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A Comprehensive Analysis of the Prevention of Money Laundering Act, 2002 in Safeguarding Financial Integrity

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Nationally, the menace of money laundering is a major issue that not only affects the monetary sectors of the countries of India but also worldwide, which poses a massive danger to the sustainability of sovereignty and integrity of many nations. Hence, lawmakers play a significant role in preventing money laundering; hence, they pass detailed legislation to address the problem. It also has penal mechanisms for the confiscation of the proceeds of criminals, and establishments agencies for remedying and prevention programs. The Prevention of Money Laundering Act (PMLA), 2002[1], is a great example where the government has enacted some new legislation that has the purpose of addressing money laundering and its consequent concerns using a well-designed legal framework. The paper deals with the problem of widespread money laundering, comprising the connection between it and financial havens, the function of the Financial Action Task Force (FATF). It goes on to analyze India's legislative response through its PMLA Act, 2002, citing the purpose, the most salient features, and the current status in India. Furthermore, the research examines a few situations where money laundering has happened within this nation and also focuses on the essential branches of the Reserve Bank of India (RBI) involved in cleaning this sort of financial crime.

Keywords: *money laundering, financial intelligence, asset confiscation, financial action, economic offenses.*

[1] Prevention of Money Laundering Act 2002

INTRODUCTION

Over time, creativity among humans has demonstrated itself not just in the production of art and technology but also in areas that up until recently believed to have no bearing on human comprehension, such as the development of money laundering techniques. This process has trickled down to the camouflage of the origins of illegally acquired money so that it appears to have been extorted from a legal source. In India, the system of earnings law provides the regulation that taxation is mandatory to those persons who earn more than ₹5 lakhs as it is compulsory to give a part of that income back to the state in the form of duty which is of service and income. Violation of this legislative requirement renders derived earnings 'black money'. The people engaged in such unscrupulous activities are forced to consume the taint from them through money laundering.

The money laundering activities are generally not restricted to the young petty criminals or those big officers and executives who stereotypically commit the wrongdoing; rather involve the wealthy business entities and individuals of small, medium, and large scale too. The crisis poses money laundering as a widespread threat and has led to the adoption of anti-money laundering (AML) protocols with a robust framework by financial institutions globally that identifies the activity and tackles the issue. Hence, the war is no longer regional but a pan-global battle against repugnant behaviour that removes appropriate amounts of taxes from the government's coffers while feeding the black market.

In the global landscape, some countries are gaining a reputation as 'tax havens' rather than simply because of the presence of strict privacy laws that govern financial dealings, also for non-existent or very small tax obligations. Switzerland, Mauritius, and the Cayman Islands are the countries that are celebrated as an example[2]. Because they provide a protective shell that hides

[2] 'International Standards On Combating Money Laundering And The Financing Of Terrorism & Proliferation: The FATF Recommendations' (*The Financial Action Task Force,* 16 November 2023) <https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf> accessed 15 July 2024

financial activity, these well-off locations are appealing to wealth and money, which makes them essential to anonymity.

The Indian scene was even more severe than what anyone expected. The case study revealed the fact that the Indian citizens had put up a total of ₹9,395 crore to the Swiss and other banking entities concerning the money laundering issue, such understanding was part of the white paper released by the Indian Government in 2012[3]. However, some, like the economist John Walker and organizations such as the UN Office on Drugs and Crime, assert that the actual numbers may be among the highest, possibly approaching 40% of India's GDP. The money is defective for sure; instead, fraudulent money gained through money laundering is frequently channelled into operations, in which it is put to use to undermine the public good, such as terrorism, drug trafficking, corruption, and even the destruction of banks' integrity systems.[4]

Countries from across the world have closed ranks to stifle the channelling of illegal money under dirty trading with AML legislation. This has emerged to counter even the secretive money operations and their harmful consequences on both national and international straits. The international endeavor is intertwined with the FATF which was a standalone initiative at the G7 Summit in Paris in 1989.[5] Leading in the forefront, the FATF's goal is to bring about a political determination and form the legal, legislative, and reinforced regulations to achieve the purpose globally. Composed of 200+ countries and jurisdictions, the FATF has created a set of recommendations that aim to unite all nations and place stricter regulations on money laundering, corruption, and terrorism. Moreover, FATF immensely helps in obstructing money to acquire weapons of mass destruction.

