



# FINANCIAL INTELLIGENCE UNIT-INDIA (FIU-IND)

Annual Report  
2023-24





# **FINANCIAL INTELLIGENCE UNIT -INDIA**

**Annual Report  
FY 2023-24**





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# DIRECTOR'S MESSAGE

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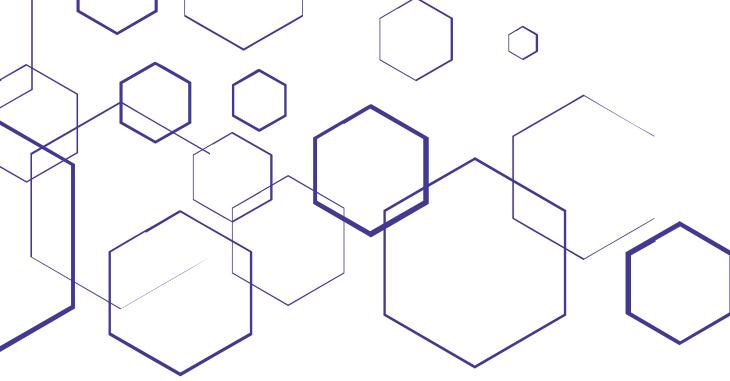
I take immense pleasure in presenting the 18th Annual Report of FIU-India for the FY 2023-24.

FY 2023-24 has been a landmark period for the organization as it laid down succinctly, the solid roadmap, for achieving the path-breaking targets as mandated by the international AML/CFT regulatory framework of Financial Action Task Force (FATF) for the Mutual Evaluation of India's AML/CFT framework. Thereafter, FIU-India successfully navigated through rigorous evaluations. As Director, FIU-India, I note with deep satisfaction that FIU-India played a significant and stellar role in the periodic peer-review process (Mutual Evaluation) of India, the country having been placed in the highest-rated category of 'regular follow-up' by the joint FATF-APG-EAG Assessment, which concluded in June, 2024.

We have consistently strived to improve organizational efficiency, tackle emerging challenges, and channel our efforts toward fortifying the country's AML/CFT framework. In line with this commitment, several initiatives have been undertaken to bring about a transformative shift, enhancing the quality of reporting and generating useful and actionable financial intelligence for the benefit of our partner agencies.

FINnet 2.0, the state-of-the-art IT system with advanced analytics using AI and ML, introduced in the previous year has become a seamless, omni channel communication framework for all interactions with the Reporting Entities and the Law Enforcement Authorities. There has been an increasing trend in the number of references received from the LEAs and dissemination of precise and value-added intelligence incorporating dynamic risk rule model of the FINnet 2.0 system.

The scope of compliance framework of PMLA was expanded during the year to include the chartered accountants, company secretaries, and cost accountants, Trust and Company Service Providers (TCSPs) under its purview of regulatory obligations. The PML Rules were amended to Group-Wide Compliance and Record Maintenance for reporting entities that are part of a corporate group, introduction of management level compliance officers, mandatory disclosure of trustees for trust arrangements, incorporation of analytical findings in record keeping requirements so as to enhance accountability, transparency and comprehensive documentation while ensuring prompt reporting of suspicious transactions with confidentiality to FIU-India.



In the international forum, FIU-India holds a central position in sharing proactive intelligence to counterpart FIUs, and is considered a valuable partner in the Egmont Group of FIUs. During the FY 2023-24, FIU-India achieved a milestone by signing its 50th Memorandum of Understanding (MoU) with Oman. FIU-India was elected as the Vice-Chair of Information Exchange Working Group (IEWG), and as a member of the Egmont Secure Web (ESW) Board, which depicts the trust of counterpart FIUs in the leadership of FIU-India.

Revised alert indicators and guidelines were issued in response to the emerging AML/CFT risks and trends in new sectors including capital market segments, insurance sector, mutual funds, AMCs, CRA, DTs, Professional services. Considering the emerging risks of money laundering in cybercrime offences, guidance notes on detection and reporting of cyber enabled fraud, identification and discouraging mule accounts, cyber enabled fraud typologies were also issued.

The AML/CFT landscape has been expanded with the inclusion of Virtual Asset Service Providers as a Reporting Entity, vide PMLA notification dated 10th March, 2023. Consequent to this, FIU-India had made notable strides in this sector by issuing RFI, guidance notes and typologies to the REs. Compliance action had been initiated against several offshore VDA SPs for non-compliance of registration with FIU-India, operations of which were blocked in Indian jurisdiction through banning of website and removal of applications from play stores.

The intelligence provided by FIU-India has played a pivotal role in enhancing the efficiency of our domestic agencies by aiding in the identification of new cases, conducting searches, accelerating investigations, recovering assets, and executing arrests. FIU-India has received encouraging feedback from various LEAs and IAs. Strengthened collaboration between FIU-India domestic agencies, and international counterparts highlights the value, relevance, and impact of the shared information.

Our resolve to combatting money laundering, terrorism, and proliferation financing remains strong and undeterred. FIU-India continues its onward march against financial crimes, bolstered by symbiotic interfaces between the Reporting Entities and Law Enforcement Agencies, with the aid of latest technology and dedicated manpower resources.



**Vivek Aggarwal,  
Director, FIU-India**



# HIGHLIGHTS

FY 2023-24

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## 1. Transaction Reports



STRs filed – 3,68,592



NTRs filed – 8,94,828



CCRs filed - 1,87,857



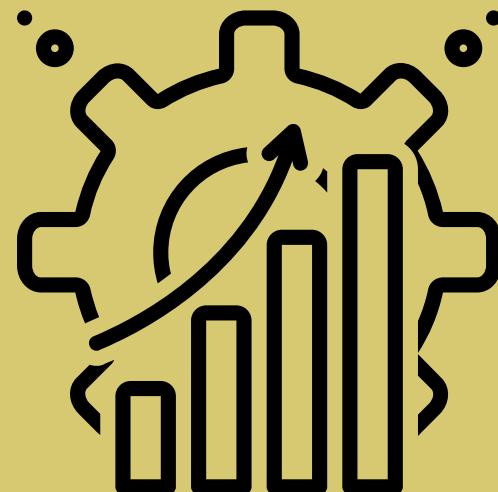
CTRs filed – 1,81,27,460



CBWTRs filed – 1,29,56,406

## 2. Capacity Building

- a. Notable domestic, international training, workshops and meetings attended by FIU-India officers inter-alia includes those organized by Bank for International Settlements (BIS), Egmont Centre of FIU Excellence and Leadership (ECOFEL), Training courses on Cryptocurrencies and Darknet workshop on Fintech etc.,
- b. Samvaad Shrinkhala (a talk by AML/CFT experts) was organized during FY 2023-24. It is an endeavor aimed at enabling sharing of perspectives and experiences by speakers from LEAs, Regulators, Financial Institutions, AML/CFT professionals, Global and Regional Bodies with FIU-India officers.



## 3. Intelligence Sharing



Number of priority STRs disseminated - 2750



Number of disseminations of Operational Analysis reports - 161



Requests for Information received from LEAs/IAs - 4994



## 4. Outreach and Engagement

a. FIU-India conducted 204 training sessions on AML/CFT awareness to various LEAs and REs in collaboration with regulators, market infrastructure institutions, industry associations, professional bodies, and reporting entities.



b. FIU-India held 55 review meetings with the Principal Officers and Designated Directors of reporting entities.

## 5. Strategic Intelligence

a. Completed several studies such as CDF analysis, NPO Data analysis including trend analysis on STR, CTR and CBWTR.



b. Developed various Utility tools including upgradation of Fund Flow Analysis tool to examine and analyze complex financial statements.



c. Published research papers on Cybercrime and money laundering.



## 6. International Cooperation

a. Number of requests for information sent to Foreign FIUs: 301

b. Number of requests for information received from Foreign FIUs: 187

c. Number of spontaneous disclosures from Foreign FIUs: 139



d. Number of spontaneous disclosures made to Foreign FIUs: 61

e. MoU with the FIU of Oman was signed.

f. Shri. Manish Kumar Hairat, Additional Director, FIU-India, was elected as the Vice-Chair of Information Exchange Working Group (IEWG) during the Egmont Plenary Meeting held in Abu Dhabi in July, 2023

g. Shri. Vikas Aswal, Deputy Director was selected as a member to the newly constituted Egmont Secure Web (ESW) Board during the Egmont meetings held in Malta in January, 2024.





## 7. Compliance Matters

- a. Guidance documents on detection and reporting of Cyber enabled fraud was issued.
- b. Best Practices Guidance on Implementation of Targeted Financial Sanctions.
- c. PMLA scope was expanded to include chartered accountants, company secretaries, and cost accountants.
- d. PMLA was further amended to extend compliance requirements to Trust and Company Service Providers (TCSPs).
- e. Number of guidelines on red-flag/alert indicators issued: 6
- f. Number of guidance issued: 9
- g. Number of compliance orders issued: 25
- h. Aggregate amount of monetary penalty imposed: Rs 59.6 million



## 8. Financial Intelligence Network (FINnet) Infrastructure

- a. FINnet 2.0 is designed to facilitate validation and enrichment of data filed by reporting entities with the help of external data sources.
- b. FINnet 2.0 enables generation of risk scores for individuals, businesses, reports, networks and cases to be able to flag high risk cases, entities or reports for immediate action.
- c. FINnet 2.0 prioritizes and identifies cases from other reports (apart from STR) by use of risk analytics.





# Financial Intelligence Unit – India: **AN OVERVIEW**

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India joined the global war on money laundering and terrorism financing by enacting the Prevention of Money Laundering Act, 2002 (PMLA) in 2003. The Act came into force from 1st July, 2005.

FIU-India was set up as an independent specialized agency in 2004, to play a decisive role in India's fight against the menace of money laundering and terrorism financing.

Headed by a senior civil servant of the rank of Additional Secretary to the Government of India, FIU-India is primarily entrusted with the responsibility to generate actionable financial intelligence and all other relevant information from banking companies, financial institutions, capital market intermediaries and designated non-financial businesses and professions (DNFBPs). It supports India's law enforcement, police, intelligence, national security agencies and financial sector regulators, in initiating and conducting investigations.



Besides being the central repository of information relating to suspicious financial transactions and cash transactions, it analyzes received information to uncover patterns of transactions suggesting suspicion of money laundering, terrorist financing, underlying predicate offences and other economic offences.

FIU-India also monitors and identifies strategic key areas on money laundering/terror and proliferation-financing trends, typologies, and developments.

In 2007, FIU-India became a member of the Egmont Group which has been a major milestone in India joining the international community in its war against money laundering and in combating the financing of terrorism. As an Egmont member, it exchanges information with counterpart Financial Intelligence Units spread across 177 jurisdictions.



FIU-India has a reporting entity base of over 20,000 entities spread across the financial landscape of the country. It works closely with the reporting entities to ensure that there are resilient and efficacious AML/CFT processes and systems in place that prevent, deter and detect any misuse or abuse of the Indian financial system by malicious actors and maintain its systemic integrity. The reporting entity universe includes banks, capital market intermediaries, non-banking financial companies, insurance entities, payment intermediaries, credit card operators, designated non-financial businesses and professions including casinos, real estate agents, dealers in gems and precious metals, trusts and company service providers, and virtual digital asset service providers.

On an average, FIU-India receives more than 2 million reports every month which are analyzed, and enriched with other information sources to produce actionable financial intelligence for initiating investigations, developing evidence, and tracing criminal proceeds by LEAs, IAs, and financial sector regulators.



FIU-India also prepares tactical, operational, and strategic intelligence reports to identify key money laundering/terror and proliferation financing trends, typologies, and developments. The risk profile of existing financial products/ threats or any new risk areas are also identified through these reports and brought to the attention of reporting entities, regulators and policy makers.



## EGMONT GROUP OF FINANCIAL INTELLIGENCE UNITS

The Egmont Group is a united body of 177 Financial Intelligence Units (FIUs). FIUs are uniquely positioned to support national and international efforts to counter terrorist financing. FIUs are also trusted gateways for sharing financial information domestically and internationally as per global anti-money laundering and counter-financing of terrorism (AML/CFT) standards. The Egmont Group provides FIUs with a platform to securely exchange expertise and financial intelligence to combat money laundering, terrorist financing (ML/TF), and associated predicate offenses.



**Adding value:** The Egmont Group adds value to member FIUs' work by improving stakeholders' understanding of ML/TF risks and draws upon operational experience to inform policy considerations, including AML/CFT implementation and AML/CFT reforms. The Egmont Group is the operational arm of the international AML/CFT apparatus.

**Financial Intelligence Sharing and International Cooperation:** The Egmont Group recognizes that financial intelligence sharing is of paramount importance and has become the cornerstone of international efforts to counter ML/TF. FIUs around the world are obliged by international AML/CFT standards to exchange information and engage in international cooperation. As a global financial intelligence forum, the Egmont Group facilitates and prompts this exchange amongst its member FIUs.

**International Standards Implementation:** The Egmont Group supports international partners' and other stakeholders' efforts to implement the resolutions and statements of the United Nations Security Council, Financial Action Task Force (FATF), and G20 Finance Ministers.

(Source - <https://egmontgroup.org>)



The Financial Action Task Force (FATF) is an inter-governmental body established in 1989. The mandate of the FATF is to set standards and to promote effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing and the financing of proliferation, and other related threats to the integrity of the international financial system. These standards are universally recognized as the international standard for anti-money laundering and countering the financing of terrorism (AML/CFT). The FATF monitors the implementation of its Recommendations and their efficacy in member countries through mutual evaluations.

The FATF comprises 40 full members that include 38 countries and two regional organizations viz. European Commission and Gulf Co-operation Council. There are also 9 FATF-style regional bodies that in conjunction with the FATF form a global alliance to combat illicit financing and implement and enforce the standards set by FATF. Thus, there are around 200 governments and 20 observer international organizations under the umbrella of the FATF Global Network. Beginning as an observer in the year 2006, India later became a member of FATF in the year 2010.

*The genesis of FIUs lies in Recommendation 29 of FATF which is as follows*

*"29. Financial Intelligence Units*

*Countries should establish a financial intelligence unit (FIU) that serves as a national centre for the receipt and analysis of (a) suspicious transaction reports; and (b) other information relevant to money laundering, associated predicate offenses and terrorist financing, and for the dissemination of the results of that analysis. The FIU should be able to obtain additional information from reporting entities, and should have access on a timely basis to the financial, administrative, and law enforcement information that it requires to undertake its functions properly."*

*India is also a member of two FATF-style regional bodies viz. Asia/Pacific Group on Money Laundering (APG) and Eurasian Group on combating Money Laundering and Financing of Terrorism (EAG).*

(Source- <https://www.fatf-gafi.org/en/home.html>)

# CENTRAL GOVERNMENT'S LAW ENFORCEMENT AGENCIES

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## Anti-Money Laundering

- Enforcement Directorate (ED)

## Tax Administration and Enforcement

- Central Board of Direct Taxes (CBDT)
- Central Board of Indirect Taxes and Customs (CBIC)
- Directorate of Revenue Intelligence (DRI)
- Directorate General of Goods and Services Tax Intelligence (DGII)

## Drugs and Psychotropic Substances

- Narcotics Control Bureau (NCB)

## Corporate Frauds

- Serious Frauds Investigation Office (SFIO)

## Anti-corruption and Economic Offences

- Central Bureau of Investigation (CBI)

## Anti-Terror Financing

- National Investigation Agency (NIA)

# MAJOR CENTRAL GOVERNMENT MINISTRIES AND ORGANISATIONS

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- Ministry of Home Affairs (MHA)
- Ministry of External Affairs (MEA)
- Ministry of Corporate Affairs (MCA)
- National Security Council Secretariat
- Central Vigilance Commission (CVC)
- Goods and Services Tax Network (GSTN)

# STATE GOVERNMENT AND UNION TERRITORIES' AGENCIES

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- State Police Departments
- Chief Secretaries of States

# INTELLIGENCE AGENCIES

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- Intelligence Bureau (IB)
- Cabinet Secretariat
- Central Economic Intelligence Bureau (CEIB)
- Military Intelligence
- National Technical Research Organization (NTRO)



## REGULATORS

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- Reserve Bank of India (RBI)
- Securities and Exchange Board of India (SEBI)
- Insurance Regulatory and Development Authority of India (IRDAI)
- Pension Fund Regulatory and Development Authority (PFRDA)
- International Financial Services Centres Authority (IFSCA)
- National Bank for Agriculture and Rural Development (NABARD)
- National Housing Bank (NHB)
- Directorate General of Audit, Central Board of Indirect Taxes and Customs

*Note: The list is not exhaustive and is only indicative.*

## REPORTING UNIVERSE

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### Banking Companies

- Public sector banks
- Private Indian banks
- Foreign banks
- Co-operative banks
- Regional Rural Banks

## Financial INSTITUTIONS

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- Non-banking financial companies
- Payment system operators
- Insurance companies
- Hire purchase companies
- Chit fund companies
- Housing finance institutions
- Authorized persons
- India Post

### Financial INTERMEDIARIES

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- Recognized Stock Exchanges
- Depositories
- Stock Brokers
- Depository Participants
- Mutual Funds
- Credit Rating Agencies
- Debenture Trustees
- Share Transfer Agents



