Q9

Discuss how emerging technologies and globalisation contribute to money laundering. Elaborate measures to tackle the problem of money laundering both at national and international levels.

UPSC Civil Services Mains 2021 · GS III · 10 marks · Cyber Security and Money Laundering

Challenges to internal security through communication networks, role of media and social networking sites in internal security challenges, basics of cyber security; money-laundering and its prevention.

Core demand of the question

- Discuss how emerging technologies and globalisation contribute to money laundering. Elaborate measures to tackle the problem of money laundering both at national and international levels
- Keep the explanation within a 10-mark length

Revision summary

Global trade, hawala, shells, and now crypto and mule rails turn criminal cash into apparently clean assets.

PMLA, FIU-IND, and regulator KYC are the core national tools.

FATF, Egmont, and UN conventions organise the international chase and asset return.

Technology also helps investigators if travel rules and chain analysis are funded.

Beneficial ownership and virtual assets remain the soft spots.

Introduction

Money laundering is the cleaning of criminal proceeds so they look like lawful income. Globalisation multiplied the pipes. New technology multiplied the speed. India now fights the old hawala pipe and the new crypto pipe with the same legal idea: follow the money, freeze it, and take it.

Body

How technology and globalisation feed laundering

- **Cross-border trade and finance** let criminals over-invoice, under-invoice, and park profit in shell companies in secrecy jurisdictions.
- **Hawala and informal value transfer** ride migrant corridors and trade cover, which global labour markets expanded.
- **Cryptocurrencies, mixers, and nested exchanges** move value without a classic bank KYC trail, though the chain is often still traceable with skill.
- **Online gaming, prepaid cards, mule accounts, and instant UPI-like rails** (and their foreign cousins) split placement into thousands of small hops.
- **Trade-based money laundering** uses global supply chains: gold, gems, scrap, and phantom shipments.

- Professional enablers - accountants, company-formation agents, and real-estate channels - sit in global cities, including Indian metros.

National measures

- **Prevention of Money Laundering Act, 2002**, with ED investigation, attachment, and special courts; **KYC** and **reporting entities** under the Act.
- **Financial Intelligence Unit-India** receives and analyses **Suspicious Transaction Reports** and shares them with police and ED.
- **RBI, SEBI, and IRDAI** rules on banks, markets, and insurers; **Benami** and **Black Money** Acts as cousins; **Companies Act** beneficial-ownership filing.
- **Demonetisation** was a one-time cash shock, not a standing AML system. Standing tools are KYC, STR, and confiscation.
- Domestic coordination with **NIA, CBI, and State police** on predicate offences (drugs, corruption, fraud, terror finance).

International measures

- **FATF** standards, mutual evaluations, and grey-listing pressure; India has used the FATF process on neighbours as well as on itself.
- **Egmont Group** of FIUs for secure information exchange; **UNTOC (Palermo)** and the **Vienna** drug convention's laundering articles; **UNCAC**.
- Bilateral MLAT, extradition, and **asset-return** cases; SWIFT and correspondent-bank de-risking as private-sector enforcement.
- Need for **crypto travel-rule** cooperation and beneficial-ownership registries that actually talk across borders.

Flow diagram

Global trade hawala -> Laundering

Crypto mules gaming -> Laundering

PMLA FIU KYC -> Attachment and STR

FATF Egmont UNTOC -> Attachment and STR

Conclusion

Globalisation and new rails made laundering faster and more split. India's answer is PMLA, FIU-IND, and sector KYC at home, and FATF-Egmont-UNTOC pipes abroad. The weak joint is still beneficial ownership and virtual-asset supervision, not the absence of a statute.

Facts & figures

PMLA 2002

India's principal anti-money-laundering statute: investigation, attachment, and trial of laundered proceeds.

FIU-IND

Financial Intelligence Unit that receives STRs and disseminates financial intelligence.

FATF
Financial Action Task Force: global AML/CFT standards and peer review.

Egmont Group
Network of financial intelligence units for cross-border information sharing.

Palermo Convention
UN Convention against Transnational Organized Crime, including criminalisation of laundering.