India's association with the FATF can be traced back to 2006, when it was an observer and now has been a full member on 25, 2010[6]. This shift provides a key message that India is ready to follow the best practices of the world in the area of money laundering prevention and

[3] Ministry of Finance, *White Paper: Report on Black Money* (2022)
[4] Snehil Srivastava and Garvit Ramchandran, 'Prevention of Money Laundering Act 2002: Its Implications & Challenges in India' (2021) 2(2) Jus Corpus Law Journal <https://www.juscorpus.com/wp-content/uploads/2022/02/115A.-Snehil-Srivastava-Garvit-Ramchandran.pdf> accessed 15 July 2024
[5] *Ibid*
[6] 'India' (*Financial Action Task Force*) <https://www.fatf-gafi.org/en/countries/detail/India.html> accessed 15 July 2024

counteracting its use for terrorism financing. Domestically, this commitment is respectively mirrored in the PMLA, 2002 just as it holds the legislative backbone of India in the fight against the laundering of unexplained wealth. By the consolidation of willpower within the nation and also through the collaboration of the international players the fight against money laundering will continue unabated to safeguard economic integrity and promote a society that is better for the people.

STATEMENT OF PROBLEM

Money laundering might be increasingly considered an obstacle that can destabilize global economies and create circumstances favourable to a range of negative activities like corruption and crime. The PMLA, 2002[7], which was enacted as a means of curtailing this scourge, is the pinnacle of Australia's efforts in this endeavour. While, on one hand, it presents a comprehensive approach to the issue of the PMLA, the effectiveness of the particular approach is often questioned, the approach is the subject to many challenges in enforcement and lastly, it cannot tackle the emerging techniques in the corruption and money laundering sector. The problem is not only associated with India but also it becomes a global challenge of fighting money laundering. This research is dedicated to analyzing the efficiency of PMLA in curbing economic crimes via controlling the integrity of the system within the Indian country. Its impact goes beyond the national borders and touches the international front.

RESEARCH QUESTIONS

1. To what extent has the Prevention of Money Laundering Act, of 2002, effectively addressed the issue of money laundering in India?

2. What are the key global challenges that hinder the effectiveness of AML frameworks like the PMLA, and how can these challenges be addressed?

[7] The Prevention of Money Laundering Act 2002

3. In light of evolving money laundering methodologies worldwide, what innovative strategies and global best practices can be integrated into the PMLA to enhance its effectiveness against new and emerging threats?

RESEARCH OBJECTIVES

1. To critically evaluate the impact of the PMLA on combating money laundering and its role in fortifying the financial sector within the Indian context.

2. To identify and analyze the operational challenges and limitations encountered in the implementation of the PMLA, with a view toward global best practices.

3. To explore and propose strategic enhancements to the PMLA, incorporating technological advancements and international collaboration, to address both current and future challenges in money laundering.

RESEARCH METHODOLOGY

By adopting the doctrinal research approach, this study will analyze and comment on various legal texts and legislations that are connected with PMLA, 2002 came into force. It is a complete legal analysis that takes into consideration precedents, articles, & journals to understand the legal framework through which it operates, and its application in the judiciary and judicial interpretations respectively. This will help identify the shortcomings and gaps that need to be addressed.