- Registrar to issue
- Portfolio Managers
- Underwriters
- Investment Advisors
- Custodian of Securities
- Foreign Institutional Investors
- Alternate Investment Funds
- Intermediaries Regulated by PFRDA
- Insurance Brokers

## DNFBPs

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- Casinos
- Inspector General of Registration
- Real Estate Agents
- Dealers in Precious Metals and Stones
- Virtual Digital Asset Service Providers
- Trusts and Company Service Providers
- Professionals with certificate of practice from ICAI, ICSI, ICMAI

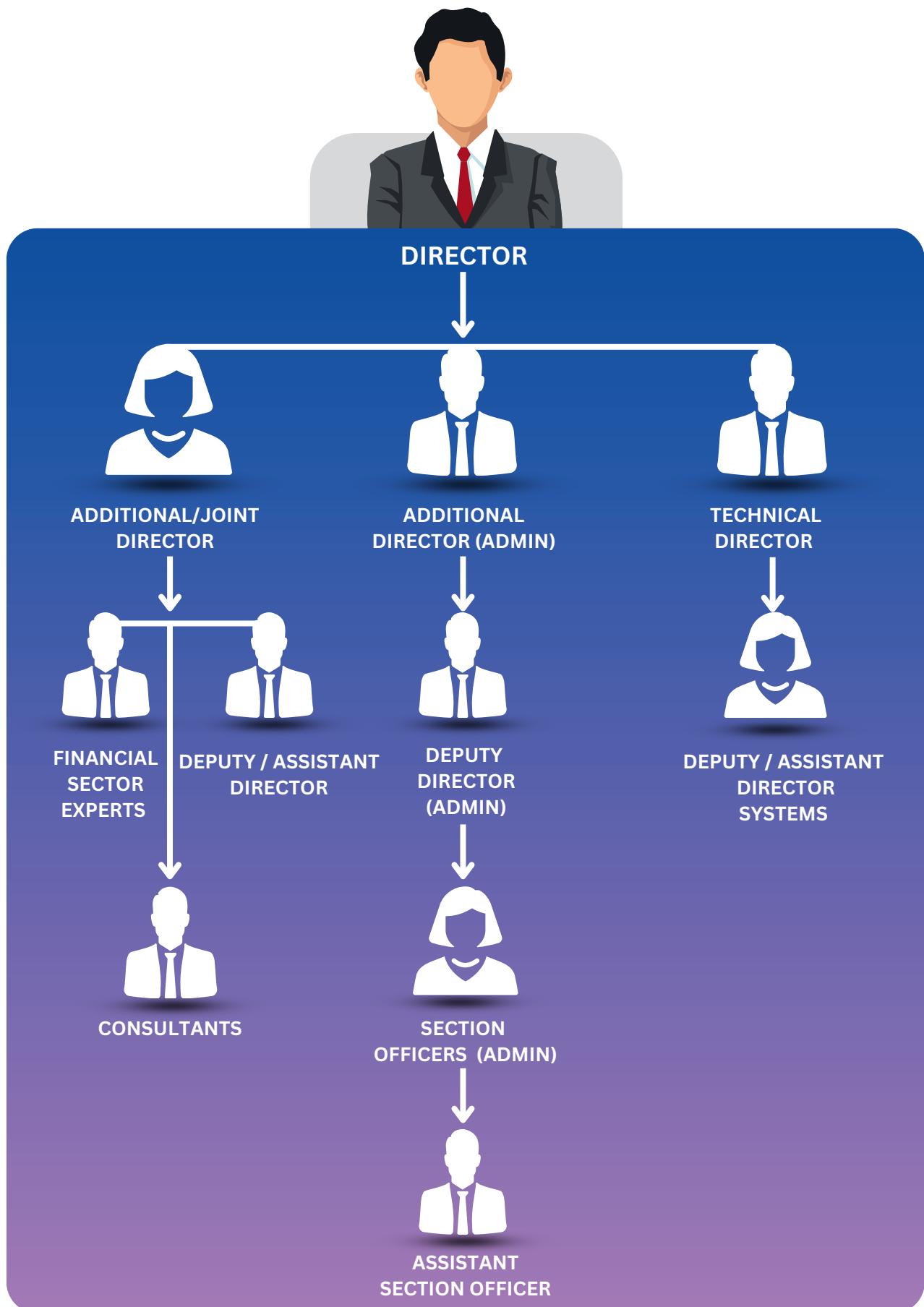
*Note: The list of Reporting Entities above is not exhaustive and is only indicative.*

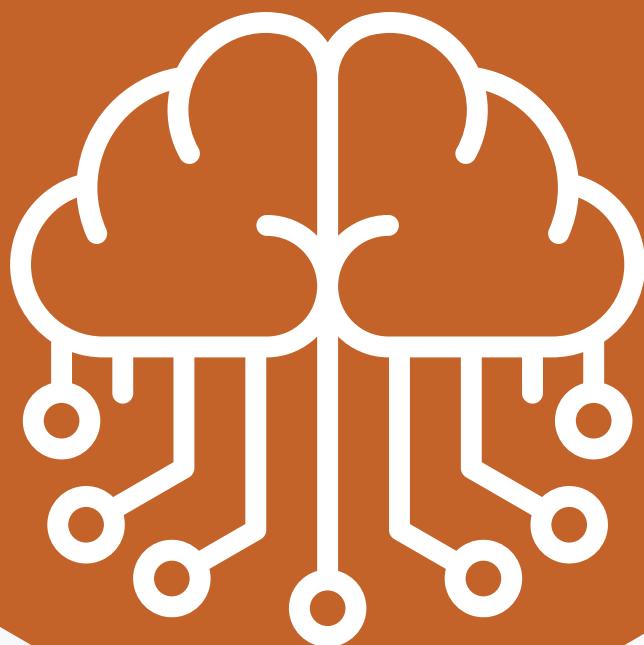


# FIU - INDIA ORGANISATION STRUCTURE

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# FIU - INDIA ORGANISATION STRUCTURE





# INTELLIGENCE **SHARING**

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# Major Types of Reports filed by REs

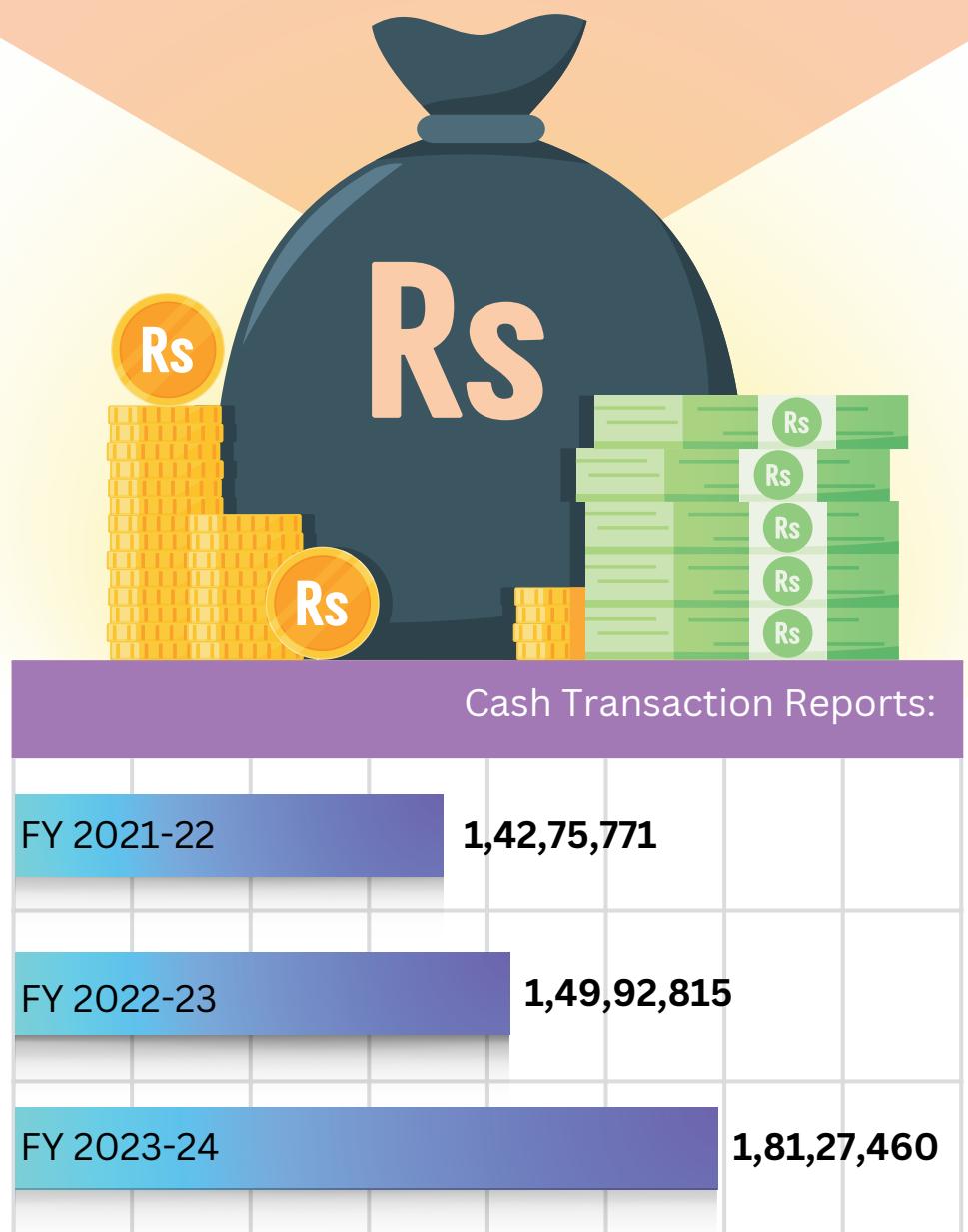
## Suspicious Transaction Reports:

Transactions, including an attempted transaction, whether or not made in cash, which gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the schedule to the PMLA regardless of the value involved; or appears to be made in circumstances of unusual or unjustified complexity; or appears to have no economic rationale or bona fide purpose; or gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.



# Cash Transaction Reports:

All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency, and series of cash transactions integrally connected to each other even if valued below rupees ten lakhs or its equivalent in foreign currency taking place within a month, where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency.



# Cross Border Wire Transfer Reports:

All cross-border wire transfers of more than Rs. 5 lakhs or its equivalent in foreign currency, where either the origin or destination of the fund is in India.



## Cross Border Wire Transfer Reports:

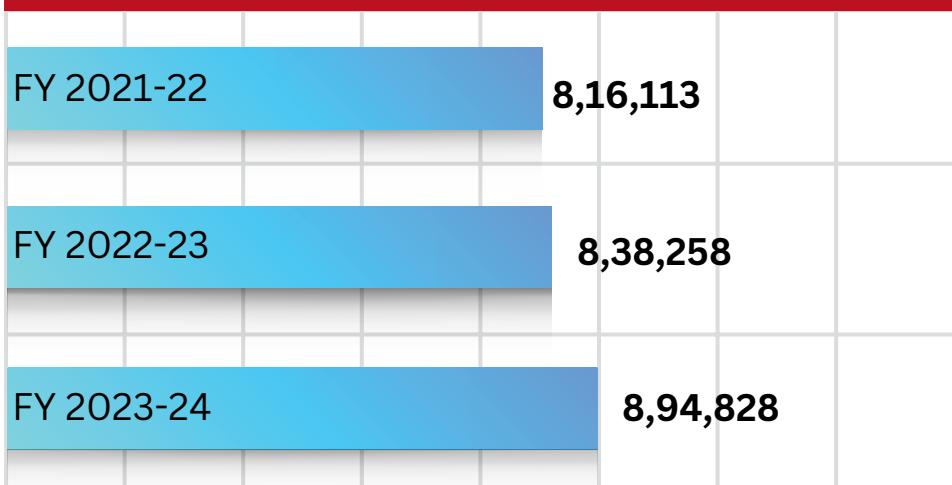
FY 2021-22	1,36,85,250
FY 2022-23	1,36,68,380
FY 2023-24	1,29,56,406

# Non-Profit Organisation Transaction Reports:

All transactions involving receipts by non-profit organisations of value more than Rs.10Lakhs or its equivalent in foreign currency.

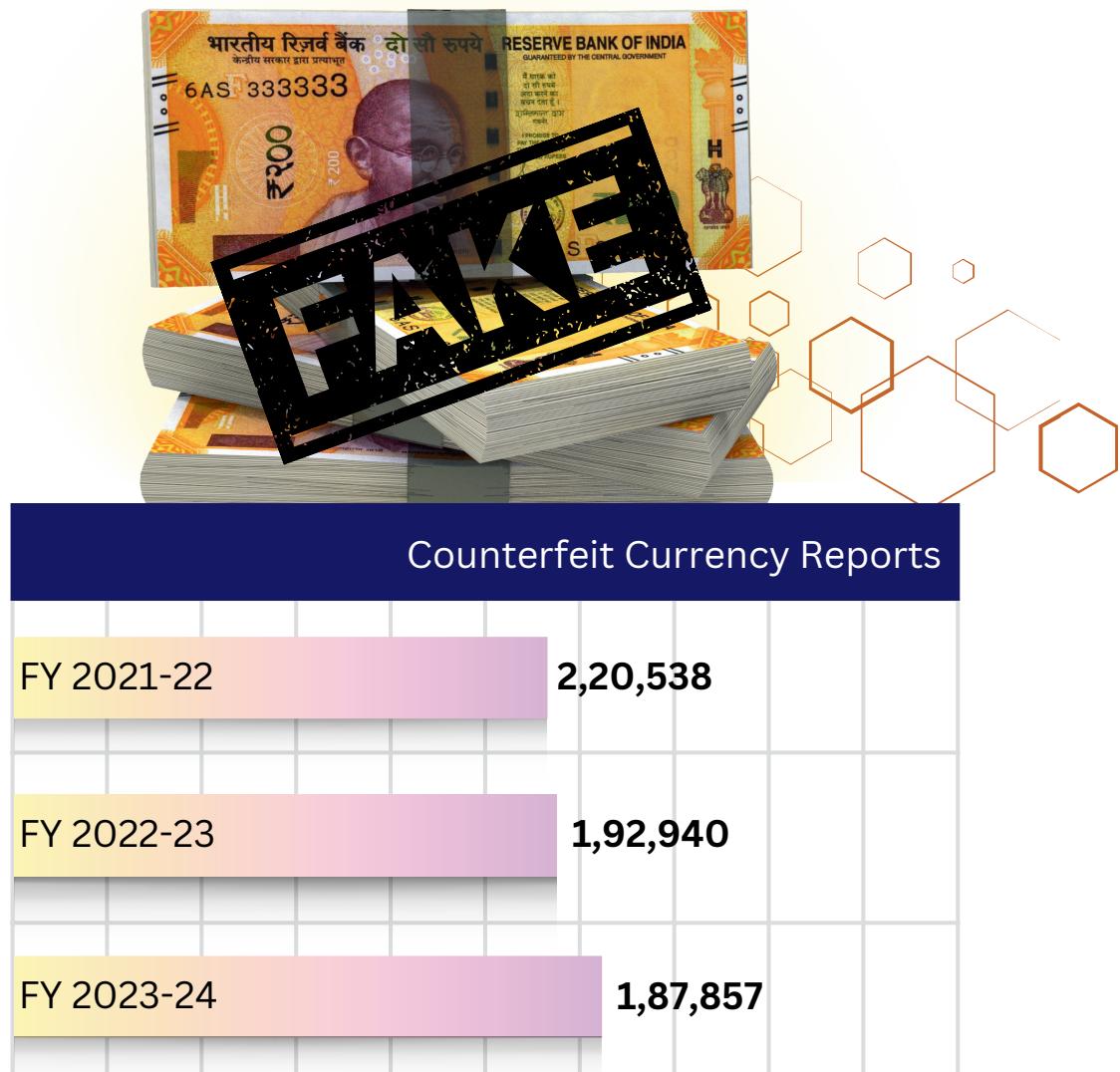


## Non-Profit Organisations Transaction Reports



# Counterfeit Currency Reports:

All cash transactions, where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place.

