth in the practice of money laundering. The merchants had little trouble concealing their illicit funds from the authorities. They invested their funds in real estate, legitimate businesses, homes, and other worthwhile investments. These merchants further remained anonymous as they developed intricate networks for smuggling and money laundering across China and abroad.[1271]

During the American Prohibition Era in the middle of the 1920s, the phrase *"money laundering"* first entered the public consciousness[1272].

Alcoholic beverage manufacturing, distribution, sale, and transportation were all outlawed nationally during the prohibition. A lot of individuals believe that ***Al Capone*** and other Italian American mafia gangsters are the reason from where the phrase "money laundering" first appeared. From 1920 to 1933, the nationwide *Prohibition* which was introduced by the USA Congress was subject to a countrywide strict ban upon the manufacturing, distribution, sale, and transportation of any type alcoholic drinks. At

1270 Dr. Anju Garg (Head & Associate Professor Department of Economics DAV (PG) College) Bulandshahr (UP), ***LPG POLICY AND GROWTH OF INDIAN ECONOMY,*** https://www.ijcrt.org/papers/IJCRT2004624.pdf , Page No. 7 of 8.

1271 The History of Money Laundering: Know the Important Origin of Money Laundering, https://financialcrimeacademy.org/the-history-of-money-laundering-2/ , **Dated:28.06.23**

1272 Prohibition, Article dated 29.10.2009, https://www.history.com/topics/roaring-twenties/prohibition.

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that time, United States of America based high profile gangsters became heavily involved in the lucrative alcohol smuggling business, because of the only reason that they were making handsome amount of illegitimate money.

In an effort to legalize their gains, they began fusing them with those from legislative business. They were able to achieve this, among other things, by buying business enterprises that seemed to be legal and combining their unlawful income with the legitimate income they generated from these types of wrong businesses. These gangsters preferred actual Laundromats because they were cash-only operations, which was unquestionably advantageous to criminals like ***Al Capone*** who bought and made great use of them. ***Al Capone***, however, was charged with and found guilty of tax evasion in October 1931, not for any other crimes he had committed.[1273]

Governments were compelled to bring back the money laundering laws in the 1980s as a result of the drug war in order to hunt down and seize the proceeds of drug-related crimes and capture the culprits and heads of drug empires. It also had the benefit of "turning on its head" the rules governing evidence from the perspective of law enforcement. In most cases, law enforcement must establish guilt before taking someone's property. Then, change the next phrase to read, "Still, under money laundering laws, money can be confiscated, and it is up to the individual to prove that the source of funds is legitimate in order to get the money back."

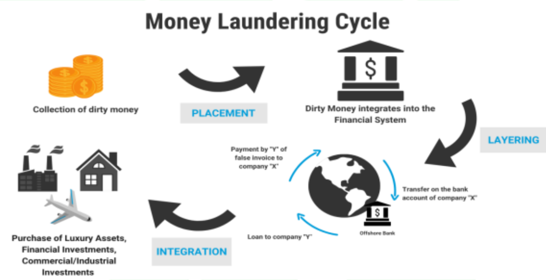
Stages of Money Laundering:

1) PLACEMENT 2) LAYERING
3) INTEGRATION

1. Placement: Where illegal monies are admitted into the regulated financial system. Due to the higher probability of suspicion brought on by substantial monetary gains, this stage is the most at risk of detection. This procedure results in two things i.e. i) large sums of substantial cash are removed from the criminal's possession, and ii) the money is deposited into the established financial system.

2. Layering: This is the stage where the monies are circulated around to spread confusion and maintain their incognito connection with crime. The main goal of layering stage is to obstruct any inquiry which is held by the law enforcement agencies and put as much space between the source of the illicit wealth and their current status.