REVIEW OF LITERATURE

Purnima Ojha (2021) discussed the process of money laundering, which is the act of making illegal funds, generated through crime like drug dealing and stock ticking fraud, examining conducting business using false paper companies and legal procedures. The story further touches on the legal frameworks, as demonstrated in India where the anti-money laundering

law of the year 2002 has been adopted. The government of India has played a significant role in combating corruption and all these impact the nation's economies.[8]

Satyajit Balasaheb Pawar (2022) traced the way the apex court reviews applications about the purported predatory use of the PMLA by the government and the Enforcement Directorate, stressing the rise of the Act post-2014, yet crying foul about the regime of the play of numbers. It demolishes the rationale of the PMLA as a political tool and sees its role as a tamper of fundamental rights and an overall hindrance to its implementation.[9]

Snehil Srivastava & Garvit Ramachandran (2021) mentioned that the most pressing task is financial crime which directly affects financial systems and sovereignty without borders, even though discussed mostly in respect of India. The research highlighted the legislative efforts as the main tool for curbing this problem; however, PMLA, 2002 in India is taken under scrutiny. In particular, some measures are intended to counter illicit assets, confiscate or seize those assets as well as establish the relevant agencies. The authors also discussed the functions of RBI in combating money laundering, figured out tax haven countries, and served as an overview of the matters associated with large-scale financial exclusion in India.[10]

Sneha Hood (2020) scrutinized the PLMA, 2002, which emphasizes its negative impact on the nation's economy and the violation of the rights of accused persons. The paper attempts to bring out the flaws of the five-year imprisonment law through a critical analysis based on the law of evidence. The discussion particularly delves into the misconceptions between the Act and the already established principles of evidence, including the presumption of innocence and the admissibility of other types of evidence. It inferences the prerequisite of modifications which

[8] Purnima Ojha, 'What is Money Laundering in India?' (2021) 1(4) Jus Corpus Law Journal <https://www.juscorpus.com/wp-content/uploads/2021/06/31.-Purnima-Ojha.pdf> accessed 15 July 2024
[9] Satyajit Balasaheb Pawar, 'Prevention of Money Laundering Act: Draconian Yet?' (2022) 2(3) Jus Corpus Law Journal <https://www.juscorpus.com/wp-content/uploads/2022/04/90.-Satyajit-Balasaheb-Pawar.pdf> accessed 15 July 2024
[10] Srivastava (n 4)

indeed should bring about a better way of harmonizing public interests towards the notion of having human rights prevail and always on the forefront of our criminal law jurisprudence.[11]

RESEARCH HYPOTHESIS

PMLA has emerged as a strong instrument in this regard to end money laundering and had a positive effect on the robustness of the Indian financial system. Apart from the serious implementation obstacles, inadequate money laundering prevention infrastructure is a main problem, which is part of a broader issue that anti-money laundering regulations around the world encounter.

The tactical redesign of the PMLA including focusing on the application of new technological solutions and the strengthening of international cooperation would be a strong base for the system to respond to new money laundering techniques in addition to turning into a model to be used globally against the laundering activities.

LEGAL FACETS OF PMLA, 2002

The PMLA, 2002 which is a landmark legislation of the NDA government, represents the most significant and prudent step of the Indian government in its fight against money laundering. Its main objective is to eliminate and mitigate the multi-faceted issue of money laundering by fighting against it. Now implemented to make India's financial system much more secure against the misuse of illegally acquired funds, the PMLA was enforced on July 1, 2005, on the being of detailed rules and regulations about its usage.[12]

It is through the provisions of the PMLA which are highly strictly enforced that a comprehensive legal framework is set up, requiring banking companies, financial organizations, and intermediaries to employ extensive measures. These types of providers are compelled to identify all their customers, document all their dealings and, in the event of suspicious transactions they have detected, tell the FIU of India through the stipulated pathways. The main

[11] Sneha Hooda, 'Prevention of Money Laundering Act 2002: An Analysis from Lens of Principles of Law of Evidence' (2020) 3(5) International Journal of Law Management & Humanities <https://ijlmh.com/prevention-of-money-laundering-act-2002-an-analysis-from-lens-of-principles-of-law-of-evidence/> accessed 15 July 2024
[12] Pawar (n 9)

goal of this proactive approach is to discourage the money launderers from the financial system exploitation for their purposes that are illegitimate and not legitimate.

An exemplary experience of the efficiency of the PMLA is the case of Axis Bank where the ED, through its act's authority freezes bank accounts believed to be engaged in money launder.[13] This shows the persimmon proactive measure that the ED has taken by preventing suspicious financial dealings and operations.