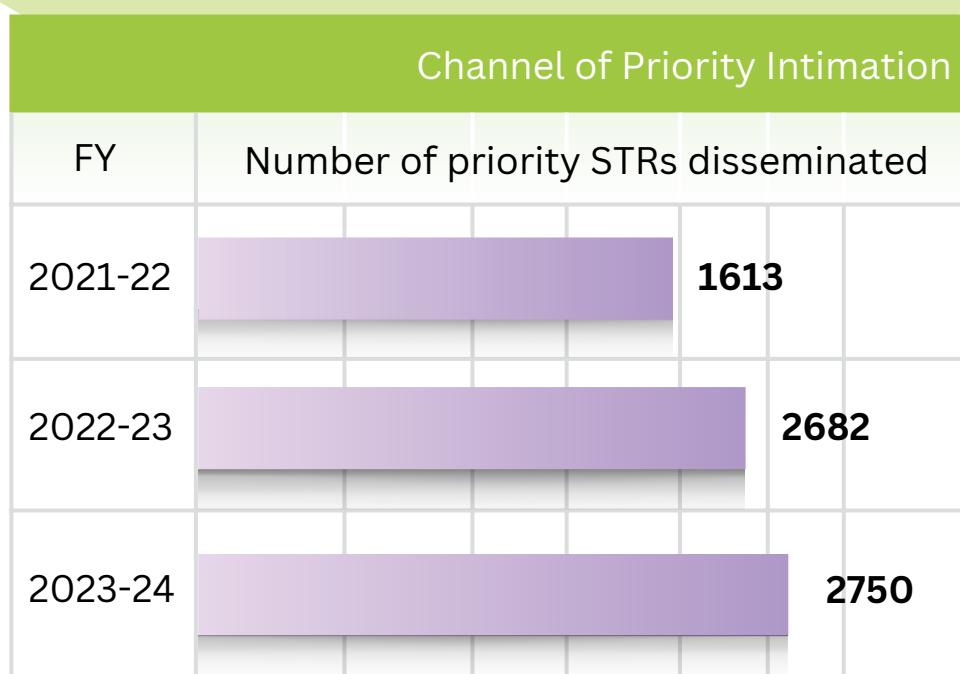


FIU-India shares intelligence with domestic LEAs, IAs and Sectoral Regulators in the form of spontaneous dissemination of STRs, CTRs, CBWTRs and in the form of operational analysis reports. FIU-India has established a channel of priority intimation of important STRs to facilitate immediate dissemination of important STRs which require urgent attention of LEAs. Financial intelligence so shared is an important source for LEAs for initiating investigations and a vital tool for strengthening their ongoing investigations. LEAs effectively make use of financial intelligence in identifying proceeds of crime and developing evidences for curbing the menace of money laundering and terror/proliferation financing.

# Channel of Priority Intimation

A channel of priority intimation of STRs was established in March 2020 to identify important STRs which require the urgent attention of LEAs. Under this mechanism, those STRs wherein the suspicion or modus operandi appears to be novel or where it is felt that the suspect activity needs to be looked into by the LEAs urgently on account of contemporaneous nature of the suspicious activity; and those cases where the principal officer is satisfied that the observed suspicion points to potential terrorism linked-activities are intimated separately to FIU-India via designated priority tags at the time of filing of STRs. Such STRs are processed on a priority-basis by circumventing the normal procedure of STR dissemination. These STRs are also enriched by extensive analysis done at FIU-India on the basis of other linked reports found in FIU-India's database, information available to FIU-India through access to other databases and open source intelligence (OSINT).

Initially a group of 44 reporting entities, deemed as systemically important, had been included in the priority intimation framework. Later, this process was expanded to include a total of 65 entities drawn from entire gamut of financial services industry. The overall level of feedback from the law enforcement agencies regarding these priority STRs has been high over the last 4 years, borne out by the fact that about 40% of the priority intimation STRs were found to be useful. FIU-India has disseminated 2750 priority STRs to various law enforcement agencies in the FY 2023-24.

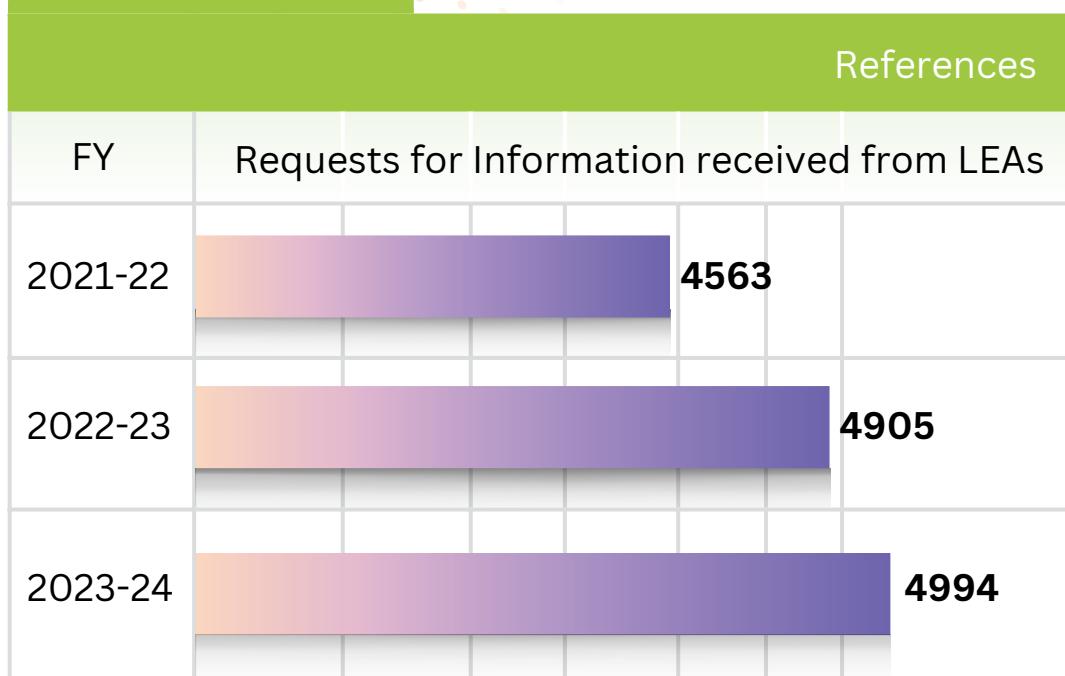


# References



FIU-India receives references from LEAs and IAs to assist them in the pre-investigation stage inquiries and ongoing investigations. These requests pertain to investigations in different predicate offences ranging from financial fraud, corruption, smuggling, drug trafficking and terror/proliferation financing. These broadly conform to the risk identified in respect of various predicate crimes in the National Risk Assessment exercise.

FIU-India also receives references from other authorities such as tax authorities, registrar of companies, SFIO, etc. for investigation into violation of other statutes.



The increasing number of references received from the LEAs and IAs demonstrates the utility and effectiveness of intelligence rendered by FIU-India. Feedback provided by LEAs on financial intelligence shared by FIU-India is useful for identification of emerging typologies and in improving the overall quality of reporting by REs. This helps in developing actionable intelligence which is better aligned with the requirements of LEAs as well as in capacity building of REs and FIU-India.

# Reporting of Typologies

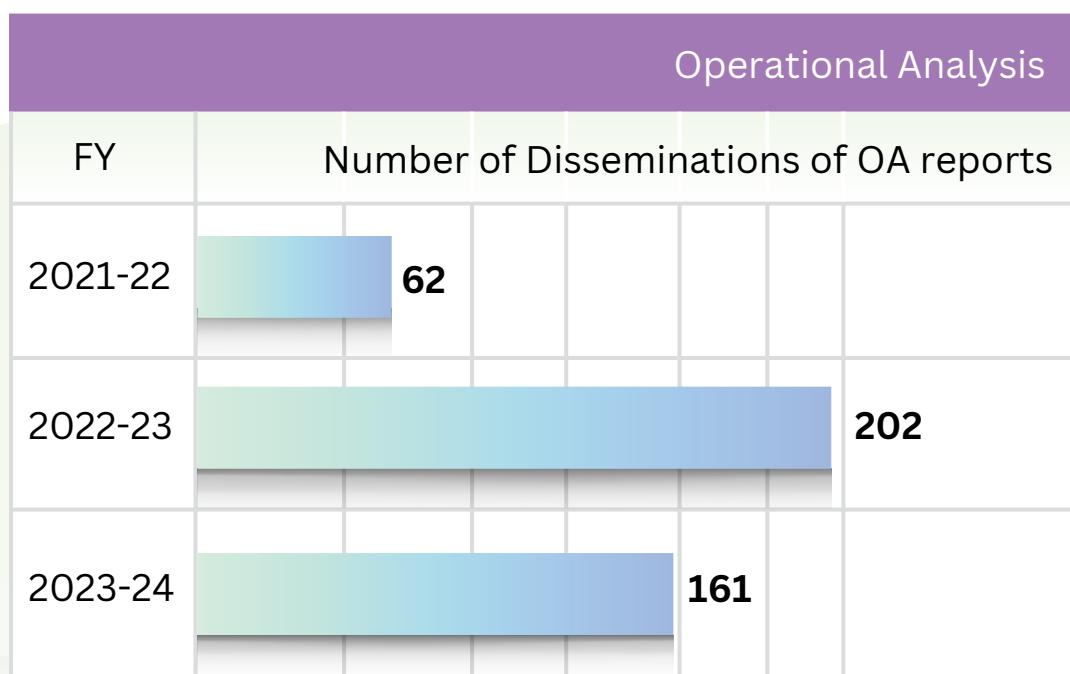
Reporting entities within the priority intimation framework are instructed to report observed trends and patterns as typologies. These typologies included a brief on the background of the suspicion, main parties involved, Enhanced Due Diligence (EDD), and additional analysis by the Reporting Entity (RE). They provide insights into novel money laundering (ML) patterns and modus operandi observed by financial institutions. These typologies are analyzed using FIU-India database information, Open Source Intelligence (OSINT), and government databases to determine if they could be developed into tactical or operational analysis reports. In FY 2023-24, a total of 68 typologies were filed by REs.

In cases where the resultant basket of STRs are large (over 200) and clear patterns are not discernible, they are referred to the Strategic Analysis Lab (SAL) for analysis. This process helps identify patterns, related STRs, and key persons, places, and terminologies, reducing the need for manual STR examination. Using these typologies, FIU-India has produced operational analysis reports on various themes, including foreign nationals, unauthorized betting/gambling websites, common mobile numbers, cryptocurrencies, Trade-Based Money Laundering (TBML), Service Based Money Laundering (SBML), tax havens, and gift cards.



## Operational Analysis

FIU-India undertakes OAs to identify emerging money laundering and terror financing trends, typologies and developments primarily based on the analysis of its STR database. The analysis is enriched by CTR, CBWTR and NTR data available in FIU-India's database. Further, operational analysis reports are improved with the use of third-party databases such as NSDL, CDSL, CBDT, MCA and other commercial databases combined with open-source intelligence (OSINT) and other analytical tools. OAs identify STRs filed by various reporting entities in respect of subjects and analyze them in conjunction which helps in establishing money flows and asset tracing. OAs include KYC data and transaction details of subjects which helps in building a 360-degree profile.



### GST evasion of Rs.107 crores identified by LEA on the basis of intelligence shared by FIU-India

An operational analysis report on the basis of STRs filed by the RE in which it was observed that 38 proprietorship firms having declared profile as service provider and were engaged in high value of complex transactions to the tune of more than Rs.200 Cr leading to layering of funds followed by high value of cash withdrawals from various entities having declared profile as agriculture. The OA was shared with various LEAs. One of the LEA's had initiated the investigation which resulted in the identification of 27 bogus firms for issuing invoices without supply of goods to the tune of Rs. 701 crores and the evasion of Rs. 107 crores of GST and out of the twelve named individuals, two persons have been arrested.

## Tactical Analysis

In addition to operational analysis, FIU-India undertakes tactical analysis wherein it is endeavored to identify the information needed to build up a case establishing wrongdoing and the accompanying facts that clarify the reasons behind the commission of a criminal offense. Tactical analysis includes the matching of data received from reporting entities with data held by the FIU-India or other sources of information accessible to it such as data in public and government-held databases to understand the transactions, related entities/persons or other elements involved in a particular case to generate tactical information which is disseminated to appropriate law enforcement agencies.

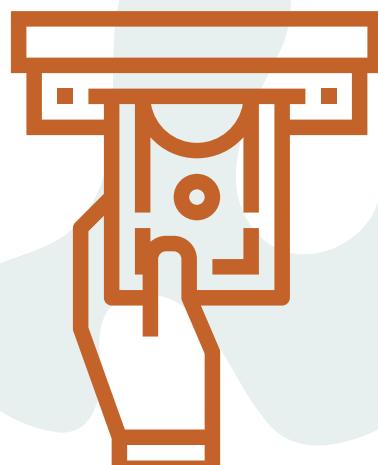
### Tactical Analysis on individual involved in smuggling of luxury watches using VDA transactions



A Tactical Analysis (TA) has been carried out by FIU-India in respect of a set of Indian persons and individuals involved in crypto currency/ Virtual Digital Asset (VDA) transactions for the payment towards smuggled high end luxury watches. The said analysis is based on the request made by an LEA. Based on TA report prepared by FIU-India, LEA conducted searches at the premises of the person who was alleged to be involved in money laundering. He is a Politically Exposed Person (PEP) holding a constitutional post in a state.

### Operational Analysis on suspicious cash withdrawals in a bordering State using cards issued in a neighbouring country

A priority Suspicious Transaction Report (STR) was filed by a Reporting Entity (RE) noting that multiple foreign cards, in possession of a single individual, were used for cash withdrawals at ATMs in a border town. This raised suspicions that the individual might be collecting money from multiple ATMs using these foreign cards. The transaction patterns revealed late-night withdrawals and consecutive transactions. An Operational Analysis (OA) identified that the foreign card owners, issued in a neighbouring country, were actually Indian citizens from a bordering state who were currently residing in the neighbouring country. The analysis of the money trail showed that the funds came from a company registered in a European country. It was noted that the European company's declared line of business was completely different from the work profile of its owner, as determined from social media and open-source intelligence.



## Operational Analysis report on Misuse of Bill of Entries

Analysis of STRs filed in which modus operandi was observed by the reporting entity in relation to the Bill of Entries (BoE) done in manual manner in a system portal and absence of the data in server against the Bank AD Code, where suspicion was found regarding the legitimacy of the genuineness and purpose of the transactions and it appeared that the foreign remittances are being carried out to route the clandestine funds. The total remittances as per the details shared by the reporting bank are to the tune of Rs 16 Crore. It is a classic example of the FIU-India's intelligence leading to the identification of loophole in the existing system which is being misused by the money launderers. The OA was shared with LEAs along with the regulator.

## STRATEGIC ANALYSIS:



With increasingly complex and ever evolving financial crimes, it is essential to be nimble-footed in comprehending new money laundering/ terror financing typologies so as to be able to counter them effectively. It is with this vision that Strategic Analysis Lab (SAL) was established as part of the FINnet 2.0 project to continuously research and analyse data for improvement of intelligence generation. The setup of Strategic Analysis Lab (SAL) was completed in the year 2021, and since then, more than 50 studies have been completed. The SAL has its own specialized human resources having access to latest analytical tools and technologies. It acts as a "Centre of Excellence" and mines data to strengthen intelligence generation capabilities of FIU-India. Some of the studies conducted by SAL during FY 2023-24 are as follows:

## CDF Analysis

As part of the FATF compliance measures w.r.t FATF Recommendation 32 on cross border transportation of currency/Bearer Negotiable Instruments (BNI), data of cases of seizure of currency and declarations made under CDF are being shared with FIU-India by Airport and Land Customs Stations (LCS). The data consists of name of person, date, passport number, currency and its amount declared at the time of filing of CDF.

The CDF data is analyzed by FIU-India to identify most frequent individuals who have declared foreign currency on arrival. It is also checked for matches of individuals in FIU-India database of STRs, CTRs and CBWTRs which is further enhanced by open source information available on persons of interest. The analysis is then shared with concerned LEAs and other Intelligence agencies as Operational Analysis reports.

## NPO Data Analysis:

Non-Profit Organizations (NPOs) often rely on public and private donations to support their philanthropic missions, aimed at furthering social causes and providing public benefits. In an effort to identify financially significant NPOs at risk of misuse, list of NPOs availing tax exemption were analyzed using FIU-India's database.

Various databases such as the Cash Transaction Reports (CTR), Cross Border Wire Transfer Reports (CBWTR), Non-Profit Transaction Reports (NTR), and Suspicious Transaction Reports (STR) were studied. This analysis helped identify NPOs with significant cash deposits and withdrawals, along with anomalies in cash flow patterns. STRs flagged NPOs engaged in suspicious transactions, and CBWTR data, when cross-referenced with Foreign Contribution Regulation Act (FCRA) registration data, highlighted NPOs receiving foreign funds without proper registration, thus violating FCRA laws.

The findings were shared with the relevant law enforcement agencies (LEAs) for further action and to initiate outreach programs targeting NPOs in geographically vulnerable areas at higher risk of being misused for terror financing.

## STR Trend Analysis

The primary objective of this study was to conduct a macro-level analysis of financial data spanning the past five years, with a specific focus on Suspicious Transaction Reports (STRs). The study examined STR filings across various dimensions, such as the type and category of reporting entities (REs), account types, and account holder classifications. It also delved into the breakdown of STRs by factors like occupation, gender, and constitutional structure, providing a detailed view of how these factors influenced the nature of reported suspicious activities. Additionally, the study explored the distribution of STR filings based on the reported PAN category and analyzed trends related to nationality and the involvement of primary and secondary countries.

In addition to these analyses, the study investigated STRs linked to law enforcement agency (LEA) cases, shedding light on the role of authorities in identifying and responding to financial crimes. A key focus was on identifying patterns within STR filings related to the type of predicate crimes, offering valuable insights into the nature of illicit financial activities. Overall, this comprehensive approach aimed to uncover significant trends and patterns in STR filings, providing a nuanced understanding of the evolving landscape of financial crime detection and reporting.

## Strategic Analysis of Transactions in a sensitive geographical region:

An analysis was conducted to examine potential surges in CTRs, CBWTRs, NTRs for the sensitive geographical region for a specific time period. The analysis was divided into three distinct periods and focussed on comparison of identifying significant changes in transaction activity. This comparison aimed to detect any unusual patterns or spikes in transactions that could indicate potential financial irregularities or suspicious activities.