3. Integration: Lastly in this stage the illegitimate monies are reintroduced into the financial system in a way that makes it seem as though it originated from reliable/legitimate sources.[1274]



It drastically reduces the burden of proof and makes it simpler for law enforcement authorities. Some law enforcement organizations, however, have exploited this procedure by collecting the money and storing it without adequate evidence of associated criminal conduct to strengthen their budgets.[1275]

IV. Connection of Economic Globalization with Money Laundering

The scope/ambit of the law against money laundering has expanded. Choosing "soft targets," or behavior that may be criminalized for which few people would complain, and then gradually expanding the boundaries of criminality, is a frequent strategy in the expansion of criminal law. In accordance with

[1273] **Author- Jass,** The History of Money Laundering, dated 25.04.2019.

[1274] **Wadhwa Brother**, Guide to the PMLA & Proceeds of Crime- An Exhaustive commentary on the prevention of money laundering Act, Edition 2022. (**Forward by Justice UU Lalit, Former CJI & Introduced by Mukul Rohatgi, Senior Advocate, Supreme Court of India**), Pg referred-2/1617

[1275] ***"The History of Money Laundering: Know The Important Origin Of Money Laundering",*** https://financialcrimeacademy.org/the-history-of-money-laundering-2/ , Article dated June 28, 2023.

the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, which was signed in 1988 and implemented two years later, signatory states agreed to criminalize dealing in drug trafficking proceeds, to allow the confiscation of property bought with narcotics-linked money, and to offer other signatories the broadest possible mutual legal assistance in regards to investigating, prosecuting, and seizing narcotics-linked money. The concerns of anti money laundering expanded from drug crimes and bank regulation (in the 1980s and early 1990s) to organized crime and the financial sector (in the 1990s) to any acquisitive crime and the professional sector (in the 2000s), making the anti-money laundering movement much more difficult to reverse than ever before.

Money laundering is made easier by globalization in the following firstly, Placement of money in global financial system creates problems of coordination between multiple jurisdictions. Secondly, tax haven countries like Cayman Island, Panama etc. have structured their economies around assistance in tax evasion and thirdly the distribution of assets across countries prevents punitive action by authorities.[1276] Criminals are frequently using the process of money laundering to hide their illegal cash, terrorism, or tax evaders to avoid detection. Money economy in the modern globalized world depends extremely on the efficiency of monetary organizations. Financial institutions should operate according to the highest moral, professional, and legal standards. The integrity of financial institutions' reputations is extremely valuable.

If money from illegal operations and money laundering are permitted to pass through financial institutions in such an environment, it has a negative impact on the organization's reputation and will be reported in national publications the following day. However, if employees or administrators are bought off, money laundering proceeds may pass through, integrating the financial institution into a criminal network. The integrity of the financial institution will be harmed by evidence of such involvement. When several financial institutions indulge in such actions, the economy may be put at danger, and fluctuations in money demand and exchange rates will occur. Corruption and criminality are eventually rewarded. Such money laundering compromises the rule of law and democracy, harming the integrity of the entire society.

The world community progressively getting aware that the results of globalization are both good and bad. Perhaps the first element to embrace globalization as a way to spread their operations around the world is the underground criminal community. They are the first to carefully examine the new guidelines to look for exceptions that would allow for their behavior. It is becoming more the clearer now that significant reforms to global governance and strong normative norms are required in response to the enormous collective action issues brought on by globalization.

The following are some methods of emerging technology which are encourage the process of money laundering:[1277]

i. Use of Crypto-currencies and other finance options that are not under the control of governments;
ii. Encrypted conversations via online gaming platform to facilitate exchange of information and bank details;
iii. High amount of digital transactions online at e-commerce sites is being used to hide the layered illegal money;
iv. Credit card data hacking and other forms of identity theft helps to cover up illicit funds behind untraceable identifies.

[1276] Wasim Akram, ***"Emerging technologies and globalization contribute to money laundering and measures to tackle the problem of money laundering both at national and international levels."***, *https://blog.forumias.com/answered-discuss-how-emerging-technologies-and-globalization-contribute-to-money-laundering-elaborate-measures-to-tackle-the-problem-of-money-laundering-both-at-national-and-international-levels/#:~:text=Globalization%20contributes%20to%20money%20laundering,around%20assistance%20in%20tax%20evasion*, Published on 11th January 2022.