The overarching objectives of the PMLA are threefold: firstly, implement regulation and AML/ CFT prevention measures for a smooth process; secondly, confiscate and freeze money laundering proceeds from ill-gotten sources; and thirdly, work to address money laundering-related issues to preserve the integrity of India's financial architecture.

Seizure of proceeding is regarded as one of the main punitive measures under PMLA which can lead to seven rigorous years imprisonment for the people found guilty of this crime. The period of imprisonment may be extended for up to ten years if the crimes of money laundering are prearranged and along with them, the acts under the NDPS Act, 1985[14], which seek the prevention of socially devastating offenses, are included.

Besides, the law authorizes the DGs, DIGs, and corps commanders to attach properties that are especially bearing the mark of 'proceeds of crime' temporarily for 180 days. Documents attached to or seized by a lawyer are subject to review within a reasonable time by an appointed Adjudicating Authority under the government of central to check whether the property is used in money laundering activities. Such a commission, more often than not, will proceed as per the natural justice principle and the specific provisions of the PMLA irrespective of the procedures enshrined in the CPC, 1908.[15]

The PLMA's creativeness lies in interacting with web associations in a way that is structured. In instances of multi-transactions that are related to money laundering and at least one has been proven to be associated with the criminal act, we can fairly assume that the rest of the

[13] *OPTO Circuit India Ltd. v Axis Bank* (2021) SCC OnLine SC 55
[14] The Narcotic Drugs and Psychotropic Substances Act 1985
[15] Srivastava (n 4)

transactions are part of the interconnected web of money laundering. This is now a starting point for proceedings. The burden for proof is shifted towards the accused and the accused should prove the source of funds that was used for criminal activity is from legitimate sources.

Under PMLA, the Appellate Tribunal had been set up and the payments appeals against the decision from the Adjudicating Authority and other bodies were granted before the tribunal. The legislation then states that a Special Court Committee will be formed, as per section 43, for the trial of offenses outlined above. Such courts are dispatched by the central government with the consultative inclination of the chief justice of the high court to ensure effective measures for a fast and specialized judicial process in respect of money laundering cases.

FRAMEWORK OF MONEY LAUNDERING IN INDIA

The extremely challenging matter of money laundering in India has remained a vital factor in harnessing the financial system, its governance, and law enforcement institutions. The criminal law regarding fighting this scourge is placed within the PMLA, which is intended to facilitate the process of identification, prohibition, and punishment of money laundering operations. Certain of these are of the utmost importance to join the implementation and maintenance of the peace about this illegal financial operation.

Within the umbrella of PMLA, it is Section 3[16] that has the ultimate authority in the total identification and conviction of those people found to be involved in money laundering activities. Implemented measures shall affect those who personally or indirectly participate in the laundering or facilitation of the money-laundering process. The authorities usually identify these individuals when they come into the law enforcement agencies. After that, the individuals are required to undergo the proceedings in court under the Money Laundering Act. The most significant example in this context could be the *Chidambaram case*[17], which then held the post of Finance Minister, and the case was described as money laundering by using foreign sources of funds under Section 3 of the law. However, when he filed a bail application, his request was

[16] Prevention of Money Laundering Act 2002, s 3
[17] *P. Chidambaram v Directorate of Enforcement* (2019) 77 OCR 383

refused to emphasize how abrupt the Act can be in dealing with suspected money laundering situations.

The legislative power pinch brought down by Section 44[18] is attuned to the conviction terms for the individuals involved in money laundering. As for the individuals culpable, there shall be no option of a fine instead at least three years in jail awaits you. On the other hand, you may go to jail between three to seven years. Another thing the law does is that it penalizes anyone found guilty with a fine of at least five hundred thousand rupees; giving clear evidence that such financial crime has very serious consequences.