For the particular period, specific actions were taken to scrutinize transaction data more closely. For CTRs, both cash deposits and withdrawals were ranked in descending order, and threshold amounts were set to identify accounts or entities exhibiting unusual transaction volumes. A similar approach was applied to CBWTRs, with a focus on inward money transfers to India. In the case of NTRs, credits were specifically examined to detect anomalies. Additionally, STRs related to the keywords of the region names were searched in the database to help identify relevant patterns or connections to potentially illicit activities. This thorough analysis aimed to highlight any significant trends that may require further investigation and was shared with the LEA.

## Automation Tools

### Fund Flow Analysis Tool Upgradation



The Fund Flow Analysis tool is designed to examine bank statements from multiple financial institutions, offering critical insights into the financial activities of entities or individuals. The tool provides detailed account-level summaries, identifying key individuals or entities involved in debit and credit transactions. It also highlights the highest-value transactions and the most frequently used transaction modes for both debits and credits. Given the lack of standardized bank statement formats across different institutions, this tool addresses the challenge of inconsistent data presentation by providing a uniform approach for analyzing financial data.

Leveraging Python for efficient data processing and manipulation, the tool ensures accurate and timely analysis even when dealing with large volumes of data. Additionally, Flask is employed to create a user-friendly interface that allows for seamless interaction with the tool, ensuring a smooth user experience. A recent update to the tool now enables graphical visualization of time-series data, allowing analysts to track and visualize the flow of funds between accounts in a more intuitive way. This feature significantly enhances the monitoring capabilities of the tool, helping users to better understand financial trends and detect any unusual patterns or activities in a more effective manner.





# DOMESTIC **CO-OPERATION**

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## Co-operation and Co-ordination with Law Enforcement Agencies/Intelligence Agencies

FIU-India maintains effective coordination with various Federal as well as State level Law Enforcement Agencies and Intelligence Agencies (LEAs/IAs) through regular interaction with Nodal Officers specifically assigned at respective LEAs/IAs for engaging with FIU-India. Similarly, Nodal Officers have been assigned at FIU-India as well for engaging with respective LEAs/IAs, for better coordination. Framework of Bi-monthly meeting with Nodal Officers of major LEAs/IAs is also in place. This forum provides a platform for exchange of ideas among FIU-India and different LEAs/IAs. Various matters are discussed in these meeting ranging from routine operational issues to policy matters for enhancing effective mutual coordination.

In order to reach out to LEA/IA field officers actually working on financial intelligence disseminated by FIU-India, regular outreach programs are conducted both in physical as well as virtual mode.

To enhance awareness of FIU's role in counter financing of terrorism and to foster increased coordination between FIU and LEA in significant cases involving terrorism financing, cyber fraud, and matters with national implications, a leaflet was designed and distributed to police agencies to enhance

their understanding of FIU-India. Notably, FIU established formal channels, including the appointment of nodal officers, with state police departments in Tamil Nadu, Himachal Pradesh, and Haryana for the first time. Additionally, a physical meeting was held with IB MAC to raise awareness of FIU-India. Vice-versa, FIU-India also invites eminent officers from different LEAs/IAs in a monthly lecture series; 'Samvaad Shrinkhala' for sharing their experiences with FIU-India officers. It helps in comprehending LEAs' expectations from FIU-India in terms of type of financial intelligence they expect from FIU-India in view of the evolving typologies and modus-operandi.

FIU-India is also an active member of MHA's Multi Agency Centre (MAC) forum established for exchange of terror-related information. FIU-India is also member of MHA's FICN Coordination Group (FCORD), a forum for exchange of intelligence on fake Indian currency. A FIU-led Working Group to enable better detection of STRs relating to Terror Financing (FWG-STF) was formed under the leadership of FIU-India to address the gaps as regards to detection and reporting of TF related STRs. Periodic interaction with LEAs and REs through this working group acts as a useful to guide REs to detect the Terror Financing related suspicious transactions better.

LEAs/IAs regularly seek financial intelligence from FIU-India during course of their investigations. Response to LEAs' Requests for Information (RFIs) is shared with LEAs from search in FIU-India's own database as well as collating desired information from different reporting entities.

FIU-India has entered into Memorandums of Understanding (MoUs) with partner Law Enforcement Agencies in order to provide a structural framework for enhanced cooperation and laying SOPs for exchange of information/intelligence. The MOUs also lay down principle for use of financial intelligence shared by FIU-India and its confidentiality.

Cooperation with LEAs involve sharing feedback on utility/usefulness of financial intelligence disseminated by FIU-India. LEA feedback plays an important role in re-aligning the processes at FIU-India for preparing relevant intelligence in line with the emerging money laundering typologies.

FIU-India maintains close relationship with all sectoral regulators viz.; RBI, SEBI, IRDAI, NABARD, PFRDA, IFSCA and CBIC (DG Audit) as well as Self-Regulatory Bodies like ICAI, ICMAI, ICSI to strengthen relationship with these regulators. FIU-India has institutionalized framework of Quarterly meetings with regulators to improve AML/CFT/CPF framework of their regulated entities. Regulators share valuable inputs to understand the recent AML/CFT trends & developments which help in devising guidelines for effective AML/CFT framework. FIU-India also shares feedback to respective regulators whenever any issue is identified which demands policy level intervention from regulator. FIU-India also collaborates with regulators for capacity building of reporting entities.

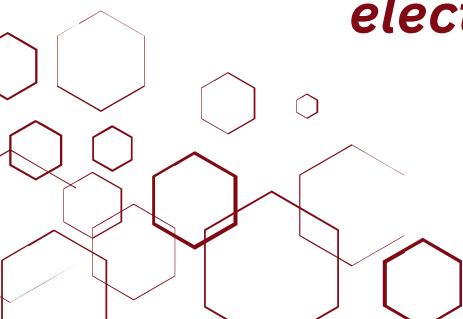


## Co-ordination with Regulators/SRBs



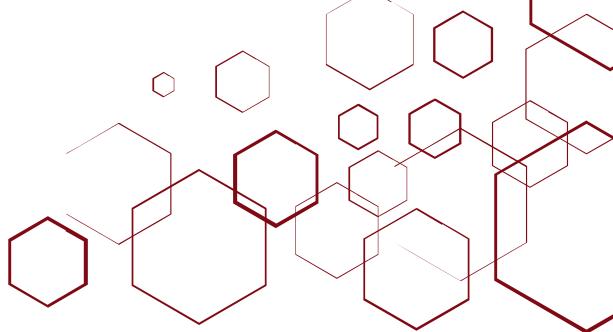
Pic: Regulator's meeting

## Sharing of Information with LEAs during elections



During the period leading upto General Elections to Lok Sabha and Legislative Assemblies, FIU-India collects, analyses and shares various sets of relevant information to relevant LEAs. FIU-India undertakes statistical analysis of various reports available in its database to identify persons of interest for sharing the information with relevant LEAs. Further, during the course of elections, specific threshold based reports are also obtained periodically from reporting entities and shared with relevant LEAs in a time-bound manner facilitating them to take appropriate enforcement action for maintaining sanctity of election process.

# FIU-INDIA-I4C Coordination



FIU-India is closely coordinating with the Indian Cyber Crime Coordination Centre (I4C), which is the central agency undertaking coordination with various government agencies to tackle the incidents of cyber-enabled fraud. The two agencies are sharing data from time-to-time, which includes threat analysis unit reports (TAU) from I4C and operational analysis reports from FIU-India. The TAU reports have been utilized in FIU-India for understanding cyber fraud modus operandi, target identification, investigation, conducting outreach/review with reporting entities (banks, payment aggregators, card system operators etc), conveying regulatory gaps to the regulators, issuing advisories to reporting entities etc. FIU-India is a member agency on the Senior Level Group to Discuss Measures on Cyber Crime and Cyber Slavery from Southeast Asia and Other Regions. FIU-India has also included I4C in various working groups constituted by FIU-India which pertain to cyber-enabled fraud.



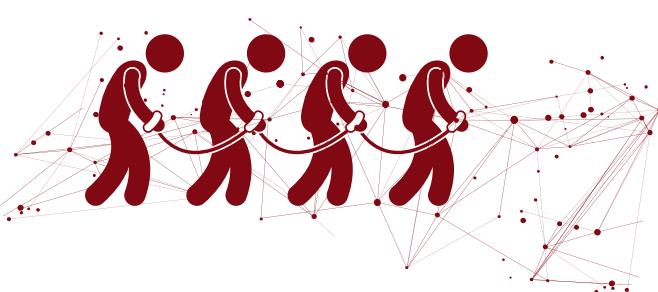
## Case Study FIU-INDIA- Domestic Coordination - Drug Trafficking Case

The case involves a drug trafficking network led by a person Mr. ABC, associated with underworld criminal network. This syndicate laundered money from the sale of illegal drugs in India and abroad, funneling funds through fake businesses and overseas transfers disguised as legitimate services. To obscure the illicit origins of their income, they utilized logistics companies both as a cover for their financial activities and as channels for drug distribution. The laundered money was invested in real estate, vehicles, gold, and cloud kitchen ventures in the hospitality industry, further concealing the proceeds under the guise of legitimate business operations. The group also controlled and ran call centers for receiving orders for opioid drugs and dummy pharma companies for procuring such drugs.

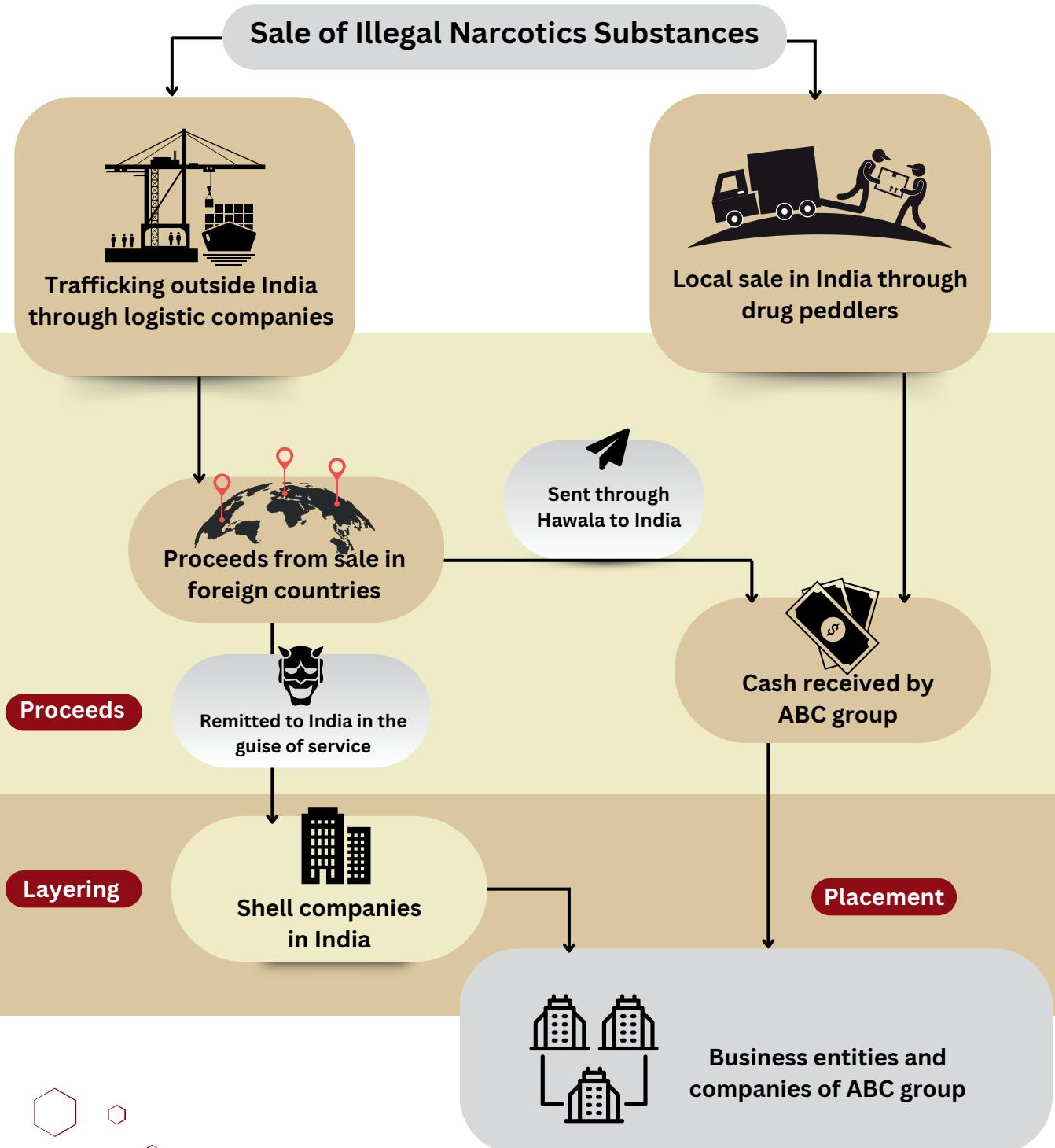


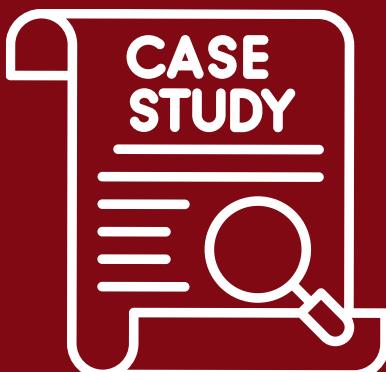
FIU-India, while monitoring adverse media for predicate offenses, identified Mr. ABC's connection to a notorious terrorist under UN sanctions. The FIU compiled a detailed report on Mr. ABC's financial activities and network, which included analysis from public sources, government databases, and bank records and shared with an LEA.

The ability of FIU India to provide a detailed financial overview and produce an Operational Analysis Report played a crucial role in the investigation, enabling the identification, tracking, and confiscation of assets derived from drug trafficking activities. This report detailed the connections of key individuals and entities linked up to three degrees of separation, included comprehensive bank records, analyzed fund flows, cash trails of upto INR 31.6 crores (USD 3.8 million), and incorporated international transaction information from CBWTR data.



# MODUS OPERANDI

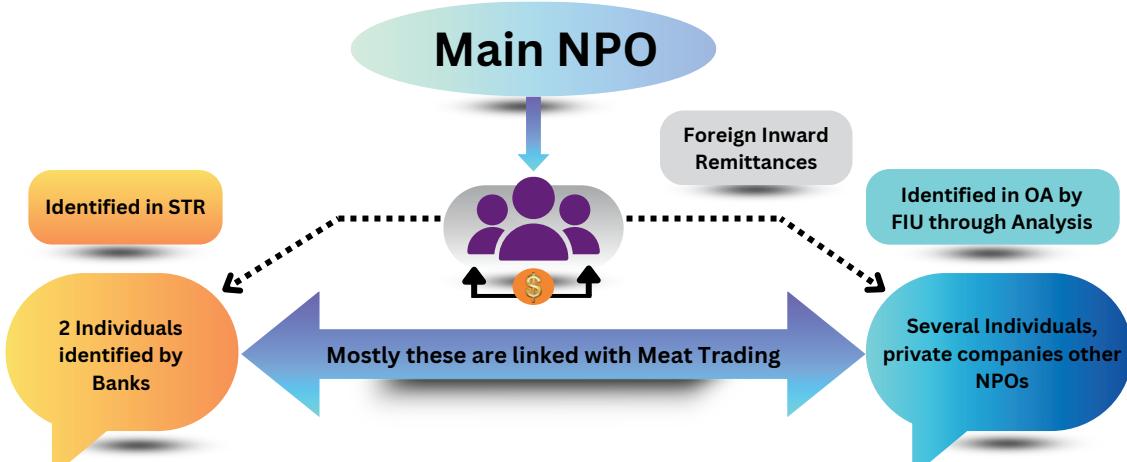




## OA on NPO alleged to be associated with Terror Groups/Supporting Radicalisation

One of the Reporting Entities (REs) has filed a Suspicious Transaction Report (STR) highlighting that multiple Indian entities were found to be receiving funds from certain foreign Non-Profit Organisations (NPOs) based out of a particular European country. As per the input received from the RE, Indian entities receiving these funds appear to be misdeclaring their line of business and/or funds received do not commensurate to the declared income/declared line of business which is otherwise Meat Trading. These entities fund without any documents for export of meat products. It is to be mentioned that there is substantial adverse media reports against these foreign Non-Profit Organisations (NPOs) basis their connections with suspicious partner organisations who are alleged to be associated with Terror groups/ supporting radicalisation. Further, the channel utilized (by the tainted Foreign NPOs for fund transfer) is actually intended for personal remittances and not for donations. In this regard an Operational Analysis (OA) report was prepared by FIU-India identifying the network of entities/ individuals receiving such funds and shared with relevant LEAs.

### Initial Suspicion raised through STR and linkages found in OA





# INTERNATIONAL **CO-OPERATION**

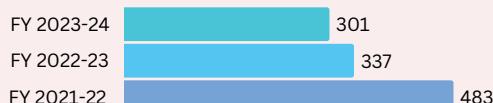
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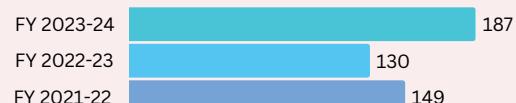
FIU-India continues to foster a strong relationship with the FIUs of other countries. Being a member of the Egmont Group, FIU-India adheres to the Egmont principles of exchange of information and actively exchanges information with other counterpart FIUs.