[1277] THE INVESTOPEDIA TEAM, What methods are used to launder money?, Dated: 22.07.2023 https://www.investopedia.com/ask/answers/022015/what-methods-are-used-launder-money.asp , For example, the methods which are used to cover up the sources and uses of terrorist financing are substantially the same as those used to launder money. Money used to finance terrorism might come from legal or illegal activity, or from both. However, it's crucial to conceal the source of terrorist financing. The source can still be used to fund terrorism in the future if it can be kept secret. Due to these factors, FATF has advised that each nation make funding terrorism, terrorist activities, and terrorist organizations crimes and classify them as money laundering offenses.

V. Anti – Money Laundering Treaties

Money laundering is a worldwide concern that has to be addressed globally. Therefore, to reduce the threat of money laundering, nations and financial institutions must cooperate with one another and deploy all the relevant countermeasures to get free from this white collar crime. Hence, to combat the crime of money laundering, the following International actions have been taken:

1. The **Vienna Convention**[1278], which adopted in December 1988, obliges member nations to make money laundering from drug trafficking illegal and make strict laws against this process. This sets the stage for measures to combat money laundering. It encourages international cooperation in criminal investigation and makes money laundering a crime for which extradition between signatory governments is permitted. Additionally, it sets the rule that domestic bank secrecy laws shouldn't obstruct extraterritorial criminal investigations.
2. The **Council of Europe Convention**[1279], which was adopted in November 1990, sets up a single criminal code regarding money laundering. It lays out a standard definition of money laundering as well as accepted countermeasures. In the convention, which may also includes governments that are not the members of the Council of Europe, the rules for international cooperation were also laid down. It was also held that Money Laundering's reach extends beyond proceeds from drug trafficking.
3. A regulation on the "Prevention of the Use of the Financial System for the Purpose of Money Laundering" was enacted by the **Council of the European Communities**[1280] in June 1991. In response to the increased potential for money laundering brought on by the liberalization of capital flows and cross-border financial services inside the European Union, this directive was adopted. Member nations are required under the directive to prohibit the process of money laundering. Financial institutions shall be required to create and maintain internal procedures to combat money laundering, and to get the identity of individual with whom they conduct transactions and to preserve accurate records for at least five years. Member states must also mandate that financial institutions disclose suspicious transactions and guarantee that doing so does not put the institution or its staff members in risk.
4. In order to prevent money laundering in the securities and futures markets, the **International Organization of Securities Commissions (IOSCO)**[1281] approved a report and resolution in October 1992. In order to gather data from IOSCO members' self-regulatory organizations and exchanges on their initiatives to motivate their own members to combat money laundering, a working group of the IOSCO Consultative Committee has been established.
5. The **Financial Action Task Force (FATF)**[1282] is the primary international organization working continuously and comprehensively to create policies and encourage the implementation of countermeasures against money laundering. 24 OECD nations, Hong Kong, Singapore, the Gulf Cooperation Council, and the European

[1278]UNODC GLOBAL PROGRAMME AGAINST MONEY LAUNDERING https://www.imolin.org/pdf/imolin/UNres03e.pdf, Pg. 4/39.
[1279] Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime Strasbourg, 8.11.1990,
[1280] Money laundering: Preventing use of the financial system, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3Al24016.
[1281] Report on Money laundering, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD26.pdf.
[1282] https://www.fatf-gafi.org/en/the-fatf/what-we-do.html, HOME> THE FATF> WHAT WE DO (https://www.fatf-gafi.org/en/home.html).

Commission are represented on the FATF, which was established by the governments of the G-7 nations at their 1989 Economic Summit. Members' financial regulatory agencies, law enforcement organizations, and departments of finance, justice, and foreign affairs are represented among the attendees. Meetings of the FATF are also attended by observers from worldwide and regional organizations dedicated to fighting money laundering. The FATF has focused on three primary objectives: Monitoring members' progress in putting anti-money laundering measures into practice; Examining anti-money laundering methods and Encouraging non-member nations to adopt and put suitable measures in place.