To comply with a robust defense of money laundering, sec. 12(1)[19] proposes that every bank, other financial intermediary, and organization has a significant responsibility. It involves them in tracking and keeping records of designated financial transactions and especially focusing on those that demonstrate the activity and pattern of the transaction which is believed to be related to organized crime funding.[20]

The case of *D.K. Shivakumar* is a prime case and shows the reach of law as well as the severity of consequences that may be coming to an individual associated with or even involved in the laundering activities. When the Indian investigative agency found a huge amount of money in his house during the search, he was taken to the Tihar Jail to take care of its aftermath, the significance of which is impossible to underestimate.[21]

The instances of laundering of money in India as represented here through the legislation and decisions, reflect a complicated principle comprising of measures of deterrence through law with effective and strengthened implementation. It emphasizes the existence of an alert financial system, where institutions not only obey prevailing laws as regulations but also participate in the identification and prevention of illicit money flow. The combined effort of national legal,

[18] Prevention of Money Laundering Act 2002, s 44
[19] Prevention of Money Laundering Act 2002, s 12 (1)
[20] Shannu Narayan, 'Anti-Money Laundering Law in India: A 'Glocalization' Model' (2019) 40(3) Statute Law Review <https://doi.org/10.1093/slr/hmy005> accessed 15 July 2024
[21] *D. K. shivakumar v Enforcement of Directorat*e (2019) 1 ADR 558

financial, and enforcement bodies is significantly important in building a reliable financial system in India that is protected from the evident money laundering risks.

FUNCTIONS OF RBI

The RBI being the indispensable authority responsible for effectively managing the financial system of India performs the vital role of maintaining the integrity as well as the stability of the financial system in India. Besides its more general regulatory tasks, the RBI actively deals with the prosecution of money laundering schemes. This aspect is of extreme importance to curb such financial illegal trends which are viewed as both global and domestic issues requiring special attention. The process in question here is called money laundering, whereby the actual source of illegal money is hidden, making it appear as though it came from the clean sector. This process entails consequent risks that not only restrict financial institutions but also the entire economy because it leads to laundering money, breeding distrust in the financial system as well and alters some of the economic data.

The main thrust of the Indian central bank in precluding money laundering activities is to institute a wide-ranging framework specifically targeting the most exposed entities, like the godown operators known as AMCs who are at high risk of being manipulated for money laundering purposes owing to the nature of their trades that they carry out. Considering the same weakness, RBI has put in place special AML guidelines aimed at aiding the banking system in preventing, identifying, and combating money laundering activities. These guidelines are centred around several key principles[22] -

- The central pillar of the anti-money laundering measures is customer profiling which has a birds-eye view of the customer's transactions. KYC norms mean that AMCs need to prove the identity of their clients by relying on trustworthy and independent sources of

[22] Lakshay Anand, 'Procedure and Proceedings under Prevention of Money Laundering Act, 2019 with Special Emphasis on Law of Bail under the Act' (2020) 3(4) International Journal Of Law Management & Humanities <https://ijlmh.com/wp-content/uploads/Procedure-and-Proceedings-under-Prevention-of-Money-Laundering-Act-2019-with-Special-Emphasis-on-Law-of-Bail-under-the-Act.pdf> accessed 15 July 2024

data such as documents, data or information that have been confirmed as reliable. This way could counter financial mechanisms being anonymously used.

- The regulators obliged that AMCs should be equipped with the red flags criteria for sensitively detecting unusual or extraordinary transactions that might be money laundering. Additionally, this implicates setting thresholds for transaction amounts that may warrant more examination.

- The MLRO appointment is an important element of an efficient AML system that should be considered by all financial entities. In particular, this is a control officer tasked with ensuring the reliable performance of the compliance program and the reporting of suspected transactions to the competent bodies.

- All training programs for the staff members are compulsory where they learn the most recent developments on money laundering and can perform an effective operation of the money laundering control strategy, including the detection of suspicious transactions.

- It is vital for AMCs to uphold well-structured contactless business as they have to keep in the record all transactions and the identification documents provided by customers during this laid-off period. Through decentralization, queries are not ordered around the direction, which further simplifies any investigation or audit process.

- The AML regulations are to be audited regularly to check all procedures are being strictly enforced and there could be any violation or non-compliance in the report.