Requests for information are received from domestic LEAs and are processed and sent to the foreign FIUs. Additionally the requests for information are also sent to foreign FIUs for seeking additional details in relation to operational analysis/tactical analysis done by officers of FIU-India. The information received are disseminated to the concerned LEAs. Similarly, foreign FIUs send request for information to FIU-India which are processed in a timely manner and are disseminated to those FIUs. The information is mined from the vast database that is available with FIU-India along with other databases primarily such as MCA, passport, OSINT. Further, additional information can be sought from REs and LEAs subject to the consent provided by requesting FIU. In certain instances, information shared by requesting FIUs have been shared with domestic LEAs and same has been found useful by them. Feedback is regularly received from foreign FIUs as well as domestic LEAs on usefulness and quality of intelligence. The sharing of feedback is an effective mechanism for improving the quality as well as timeliness of information exchange. In addition, a two-way spontaneous disclosure of intelligence i.e., without any request for information also happens between FIU-India and Foreign FIUs. During the FY 2023-24, FIU-India disseminated 61 spontaneous disclosures to Foreign FIUs.

#### Request for information sent to Foreign FIUs



#### Number of Information received from foreign FIUs



#### Number of Spontaneous Disclosures received from foreign FIUs



FIU-India does not need to sign an MoU with foreign FIUs to exchange information; instead, it may do so based on reciprocity. A Memorandum of Understanding (MoU) is negotiated to formalize the nature and scope of cooperation, provide a structured framework for better understanding, and increase the level of cooperation. Since 2008, FIU-India has started MoU negotiations with numerous FIUs, and as on date, MoUs have been signed with 50 counterpart FIUs. MoU with the FIU of Oman was signed during FY 2023-24. Further negotiations with other FIUs are in progress.



Pic: India Oman MoU

FIU-India participates in the Joint Working Groups (JWGs) on Counter Terrorism set up by the Government of India with various countries for evaluating the AML/CFT vulnerabilities and national risk assessment for the country.



Pic: 8th BRICS JWG-CT, Gauteng, Pretoria, South Africa, 12-14th June 2023

FIU-India has played a pivotal role in Egmont Group by serving in various leadership positions in Egmont Group. It is a great honour for FIU-India as Shri. Manish Kumar Hairat, Additional Director, FIU-India, was elected as the Vice-Chair of Information

Exchange Working Group (IEWG) during the Egmont Plenary Meeting held in Abu Dhabi in July, 2023. The election enhanced the role of FIU-India in policy matters in the Egmont Group and also depicts the trust of counterpart FIUs in the leadership of FIU-India. It also reflects the credibility of FIU-India globally and is a validation and acceptance of its practices and procedures.



Pic: 20th India-USA Joint Working Group- Counter Terrorism (JWG-CT) in Washington DC from 4-5th March 2024



Pic: Egmont Plenary Meeting in Abu Dhabi UAE, July 3 – 7, 2023



Pic: Egmont Working and Regional Group Meetings in Malta -January 29 and February 2, 2024

Shri. Vikas Aswal, Deputy Director was selected as the newly constituted Egmont Secure Web (ESW) Board Member during the Egmont meetings held in Malta in January, 2024.

The representatives from FIU-India even concluded two of the main projects in which they were project lead and project co-lead. These were Misuse of trade based and service based money laundering and template for MoU on multilateral information exchange.



**Search and Seizure conducted and multiple undisclosed foreign assets identified by LEA basis FIU-India intelligence sharing:**

A spontaneous disclosure was received from Foreign FIU about large cash deposits by Indian nationals and declared as brought from business in India. The information was urgently referred to the Indian LEA. On receipt of the credible intelligence from FIU-India, the LEA initiated the search and seizure action. 13 foreign undisclosed bank accounts (including fixed deposits), multiple undisclosed foreign assets were identified and led to the seizure of Rs. 26.80 Cr of Cash, Rs. 37.42 Cr value of Jewellery and Rs. 96.62 lakhs of other assets. In a rarest of the rare instances, undisclosed foreign investment of Rs.20 Cr has been remitted back from the foreign bank accounts, the same has been seized and deposited in the LEA's account.

**Participation in FATF, APG and EAG**

Since 2010, India is a member of FATF. India is also a member of two FATF style regional bodies viz. Asia/ Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG). As a member, FIU-India officers proactively participate and significantly contribute in the deliberations and initiatives of these global bodies.

Director, FIU-India led the Indian delegation in the FATF and participated in FATF plenary meetings held in Paris, France in June, 2023 and also attended the meeting of FATF on Private Sector Consultative Forum & R 16 Project at Vienna, Austria in May 2023.

**In FY 2023-24, FIU-India also participated in following other international forums including :**



- 29th Egmont group plenary in Abu Dhabi, UAE
- Egmont Working and Regional Group Meeting, Malta
- 39th EAG Plenary in Almaty, Kazakhstan.
- BRICS-CTWG in Gauteng, South Africa.
- 3rd Forum of the Eurasian Group on AML/CFT in Lake Issyk-Kul, Kyrgyz Republic.
- 20th meeting of the India-USA JWG-CT in Washington DC, USA.
- APG Annual Meeting and technical assistance & training forum, Vancouver, Canada.
- UNSC 1267/1988 sanctions committee's monitoring team at New York



An information request was made on behalf of a LEA to counterpart FIU. In response foreign FIU shared information in relation to the subject. As per the feedback, LEA has mentioned that the information and details provided were crucial and were used in the ongoing investigation under PMLA, 2002(Prevention of Money Laundering Act). Information verified existing information available with LEA. Information was also used for initiating investigation & strengthening investigation/ for developing evidence. Additionally, the details regarding the properties acquired by the accused have been instrumental in identifying the assets held by the accused. Leading to the subsequent attachment of these assets amounting to Rs.410 million in said jurisdiction. Investigations are underway to examine the specifics of funds transferred abroad, Utilizing account numbers and information provided. Details of properties held outside by the suspect has been provided and LEA has issued the provisional attachment order on the basis of the facts provided.

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LEGAL AND

# COMPLIANCE FRAMEWORK

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# PREVENTION OF MONEY LAUNDERING ACT, 2002 (PMLA)

PMLA is India's legislation for combating money laundering, which was enacted in 2003 and brought into force on 1st July 2005. Important amendments in the PML Act, PML Rules and Notification under PMLA are as follows:



## Inclusion of Professional Services

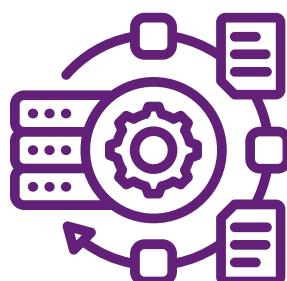
The regulatory scope of the PMLA was expanded to include a range of professional services performed by chartered accountants, company secretaries, and cost accountants. This amendment subjects activities such as managing client funds, organizing contributions for corporate formations, conducting transactions involving immovable property, managing client assets and accounts, and forming and operating companies, limited liability partnerships, or trusts to PMLA compliance.

## Extension to Trust and Company Service Providers (TCSP)

The PMLA was further amended to extend compliance requirements to Trust and Company Service Providers (TCSPs). Activities such as acting as formation agents for companies, providing registered office addresses, and serving as nominee shareholders or trustees for other entities, when conducted as part of a business transaction, now fall under the regulatory purview of the Act.

## Group-Wide Compliance and Record Maintenance

The Rules were amended to require reporting entities that are part of a corporate group to implement group-wide anti-money laundering (AML) and counter-terrorism financing (CFT) programs. Such programs must include standardized client due diligence, risk management procedures, and intra-group information sharing, with confidentiality safeguards. Enhanced know-your-customer (KYC) requirements now mandate the verification of client identities through independent and reliable sources at the beginning of relationships or transactions exceeding fifty thousand rupees, including specific provisions for identifying beneficial owners in high-risk transactions. The amendment also reinforces the requirement for prompt reporting of suspicious transactions to FIU-India while ensuring report confidentiality.



## Introduction of Management-Level Compliance Officers

The Rules have been amended to specify that officers responsible for compliance must now be at the management level, enhancing accountability and oversight.

## Mandatory Trustee Disclosures

For trust arrangements, the rules now mandate that trustees disclose their fiduciary status at the initiation of account-based relationships or during relevant transactions. This measure enhances transparency and compliance with trust-related obligations.

### Incorporation of Analytical Findings in Records

Record-keeping requirements have been expanded to include the results of analyses conducted under due diligence obligations. This amendment reinforces the need for comprehensive documentation to support regulatory compliance.

## COMPLIANCE FRAMEWORK

The Reporting Entities (REs), by diligently discharging their statutory obligations, contribute significantly to enhancing transparency within the financial system, thereby deterring criminals and terrorists from exploiting India's financial infrastructure. To maintain oversight of the manner in which REs across various sectors fulfill the obligations imposed upon them under the Prevention of Money Laundering Act, 2002 (PMLA) and the associated Rules, FIU-India undertakes a range of measures. These include monitoring reporting patterns, issuing guidelines on alert indicators for identifying suspicious transactions, publishing typology reports, and implementing other initiatives aimed at equipping REs to effectively meet their compliance requirements. Such measures enable REs to stay apprised of evolving AML/CFT trends and align their efforts with the focus areas identified through the National Risk Assessment (NRA).

In addition to these facilitative and capacity-building initiatives, FIU-India also monitors instances of significant non-compliance by REs, relying on various sources of information. These include independent analyses of publicly available data and open-source information, such as news reports revealing fraudulent or criminal activities involving an RE's client, which may indicate a failure on the part of the RE; supervisory actions undertaken by regulators; reports of violations identified by regulators during routine inspections or audits; internal referrals following FIU-India's review processes; and other credible sources.

Where *prima facie* evidence of statutory non-compliance emerges, FIU-India initiates appropriate legal action in accordance with the provisions of the PMLA. This two-pronged approach—supportive engagement coupled with rigorous enforcement—ensures that REs remain both compliant and vigilant, thereby strengthening the integrity of India's financial system.

## Compliance Proceedings



The Prevention of Money Laundering Act (PMLA) mandates FIU-India to issue notices of non-compliance to reporting entities (REs) that fail to fulfill their statutory obligations. These violations may include failure to conduct complete client verification, maintain requisite records, or file Suspicious Transaction Reports (STRs), Cash Transaction Reports (CTRs), and Cross-Border Wire Transfer Reports (CBWTRs), among others. Following the issuance of such notices, the Director of FIU-India adjudicates the matter in accordance with the principles of natural justice, ensuring that RE is afforded a fair opportunity to be heard. Compliance actions pursuant to these proceedings may result in statutory warnings, issuance of specific directions, or imposition of monetary penalties, depending on the severity of the violations committed by the RE.



### Case Study: Financial Compliance and Regulatory Action against a Payments Bank

The Financial Intelligence Unit of India (FIU-India) spearheaded the inquiry following multiple First Information Reports (FIRs) filed by the Cyber Crime Station of an Indian state. The FIRs revealed that these entities organized online gambling and other illegal operations, with the proceeds of these activities routed through bank accounts maintained with the Bank. These accounts facilitated significant financial transactions, raising concerns about the Bank's compliance with the Prevention of Money Laundering Act (PMLA).

The review was initiated by FIU-India, detailed examination of beneficiary accounts revealed significant irregularities. The modus operandi involved the entities engaged in illegal activities used the Bank's Payout service to facilitate transactions. These entities leveraged the Payout service to run online gambling schemes, routing large volumes of money through the Bank's accounts.

During the compliance process it was identified that the RE had failed to establish Internal Mechanism to Detect Suspicious Transactions, Ongoing Due Diligence, reliance on Third-party KYC Compliance, Failure of Suspicious Transaction Reporting within prescribed timeline and monitoring of Beneficiary Accounts.

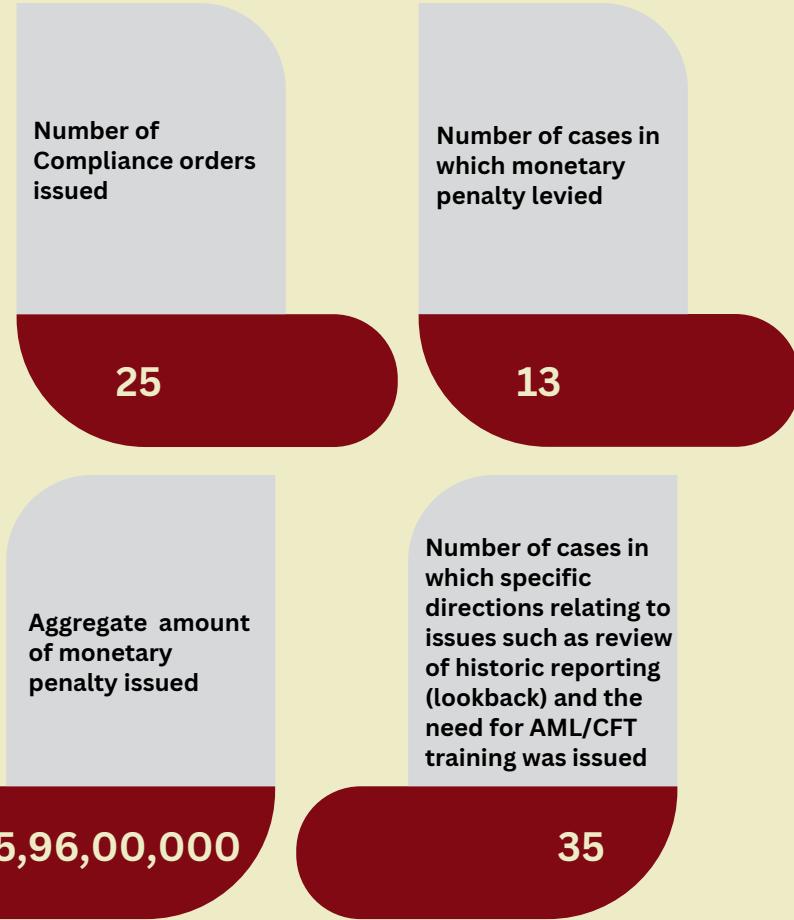
Based on the findings, the Director of FIU-India found the Bank in breach of its obligations under Chapter IV of PMLA. After considering the Bank's written and oral submissions, FIU-India substantiated the charges and imposed a fine of INR 54,900,000 (Rupees Fifty-Four Million Nine Hundred Thousand Only) on the Bank for the identified violations.

## Compliance Action against Virtual Digital Asset Service Provider:

A Virtual Digital Asset Service Provider (VDA SP), engaged in designated business or profession as defined under Section 2(sa)(vi) of the Prevention of Money Laundering Act, 2002 (hereinafter referred to as "the Act"), qualifies as a Reporting Entity (RE) pursuant to Section 2(1)(wa) of the Act. In this context, an offshore VDA SP was found to have continued its engagement with Indian clients and conducted operations within India without fulfilling its statutory obligations under the PMLA. Consequently, compliance proceedings were initiated against the RE. Following due process, the Director of FIU-India, acting under the authority conferred by Section 13 of the PMLA, imposed a monetary penalty of INR 34,50,000 (Rupees thirty-four lakhs and fifty thousand) for contraventions of Section 12(1) of the Act, read with Rule 7 of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

### A brief summary of the compliance work undertaken by FIU-India during the FY 2023-24 is as follows

#### Summary of Compliance action undertaken in FY 2023-24



## Issuance of Alert Indicators and Revision of Guidelines

Based on the latest sector-specific risk trends, FIU-India conducts periodic reviews of alert indicators across all sectors. These reviews assess the relevance of existing indicators and determine whether updates or revisions are necessary. Further, fresh alert indicators in order to address emerging risks are also considered for implementation.

### Alert Indicators

- a. Create a common and shared understanding of the STR detection and reporting systems.
- b. Provide indicative lists of high-risk customers, products, services, and geographies.
- c. Provide commonly used alerts for the detection of suspicious transactions.
- d. Provide guidance for alert management and preparation of STRs.



FIU-India constitutes sector-wise expert working groups having representative of FIU-India, respective financial sector regulator, and reputed REs to efficiently process this task. These groups are designed to include a diverse range of expertise, fostering robust discussions and enabling a data-driven approach to the development of alert indicators. Moreover, the inclusion of REs promotes the idea of public-private partnership and incorporates inputs from the private entities while finalizing the alert indicators. The alert indicators issued by FIU-India are indicative in nature and the REs are required to devise other suitable parameters tailored to their unique risk profiles and operational requirements.

## Capital Market, Intermediary Sector:

During the FY 2023-24, supplemental guidelines of Red Flag Indicators (RFIs) for the REs under Capital Market Segment (i.e. Stock Brokers, Commodity Brokers, Depository Participants, Exchanges, Depositories) and revised guidelines of Red Flag Indicators (RFIs) for the REs under Insurance Sector and Mutual Funds/ Asset Management Companies were issued considering the recent AML/CFT trends and developments in the capital market and insurance segment.

In the light of defaults by many prominent financial institutions, it was felt that Credit Rating Agencies (CRAs) and Debenture Trustees (DTs) need to be included within the compliance framework of PMLA. Hence, CRAs and DTs were included within the compliance ambit of PMLA and fresh Guidelines for detecting suspicious transactions were issued to the reporting entities under CRAs and DTs.