6. The **'Convention against Transnational Organized Crime' (UNTOC)**[1283] or commonly known as **'Palermo Convention'**, was held in Palermo (Italy) in the year 2000. As the name suggests, this convention was against the organized transnational crime. So, what are Transnational Crimes? The answer to this question is 'organized crime that crosses international borders is referred to as transnational organized crime. It involves people and/or groups who organize and carry out unlawful operations *across international borders*. These kinds of groups frequently resort to extreme violence and corruption. Transnational organized crime examples include the distribution of hazardous waste, the trafficking of weapons, poaching, trafficking in human prostitution, and offence of money laundering. All parties to the convention have to perform the following actions, among others: 1) Make strict laws against organized crimes, such as joining an organized crime organization, laws against the offence of money laundering, hindering the court system, corruption, etc., 2) Establishing legal procedures for law enforcement coordination, legal aids, and extradition. 3) Encouraging technical support and training to improve or expand national authorities' capability. In 2011, India became the fourth nation in South Asia to ratify the UNTOC, and all the powers to deal with the UNTOC was given to the India's prominent investigation agency i.e. CBI.

VI. Steps taken by India to control the offence of Money Laundering

India joined the Financial Action Task Force as the 34th country in 2010. India is a signatory to a number of United Nations conventions that deal with fighting money laundering and combating terrorism funding. The Narcotic Drugs and Psychotropic Substances Act, 1985 (NDPS Act) (amended in 2001) and the Prevention of Money Laundering Act, 2002 (PMLA) both criminalize the process of money laundering in India. The Lok Sabha first heard the Prevention of Money Laundering Bill in 1998. It was enacted in 2003 and came into effect in 2005. It has undergone multiple modifications, the most recent of which was in 2019. The PMLA designates administration and enforcement agencies to carry out its rules and regulations. To execute the temporary attachment of properties that are engaged in the PMLA offense, certain authorities are bestowed that are quite similar to those provided to the nation's civil courts. A complete structure for India's anti-money laundering legislation can be seen in the Prevention of Money Laundering Act of 2002, the regulations adopted under it, and the rules and regulations created by authorities like the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI). In order to combat activities connected to money laundering in India, the PMLA has three basic goals such as i) To control and stop the process of money laundering, ii) to confiscate and seize the property obtained using the money that has been laundered and iii) to address any additional concerns about money laundering in India.

Now, according to the Prevention of Money Laundering Act of 2002, definition of money laundering is defined under section 3 of the said Act: *"Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or*

[1283] **André Standing,** Transnational Organized Crime and the Palermo Convention: A Reality Check, dated- December-2010 *activity connected with the **[proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming]** it as untainted property shall be guilty of offence of money-laundering."* This section's intent is to provide a comprehensive definition of the word "money-laundering." Money laundering is a crime that is committed by anyone who obtains, owns, possesses, transfers, or knows about any transaction that involves, directly or indirectly, the ***proceeds of a crime***[1284], conceals, or helps conceal, the proceeds or gains of a crime inside or outside of India. This definition's key components are: (i) a crime should have been committed; (ii) there are gains or proceeds from the crime; and (iii) there is a transaction involving the gains or proceeds.

The Financial Intelligence Unit of India (FIU-IND)[1285] was established in 2004 as the main organization for monitoring India's AML operations in accordance with the PMLA's regulations. Receiving, analyzing, processing, and disseminating information on questionable financial activities is the main responsibility of FIU-IND. In order to further the worldwide efforts against money laundering and the funding of terrorism, FIU-IND also coordinates and strengthens activities of national investigative, international intelligence, and enforcement organizations. The PML Act, 2002 was enacted in 2005 by the Indian government and after the enactment of the act in 2005, Enforcement Directorate (ED) was given the charge with the sole purpose of using its authority to conduct investigations and bring cases under the PMLA.

The Prevention of Money Laundering Act mandates a minimum 3-year sentence that can be increased to 7 years, as well as a fine. When money laundering is a violation of the 1985 Narcotic Drugs and Psychotropic Substances Act, the maximum sentence is ten years in jail. If one of the companies engages in money laundering, both the company and any individuals responsible for the company's behavior at the time of the activity will be held accountable and subject to legal action and punishment.