Being guided by its AML guidelines a comprehensive and multi-pronged effort by the RBI to prevent the risks of money laundering to their financial system, by embodying the elements of due diligence, customer due diligence, agent due diligence, transaction monitoring and reporting, internal risk management and record-keeping, the mission of RBI is to build a robust framework within financial institutions that is prepared to withstand any illicit financial flows. This regulatory framework not only keeps criminals from laundering dirty profits but

also follows international standards, so they can participate in the worldwide effort to combat financial crimes.[23]

ENHANCING THE EFFICIENCY OF PMLA

The PMLA, 2002 which is one of the main weapons in the continuous struggle against the cankerworm of money laundering, is the most powerful instrument of India, to fight the financial crime of laundering of money. On the other hand, as the complicated and ever-changing nature of financial crimes requires continuous progress in the legislation and implementation mechanisms of such laws, it becomes obvious its dynamics and the need for refinement.

The cornerstone of success in an impressive AML system is in a serious legal and institutional environment. It is necessary to periodically analyse and amend the PMLA in order to deal with modern forms of money laundering. As it is the criminal element constantly looks for new ways of concealing the dirty money. This implies expanding the meaning of money laundering by making the proceeds of different broad categories of crimes such as the derivatives of corruption and violation of international sanctions qualify, and enhancing non-conviction-based asset confiscation provisions setting them in line with the best practices globally. Besides, that it becomes the institutions that are responsible for implementing the Finance Law like the Financial Intelligence Unit and other agencies to have more power and resources is also very important so that they will able to execute the matter fully. Placing inter-governmental cooperation within region on high priority, and carefully planning for information sharing between government departments in relation to transactions, can be a very powerful tool in the hands of law enforcement agencies when it comes to traceability and the combat of money laundering.[24]

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[23] International Standards On Combating Money Laundering And The Financing Of Terrorism & Proliferation: The FATF Recommendations (n 2)

[24] Ankita Das, 'Changing Dimension Of Economic Offences: A Shift From Money Laundering To Cyber Laundering' (2022) 2(4) Indian Journal of Integrated Research in Law <https://ijirl.com/wp-content/uploads/2022/07/CHANGING-DIMENSION-OF-ECONOMIC-OFFENCES-A-SHIFT-FROM-MONEY-LAUNDERING-TO-CYBER-LAUNDERING.pdf> accessed 15 July 2024

International financial systems are mutually connected. Therefore, an effective collaboration among all the countries is necessary if confronting money laundering is to be approached. Adequate cooperation of India with FATF and the following of the recommendations of the task force is an important factor in placing the country among the strong states in the world that are determined to fight off the crimes in the financial sector. Such a framework involves the implementation of FATF standards in the national laws and participation in mutual assessment and sharing of information inside and outside the country. Strengthening extradition treaties as well as encouraging joint investigations with different countries may facilitate cross-country efforts dealing with tracing, freezing and repatriating proceeds of crimes.

The effectiveness of PMLA depends largely on the readiness and wakefulness of the key participants, the financial institution, legal practitioners and police.[25] Those are the ones who implement the legislation in their day-to-day work. Involving in the overall training programs which should focus on increasing clarity about money laundering schemes, laws and techniques utilised during investigations will be necessary. These programs should use the most advanced technology to offer programs that highlight the latest developments in economic crimes and detection advancements. The conduct of the financial sector should be guided by principles of compliance and ethics, and the national public should be made aware of the dangers of money laundering through a collaborative effort that creates a friendly environment with security at the centre of all financial activities.

