

# FinCEN and FIU-IND

January 26, 2021

**In News:** Recently, over 2100 Suspicious Activity Reports (SARs) were filed by banks with the United States Department of the Treasury's Financial Crimes Enforcement Network (FinCEN)

## Financial Crimes Enforcement Network (FinCEN)

- FinCEN is a bureau of the U.S. Department of the Treasury and its mission is receiving and maintaining financial transactions data.
  - It serves as the leading global regulator in the battle against money laundering.
    - FinCEN's mission is to safeguard the financial system from illicit use.
    - Also global cooperation with counterpart organizations in other countries and with international bodies.
  - FinCEN serves as the foreign financial intelligence unit (FIU) for the United States.
  - They act as a watchdog in order to combat money laundering and terrorism financing.
  - Besides FinCEN used to follow money trails also have been applied to investigating and disrupting terrorist groups, which often depend on financial and other support networks.
- **Suspicious Activity Report:**
- SAR is a document filed by banks and financial institutions to report suspicious activity to the USA FinCEN.
  - These are meant to red flag, within 30 days of the transaction's occurrence: criminal funds or any form of dirty money; insider trading; potential money laundering; terror financing; any

- transaction that raises suspicion.
- These are used to detect crime but cannot be used as direct evidence to prove legal cases.
  - There are details of banking transactions that give a clear indication of round-tripping, money laundering or dealings with shell-like entities.
  - FinCEN shares SARs with law-enforcement authorities including FBI, US Immigration and Customs.

### **Financial Intelligence Unit – India (FIU-IND)**

- Financial Intelligence Unit – India was set by the Government of India as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions.
- FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and related crimes.
- FIU-IND is an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.
- Main function of FIU-IND is
  - Collection of Information
  - Analysis of Information
  - Sharing of Information
  - Act as Central Repository
  - Coordination, Research and Analysis

### **Indian Scenario**

- **The Financial Intelligence Unit-India (FIU-IND) performs the same functions as FinCEN in the USA.**
- Under the Finance Ministry, this was set up in 2004 as the nodal agency for receiving, analyzing and

disseminating information relating to suspect financial transactions.

- **The agency is authorised to obtain:**
- Cash transaction reports (CTRs)
- Suspicious transaction reports (STRs)
- Cross border wire transfer reports
- These reports are obtained from private and public sector banks every month.
- This happens under the Prevention of Money Laundering Act, 2002 (PMLA).
- **Mandatory:** It is mandatory for banks in India to furnish a monthly CTR to the FIU on:
  - All transactions over Rs. 10 lakh or its equivalent in foreign currency or a series of integrally connected transactions that add up to more than Rs. 10 lakh or its equivalent in foreign currency.
- **Process:** The STRs and CTRs are analysed by FIU.
  - Suspicious or doubtful transactions are shared with agencies like the Enforcement Directorate, the Central Bureau of Investigation and the Tax Authority for the purpose of launching probes to check possible instances of money laundering, tax evasion and terror financing.
- FIU's 2017-2018 annual report reveals that it had received a record number of 14 lakh STRs following demonetization which was three times the number of STRs filed in the previous year.

## **International Agencies and Efforts**

- **Financial Action Task Force (FATF) :**
  - Global money laundering and terrorist financing watchdog.
  - The inter-governmental body sets international standards that aim to prevent these illegal

activities and the harm they cause to society.

- FATF monitors countries to ensure they implement the FATF Standards fully and effectively, and holds countries to account that do not comply.

- **United Nations Office on Drugs and Crime (UNODC)**

- The Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism (GPML) of the United Nations Office on Drugs and Crime (UNODC) now administers and maintains IMoLIN on behalf of the following 11 partner organizations.

- **International Organization of Securities Commissions (IOSCO)**

- The International Organization of Securities Commissions (IOSCO) is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector.
- They also fight against Money Laundering in securities and futures markets.

**Note:**

- **Round tripping** refers to money that leaves the country through various channels and makes its way back into the country often as foreign investment. This mostly involves black money and is allegedly often used for stock price manipulation.
- **Money laundering** is concealing or disguising the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. It is frequently a component of other, much more serious, crimes such as drug trafficking, robbery or extortion.

**Shell companies** are typically corporate entities which do not have any active business operations or significant assets in their possession. The government views them with suspicion as some of them could be used for money laundering, tax evasion and other illegal activities.