Pension Fund Regulatory and Development Authority (PFRDA) issued guidelines that entities registered as Point of Presence (PoP), are required to comply with the requirements of Prevention of Money Laundering Act, 2002. In the wake of the aforesaid guidelines issued by PFRDA, FIU-India had reviewed the Red Flag Indicators (RFIs) for the intermediaries registered by PFRDA and issued Supplemental Guidelines for detecting suspicious transactions.

## Revised RFIs – NBFC sector:

RFIs for detection and reporting of STRs for the NBFCs were initially issued by FIU-India during the year 2016. Since then, the AML landscape of this sector has seen changes which prompted the setting up of the working group for revising these RFIs. The working group comprised of representatives from NBFCs across various categories, RBI and officials from FIU-India. As a result the document on Revision of RFIs on Standard Rules for Generation of Alerts for Non-Banking Finance Companies (NBFCs) was issued to the REs during the FY 2023-24.

## Revised RFIs – MTSS Sector:

With the changing economic landscape and evolving risks involved in the MTSS sector, it was felt that the existing 24 RFIs which were issued in 2012 needs to be reviewed. Considering the above, FIU-India held series of meetings with various REs of MTSS sector. The primary objective of such discussion was to review the existing RFIs and propose new RFIs so as to mitigate any gaps in reporting obligations and potential risk of misuse of the MTSS sector in ML/TF and for moving proceeds of crime. In this regard after series of interactions with the REs and in consultation with RBI the final list of RFIs were issued for implementation at the end of the REs.

## Guidances – DNFBP Sector:

On the DNFBP front, IFSCA regulated entities and recently notified DNFBPs viz. real estate agents and Trust and Companies Service Providers were brought within the reporting framework of FIU-India. Fresh Guidelines for detecting suspicious transactions were issued to the reporting entities under Real Estate Agents, Trust & Company Service Providers and IFSCA-Regulated Entities.

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**Guidance on reporting by Dealers in Precious Metals and Stones (DPMS)** sector reporting entities were issued by FIU-India after detailed discussions with the relevant stakeholders including Gems & Jewellery Industry Councils/Associations and Regulator. Keeping in view the distinct nature of this sector, Industry Associations/Councils have also been onboarded with FIU-India.

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**Accounting Professionals** were notified as DNFBP in May 2023 under PMLA. Consequent to the same, FIU-India developed detailed AML/CFT Guidelines for detection and reporting of suspicious transactions. RFIs were developed separately for accounting professionals, which are members of the three self-regulatory bodies (SRBs), namely Institute of Chartered Accountants of India, Institute of Company Secretaries of India and Institute of Cost Accountants of India.

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### **Guidance on coordination mechanism to deal with alerts from NPCI:**

Payment Intermediaries are the latest entrants in the financial intermediation services domain that prominently assist payment processing in B2B and B2C transactions. The Reserve Bank of India (RBI) initially permitted 47 payment aggregators (PAs) to operate as domestic online payment aggregators as on 15.02.2023 in line with its earlier guidelines. Subsequently, RBI published guidelines for registration and operation of Payment aggregators – Cross Border (PA-CB) on 31.10.2023 geared towards regulating cross border payment aggregation service providers.



### **Guidances – For REs on RDA transactions:**

Rupee Drawing Arrangement (RDA) is a mechanism set up by the Reserve Bank of India (RBI) for the transfer of remittances from abroad including trade payments subject to certain monetary limits. RBI regulations - Master Direction on Opening and Maintenance of Rupee Vostro Accounts of Non-resident Exchange Houses ("EHs") allows the bank in India to open & maintains INR vostro account of EHs under RDA. In this regard, FIU-India held meetings with various banks (Reporting Entities) either acting as AD-I Bank or Recipient Bank or both in respect of foreign inward remittances received through RDA route from the perspective of AML/CFT. The primary objective of such discussion was to understand if there are any gaps in reporting obligations and potential risk of misuse of this instrument in ML/TF and for moving proceeds of crime.

Accordingly, FIU-India identified the following areas of concerns which demands certain systemic course correction at the end of the RE for effective reporting and risk mitigation. In this regard Guidance in the form of an Alert was issued on 27.02.2024 in FINnet 2.0 Portal on:

- Improvements in Detection and Reporting of STRs relating to RDA transactions
- Contradictions observed upon examination of Cross Border Wire Transfer Reports (CBWTRs) filed in respect of RDA transactions
- Need for increased focus in Transaction Monitoring of RDA transactions

Given the volume of transactions processed by these PAs & PA-CBs and the AML/CFT risks inherent in their line of business, and the significant portion of payments in the country happen through National Payments Corporation's (NPCI) UPI, a robust AML/CFT mechanism to monitor such transactions is important. Keeping in view of the NPCI's capacity to flag suspicious transactions in real-time and the availability of complete KYC details with financial institutions having account based relationships, FIU-India instituted a separate channel of communication involving NPCI, entities that are part of NPCI's payment system and FIU-India so as to effectively mitigate the AML/CFT risks.



As such, a new mechanism effective September 2023 was instituted wherein NPCI was asked to forward details transactions involving suspicious transactions and LEA inputs to respective banks/financial institutions which hold the underlying accounts on a daily basis. All the other reporting entities were directed to give priority to the inputs so received from NPCI and to undertake review of the respective account. After such review if the RE finds that there was indeed a suspicious pattern that warrants reporting to FIU-India, they were told to file STR in reasonable time.

Subsequently, after 6 months since this information sharing mechanism was instituted, a review meeting with NPCI and the top 12 REs which received most of the alerts from NPCI via this mechanism was held in the month of March 2024 and it was brought out that in 35% of the cases, the NPCI alerts were the precursor in identifying accounts that engaged in suspect transactions. Further, in this 6 month period (Sep 23 to Feb 24), STRs have been filed/ in the process of filing by REs in respect of 5675 accounts out of 19951 unique accounts identified by the NPCI alerts.

## **Best Practices Guidance on Implementation of Targeted Financial Sanctions**



Under WMD Order, 2023, reporting entities are required to institute sanction screening mechanism for identifying funds/assets belonging to sanctions individuals/entities and report the same to Director, FIU-India. FIU-India constituted a working group of reporting entities for sanction screening which identified various essential steps regarding sanction screening and best practices associated with said steps. A detailed guidance document was formulated based on the findings of the working group and issued to the reporting entities in the form of Best Practices Guidance on Implementation of Targeted Financial Sanctions

## **Standard Operating Procedures – Implementation of WMD Act:**

Director, FIU-India is designated as the Central Nodal Officer for implementation of targeted financial sanctions pertaining to Proliferation Financing under section 12A of Weapons of Mass Destruction, 2005. WMD Order, 2023 issued under section 12A of WMD Act, 2005 lays down that Director, FIU-India as the Central Nodal Officer

- shall coordinate the processes for identifying entities/individuals for designation under and delisting from UNSC resolutions related to proliferation financing.
- shall determine specific requests for exemption from frozen funds and assets based on certain criteria.
- shall verify if the funds/assets reported by reporting entities and other entities as laid down in said order belong to a person/entity listed under various UNSC resolutions.

In order to establish mechanism for implementation of the above-mentioned provisions standard operating procedure (SOP) was formulated for

- instituting coordination among all stakeholder government agencies to facilitate designation and delisting
- determination of seeking exemption from Frozen Funds in consultation with relevant government agencies.
- conducting verification to determine if assets/ funds belong to sanctioned individuals / entities in consultation with relevant government agencies.

## Guidances related to Cyber Enable Fraud

In view of fraud being identified as highest risk crime in the National Risk Assessment a working group of FPAC reporting entities was formed on Cyber Enabled Fraud. The group came up with the following Guidelines/Guidance Documents

**Guidance on Detection and Reporting of Cyber Enabled Fraud** – The document laid down detailed red flag indicators for detection and reporting of cyber fraud with the help of product-based risk assessment, non-financial risky behaviour and enhanced monitoring criteria.

**Guidance on Identification and Discouraging Mule Accounts** – The guidance document provided detailed characteristics of mule accounts to facilitate their identification/detection. In addition, the document also suggested various technology-based solutions based on behavioural techniques for early detection. The document elaborated on the mitigation strategies for mule accounts.

**Guidance on Cyber-Enabled Fraud Typologies** – The guidance provided detailed methodology and transaction signatures of various cyber-fraud typologies and discussed risky geographies and financial products vulnerable to cyber fraud.





# VIRTUAL DIGITAL ASSETS **SERVICE PROVIDERS**

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The Virtual Digital Assets (VDA) landscape in India has been rapidly evolving and gaining popularity among investors and traders. The VDAs have gained significant attention in recent years due to their potential to transform the financial sector and provide new opportunities for wealth creation.

However, Virtual Digital Assets (VDAs), VDA Service Providers (VDA SPs) have certain potential ML/TF risks, owing to their global reach, capacity for rapid settlement, ability to enable P2P transactions, and potential for increased anonymity and obfuscation of transaction flows and counterparties.

India has responded to the VAs and VASPs risks in the form of several legislative actions like the introduction of taxation of income on VA transactions and withholding taxes in the India Income Tax Act, Travel Rule related directions by CERT-IN and numerous actions on VASPs by Law Enforcement Agencies.

### **AML/CFT regulation for VDA sector and developments during FY 2023-24**

Keeping in view the challenges and risks posed by the sector particularly with respect to Money Laundering (ML) and Terror Financing (TF), all VDA SPs are required to register as reporting entities (REs) with FIU-India for complying with their AML/CFT/CPF obligations and reporting of suspicious transactions under the Prevention of Money Laundering Act (PMLA) 2002 which covers scheduled offences related to various crimes. The VDA SPs thus now have general, reporting and specific obligations under PMLA.

In pursuance of the above development, FIU-India issued detailed guidelines which have been effective since 10.03.23 to VDA SPs providing a comprehensive and exhaustive coverage of issues ranging from registration with FIU-India to carrying out Enhanced Due Diligence (EDD) to implementation of Travel Rule.

***A Working Group consisting of VDA SPs and representatives from other Reporting Entities (REs) was constituted for formulation of Red Flag Indicators (RFIs) for the sector***

Suspicious Transaction Reports - Post PMLA Notification dated 10th March 2023, Red Flag Indicators were issued to Reporting entities based on which they were obligated to undertake Transactions Based and KYC Based monitoring of VDA Transactions and customers. The reporting entities have incorporated the same in their AML and CFT system and alerts have been generated in their internal systems. Based on the same, the reporting entities have started filling Suspicious Transaction Reports before FIU-India.

Based on the above STRs, in certain cases, Operational Analysis were developed by FIU-India and was shared with various law enforcement agencies. Further various typologies were identified and guidance to reporting entities were shared to be followed. In certain cases, action under relevant laws was taken by various agencies based Operational Analysis so shared.

## **Search operation by LEA on the basis of FIU-India's OA – VPN Login Mule Accounts**

Analysis of STRs filed by a VDA SP led to the finding of unaccounted income being routed in the form of Virtual Digital Asset (VDA) deposits in the accounts of dummy entities maintained with VDA SP, exchange. The VDA deposits were being cashed out at the exchange of VDA SP and converted into INR. The credits so received (on cash out) in the bank accounts linked with VDA accounts were being further routed and laundered through a web of shell entities. The operational analysis report was shared with various LEA's. One of the LEA's conducted search operations under the provisions of FEMA, 1999 on the basis of FIU-India's intelligence report revealed that the suspected shell entity has provided accommodation entries over Rs. 5000 Crore, bank accounts to the tune of Rs.1.14 Crore was frozen and various incriminating documents and digital devices were seized.

**Registration of VDA SP** - Further, VDA Service Providers based in India were registered as reporting entities to FIU-India. In regard to the same, a guidance was issued by FIU-India dated 04.07.2023 and another guidance dated 17.10.2023 wherein the process of registration was laid down in detail which included details about GST Registration, Income Tax Returns, MCA Returns, significant beneficial ownership of the company, details of relationship with other service providers and also about details of any pending investigation before any enforcement agency.



**International Cooperation** - Further, FIU-India is in active cooperation with Egmont group of FIUs about various activities being undertaken by VDA Service Providers across the globe. This also included sharing of information about wallets based in exchanges in different countries and also creating a repository of exchanges across the country. India is also an active member of Virtual Assets Contact Group of FATF and participates in the events organized by FATF. India is also co-leading a VACG project on Travel Rule supervision.

### **Onsite and Offsite Review**

Additionally onsite and offsite assessment and review of VDA Service Providers was also undertaken wherein it was found that KYC, CDD and EDD Norms were largely followed by VDA Service Providers while on boarding the customers and they are also undertaking sanctions screening with respect to various lists like UAPA, UNSC etc. It was also noted that Reporting entities have started the process of Travel Rule Implementation which will give details about the counter party wallets in the cases of VDA Deposits and Transfers. Further almost all the reporting entities have integrated their transaction monitoring systems with various Blockchain Analysis tools to identify risky attributes about the wallets with whom they are interacting.

**Offshore VASPs** - Compliance notice under Section 13 of Prevention of Money Laundering Act was issued to various offshore Virtual Digital Asset Service Providers. The Virtual Digital Asset Service Providers (VDA SPs) operating in India (both offshore and onshore) and engaged in activities like exchange between virtual digital assets and fiat currencies, transfer of virtual digital assets, safekeeping or administration of virtual digital assets or instruments enabling control over virtual digital assets etc were required to be registered with FIU-India as Reporting Entity and comply with the set of obligations as mandated under Prevention of Money Laundering Act (PMLA) 2002. The obligation is activity based and is not contingent on physical presence in India.

However, there are several offshore VDA SPs who are catering to a substantial part of Indian users but not complying with the set of reporting, record keeping and other obligations cast on them thus violating the PML Act and the relevant rules. Necessary compliance action for illegally operating in India has been initiated by FIU-India against the 10 major offshore entities under Section 13 of PML Act. Further, based on the analysis of intelligence collected/trends observed so far, it has been observed that offshore VDA Service Providers are vulnerable to Money Laundering (ML) and Terror Financing (TF) activities.

In view of the above, to strengthen money laundering and terror financing framework of the country and obviate the regulatory arbitrage to provide better visibility with respect to VDA transactions, the operations of offshore VDA Service Providers who are not complaint with PML Act and are running an illegal operation were blocked in Indian jurisdiction through banning of website and takedowns of applications at Google Play Store and Apple App Store.



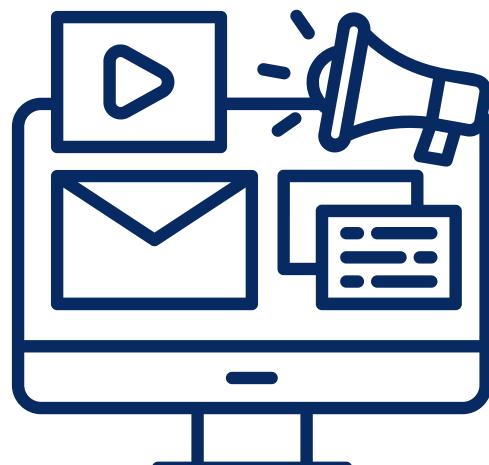
## Typologies observed in the VASP sector

Based on the Suspicious Transactions Reports filed by various Reporting Entities and also based on the Operational Analysis carried out and shared with various law enforcement agencies, various trends mostly formed on suspicion involving financial security and national security implications are as follows:

- Virtual Digital Assets involved in Child Sexual Abuse Material (CSAM),
- Virtual Digital Assets involved in Terror Financing,
- Virtual Digital Assets involved in Betting and Gambling Activities,
- Mule accounts at Indian VDA Exchanges through use of VPN receiving high volume VDA Deposits from Un-hosted and Offshore exchanges
- Laundering of Cyber Crime/Scam proceeds through Crypto currency.
- Virtual Digital Assets involved in Drug Finance and Narco Trafficking.
- High volume VDA, Hawala and Online Gaming related transactions by persons in sensitive regions allegedly for terrorist and secessionist activities.
- Laundering of proceeds of crime and illegal applications through crypto currency by persons of origin from sensitive foreign countries.
- Illegal and unregistered online Virtual Digital Asset Service Providers.
- Pump and Dump Schemes involving Fake coin and crypto tokens.
- High volume VDA Transactions involved in running illegal forex applications.
- Attempted customer on boarding of persons suspected to be involved in Unlawful Activities in sensitive regions.
- VDA Deposits and withdrawals involving one to many and many to one

Based on the trends and patterns as discussed above, it can be said that Virtual Digital Assets (viz) Bitcoin, Tron and Stable coins (USDT/TRC-20) are very widely used by the illicit actors because of their widespread acceptability and stability in value. Further, in most of the cases, offshore VDA Service Providers and Un-hosted/Unidentified wallets were being used to launder the proceeds of crime.

It is reiterated that the trends based on operational analysis carried out are based only on suspicion. The credible intelligence were shared with law enforcement agencies and necessary enforcement action has been taken by law enforcement agencies in some cases.





## Unaccounted Income funnelled through VDA Deposits

During the analysis of STRs filed by a VDA SP, it was uncovered that unaccounted income was being funneled through VDA deposits in dummy accounts maintained with the VDA SP exchange. These VDA deposits were subsequently cashed out and converted into Indian Rupees. The credits received upon cashing out were then routed and laundered through a network of shell entities.