'DIRECTORATE OF ENFORCEMENT'[1286], a financial investigating agency/authority which is responsible to look after the offence of money laundering. The investigation of economic crimes and breaches of foreign currency legislation is the responsibility of the Directorate of Enforcement, also known as the ED. This Directorate was first established on May 1st, 1956, when the Department of Economic Affairs established a "Enforcement Unit" to handle Exchange Control Law crimes under the Foreign Exchange Regulation Act, 1947 (FERA '47). This unit, which had Delhi as its base of operations i.e. Head Quarters of ED, and was led by a Civil Servant (IAS/IPS/IRS) serving as '*Director*' of the Enforcement, with assistance from three Special Police Establishment Inspectors and an officer on appointment from the Reserve Bank of India (RBI). Earlier there were only two branches, those were Calcutta and Madras.[1287]. The Department of Economic Affairs turned over management of the Directorate to the Department of Revenue in 1960. With time, FERA'47 was repealed and FERA, 1973 was put in its stead. The Directorate remained under the administrative control of the Department of Personnel & Administrative Reforms for a brief period of four years (1973–1977). Currently, the Department of Revenue, Ministry of Finance, Government of India, has administrative jurisdiction over the Directorate. Later, FERA 1973, a regulatory legislation was repealed with the start of the economic liberalization movement, and in the place of FERA, the Foreign Exchange Management Act, 1999 (FEMA), became effective on June 1st, 2000. The Prevention of Money Laundering Act, 2002

1284 **Proceeds of Crime**: This term is defined under section 2(1)(u) of the PML Act, 2002. It states that *"proceeds of crime" means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property 3 [or where such property is taken or held outside the country, then the property equivalent in value held within the country] 4 [or abroad]."*

1285 Functions of FIU-IND, https://fiuindia.gov.in/files/About_FIU-IND/About_FIUIND.html .

1286 Enforcement Directorate, https://dor.gov.in/preventionofmoneylaundering/ed-enforcement-directorate

1287 History of ED, https://enforcementdirectorate.gov.in/history-ed , HOME>ABOUT US> HISTORY OF ED

(PMLA) was also passed in accordance with the International Anti-Money Laundering framework, and ED was given responsibility for its enforcement beginning on July 1st, 2005. The government recently approved the Fugitive Economic Offenders Act, 2018 (FEOA), and ED is responsible for its implementation beginning on April 21, 2018, in response to an upsurge in instances involving economic offenders seeking refuge in other nations.

VII. Conclusion

Economic globalization is now possible because to the growth of science and technology, which has significantly lowered the cost of transportation and communication. The process of changing the economy and altering economic institutions has to go more quickly. In the age of economic globalization, there is rivalry on economic systems and business methods. The difference between developed and developing nations is considerable in terms of both economic system and economic structure. The government's issues with being out of touch, empty, and dislocated must be addressed on a macro level. In order to achieve this, direct administration interference in the business of macroeconomic actors should be progressively reduced and then abolished. In order to increase businesses' productivity and competitiveness at the microeconomic level, the government should take the lead in creating incentive and restraint mechanisms that are compatible with the enterprise structure and corporate governance. To advance the upgrading of industrial structures, the government should concentrate its efforts on promoting brisk scientific, technological, and educational growth and expanding investment in human capital development.

Coordination issues arise as a result of the placement of money in the global financial system. Shell business organizations conceal their inactive commercial operations within the sovereign border by using fictitious balance sheets and invoices, which they use to transfer the laundered funds to illegal business organizations. Tax haven nations like Cayman Island, Panama, and others have built their economies around providing support for tax avoidance. Money laundering being an international problem that has to be addressed globally. To successfully combat the issue of money laundering, both international and national parties must work together by enhancing data sharing methods and pursuing a multilateral strategy.

As discussed above Money laundering being a global problem that no one country can handle on its own. Despite the FAFT and Indian government's best attempts to curtail such operations, money laundering-related activities have been on the rise in Indian society. The fight against money laundering operations is still going and it should be applauded that the laws, administrative agencies, and effective regulators that put in a lot of effort. Even though domestically such actions could be under control, such behaviors are never confined to the borders of a single state.