CASE STUDIES

Anoop Bartaria v Dy. Director Enforcement:[26] The prosecution must demonstrate that the accused knew they were dealing with the proceeds of illegal conduct in order for the prosecution to file a case under the aforementioned Act, the Supreme Court decided. The court also decided

[25] *Ibid*
[26] *Anoop Bartaria v Dy. Director Enforcement* (2023) SCC Online SC 477

that, despite any wording in the 1973 Code of Criminal Procedure Code[27] to the contrary, money laundering charges are crimes that are both cognizable and non-bailable under section 45(1)[28]

Union of India v Manish Sisodia:[29] Manish Sisodia was not granted bail by the panel of judges, which includes Justices Sanjiv Khanna and SVN Bhatti. The conclusion lacked specificity and was chock full of platitudes. A challenge is posed by Section 45[30] of the Prevention of Money Laundering Act (PMLA), which mandates that the Court perform an initial examination of the documents in the file to see if the accused has a prima facie case. A noteworthy aspect of the Manish Sisodia case is that the accused was not granted bail by the court, despite the fact that the majority of the claims had been initially refuted by the Directorate of Enforcement (ED) and the Central Bureau of Investigation (CBI). This decision was based on the finding that certain private liquor wholesale distributors had benefited from the change in the excise policy, even if there is no concrete evidence of bribery or harm to the public coffers. Before rejecting bail, the available evidence should be carefully reviewed, a solid prima facie case should be made, and the facts should be carefully investigated. If the court's discussion suggests that there is insufficient evidence to support a conviction in the future, it raises the crucial question of whether the judgment may serve as a reliable precedent for other courts across the nation in addressing bail-related cases. Everyone finds this to be a perplexing situation.

Union of India's Pankaj Bansal v Honourable Supreme Court:[31] It offers a positive development in exercising control over the Enforcement Directorate (ED):

1. Rather than only being informed verbally of the reasons for the arrest, the accused should be given written notice of them at the time of the arrest.

2. It is time to stop making arrests for the simple act of not responding to a summons.

[27] Code of Criminal Procedure 1973, s 43
[28] Code of Criminal Procedure 1973, s 45(1)
[29] *Union of India v Manish Sisodia* (2023) SCC Online Del 3731
[30] Prevention of Money Laundering Act 2002, s 45
[31] *Pankaj Bansal v Union of India* (2023) SCC OnLine SC 1244

3. Should the arrest be found to be illegal; all additional remand orders will be null and invalid. The Delhi High Court's decision to highlight the parallels between the UAPA and PMLA sections in the NewsClick case took effect right away.

The Supreme Court's pertinent decision was particularly acknowledged by the High Court in this matter.

The second premise of the opinion carries substantial practical implications, particularly in light of the frequent utilization of 'non-cooperation' by the Enforcement Directorate (ED) as a pretext for an arrest. One worrying outcome of the Vijay Madanlal Choudhary verdict is the acceptance of any statement made to an ED officer in response to a Section 50 summons, even if it contains self-incrimination, as admissible evidence. This position undermines the protection provided by Article 20(3)[32] of the Constitution, especially in view of the ED's significant capacity for coercion. In the language of the ED, 'cooperation' usually refers to a confession by the accused. The Supreme Court's acute understanding of this circumstance was indicated by Pankaj Bansal's clear declaration that the ED cannot contact someone who has been detained for interrogation and demand that they confess to a crime and then say that any other kind of response would be construed as 'evasive'. Another notable aspect of Pankaj Bansal is the Supreme Court's caution to trial courts to carefully assess the validity of the arrest before remanding the prisoner.

CONCLUSION

Money laundering constitutes a serious concern for many jurisdictions around the world, covering a range of illegal activities, which may have money, passion or reasons as a basis for their occurrence. Those who master these skills are trying to muddle the waters of the original source of funds that have been illicitly obtained to keep them outside the reach of law enforcement agencies. Commercial regulations document that banks, financial entities, and intermediaries have to establish strict client identification procedures and exact record keeping, they do transmission of the required information to the FIU of India. Besides that, the legislative framework includes harsh punishments for whoever is caught illegally laundering money, it can be from three to seven years in prison. It is of the utmost importance for all banks, financial

[32] Constitution of India 1950, art 20(3)

entities and intermediaries of all kinds in order to effectively combat money laundering, to impose and walk strictly the preset regulatory standards. The emergence of such global frameworks like FATF and PMLA is recognized as the fundamental step forward for effective financial regulation and prevention of money laundering. Moreover, the RBI has been proud to announce that it organized a series of actions that were designed to deal with this back-breaking problem.