The investigation revealed suspected VDA sales/transfers amounting to Rs 186 Crores in one case and Rs 275 Crores in another. This unaccounted income was suspected to be funneled through VDAs and integrated into the financial ecosystem.

Further analysis of STRs from other Reporting Entities, identified suspicious transactions linked to Benami entities. Notably, a foreign controlled payment operator was involved in these dubious transactions. It was also suspected that funds were being transferred abroad through cross-border remittances involving gems and jewellery entities and service-based remittances. One case involved remittances totaling Rs 694 Crores, while another involved Rs 2200 Crores in import payments.

Ultimately, cash withdrawals of Rs 252 Crores and Rs 500 Crores were detected. The findings were shared with various LEAs. One of the LEA initiated search action in this case successfully.



## **Suspicious VDA Transactions involving individual's YouTube channel with anti-social elements**

The case revolves around STRs filed by a VASP. A user was receiving VDAs in his wallet, followed by quick liquidation and withdrawal of fiat currency into his bank account. Despite minimal trading activity, the user linked multiple bank accounts within a short period.

The user's KYC location was in a border area. EDD measures revealed that the user's sign-up name matched a YouTube channel name promoting anti-social content. Suspicious VDA transactions were noted with large amount cashed out within 18 days from a newly opened account, inconsistent with the user's income profile.

The user's KYC and transaction location, was sensitive which added to suspicions. Attempts to link third-party accounts at the crypto exchange were rejected. A YouTube channel, matched the user's sign-up name, featuring content promoting anti-social elements and controversial statements, raising concerns about promoting divisive ideologies.

The VDAs were received as "Gifts" from the suspicious individual's VDA wallets. His activities were also suspicious, involving transactions worth Rs 38.6 crores in cash withdrawals, pre-paid instruments, and crypto withdrawals in sensitive border area. The findings were shared with intelligence and enforcement agencies.

## **Unregistered VASP suspicious of illicit money laundering**

A fraudulent unregistered VASP through its website and mobile app bought USDT at a premium from Indian customers and transferred it to unhosted or offshore wallets. The crypto exchange was claiming in the Google Play Store that it is backed by a foreign country based Capital Markets investing company. The VASPs legitimacy was debunked by open-source intelligence, revealing no validation by capital market company.

Detailed analysis uncovered the fraudulent VASP's method of purchasing USDT at a premium and making customer payouts through multiple unrelated accounts, raising suspicions of illicit fund laundering. Approximately ₹900 crores have been routed through 17 identified wallets using VDAs.

Further examination of 14 bank accounts used for payouts shows credits from various unrelated sources, with debits distributed to multiple individuals nationwide via UPI and IMPS in small amounts daily. This pattern indicates funds' distribution across a large group.

Consequently, a Show Cause Notice under Section 13 of PMLA 2002 was issued by Director, FIU-India, and the VASP's operations were blocked under Section 69A of IT Act. The operational analysis was shared with multiple LEAs.



IT

# INFRASTRUCTURE





# FINNET 2.0

FINnet 2.0 is one of the pioneer IT systems of its kind that provides end-to-end solution to all the information technology needs of FIU-India, including receiving, analyzing and disseminating information, and provides a two-way electronic communications system between the FIU and the reporting entities FINGate 2.0 on one hand, and the FIU and the enforcement agencies FINex 2.0 on the other, through a secure network.



## The core objectives of this project include:

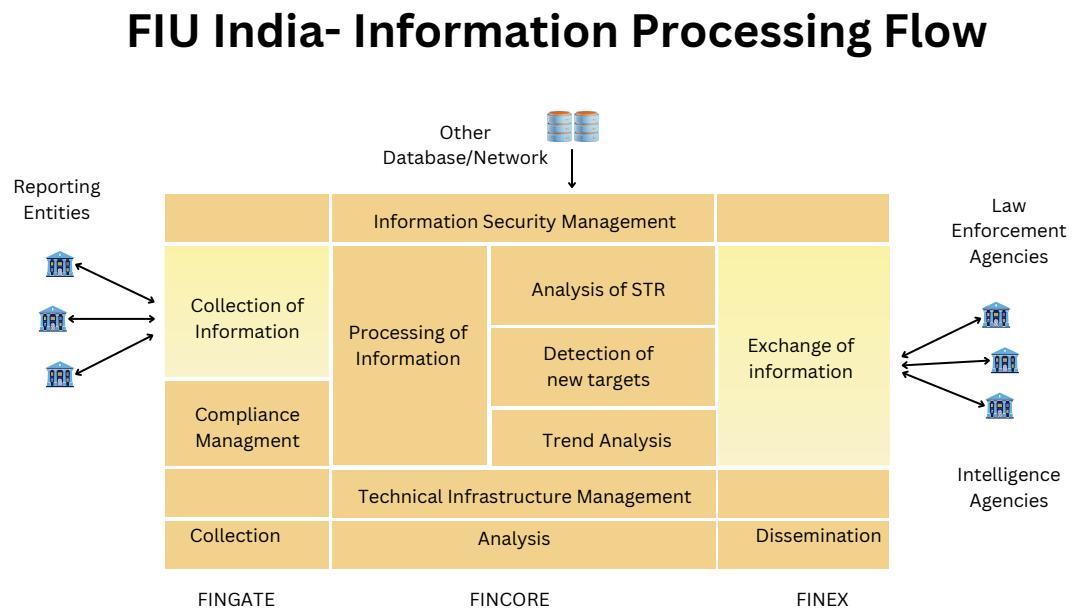
- Advancing analytical capabilities to generate more accurate linkages, enabling deeper insights through an enriched profile of suspicious entities, with integration of additional government and commercial databases and deployment of AI / ML, to enable better decision making by analysts.
- Efficient and intelligent mechanisms for dissemination and exchange of information with other agencies.
- Equipping law enforcement agencies with analytical tools for enhanced analysis of the cases disseminated to them.
- Training cell and Learning Management System to conduct online and classroom trainings and enable continuous learning for all users in the FIU ecosystem.
- Dedicated Strategic Analysis Lab to stay abreast of the developments and applications of emerging technologies for AML, recommend best practices and generate insights to strengthen the functioning of FIU-India.
- Strengthening security by adopting an array of best-in-class measures, standards, tools and internal controls for information security

The success of a project can only be judged by the benefits it confers on the various stakeholders. The following table summarizes the benefits of FINNet 2.0

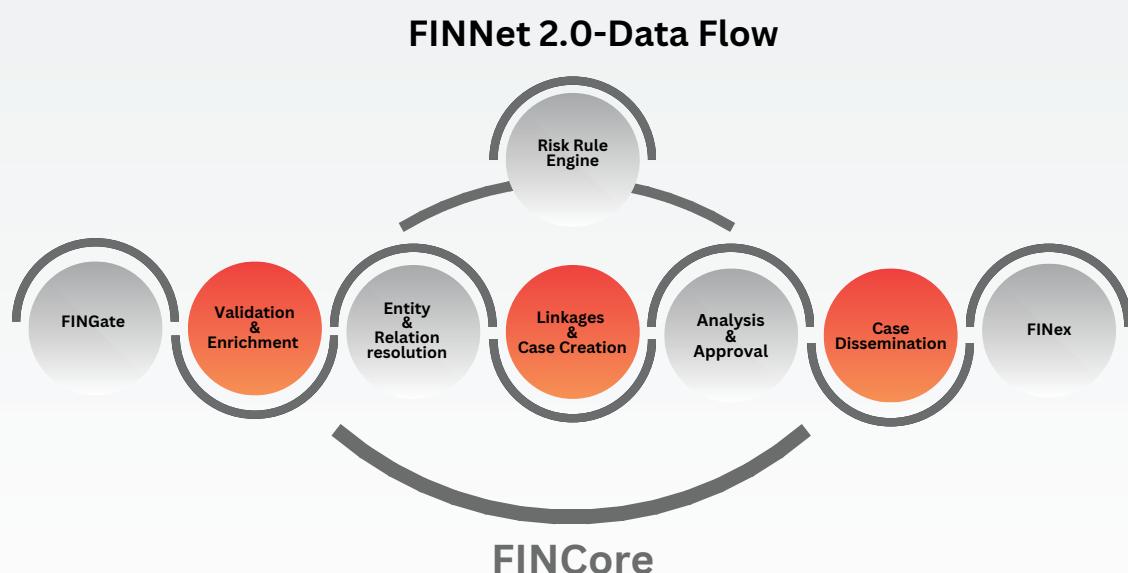


FINGate 2.0 portal enables the reporting entities to furnish various reports to FIU-India. The FINcore 2.0 engine plays the role of value addition while processing these reports. FNnet 2.0 has API based external data integration with online continuous live databases access from various external sources for data validation and data enrichment.

The Process flow between the Reporting Entities at one end and the LEAs at other is given below:-



Also, every case is assigned a risk score based on the dynamic risk rule model. Thus, a lot of value is added to the information received from the reporting entities before the same is disseminated to the law enforcement agencies for investigation through the FINEx 2.0 portal. FINEx 2.0 is the primary platform for two-way electronic exchange of information with the law enforcement agencies. The module has functionality of Request for Information and additional information (RFI/RFAI) for asking requests on ongoing live cases.



FIU-India holds regular online and offline workshops and demonstration of the functionalities of FINnet 2.0, including its bulk request utility, to explain this information exchange framework. An inhouse Learning management system ("प्रज्ञावर्धनम् - Prajnavardhanam") has been developed for upskilling and training of all the stakeholders. As an integral part of FINnet 2.0, it offers a suite of learning-related services, including online training, content hosting and feedback mechanisms. The platform provides a highly effective solution to enhance the learning capacity of Financial Intelligence Units (FIUs), Reporting Entities (REs) and Law Enforcement Agencies (LEAs) through its advanced learning management mechanisms. By offering a wide range of training programs on both application and domain-specific topics, Learning Management System (LMS) empowers its learners to stay up to date with the latest knowledge and skills, leading to enhanced overall efficiency and productivity.

## Other Features of FINnet 2.0 for analysis

A Strategic Analysis Lab (SAL) has been setup for identifying, analyzing and recommending best global practices on AML trends and typologies to FIU-India.

Parameterized Search

Risk Analytics Tool

Watch List Management

Ad hoc Case Creation

LEA Request Response

- **Watchlist Management**

The system will generate dynamic watch lists for high-risk entities, allow authorized LEA users to update and configure priority alerts, and facilitate accelerated case processing and notifications by the FIU.

- **LEA Request Response**

Module shall allow the LEA user to add comments to a case and corresponding attribute requesting for additional information and send the request to REs through FIU-India.

- **Ad-Hoc Case Creation**

Apart from existing cases present in system, FINnet 2.0 system can create Ad-hoc cases basis input received from parametrized search, Request for response, watchlist and Risk Analytics

- **Parametrized search.**

The FINnet system possesses the capability to perform comprehensive searches across both internal and external databases integrated with FINnet 2.0. This includes searching within various categories such as reports, individuals, organizations, accounts, and cases, external database - Database of governmental bodies.

- **Risk Analytics Tool**

The system functions as a risk-based tool within the global search framework, operating according to predefined risk criteria.



# INDIA'S MUTUAL EVALUATION **FATF AML/CFT STANDARDS**

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As the nerve center of the AML/CFT system in India, FIU-India played a vital role in India's placement in the highest-rated category of 'regular follow-up' by the Financial Action Task Force (FATF), EAG (Eurasian Group on Combating Money Laundering and Terrorist Financing) and APG (Asia/Pacific Group on Money Laundering), in the periodic peer-review process (Mutual Evaluation), which concluded in June 2024.



Specifically, FIU-India was the principal agency which was evaluated in the FATF metrics of effectiveness, namely, Immediate Outcomes (IO) 6 and 11, related to domestic sharing and effective usage of financial intelligence and information by law enforcement agencies for investigating ML/TF and prevention, detection and mitigation of proliferation financing. With the help of Operational Analyses, priority intimation STRs, strategic analysis reports, enhanced AI/ML capabilities of the upgraded FINnet 2.0 system, periodic coordination with regulators and LEAs, vibrant public-private partnership (FPAC), sectoral and thematic red flag indicators, outreach with reporting entities, guidance documents on reporting and typologies, and the positive feedback received from LEAs on the FIU-India intelligence, FIU-India was able to demonstrate its contribution in generation of actionable financial intelligence and obtain the rating of Substantially Effective (SE) in immediate outcome 6 (IO6).

Further, the mechanism established by FIU-India under the provisions of Section 12A of Weapons of Mass Destruction Act, 2005, including the establishment of Multi-Agency Coordination Mechanism on Proliferation Financing, best practices guidance on implementation of targeted financial sanctions, standard operating procedures on verification, exemptions in accordance in UNSC resolutions played a vital role in obtaining the rating of substantially effective (SE) on detection, prevention and mitigation of proliferation financing (IO11)

FIU-India was one of the key agencies that contributed to the evaluation of effectiveness pertaining to AML/CFT risk assessment and domestic coordination on policy development and action on ML/TF risk (IO1). FIU-India is a member of the Inter-Ministerial Coordination Committee (IMCC) constituted under section 72A of Prevention of Money Laundering Act, 2002 for interdepartmental and inter-agency coordination, which periodically finalizes the National Risk Assessment (NRA) document.

With the help of sectoral feedback from reporting entities on AML/CFT risk, strategic analysis of various reports (CTRs, STRs, CBWTRs etc), ML/TF typologies developed in FIU-India, compliance matters undertaken etc, FIU-India was able to provide data-driven insights for the finalisation of NRA, 2022. In addition, the LEA/regulator coordination mechanisms, public private initiative established by FIU-India, also assisted in demonstrating that India has put in place strong mechanisms for domestic coordination on policy and action in AML/CFT domain, thus contributing to the substantially effective (SE) rating in Immediate Outcome 1.

India was rated as substantially effective (SE) in Immediate Outcome 2 for FIU-India's promptness and the quality of responding to its counterpart FIUs. India received largely compliant status for Recommendation 40 where FIU-India is one of the important authority rendering other forms of international co-operation. FIU-India was also directly involved in the evaluation of effectiveness of prevention of misuse of legal persons and arrangement for ML/TF (IO5), in which India was assessed as substantially effective (SE) as well.

# FIU-IND

also provided valuable inputs in respect of immediate outcomes which pertain to supervision of financial institutions, designated non-financial businesses and professions and virtual asset service providers, and prevention, detection and mitigation of terrorist financing. Specifically, the FATF MER (Mutual Evaluation Report) acknowledges the progress made by FIU-India in development of a good understanding of risk associated with virtual assets sector despite the recency of its coverage under AML/CFT framework. As such, FIU-India was crucial to demonstrating the robustness of India's AML/CFT system and its effectiveness in tackling money laundering and terrorist financing.



# OUTREACH AND **ENGAGEMENT**

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# Outreach and Engagement with FIU-India Partners:

Strict, effective, and meaningful compliance with the obligations under the PMLA framework is critical to safeguard the Indian financial system from illicit financial flows, detect and deter criminal and terrorist use of financial channels, to prosecute criminal and terrorist activities, to prevent the laundering of 'proceeds of crime', and to protect the integrity of system constituents as a whole. Therefore, compliance with the obligations contained in the PMLA and PML Rules by reporting entities serves as a robust safeguard against the misuse or abuse of the nation's financial ecosystem. Conversely, the failure to implement the requisite safeguards diligently by even a single reporting entity can undermine the above system by creating a weak link which may be exploited by criminal, terrorist, or other malicious actors in ways that cause tangible harm to national and economic security and lead to system-wide risk and exposure for the financial sector.



REs serve as the first level of defense against any transgression of the financial ecosystem by malicious actors. It is then the constant endeavor of FIU-India to ensure that the reporting entities have a proper understanding of their AML/CFT obligations, deploy resources efficiently and effectively to identify vulnerabilities and gaps in the system, and take appropriate steps to contain and mitigate their ML/TF/PF risks.

This is achieved through an ongoing dialogue between FIU-India and the reporting entities in the form of guidance, outreach activities, and communications. FIU-India also supports reporting entities giving oral as well as written guidance, holding workshops, seminars, and conferences in collaboration with their associations, professional bodies, market infrastructure institutions, and financial sector regulators in addition to face-to-face individual interactions with the Compliance teams of the REs.

Multi-pronged strategy of FIU-India envisages physical, hybrid, and virtual outreach programs, onsite and offsite meetings, presentations, conferences, training as well as other forms of capacity building.

The FIU-India website (<https://fiuindia.gov.in>) is a user-friendly site containing information on AML/CFT issues, includes PMLA and its amendments, rules, and regulations, relevant circulars and instructions issued by Regulators and the reporting formats. FIU-India has also developed software utilities for the filing of reports in the FINnet portal for use by the smaller reporting entities that have limited IT infrastructure. These utilities are available for free download on the website. The training material prepared by FIU-India is made available to all reporting entities to conduct their own training seminars.

In FY 2023-24, FIU-India organized a number of trainings through physical, virtual and hybrid mode on AML/CFT awareness in collaboration with regulators, market infrastructure institutions, industry associations, professional bodies, and reporting entities, with the aim to develop robust understanding of the reporting obligations under PMLA and the expectations of FIU-India amongst all the stakeholders.

FIU- India holds review meetings with the Principal Officers and Designated Directors of reporting entities. Some of these meetings are in the nature of compliance reviews, where AML/KYC policies, and internal procedures of the reporting entities are reviewed and lapses if any, are communicated to the reporting entities.

Sector-specific meetings aid and assist FIU India to evaluate the AML/CFT performance of individual reporting entities as compared with their peers, and to enable individual reporting entities to benchmark their performance. Common concerns and issues relating to reporting are also addressed.

Outreach exercises constitute onsite visits of FIU-India officers with reporting entities to address their AML teams, facilitating direct interaction with different echelons of the AML setup in reporting entities. They assist REs in understanding systemic deficiencies in their reporting observed by FIU-India and provide a channel for conveying strategies to address the said deficiencies.



## FIU-India: An Initiative for Partnership in AML/CFT (FPAC)

The emergence of the Public-Private Partnership (PPP) paradigm in the AML/CFT domain has ushered in a gradual shift from the compliance-based, regulatory and tick box-based approach toward a voluntary, information-sharing and collaboration based approach, observed across multiple jurisdictions. In recognition of said shift, FPAC (FIU- India Initiative for Partnership in AML/CFT), a public private partnership (PPP) framework, was launched in January, 2022, to facilitate collaboration between FIU-India and other stakeholders in the AML/CFT domain.



FIU-India is the convener of the group, while the Reserve Bank of India (RBI) and 47 reporting entities have been included as permanent invitees. The reporting entities were chosen in a manner to accommodate the optimum geographical and sectoral spread.



Collaborative engagements under the auspices of FPAC have facilitated discussions on strategic and tactical intelligence sharing. FPAC has also provided a platform for knowledge sharing on emerging trends/technologies, deliberations on quality of financial intelligence filed, best practices and other incidental matters pertaining to collection, analysis and dissemination of actionable financial intelligence.

Apart from the quarterly meetings of the group, the charter of FPAC also provides for ad-hoc, issue-based interactions and working groups with special invitees, such as, law enforcement agencies, other sectoral regulators, academic institutions, consultancy firms, think tanks and software developers, with the aim to develop knowledge products such as joint research reports and best practice guides. In pursuance of the same, FPAC is in the process of further expansion of its membership and constitution of working groups on emerging issues in AML/CFT and regulation.

It is believed that an effective national AML/CFT regime must look to facilitate optimum leveraging of public and private sector capabilities to accomplish its objectives. Further, collaboration with private sector assumes special importance in jurisdictions like India with vast sectoral diversity which is reflective of the socio economic and political diversity in the country. In its capacity as the first and one of-a-kind initiative, FPAC is expected to play a crucial role in assisting India to address said diversity through diversification of its AML/CFT strategy and build a collaborative ecosystem to aid in the effective implementation of AML/CFT objectives.

During the FY 2023-24, a working group of FPAC reporting entities was formed on Cyber Enabled Fraud, in view of fraud being identified as highest risk crime in the National Risk Assessment. The working group came up with the Guidelines/Guidance Documents on Cyber Enabled Fraud.

# ARIFAC

Alliance of Reporting Entities  
in India For AML/CFT



**A R I F A C**  
**Building Partnerships**  
**In AML/CFT**

Alliance of Reporting Entities in India for AML/CFT (ARIFAC) is a private-private partnership initiative launched in August, 2023. The three major objectives of ARIFAC are information sharing among reporting entities inter se, development of knowledge products and capacity building in reporting entities through training and certification. ARIFAC has been organized into national, regional (East, West, North, South), sectoral (Banks, cooperative banks, payment banks, payment aggregators, insurance, securities etc) and training chapters. ARIFAC has more than 200 members primarily from the regulated sector. So far 4 meetings of the national chapter have been hosted by reporting entities. Further, 17 training sessions covering subjects such as Customer Due Diligence (CDD), Internal Risk Assessment, Human Trafficking into Scam Centers, Mule Accounts etc have been arranged till date, in which speakers from regulated entities, consultancy firms, and technology service providers have participated.





# CAPACITY BUILDING

The field of AML and CFT is extremely dynamic because perpetrators of financial crimes keep on evolving new methods and typologies continuously. Therefore, FIU-India strongly believes in capacity building of its human resources. It is ensured that all the officers are well versed and updated with various aspects of Indian financial system, sector specific laws, regulations and regulatory framework. FIU-India continues to engage with training institutions of repute both within the country and across the globe.

# TRAINING AND EXPOSURE

FIU-India proactively and regularly focuses on enhancing the skills and knowledge base of its officers by providing them ample opportunities for training on AML/CFT and related economic and legal issues. At the same time, officers are regularly invited to participate in workshops on various aspects of money laundering, terrorism financing and other financial crimes.

Through these training opportunities and participation in workshops, within India and abroad, the officers get an insight into challenges involved in identifying the modes of emerging financial crimes, drug trafficking and financing of terrorism. They are also given an opportunity to develop and enrich skill sets on latest digital technologies including cyber security, forensics, virtual digital assets and data science. They are also given training for utilization of resources available on the databases maintained by other agencies such as MCA, NATGRID, CBDT, MEA as well as open-source intelligence.

**The officers are also being provided with the avenues for coordination and enhanced cooperation with LEAs and IAs.**

The officers of FIU-India attend international conferences organized by FATF, FSRBs and other international agencies, which provides an opportunity to understand ever changing global landscape of AML/CFT and its challenges, latest technologies and perspectives into the initiatives of other FIUs and international agencies across the world. It provides a platform for relationship and rapport building crucial for trust, information sharing and coordination in matters having cross border implications. This also enhances the understanding of various nuances of FATF standards and how they help in combating money laundering financing of terrorism and proliferation financing.

Notable international training, workshops and meetings attended by FIU-India officers inter-alia includes “Fostering financial inclusion with Digital assets” at Financial Stability Institute (FSI) of the Bank for International Settlements (BSI), held in Basel, Switzerland, Regional workshop on Increasing Suspicious Transaction Report Quality at Bangkok, Thailand organized by Egmont Centre of FIU Excellence and Leadership (ECOFEL), Training course on counter proliferation finance in London, UK, Conducting Financial Investigation organised by OECD BRICS-CTWG in Gauteng, South Africa, 20th meeting of the India-USA JWG-CT at Washington DC, USA. Significant domestic trainings attended by officers of FIU-India include Training course on Crypto currencies and Darknet Investigations conducted by UNODC, New Delhi, workshop on Fintech in New Delhi.





# Samvaad Shrinkhala

It is an endeavor aimed at capacity building of FIU-India officers and keeping them updated with evolving new methods and typologies related to financial crimes through enriching intelligence and investigation experience sharing by experienced investigators and domain experts. It is aimed towards more meaningful and actionable intelligence sharing with LEAs and to amplify the entire AML ecosystem's capacity and capability.



These sessions are generally organized at monthly intervals. The pool of speakers has been broadened to include experts from regulatory bodies, financial institutions, AML/CFT professionals, global and regional bodies. This year dignitaries from various LEA's addressed the FIU-India officers.



**Pic: Samvaad Shrinkhala Session with guest speaker – Sh. RR Swain, DGP, Jammu & Kashmir**

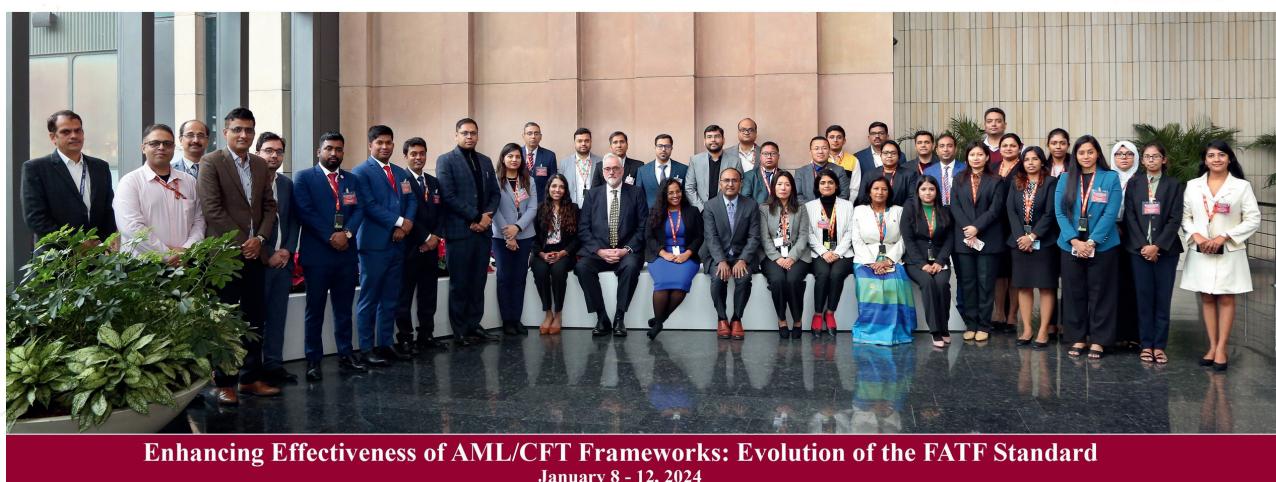


**Pic: WCO Tentacle Meeting Bulgaria, Oct, 2023**



## **South Asia Regional Training & Technical Assistance Center**

**New Delhi, India**





# LIST OF MoUs **SIGNED**

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## List of MoUs Signed

Sr. No.	Name of Foreign FIU	Date of signing of the MOU
1	Mauritius	11-02-2008
2	Philippines	11-03-2008
3	Brazil	27-05-2008
4	Malaysia	21-10-2008
5	Russia	05-12-2008
6	Australia	26-05-2009
7	Canada	21-10-2009
8	USA	03-03-2010
9	Sri Lanka	26-03-2010
10	Georgia	26-04-2010
11	San Marino	30-06-2010
12	Bermuda	12-10-2010
13	Nigeria	12-10-2010
14	Japan	08-11-2010
15	Indonesia	25-01-2011
16	Israel	12-07-2011
17	Poland	12-07-2011
18	Singapore	24-10-2011
19	Nepal	17-11-2011
20	Thailand	30-05-2013
21	Guernsey	04-07-2013
22	Montenegro	04-07-2013
23	South Africa	04-07-2013

Sr. No.	Name of Foreign FIU	Date of signing of the MOU
24	Ukraine	18-02-2014
25	Bangladesh	03-06-2014
26	Fiji	03-06-2014
27	Belarus	20-06-2014
28	Uzbekistan	20-06-2014
29	Senegal	10-06-2015
30	Saudi Arabia	03-04-2016
31	Togo	02-06-2016
32	Qatar	05-06-2016
33	Kazakhstan	11-11-2016
34	Tajikistan	17-12-2016
35	Bahrain	01-02-2017
36	Vatican City State	01-02-2017
37	Macedonia	13-04-2017
38	Myanmar	14-07-2017
39	Kyrgyz Republic	24-11-2017
40	Egypt	24-06-2018
41	United Arab Emirates	24-06-2018
42	Bhutan	19-07-2018
43	Cyprus	03-09-2018
44	Maldives	13-12-2019
45	Macao	18-03-2020
46	Cambodia	08-09-2020
47	Laos	11-06-2021
48	Turkmenistan	02-04-2022
49	Lesotho	24-03-2023
50	Oman	15-12-2023



# **GLOSSARY**

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Abbreviation / Acronym	Description	Abbreviation / Acronym	Description
AD	Authorised Dealer	CVC	Central Vigilance Commission
AI/ML	Artificial Intelligence/Machine Learning	DGGI	Directorate General of Goods & Services Tax Intelligence
AMC	Asset Management Company	DNFBP	Designated Non-Financial Businesses and Professions
AML	Anti-Money Laundering	DPMS	Dealers in Precious Metals and Stones
APG	Asia Pacific Group on Money Laundering	DRI	Directorate of Revenue Intelligence
API	Application Programming Interface	DTs	Debenture Trustees
ARIFAC	Alliance of Reporting Entities in India for AML/CFT	EAG	Eurasian Group on Combating Money Laundering and Financing of Terrorism
B2B	Business to Business	ECOFEL	Egmont Centre of FIU Excellence and Leadership
B2C	Business to Customer	ED	Enforcement Directorate
BNI	Bearer Negotiable Instrument	EDD	Enhanced Due Diligence
BoE	Bill of Entry	EHs	Exchange Houses
BRICS-CTWG	BRICS Counter Terrorism Working Group	EIC	Economic Intelligence Council
BSI	Bank for International Settlement	ESW	Egmont Secure Web
CBDT	Central Board of Direct Taxes	FATF	Financial Action Task Force
CBI	Central Bureau of Investigation	FCORD	FICN Co-ordination Group
CBIC	Central Board of Indirect Taxes & Customs	FCRA	Foreign Contribution Regulation Act
CBWTR	Cross Border Wire Transfer Reports	FEMA	Foreign Exchange Management Act
CCR	Counterfeit Currency Report	FFMC	Full Fledged Money Changer
CDD	Customer Due Diligence	FICN	Fake Indian Currency Note
CDF	Currency Declaration Form	FINex	FINnet Exchange
CDSL	Central Depository Services (India) Limited	FINnet	Financial Intelligence Network
CEIB	Central Economic Intelligence Bureau	FIU	Financial Intelligence Unit
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest of India	FPAC	FIU-India Initiative for Partnership in AML-CFT
CERT-In	Indian Computer Emergency Response Team	FSI	Financial Stability Institute
CFT	Combating Financing of Terrorism	FSRB	FATF Style Regional Body
CNO	Central Nodal Officer	FWG-STF	FIU-led working Group on STR related to Terror Financing
CPF	Combating Proliferation Financing	FY	Financial Year
CRA	Credit Rating Agencies	GoS	Ground of Suspicion
CTR	Cash Transaction Report	GST	Goods & Services Tax
		GSTN	Goods & Services Tax Network
		IA	Intelligence Agencies
		IB	Intelligence Bureau

Abbreviation/ Acronym	Description	Abbreviation/ Acronym	Description
IBA	Indian Banks' Association	NBFC	Non-Banking Financial Company
I4C	Indian Cybercrime Coordination Centre	NCB	Narcotics Control Bureau
ICAI	Institute of Chartered Accountants of India	NHB	National Housing Bank
ICMAI	Institute of Cost Accountants of India	NIA	National Investigation Agency
ICSI	Institute of Company Secretaries of India	NLP	Natural Language Processing
IEWG	Information Exchange Working Group	NPCI	National Payments Corporation of India
IFSCA	International Financial Services Centers Authority	NPO	Non-Profit Organisation
IMCC	Inter-Ministerial Coordination Committee	NRA	National Risk Assessment
IO	Immediate Outcome	NSDL	National Securities Depository Limited
IP	Internet Protocol	NTR	Non-Profit Organization Transaction Report
IRDAI	Insurance Regulatory and Development Authority of India	NTRO	National Technical Research Organisation
IT	Information Technology	OA	Operational Analysis
IVR	Interactive Voice Response	OECD	Organisation for Economic Cooperation and Development
JWG-CT	Joint Working Group – Counter Terrorism	OSINT	Open-Source Intelligence
KYC	Know Your Client	PA-CB	Payment Aggregator – Cross Border
LCS	Land Customs Station	PA/PG	Payment Aggregator/ Payment Gateways
LEA	Law Enforcement Agency	PAN	Permanent Account Number
LMS	Learning Management Systems	PEP	Politically Exposed Persons
MAC	Multi-Agency Centre	PF	Proliferation Financing
MCA	Ministry of Corporate Affairs	PMLA	Prevention of Money Laundering Act
MEA	Ministry of External Affairs	PMLR	Prevention of Money Laundering Rules
MER	Mutual Evaluation Report	PoC	Proof of Concept
MHA	Ministry of Home Affairs	P2P	Peer to Peer
MII	Market Infrastructure Institutions	PPP	Public Private Partnership
ML	Money Laundering	RBI	Reserve Bank of India
MoU	Memorandum of Understanding	RDA	Rupee Drawing Agreement
MSCWG	Membership, Support & Compliance Working Group	RE	Reporting Entities
MTSS	Money Transfer Service Scheme	REIC	Regional Economic Intelligence Council
NABARD	National Bank for Agriculture and Rural Development	RFI	Red Flag Indicators
NATGRID	National Intelligence Grid		

Abbreviation/ Acronym	Description
RFI/RFAI	Request for Information/Additional Information
SAL	Strategic Analysis Lab
SBML	Service Based Money Laundering
SE	Substantially Effective
SEBI	Securities Exchange Board of India
SFIO	Serious Fraud Investigation Office
SOP	Standard Operating Procedure
SRB	Self-Regulatory Body
STR	Suspicious Transaction Report
TA	Tactical Analysis
TAU	Threat Analysis Unit
TBML	Trade Based Money Laundering
TCSPS	Trust and Company Service Provider
TF	Terrorist Financing
UAPA	Unlawful Activities (Prevention) Act
UCC	Unified Communication Cell
UPI	Unified Payment Interface
UNODC	United Nations Office on Drugs and Crime
UNSC	United Nations Security Council
VDA	Virtual Digital Asset
VDA SP	Virtual Digital Asset Service Provider
WCO	World Customs Organisation
WMD	Weapons of Mass Destruction

**Disclaimer:** The information provided in the Annual Report FY 2023-24 is for general information purposes only. Though all efforts have been made to ensure the accuracy of the contents, the same should not be construed as a statement of law or used for any legal purposes or otherwise.



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